(*a public unlimited company incorporated under the laws of Ireland with registration number 463791*)

€6,000,000,000

MORTGAGE COVERED SECURITIES PROGRAMME

The Issuer is a designated mortgage credit institution for the purposes of the ACS Act. The Securities will constitute mortgage covered securities for the purposes and with the benefit of the ACS Act.

See *Definitions and Interpretation* for definitions of defined terms used in, and rules of interpretation applying to, this Base Prospectus.

Under the Programme, the Issuer may from time to time issue the Securities denominated in any currency agreed between the Issuer and the relevant Dealer 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 or offered to the public in a Member State of the EEA 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 €6,000,000,000 (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, 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 Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive and relevant Irish laws, including 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. This 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 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 or which are to be offered to the public in any Member State of the EEA. Application has been made to the 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.

Arranger

J.P. Morgan

Dealers

EBS J.P. Morgan

The date of this Base Prospectus is 27 November 2017.

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 the EU Prospectus Regulation.

For the purposes of Part 6 of the Prospectus Regulations, EBS accepts responsibility for the information contained or incorporated by reference in this Base Prospectus relating to EBS and the EBS Group (but excluding information specifically relating to the Issuer and the Securities). To the best of the knowledge of EBS (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.

For the purposes of Part 6 of the Prospectus Regulations, 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 EBS Group, 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.

No 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 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 Arranger 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 Arranger or any of the Dealers.

None of the Dealers or the Arranger 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 Arranger 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, EBS 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, EBS 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 Arranger. The Securities will not be guaranteed by the Government, any other organ or agency of the State, AIB, the Dealers or the Arranger.

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 of Securities will be set out in 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 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 Conditions, 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 and/or such other rating agency or agencies as may be appointed by the Issuer to rate the Securities, such rating(s) to be disclosed in the applicable Final Terms for the relevant 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 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. Moody's 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 https://www.esma.europa.eu/supervision/credit-rating-agencies/risk.

This Base Prospectus may only be used for the purposes for which it has been published. This Base Prospectus supersedes the base prospectus dated 20 October 2016 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 Arranger 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 Arranger 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, EBS 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 Arranger expressly do not undertake to review the financial condition or affairs of the Issuer or AIB, EBS 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 Arranger 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 Arranger 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 UK, 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 Arranger, the Issuer, EBS 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.

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 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 have the respective meanings given in the Definitions and Interpretation section of this Base Prospectus.

Issuer:	EBS Mortgage Finance. See *Description of the Issuer*.
AIB/the Group:	The Issuer is a wholly-owned subsidiary of EBS which is a wholly-owned subsidiary of AIB. See *Description of EBS Group* and *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*.
Arranger:	J.P. Morgan Securities plc.
Dealers:	EBS, J.P. Morgan Securities 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, London Branch.
Transfer Agent:	The Bank of New York Mellon, London Branch.
Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Cover-Assets Monitor:	Mazars. See *Cover-Assets Monitor*.
Irish Listing Agent:	McCann FitzGerald Listing Services Limited.
Programme Size:	Up to €6,000,000,000 (or its equivalent in other currencies calculated as described below) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Securities issued under the Programme from time to time: (a) the euro equivalent of Securities denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Securities, see *Final Terms for Securities*) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Securities or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case, on the basis of the spot rate for the sale of the euro against the purchase

of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation; and

(b) the euro equivalent of Zero Coupon Securities (as specified in the applicable Final Terms in relation to the Securities, see *Final Terms for Securities*) and other Securities issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

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. 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 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 or premium 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 (unless the relevant Securities have been purchased by the Issuer) 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 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 such other rating agency or agencies as may be appointed by the Issuer to rate Securities, such rating(s) to be disclosed

in the applicable Final Terms for the relevant 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.

As from 24 March 2017, the Issuer chose not to re-appoint Fitch to rate any Securities issued or to be issued under the Programme for commercial reasons and the ratings from Fitch have been withdrawn from that date.

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 Conditions (see *Terms and Conditions of the Securities*) endorsed on or attached to, or incorporated by reference in, 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 statutory framework for the issuance of covered bonds known as 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" and issue asset covered securities known as "mortgage covered securities".

The ACS Act provides, among other things, for the registration of eligible credit institutions as Institutions, the maintenance by

Institutions of a defined pool, known as a cover assets pool, of prescribed mortgage credit assets (including mortgage credit assets in securitised form) and limited classes of other assets (known as cover assets), and the issuance by Institutions of certain asset covered securities secured by a statutory preference under the ACS Act on the Cover Assets comprised in the Pool.

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 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 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 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 their occurrence or the relative magnitude of their potential impact on the Issuer's and/or, as applicable, the Group's business, financial condition, results of operations and prospects, 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.

The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential impact on the Issuer's and/or, as applicable, the Group's business, financial condition, results of operations and prospects.

Risks relating to the Macro-economic Environment in which the Issuer and the Group operates

1 *The Issuer's and the Group's business may be adversely affected by any deterioration in the Irish or UK economy or in global or relevant regional economic conditions.*

The Group's business activities are concentrated in the Irish and UK markets. Deterioration in the performance of the Irish or UK economy has the potential to adversely affect the Group's overall financial condition, financial performance and/or prospects. Furthermore, given the Irish economy's linkages to the global economy, any deterioration in global and/or relevant regional economic conditions could have an adverse effect on the Group. In particular, the UK, the EU and the United States are Ireland's most important trading partners and accordingly the emergence of adverse economic conditions in any or all of those regions may in turn have an adverse impact on the Irish economy and therefore the Issuer and the Group. Any deterioration in global and/or relevant regional economic conditions could result in reductions in business activity, lower demand for the Group's products and services, reduced availability of credit, increased funding costs and/or decreased asset values.

The global financial crisis which commenced in 2008 had a severe impact on the Irish economy, with GDP contracting significantly between 2008 and 2013. The impact of the crisis on the Irish economy was particularly pronounced given Ireland's dependence on the property and construction sectors. Declining residential and commercial property prices led to a significant slowdown in the construction sector in Ireland. As a result of the contraction in GDP, loan impairments in the Irish property and construction and residential mortgage sectors increased substantially. This had, and continues to have, a material adverse effect on the Group's as well as other Irish banks' financial condition and results of operations, as a result of credit impairment charges.

Following a contraction of global GDP in 2009 and lower levels of growth in the immediately following years compared to pre-crisis levels, the global economy has been growing steadily in recent years. After a period of spending cuts and tax increases implemented by the Government, the Irish economy has been improving along with the global economy. Ireland was one of the fastest growing economies in the Eurozone in 2014, 2015 and 2016, according to data from Business Monitor International and the CSO Statbank. However, there can be no guarantee that favourable economic conditions will continue. Geopolitical developments could lead to market disruption and could compromise the global recovery (see "— *Geopolitical developments, particularly in Europe and the United States, may have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group*"). Any renewed stress on or deterioration of the Irish or global economy could reduce demand for credit, and increase levels of arrears and decrease collateral values across the Issuer's and the Group's loan book, which would have a negative impact on the Issuer's and the Group's business, financial condition, results of operations and prospects.

Irish unemployment has also decreased recently, from a peak of 15.1 per cent. in February 2012 to 6.0 per cent in October 2017, according to the CSO. If employment levels do not continue to increase as currently expected, or if there are reductions in borrowers' disposable income, the ability of the Issuer's and the Group's customers to repay existing loans may be adversely affected, which could result in additional writedowns and impairment charges for the Issuer and the Group and demand for new lending could decrease, any of which could negatively impact its financial condition and results of operations. The annual increase in the residential property price index for 2015 and 2016 was 8.9 per cent. and 6.3 per cent., respectively, according to the CSO Residential Property Price Index. If house prices continue to increase without sufficient improvements in customers' earnings levels, this could lead to a reduction in demand for mortgages as fewer customers would be able to afford to buy property.

Economic conditions in the UK have also been improving. GDP grew by 1.8 per cent year on year in 2016, albeit the rate of growth slowed in the first two quarters of 2017 to 0.3 per cent increasing to 0.4 per cent in the third quarter of 2017 and unemployment in the third quarter of 2017 was 4.3 per cent., compared to 7.6 per cent. in the third quarter of 2013, according to the UK's Office for National Statistics. Any deterioration in the UK economy, whether caused by the UK's exit from the EU or otherwise, could have a similar impact on the Group's business in the UK. See "*—The UK's exit from the EU or the outcome of the general election in the UK held on 8 June 2017, in which the governing Conservative Party failed to achieve a majority, could lead to a deterioration in market and economic conditions in the UK and Ireland, which could adversely affect the Issuer's and the Group's business, financial condition, results of operations and prospects*".

As a result of the dynamics discussed above, any deterioration in economic conditions in Ireland, the UK or the global economy could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2 *Geopolitical developments, particularly in Europe and the United States, may have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group.*

Geopolitical developments in recent years have given rise to significant market volatility and in certain instances have had an adverse impact on economic growth and performance globally. Expectations regarding geopolitical events and their impact on the global economy remain uncertain in both the short and medium term.

The European sovereign debt crisis which commenced in 2011 and the emergence of significant anti-austerity sentiment in certain Eurozone countries, including, for example, Greece and Italy, has contributed to, and may continue to contribute to, instability in the European sovereign debt markets and in the Eurozone economy generally. If one or more members of the Eurozone were to default on their debt obligations or decide to leave the common currency, this could result in the reintroduction of one or more national currencies. Should a Eurozone country exit the common currency, the resulting need to reintroduce a national currency and restate existing contractual obligations could have unpredictable financial, legal, political and social consequences. Furthermore, if a country were to exit the Eurozone, it may lead to that country subsequently leaving the EU, which could contribute to the potential break-up of the EU, and otherwise give rise to further uncertainty and adversely impact the overall economic climate.

Conflicts in the Middle East and more recently tensions in North Korea relating to its potential nuclear weapon capability have also led to geopolitical uncertainty. The conflict in Syria has resulted in an influx of refugees into the EU, which has contributed to political instability in certain Member States which could affect the cohesiveness and integrity of open borders within the EU. If hostilities in Syria, political and military tensions in relation to North Korea or similar events elsewhere in the world were to escalate, this could result in further instability. Terrorist activities within Europe or in other countries may also result in instability.

The UK's vote to withdraw from the EU has resulted in significant volatility within the European political environment, as described in further detail under " *— The UK's exit from the EU or the outcome of the general election in the UK held on 8 June 2017, in which the governing Conservative Party failed to achieve a majority, could lead to a deterioration in market and economic conditions in the UK and Ireland, which could adversely affect the Issuer's and the Group's business, financial condition, results of operations and prospects*."

In addition, in Northern Ireland political instability and deadlock have resulted from the resignation of the Deputy First Minister on 9 January 2017 and the collapse of negotiations to form a power-sharing government following assembly elections held on 2 March 2017. The outcome of the general election in the UK held on 8 June 2017 has resulted in the two main political parties in Northern Ireland, the Democratic Unionist Party and Sinn Féin, increasing the number of their respective seats in the UK parliament and overall, no political party having an overall

majority in that parliament. On 26 June 2017, a supply and confidence arrangement was announced by the Conservative Party and the Democratic Unionist Party whereby the latter would support in certain respects the maintenance of a minority government in the UK by the former. See also "*The UK's exit from the EU or the outcome of the general election in the UK held on 8 June 2017, in which the governing Conservative Party failed to achieve a majority, could lead to a deterioration in market and economic conditions in the UK and Ireland, which would adversely affect the Issuer's and the Group's business, financial condition, results of operation and prospects*". Since January 2017, several attempts have been made to negotiate a power-sharing agreement between the Democratic Unionist Party and Sinn Féin but without success. In mid-November 2017, the UK government passed a budget for Northern Ireland after the Democratic Unionist Party and Sinn Féin failed to reach a power-sharing arrangement. The imposition of a budget on Northern Ireland by the UK government and the protracted failure to reach a power-sharing arrangement increases the risk of the current political structures in Northern Ireland becoming subject to significant change including by the reinstatement of direct rule from London. These political developments are occurring at the point when the UK is in the process of negotiating its withdrawal from the EU and the challenges have arisen for the Northern Irish economy (as to which see further below in this risk factor). The uncertainty resulting from these developments may have an adverse effect on economic conditions in Northern Ireland, which could in turn have an adverse effect on the Group, given its operations there.

The December 2016 referendum in respect of certain proposed changes to the Italian constitution led to the resignation of the Italian Prime Minister and caused instability and uncertainty in Italy. The emergence of anti-EU and anti-establishment political parties and a rise in protectionist sentiment across the EU may also give rise to further political instability and uncertainty, particularly following the results of the German election held on 24 September 2017 and the Austrian election held on 15 October 2017. The Austrian election resulted in the centre-right Austrian People's Party and then the right wing Freedom Party being the largest political party in the Austrian parliament followed by the centre-left Social Democratic Party being the second largest party. It is anticipated that the Austrian People's Party will form a new coalition government, potentially with the Social Democratic Party, or the Freedom Party to replace the current coalition government. In the German election, the current government led Christian Democrat Union (and its ally, the Christian Social Union) received their lowest share of the national vote since 1949, and the other current coalition government party, the Social Democratic Party, suffered its worst ever election result. The right wing Alternative for Germany party took third place in the German election (after the Christian Democrat Union/Christian Social Union and the Social Democratic Party) and will take seats for the first time in the German parliament. On 19 November 2017, attempts to form a coalition government between the Christian Democrat Union / Christian Social Union, the Green Party and the Free Democrat Party failed which, may result in a minority government being formed or the calling of another election in Germany. Furthermore, the growth of regional pressures for independence in some Member States may also give rise to further political and economic instability and uncertainty, particularly as a result of the attempted vote on Catalan independence from Spain on 1 October 2017, which resulted in the Catalonian authorities taking steps to declare independence and subsequently on 30 October 2017 the Spanish government exercised constitutional powers to dissolve the Catalan government and parliament and to take direct control of Catalonia's ministries and public institutions. An election is scheduled to be held in Catalonia on 21 December 2017 to allow Catalan's vote for a new regional government and parliament. The foregoing steps may result in further political unrest between the Spanish government and pro-independence forces in Catalonia with adverse economic consequences for Spain which is a large Member State.

In the United States, the election of the new president in November 2016 and his subsequent inauguration in January 2017 have contributed to an uncertain geopolitical atmosphere. While financial markets have not experienced significant disruption in the immediate aftermath of the election or inauguration, the implementation of the new administration's policies, such as trade protectionism and travel restrictions, may in the future have an adverse effect on relations between the United States and the EU and may have an impact on economic conditions generally. For example, protectionist measures may make it uneconomical for Irish companies to export their products to the United States, which could have a negative impact on the Irish economy. On 2 November 2017, the Republican Party in the US congress published its tax plan to reform the US tax code including in the case of business taxes to reduce the general federal corporate tax rate from 35 per cent. to 20 per cent. to scale back the taxation of non-US corporate earnings, to impose a 20 per cent. excise tax on certain intra-group payments which are made cross border and to impose a once-off levy on the repatriation to the United States of non-US corporate earnings. If these proposals or similar proposals are implemented, they could adversely affect inward investment into Ireland, which is currently incentivised in part by Ireland's relatively low corporate tax rate. See "— *The Group may be adversely affected by the budgetary and taxation policies of the Irish, UK and other governments and by changes in taxation law and policy globally"*. In addition, on 26 September 2017 and 6 October 2017, the US Commerce Department and US International Trade Commission announced interim decisions on its investigation (following a complaint lodged by Boeing) concerning price dumping and alleged state subsidies from Canada and the UK received by Bombardier (which is based in Canada but is Northern Ireland's largest private sector

employer). A decision to impose duties in the United States of up to 300 per cent on relevant aircraft made by Bombardier could have significant negative impacts on economic conditions, employment levels and hence, social stability and conditions, in Northern Ireland should Bombardier be subject to the duties referred to above or further negative findings and duties or other sanctions. However the acquisition by Airbus on 16 October 2017 of a majority stake in the relevant aircraft programme which is the subject of the US investigations may reduce the risk associated with these investigations should some of the relevant aircraft production be moved to the US. The aforementioned geopolitical developments as well as any further developments may adversely affect global economic growth, heighten trading tensions and disrupt markets, which could in turn have a material adverse effect on the Issuer's and the Group's business, financial condition, results of operations and prospects.

3 ***The UK's exit from the EU or the outcome of the general election in the UK held on 8 June 2017, in which the governing Conservative Party failed to achieve a majority, could lead to a deterioration in market and economic conditions in the UK and Ireland, which could adversely affect the Issuer's and the Group's business, financial condition, results of operations and prospects*****.**

In a referendum on the UK's membership of the EU held on 23 June 2016, a majority voted in favour of the UK's withdrawal from the EU known as Brexit. Following a vote in parliament in February 2017 approving such a measure, in March 2017, the UK Government triggered the official process for withdrawing from the EU under Article 50 of the Treaty of the European Union, leading to a process of negotiation that will determine the future terms of the UK's relationship with the EU. Formal Brexit negotiations have commenced between the UK and the EU in the initial stage focussing on three issues, compensation to be paid by the UK to the EU, the border on the island of Ireland and the position of EU citizens resident in the UK / UK citizens resident in the EU. On 3 October 2017, the European Parliament voted to call on the EU Council to delay making a decision on progressing to the next stage of negotiations, unless, there is a major breakthrough in the negotiations on the three issues referred to above. At its meeting held on 19 and 20 October 2017, the EU Council did not conclude that there had been sufficient progress in the negotiations for the EU to proceed to the next stage of negotiations involving trade between the UK and EU after Brexit but rather concluded that it would reassess at its next meeting (scheduled for December 2017) whether there has been sufficient progress to so proceed. There is a concern that the EU will decide there has not been sufficient progress at that point to so proceed. The outcome of the general election held in the UK on 8 June 2017 has resulted in the Conservative Party obtaining the largest number of seats but losing its overall majority in the UK parliament. On 26 June 2017, a supply and confidence arrangement was announced by the Conservative Party and the Democratic Unionist Party whereby the latter would support in certain respects the maintenance of a minority government in the UK by the former. This may result in political instability in the UK or its constituent parts. These developments could adversely affect the Issuer and the Group because of Ireland's strong economic and other linkages with the UK, as well as the Group's operations in the UK, which accounted for 12 per cent. of its total operating income in the year ended 31 December 2016. Although the overall impact of the UK's withdrawal from the EU remains uncertain, and may remain uncertain for some time, it is expected to have a negative effect on Ireland's GDP growth over the medium term, with the UK's future trading relationship with the EU post-Brexit being the key consideration in this regard. In addition it may increase the level of non-performing loans held by, and reduce the level of demand for new loans from, banks across Ireland, including AIB.

The significant decline in the pound sterling/euro exchange rate resulting from the Brexit vote has had, and is expected to continue to have, an adverse effect on exports to the UK. The UK is a significant trading partner for Ireland, with goods exports to the UK totalling €15.0 billion in the year to December 2016**,** representing 12.8 per cent. of total goods exports from Ireland, according to CSO Statbank. The impact may be disproportionate in relation to sectors of the Irish economy with significant linkages to the UK, including agriculture and tourism, and the impact will be exacerbated by any further weakening of the pound sterling. Furthermore, the imposition of any tariffs or customs controls as a result of the UK's withdrawal from the EU could have an adverse effect on the export of goods or services from Ireland to the UK and, under current EU rules, Ireland would not be able to negotiate a bilateral trade agreement with the UK. Persistent uncertainty may also cause companies to delay capital expenditure, which would have an adverse impact on GDP growth. Regions of Ireland in proximity to the border with Northern Ireland may be particularly subject to negative risks from a withdrawal of the UK from the EU due to the close day-to-day interactions between the two countries. Furthermore, the results of the referendum have caused, and the withdrawal of the UK from the EU may in the future cause, dislocation and volatility in financial markets, including volatility in exchange rates and interest rates. Such volatility may adversely affect the Issuer's and the Group's operations and business volumes.

The UK's withdrawal from the EU may also have an impact on labour market conditions in Ireland. In particular, financial institutions and other financial operations currently based in the UK that rely on the EEA "passport" to access the single EEA market for financial services may seek an alternative base for their operations and relocate

such operations to other jurisdictions, including Ireland. This may result in heightened competition for suitably qualified employees, which could adversely affect the Issuer's and the Group's ability to attract and retain employees. See "— *Risks Relating to the Issuer's and the Group's Business — Restrictions on executive fixed and variable pay, the existence of an additional tax on bonuses paid to employees of Irish banks who have received financial support from the Government, the UK's withdrawal from the EU, macro-economic and other factors may adversely affect the Group's ability to recruit, retain and develop appropriate senior management, skilled and specialist personnel and may lead to employee dissatisfaction generally*".

Any of the foregoing could have a material adverse effect on the Issuer's and the Group's business, financial condition, results of operations and prospects.

4 *The Group faces risks associated with the level of, and changes in, interest rates, as well as certain other market risks.*

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, including customer accounts, which accounted for 73 per cent. of the Group's total funding as at 30 June 2017. 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 customers to save. In addition, a negative interest rate environment erodes net interest margin due to inter alia, the zero interest rate floor on retail customer deposits.

Changes in the shape and level of interest rate curves impact the economic value of the Group's 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 re-pricing characteristics). The persistence of exceptionally low interest rates for an extended period, or negative interest rates, could adversely impact the Issuer's and the Group's earnings through the compression of its net interest margin. Commencing in 2009, governments and monetary authorities around the world took action to stabilise financial markets, including by implementing highly accommodative monetary policies. Despite what appeared to be an improving growth background at the time, the ECB cut the deposit rate to -0.30 per cent in December 2015 and in December 2016 announced an extension of its asset purchase programme until at least December 2017. The asset purchase programme is now intended to be carried out until the end of 2017 if inflation and inflation expectations do not materially improve. In March 2016, the ECB delivered a package of measures to boost Europe's economy, including cutting its main refinancing rate to 0.0 per cent. and its deposit rate to -0.4 per cent. In recent months there has been increased signals from central banks, such as the ECB, Bank of England, and the US Federal Reserve, that they may recalibrate or taper their asset purchase programmes and in the case of the ECB and the Bank of England, begin to raise interest rates from historic lows. On 26 October 2017, the ECB announced that it would recalibrate (rather than taper) its asset purchase programme by reducing its monthly asset purchasing programme by half to €30 billion per month, commencing January 2018 and extending asset purchases by a further nine months until at least September 2018. On 2 November 2017, the Bank of England announced that it would raise interest rates for the first time in ten years by a quarter of a percentage point to 0.5 per cent. with the possiblity of two further quarter of a percentage point rate increases over the next two years. The increase in interest rates may have an adverse impact on borrowers experiencing the rate rise through an interest rate increase on loans.

It remains unclear when central banks will return to more conventional monetary policies. To the extent interest rates remain low for an extended period of time; this could put pressure on the Group's net interest income and margin, and could reduce the incentives for its customers to deposit money in savings accounts, reducing funding from deposits. The accommodative monetary policies pursued by central banks may also lead to excessive inflationary pressures on relevant economies. Furthermore, in the event of a sudden large increase or frequent increases in interest rates, the Group may not be able to respond to the market or re-price its assets and liabilities at the same time, giving rise to re-pricing gaps in the short term which can adversely affect its net interest margin.

Interest rates also affect the affordability of the Issuer's and 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 or re-default rates among customers with variable rate obligations (e.g., customers with variable rate mortgages or tracker mortgages, which accounted for 55 per cent and 35 per cent respectively of the Group's residential mortgages in Ireland as at 31 December, 2016). This could in turn lead to increased impairment provisions and lower profitability for the Issuer and 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 books, which would 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 at the same levels when interest rates are high as when interest rates are low.

In addition to interest rate risk, the Group is exposed to other market risks, such as credit spread risk. As at 30 June 2017, the Group had €14.3 billion of available for sale debt securities on its statement of financial position, which primarily included debt securities issued by Eurozone governments. As at 30 June 2017, the Group's available for sale debt securities included €4.9 billion of Government securities, €2.5 billion of other European government securities, €0.2 billion of non-European government securities, €1.5 billion of securities issued by supra-national banks and government agencies, €0.3 billion of asset backed securities and €4.2 billion of securities issued by European banks. Widening credit spreads could adversely impact the fair value of these assets. Additionally, on 30 June 2017, the Group had €0.6 billion of available for sale equity securities, the value of which is sensitive to changes in equity prices.

The Group also has exposure to market risk in relation to its trading book, which encompasses positions in financial instruments (principally derivatives) that are held with trading intent or to hedge positions held with trading intent. This risk arises primarily from the Group's support of customer businesses with small residual discretionary trading positions remaining. Credit value adjustments and funding value adjustments to derivative valuations arising from customer activity can have an impact on the Group's results of operations.

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

5 *The Group may be adversely affected by the budgetary and taxation policies of the Irish, UK and other governments by changes in taxation law and policy elsewhere or globally.*

The current and future budgetary and taxation policy of Ireland and the UK and other measures adopted by the Irish, and UK Governments or by governments in other jurisdictions in which the Group operates or has business, may have an adverse impact on the Group's business. The Issuer's business is based in Ireland and is accordingly, most exposed to budgetary and taxation policy in Ireland.

For instance, the bank tax levy introduced by the Government in Budget 2014 imposed an additional taxation liability on the Group that was originally intended to apply for 2014, 2015 and 2016 only. The Finance Act 2016 rebased the bank levy and extended it beyond 2016 to 2021. The annual bank tax levy paid by the Group in 2016 amounted to €60 million. In addition, in the UK Finance Act 2015, the UK Government restricted the proportion of a bank's taxable profit that can be offset by certain carried forward losses to 50 per cent., effective from 1 April 2015, resulting in a €242 million decrease in the Group's deferred tax asset for the year ended 31 December 2015. This was subsequently further reduced in the UK Finance Act 2016 to 25 per cent., effective 1 April 2016, resulting in a €92 million decrease in the Group's deferred tax asset for the year ended 31 December 2016. These changes will also result in the current tax charge being a higher portion of the income tax charge in the future. The costs associated with these and any future changes in budgetary and taxation policies globally could have a material adverse effect on the Issuer's and the Group's business, financial condition, results of operations and prospects.

In addition, multinational corporations' recognition of resources for taxation purposes has come under considerable political scrutiny recently. The OECD, with the support of the G-20, has embarked on a project to address base erosion and profits shifting by multi-national companies, which is focused on combatting base erosion using arrangements to generate income that is not subject to meaningful taxation in any jurisdiction as well as profit shifting from high tax jurisdictions to low tax jurisdictions. In August 2016, the EC ruled that Apple Inc. had received €13 billion of illegal state aid because of its taxation arrangements with Ireland, which permitted it to pay substantially less tax than it would have been required to pay had its profits been booked in another jurisdiction. Ireland and Apple are appealing that ruling in the European Court of Justice. If these types of arrangements continue to be challenged by the EC, this could result in companies relocating from Ireland, or deciding to invest in other jurisdictions, which could have an adverse impact on the Irish economy. The introduction of more favourable corporate taxation policies in other jurisdictions may also attract capital away from Ireland. See *"— Geopolitical developments, particularly in Europe and the United States, may have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group"*. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to the Issuer's and the Group's Business

6 ***The Issuer and the Group are subject to credit risks in respect of customers and counterparties, including risks arising due to concentration of exposures across their loan book, and any failure to manage these risks effectively could have a material adverse effect on their business, financial condition, results of operations and 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 particular, the Group remains heavily exposed to the Irish property market, including the Irish residential property market, both because of its mortgage lending activities and its property and construction loan book. The Issuer's business is confined to residential mortgage lending in Ireland (with a significant degree of concentration on the Dublin areas) and only residential loans originally secured by property situated in Ireland are contained in the Issuer's loan book. Accordingly, any development that adversely affects the Irish property market will have a disproportionate impact on the Issuer and the Group in comparison to other banks with less significant exposures to this market.

In addition to the credit exposures arising from loans to individuals SMEs and corporates, the Group has exposure to credit risk arising from their exposure to other financial institutions (for further details, see " — *The Issuer and the Group could be negatively affected by actual or perceived deterioration in the soundness of other financial institutions and counterparties*"), its trading portfolio, available for sale and held to maturity portfolios, derivatives and off-balance sheet guarantees and commitments. The Group may be exposed to customers or counterparties through any or all of these assets and when assessing credit risk against a particular customer or counterparty, all of these exposures are taken into account. Positions in the trading book and available for sale positions are marked to market on a daily basis and the majority of interbank derivative positions are subject to daily collateralisation.

If the Issuer and the Group are unable to manage their credit risk effectively, their business, results of operations, financial condition and prospects could be materially adversely affected.

7 ***The Issuer and the Group have a high level of criticised loans on their 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, further losses, 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 described in further detail in the "Credit Risk" section of "Risk Management at the Issuer". The percentage of the Group's loan portfolio which is impaired is higher than the average of other European financial institutions and remains a main concern for the Group's joint supervisory team at the ECB and Central Bank in light of the implications for the Group's profitability, capital and senior management agenda.

As at 31 December 2016, the Issuer had €1.2 billion in criticised loans on its balance sheet, representing 23.3 per cent. of total mortgage loans. As at 30 June 2017, the Group had €16.6 billion in criticised loans on its balance sheet, representing 26 per cent. of total loans, of which €2.6 billion were "watch" loans, representing 4 per cent. of total loans; €6.3 billion were vulnerable loans, representing 10 per cent. of total loans; and €7.7 billion were "impaired" loans, representing 12 per cent. of total loans. As at that date, the Group had €12.1 billion in non-performing exposures, which are defined by the EBA to include material exposures which are more than 90 days past due and/or exposures in respect of which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days the exposure is past due.

The Issuer and the Group have been proactive in managing their criticised loans, in particular through restructuring activities and the development of a MARS, which built on and formalised the MARP it was required to introduce in order to comply with the CCMA, as well as the development of strategies for the restructuring of all asset classes of loans. The Group, including the Issuer, has reduced the level of criticised loans on its statement of financial position, with criticised loans having decreased by €15.2 billion, or 44.8 per cent., from 2014 to 2016. There can be no assurance, however, that the Issuer and the Group will continue to be successful in reducing the level of their criticised loans, particularly since there are a number of elements outside of the Issuer's and the Group's control, such as property values, interest rate levels and taxation policies, that will impact its criticised loan book. For example, the Group has been unable to finalise certain restructuring strategies and solutions, in line with the Group's

standard customer treatment strategies, to employees, former employees and their associates due to uncertainty in relation to the application of legislation governing the tax treatment of any write-off of loans to such employees, former employees and their associates, as the restructuring of those loans that may include elements of write-off may give rise to an additional cost, even where the restructuring solution is consistent with those offered to non-employees. The management of criticised loans, including the enforcement and restructuring activities that the Issuer and the Group undertakes, may be vulnerable to challenge by its customers and/or by third parties and the Issuer and the Group are unable to predict the timing or outcome of any such challenges. The Group is also subject to the risk of re-default by customers even after a resolution has been achieved for a particular loan. As the majority of restructuring activity has taken place relatively recently, the Issuer and the Group have a limited empirical basis for assessing the risk of re-default and re-defaults could exceed the level anticipated by the Issuer and the Group. Furthermore, the Issuer and the Group's ability to manage non-performing loans and non-performing exposures may be adversely affected by new or additional requirements regarding the management of such loans and exposures, such as the ECB's March 2017 guidance in relation to the management of non-performing loans and non-performing exposures, other regulatory requirements, or changes in government policy and the draft addendum to the ECB's March 2017 guidance published by the ECB on 4 October 2017 in relation to the minimum levels of prudential provisions expected for NPLs. See "*—Risks Relating to Supervision and Regulation*".

The monitoring of criticised loans can also be time consuming and can require case-by-case resolution. Furthermore, even after a particular loan has been restructured, monitoring and attention will continue to be required. The Issuer's and the Group's management have devoted significant resources (both in terms of cost and management time) to the monitoring of criticised loans and will continue to be required to do so in the future. This may divert management attention and resources from other areas of the Issuer's and the Group's business.

Finally, the Issuer and the Group have begun to experience an expected slowdown in restructuring momentum and it is now primarily dealing with those cases which are of lower monetary value, more complex, more specific to an individual's circumstances and more protracted in nature. In addition, a larger proportion of the remaining loans being resolved are subject to enforcement and the legal process associated with these takes more time than a consensual process. The Issuer and the Group has elected and may in the future elect to adopt alternative strategies for certain cohorts of its criticised loans, such as loan disposals. For example, AIB, the Irish Mortgage Holders Organisation, and iCare Housing announced on 27 September 2017 an enhanced mortgage solution aimed at keeping customers who are in difficulty with their mortgage, and who qualify for social housing, in their own homes, and which would effectively involve a sale of the property with ownership of the property transferring to iCare Housing and the write-off of any residual mortgage debt.

In addition, in the half year to June 2017, the Group sold a portfolio of impaired buy-to-let loans, the vast majority of which were in deep long-term arrears to a wholly owned subsidiary of Goldman Sachs. Overall, the transaction, with an approximate €0.2 billion net value, was capital accretive. The implementation of such strategies may represent a reputational risk to the Issuer and the Group, and may result in customer dissatisfaction and/or customer litigation. The significant resource investment which such strategies entail may also lead to a loss of management focus in other areas of the Issuer's and the Group's business.

Failure to adequately implement such strategies would also pose significant financial, reputational and other risks to the Issuer and the Group. Loan disposals may occur on terms where the value realised on the disposal is less than the carrying value (net of applicable impairment provisions) in respect of the relevant loans.

If the Issuer and the Group are unsuccessful in reducing the level of criticised loans on their statement of financial position, if it is required to continue to devote significant resources and attention to the monitoring and management of criticised loans or if their reputation is damaged by the alternative treatment strategies it pursues, their business, results of operations, financial condition and prospects could be materially adversely affected.

8 *The Issuer's and the Group's monitoring of their loan portfolio is dependent on the effectiveness, and efficient operation, of their processes including credit grading and scoring systems and there is a risk that these systems and processes may not be effective in evaluating credit quality.*

The Issuer and the Group use processes including credit grading and scoring systems in evaluating the credit quality of their customers and to facilitate the early identification and management of any deterioration in loan quality. Changes in objective information are reflected in the credit grade of the relevant borrower with the resultant grade influencing the management of that borrower's loans. The Issuer and the Group pays special attention to criticised loans which include "watch", "vulnerable" and "impaired" loans. However, there is a risk that the Issuer's and the Group's credit grading and scoring systems and processes may not be effective in evaluating the credit quality of

customers or in identifying changes in loan quality in a timely manner. Any such failure in the timely identification of loan impairment could materially adversely affect the Issuer's and the Group's business, results of operations, financial condition and prospects.

9 *The Issuer and the Group could be negatively affected by actual or perceived deterioration in the soundness of other financial institutions and counterparties.*

Given the high level of interdependence between financial institutions, the Issuer and the Group are and will continue to be subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions. One institution defaulting, failing a stress test or requiring bail-in by its shareholders and/or creditors and/or bail-out by a government could lead to significant liquidity problems, losses or defaults by other institutions. For example, the bankruptcy of Lehman Brothers in 2008 led to this situation, as the commercial and financial soundness of many financial institutions at the time were closely related due to their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty or major Irish financial institution may lead to market-wide liquidity problems and losses or defaults by the Issuer and the Group or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, industry payment systems, clearing houses, banks, securities firms and exchanges with whom the Issuer and the Group interacts on a daily basis. Systemic risk, particularly within the EU or otherwise affecting Ireland, could have a material adverse effect on the Issuer's and the Group's ability to raise new funding and on their business, financial condition, results of operations and prospects.

10 *The Issuer and the Group may have insufficient capital to meet increased minimum regulatory requirements.*

The Issuer and the Group are subject to minimum capital requirements as set out in the CRD IV and implemented under the SSM, which granted the ECB a supervisory role to monitor the financial stability of banks based in participating states, starting from 4 November 2014. CRD IV represents the adoption in the EU of reforms by the Basel Committee commonly referred to as Basel III. CRD IV introduced significant changes in the prudential regulatory regime applicable to banks with effect from 1 January 2014, including: (i) increased minimum levels of capital and additional minimum capital buffers; (ii) enhanced quality standards for qualifying capital; (iii) increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and (iv) the introduction of a minimum leverage ratio from 1 January 2018.

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. Furthermore, the capital requirements to which the Issuer and the Group are subject may become more stringent because of the CRD V/BRRD 2 Proposals published by the EC on 23 November 2016 for amendments to the CRR, the CRD IV, the BRRD, the SRM Regulation and the proposed new directive to facilitate the creation of a new asset class of 'non-preferred' senior debt, and/or further reforms by the Basel Committee on Banking Supervision, including the finalisation of Basel III (commonly referred to as Basel IV).

The Group evaluate the adequacy of their capital under both forecast and stress conditions as part of the ICAAP, which includes the identification and evaluation of potential capital mitigants. Nevertheless, given the evolution of minimum capital requirements and the levels of uncertainty in the current economic environment, there is a possibility that the economic performance over the Issuer's and the Group's capital planning period may be materially worse than expected and/or that losses on 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 such as operational risk or interest rate risk to increase significantly, there is a risk over the longer term that the Issuer's and the Group's capital position could be eroded to the extent that it would have insufficient capital to meet their regulatory requirements, as communicated by the SSM as part of their SREP which is undertaken annually. Following the SREP by the ECB in December 2016, the minimum requirements for the Group for 2017 were set at 9.0 per cent. for the CET1 ratio and 12.5 per cent. for the total capital ratio. This excludes Pillar 2 guidance that is not publicly disclosed. The Group's transitional CET1 and total capital ratios as at 30 June 2017 were 19.9 per cent. and 22.7 per cent. respectively. Based on full implementation of CRD IV, the Group's leverage ratio was 10.4 per cent. as at 30 June 2017. Based on these ratios, the Group has a significant buffer above maximum distributable amount trigger levels, but no assurances can be given that the Group will be able to maintain these ratios or that the minimum requirements will not increase. In addition, capital levels may be negatively affected by volatility arising from the Group's pension schemes and its available for sale portfolio values. The SSM's assessment of the Issuer's and the Group's capital position may also change as a result of any assessment

and supervisory review of its capital models. The outcome of the 2017 SREP is expected to be confirmed by the ECB in Q4 2017.

The Group is also subject to stress tests carried out by Irish and EU regulators with the next round of EU-wide stress tests scheduled to take place in the first half of 2018. Future assessments carried out by relevant regulatory authorities may result in the Issuer and the Group being required over the longer term to increase its capital or to take other appropriate actions to address matters raised in those assessments. The publication of the results of such stress tests could also lead to reputational damage or a diminution in the market valuation of the Group to the extent such results are negative or perceived to be negative. If the Issuer's and the Group's capital position were to deteriorate, this could also impact its ability to pay dividends. Any of the foregoing could have a material adverse effect on the Issuer's and the Group's business, results of operations, financial condition or prospects.

11 ***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 Issuer and the Group being required to seek alternative funding sources.***

While the Group is currently in a position of surplus liquidity, conditions may arise which would constrain funding or liquidity opportunities for the Group over the longer term. Currently, the Group funds its lending activities primarily from customer accounts, which comprised 73 per cent. of the Group's total funding as at 30 June 2017 and the Issuer funds its activities from wholesale funding activities (such as the issue of Securities) and intra Group borrowings. Consequently, a loss of confidence by depositors in the Group, the Irish banking industry or the Irish economy could ultimately lead to a reduction in the availability and/or increase in the cost of funding or liquidity resources. Other funding represented 27 per cent. of the Group's total funding as at 30 June 2017. This was made up of 9 per cent wholesale funding, while funding from monetary authorities represented 2 per cent and the remaining 16 per cent was made up of equity funding.

Concerns around debt sustainability and sovereign downgrades in the Eurozone could impede access to wholesale debt funding markets, adversely impacting the ability of the Issuer and the Group to issue debt securities or regulatory capital instruments to the market. Future wholesale funding will be subject to MREL requirements. Meeting these requirements may cause the Issuer and the Group to incur higher than expected wholesale funding costs. The Group expects that AIB HoldCo will issue €3 billion to €5 billion of securities eligible for MREL purposes over the medium to long term. See "*-Risks Relating to Supervision and Regulation - The Issuer and the Group are subject to substantial and changing prudential regulation, including requirements to maintain adequate capital resources (including MREL) and liquidity and to satisfy specified capital, liquidity and leverage ratios, as well as changes in accounting standards that impact the Issuer's and the Group's capital position, and any perceived or actual shortage of capital or liquidity could result in actions by regulatory authorities, including public censure and the imposition of sanctions.*"

A stable customer deposit base and non-core deleveraging has allowed the Group to reduce its funding from the ECB materially. This, in turn, has facilitated an increase in the Group's unencumbered HQLA. However, if the Group were to exhaust these sources of liquidity, which, based on the Group's current liquidity position and its current financial condition, is not believed to be the case for at least the next 12 months, it would be necessary to seek alternative sources of funding from the monetary authorities.

CRD IV requires banks such as the Group to meet targets set for the Basel III liquidity related ratios: the LCR, which will require banks to have sufficient HQLA to withstand a 30-day stressed funding scenario, and the NSFR, which is a long-term structural ratio designed to address liquidity mismatches. The LCR is being phased in over several years, with credit institutions obliged to hold 80 per cent. of their full LCR in 2017 and 100 per cent. in 2018. The NSFR is proposed to come into effect at the level of 100 per cent. from 1 January 2018 and the Proposals include legislative proposals regarding the NSFR. The Group's LCR was 134 per cent. and its NSFR was 122 per cent. as at 30 June 2017, both of which are within the CRD IV requirements that will apply from 1 January 2018. Nevertheless, meeting the phased implementation deadlines of these requirements could impose additional costs on the Group and the failure to demonstrate appropriate progress towards or to meet such phased requirements may lead to regulatory sanctions. Wholesale funding may also prove difficult if the Group does not achieve LCR and NSFR margins comparable to peers.

If the Group faces difficulties in accessing funding or in meeting the aforementioned liquidity ratios, its business, results of operations, financial condition and prospects could be materially adversely affected.

12 ***Downgrades to the Issuer's and the Group's, Ireland's sovereign or other Irish bank credit ratings or outlook could impair the Issuer and the Group's access to private sector funding, trigger additional collateral requirements and weaken their financial position.***

The Group's long-term senior unsecured debt which is not covered by the ELG Scheme is rated BBB- (with a stable outlook) by S&P (from January 2017), Baa2 (with a stable outlook) by Moody's (from June 2017) and BB+ (with a positive outlook) by Fitch (from December 2015). In addition, the Issuer's Covered Securities Programme is rated Aaa by Moody's (from November 2016). Each of S&P, Moody's and Fitch is registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

However, the credit ratings which may be given to AIB HoldCo may be lower than the current corresponding credit ratings of the Group. While AIB has not yet engaged with any rating agencies in relation to the possible credit rating of AIB HoldCo following the date at which the Scheme becomes effective in accordance with the Scheme, expected to be 8 December 2017, it is possible that AIB HoldCo may have a lower senior unsecured credit rating than the current corresponding rating of AIB from at least one credit rating agency. A lower credit rating may arise from the structural subordination of AIB HoldCo creditors with the result that senior unsecured debt investors at AIB HoldCo level may rank behind senior creditors of AIB. However, there can be no certainty as to the approach credit rating agencies may take with respect to AIB HoldoCo following the implementation of the corporate reorganisation whereby AIB HoldCo will become the holding company of the Group. See also "*—The SRB or SSM may take actions which require the Group to change, or otherwise result in the Group changing, its legal structure, or take other actions which could have a significant impact on the Group's operations, structure, costs and/or capital requirements.*" In addition, over the longer term, downgrades in the credit ratings of the Group could have an adverse impact on the volume and pricing of its wholesale debt funding and its financial position, restrict its access to the debt 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 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. Furthermore, there can be no assurance that Ireland's sovereign credit rating will not be downgraded in the future. As a consequence of the Issuer's and the Group's operations being focused on the Irish market and the very substantial shareholding of the Government in the Group, any such downgrade would be likely to impair the Issuer's and the Group's access to private sector funding and weaken its financial position. Given the concentration of the Irish banking market in a relatively small number of banks and the relative inter-connectivity of the Irish banks, a downgrade of one or more other Irish banks with large shares in that market could also impair the Group's access to private sector funding and weaken its financial position. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

13 ***The Issuer and the Group faces risks from the competitive environment in which they operate and their performance may vary depending on changes in the intensity and source of this competition.***

The Issuer and the Group operates in competitive markets in Ireland and the UK, with market share and associated profits depending on a combination of factors including product range, quality and pricing, reputation, brand performance, and relative sales and distribution strength, among others.
In the Irish market, the Issuer and the Group competes primarily with The Governor and Company of the Bank of Ireland and Ulster Bank, which is owned by the Royal Bank of Scotland. It also competes with smaller universal service providers such as KBC and permanent tsb, and with single service providers, such as Pepper Group, which only offers residential mortgages and with credit unions. The use of intermediaries in the Irish mortgage market is relatively limited with the sophistication and scale of operators lower than in the UK.

The Central Bank is focused on the promotion of higher levels of competitive intensity in the banking market, in common with regulators in other European jurisdictions. Mortgage interest rates in Ireland are higher than Eurozone norms and this, together with the low incidence of switching mortgage providers, is an area of focus for the Central Bank. Should increased competition in the Irish mortgage market lead to the volume of existing AIB customers who refinanced their mortgages with other financial institutions being materially higher than the volume of new mortgages originated by AIB, this could lead to a reduction over time in the value of mortgages available as collateral to the Issuer, which could in turn impact the availability of funding to the Issuer. The Government is also focused on competition in the banking market and on 20 February 2017, the CCPC published a public consultation to gather views about the future of the Irish mortgage market in order to set out options available to the Government

on how to reduce the cost of secured mortgage lending and to improve competition and consumer protection. As the output of that consultation, on 15 June 2017 the CCPC published a report entitled "Options for Ireland's Mortgage Market" setting out suggested options, including those which are aimed at enhancing competition in the Irish residential lending market. See "- *Risks relating to Supervision and Regulation. The Issuer's and the Group's loan book (in particular, their residential mortgage book) may become subject to further supervision and scrutiny by the Government, the Central Bank and the CCPC, which could result in regulation and control of the Issuer's and the Group's loan book and therefore result in a reduction in the Issuer's and the Group's level of lending, interest income and net interest margin and/or increased operational costs*".

In the near term, the intensity of the competitive landscape is likely to be influenced primarily by potential new market entrants as well as more substantial engagement by credit unions in the mortgage market, particularly should the credit markets return to sustainable growth, which would make the market more attractive, as well as by the commercial pressures facing incumbent providers to maintain or grow their current market shares.
Medium-term competitive risks include:

- more intense price-based competition from incumbent providers, committed to delivering on their strategic objective of playing a primary market role and/or returning to a normal dividend relationship with their shareholders through market share gains;

- an increase in the use of intermediaries in the mortgage market, leading to margin pressures as a result of greater price transparency and/ or the promotion of mortgage provider switching;

- the emergence of new, lower-cost, competitors in the Irish mortgage market with particular vulnerabilities for incumbents in low-LTV mortgages;

- sustained disintermediation of traditional banks, including the Group, from specialist and generalist product lines, including but not limited to merchant acquiring services, residential and commercial mortgage lending, foreign exchange transactions, personal credit and SME lending;

- the internationalisation of supply and demand for low-complexity products such as deposits, reducing the scope for intra-EU differences in pricing;

- the successful establishment of virtual banks (such as N26 in Germany), which may adversely affect traditional banks both in terms of income and customer insights, which can provide an important competitive advantage in credit markets; and

- the introduction of PSD2, which may enable the emergence of payment aggregators, which could in turn significantly reduce the relevance of traditional bank platforms and weaken brand relationships.

The competitive threats facing the Issuer and the Group in Ireland stem from both traditional banks seeking to increase their market share and/or market reach, as well as from Fintech companies, which provide services such as online transaction and payments, currency trading, mobile banking, crowdfunding and peer-to-peer lending. Examples of Fintech companies operating in the Irish market include CurrencyFair, LinkedFinance, Fundit, Realex, Kickstarter, PayPal and Apple Pay. Fintech companies often have cost bases and regulatory burdens that are lower than those of financial institutions operating under the traditional banking model, and may not have the same legacy issues such as IT systems issues and non-performing loans as such institutions.

In the context of the Issuer's Irish mortgage residential lending business, increased competition in origination by the Issuer's competitors may reduce the supply of mortgage credit assets available to the Issuer to secure the Securities in its Pool.

In Northern Ireland, the Group face direct competition from the established UK high street banks, non-bank providers (such as Tesco and credit unions) and Bank of Ireland. Additionally, the Northern Irish mortgage market is heavily intermediated. New competitive threats stem primarily from incumbent providers seeking to improve financial performance in what is a challenging market, as well as from Fintech disintermediation.

In Great Britain, where the Group operates as a niche SME bank, it faces competition from larger banks, such as Lloyds, RBS and Barclays, and established and emerging challenger banks, such as CYBG, Aldermore and Shawbrook. Fintech competition in the payments and credit markets is more established in Great Britain than in the

Irish market, with PSD2 likely a material enabler of greater competition in the provision of specialist financial services to SMEs.

Any failure by the Issuer and 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.

14 ***Damage to the Group's brand or reputation could adversely affect its relationships with customers, staff and regulators.***

Management aims to ensure that the Group's brands, which include the AIB, EBS and Haven brands in Ireland, the Allied Irish Bank (GB) brand in Great Britain and the First Trust Bank brand in Northern Ireland are at the heart of its customers' financial lives by being useful, informative and easy to use and providing an exceptional customer experience. The Group's relationships with its stakeholders, including its customers, staff and regulators, could be adversely affected by any circumstance that causes real or perceived damage to its brands or reputation. In particular, any regulatory investigation or inquiry, sanction, fine, litigation or actual or perceived misconduct or poor market practice in relation to customer related issues could damage the Group's brands and/or reputation. Any damage to the Group's brands and/or reputation could have a material adverse effect on the Issuer's and the Group's business, results of operations, financial condition or prospects.

15 ***The Group's strategy may not be optimal and/or not successfully implemented.***

The Group has identified several strategic objectives for its business. The various elements of the Group's strategy may be individually unnecessary or collectively incomplete. The Group's strategy may also prove to be based on flawed assumptions regarding the pace and direction of future change across the banking sector. In addition, any aspect of the Group's strategy that is dependent upon the value and competitive advantage conveyed by intellectual property rights (including trademarks) may not be adequately protected or deemed to be enforceable. Finally, the Group may not be successful in implementing its strategy in a cost effective manner. The Group's business, results of operations, financial condition and prospects could be materially adversely affected if any or all of these strategy-related risks were to materialise.

16 ***If a poor or inappropriate culture develops across the Issuer's and the Group's business, this may adversely impact its performance and impede the achievement of its strategic goals.***

The Issuer and the Group must continuously develop and promote an appropriate culture that drives and influences the activities of its business and staff and its dealings with customers in relation to managing and taking risks and ensuring risk considerations continue to play a key role in business decisions. It is senior management's responsibility to ensure that the appropriate culture is embedded throughout the organisation. As was demonstrated by many banks during the global financial crisis, if an inappropriate culture develops, then a strategy or course of action could be adopted that results in poor customer outcomes. If the Issuer and the Group are unable to maintain an appropriate culture, this could have a negative impact on the Issuer's and the Group's business, results of operations, financial condition and prospects.

17 ***Restrictions on executive fixed and variable pay, the existence of an additional tax on bonuses paid to employees of Irish banks who have received financial support from the Government, the UK's withdrawal from the EU, macro-economic and other factors may adversely affect the Group's ability to recruit, retain and develop appropriate senior management, skilled and specialist personnel and may lead to employee dissatisfaction generally.***

The Group's success depends on the continued service and performance of its key employees, particularly certain skilled and specialist personnel and senior management, some of whom joined the Group relatively recently, and its ability to attract, retain and develop high calibre talent. Following the recapitalisation of the Group by the Government, the Group is required to comply with certain executive pay and compensation restrictions, including a cap on salaries in the amount of €500,000, as well as a ban on bonuses and similar incentive-based compensation applicable to employees of Irish banks who have received financial support from the Government. These restrictions have made, and will continue to make, attracting and retaining skilled personnel of high calibre or in specialist areas difficult.

In addition, in 2011, the Government introduced a special universal social charge rate which results in an aggregate tax rate of 89 per cent applicable to performance-related bonus payments in excess of €20,000 received by employees of financial institutions that received financial support from the State, including the Group. If the Group

is in the future permitted to pay bonuses to its employees, the special universal social charge rate would apply, if still in existence at the relevant time. In the meantime, the absence of market-aligned short and long-term variable incentive schemes restricts the Group's ability to align the remuneration of key executives with the achievement of strategic plans and prevents it from creating a lock-in to ensure achievement of those deliverables. This may have the effect of a loss in senior management and may lead to a change in the strategic ambition of the Group.

External factors such as macro-economic and geopolitical conditions, the developing and increasingly rigorous regulatory environment and/or negative media attention on the financial services industry may also adversely affect employees' retention, sentiment and engagement. The UK's withdrawal from the EU could result in financial institutions and other financial operations currently based in the UK that rely on the EEA "passport" to access the single market for financial services to seek an alternative base for their operations and relocate such operations to other jurisdictions, including Ireland, which could in turn further increase competition in Ireland for suitably qualified employees. Such companies also would not be subject to the aforementioned restrictions on pay to which the Group is subject, which may provide them with a competitive advantage in hiring suitably qualified staff vis a vis the Group. See *"— The UK's exit from the EU or the outcome of the general election in the UK held on 8 June 2017, in which the governing Conservative Party failed to achieve a majority, could lead to a deterioration in market and economic conditions in the UK and Ireland, which could adversely affect the Issuer's and the Group's business, financial condition, results of operations and prospects"*. Failure by the Group to attract and appropriately develop, motivate and retain highly skilled, specialist and qualified personnel, as well as senior management, could have an adverse effect on the Group's business, results of operations, financial condition and prospects. As the Issuer has a dependency on Group personnel and senior management, this could have an adverse effect on the Issuer's business, results of operations, financial condition and prospects.

18 ***The Group's employees have been affected by a number of developments in recent years, including significant headcount reductions, reductions in compensation and a significant level of change across the organisation, and these developments may give rise to employee dissatisfaction and/or tensions with trade unions.***

The Group's employees have been affected by a number of developments in recent years, including significant headcount reductions, restrictions in compensation and a significant level of change across the organisation, including changes in employees' roles. The Group's employees are expected to continue to be affected by change across the organisation, as the Group's business model evolves to meet customer demand and react to competitive pressures. In particular, the Group's operations in Northern Ireland are undergoing organisational changes that will affect employees in these regions, in particular its branch closures in Northern Ireland. In February 2017, the Group announced the closure of 15 of its 30 First Trust Bank branches. All 15 branch closures were completed by August 2017. As was the case with similar changes that have taken place in the past, these changes may lead to employee dissatisfaction, which could in turn lead to high staff attrition. This risk is more prevalent in key specialist roles and particularly given the improvements in the Dublin and London labour markets during the past few years and the ability of the Group's staff to seek employment opportunities elsewhere.

Furthermore, while the Group has a constructive relationship with all of its employee representative unions (including the FSU, which represents more than one-third of its employees across Ireland and the UK; SIPTU; and Unite), the aforementioned developments may give rise to tensions with trade unions and may result in them seeking to renegotiate the contractual terms of employment of represented employees. From 2009 to 2015, there were no pay increases across the Group. In 2015, a general pay increase of 2 per cent. (capped) was awarded. In 2016, following a joint working party between the Group and the FSU, performance-related pay was agreed and implemented, with pay increases being granted according to individual performance only. In January 2017, following discussions between the Group and the FSU at the WRC, it was agreed to implement performance-related salary increases ranging from 0 per cent. to 3.25 per cent. with effect from 1 April 2017 and 1 April 2018 which will result in higher labour costs in the short term. In addition, the Group may incur higher labour costs in the future by entering into further such agreements.

In addition, consultations with trade unions may not always be successful and may result in industrial action. Such consultations in the private sector may also be influenced by the outcome of similar consultations in the public sector in Ireland, as these recent or prevailing negotiations potentially influence the conclusions of the WRC and the Labour Court.

There can be no assurances that the Group will not need to reach other settlements with trade unions that result in higher labour costs in the future. If the Group were to experience a work stoppage or if it is required to significantly

increase its labour costs, its business, results of operations, financial condition and prospects could be materially adversely affected.

19 ***The proper functioning of IT and communications systems and its related operational processes are critical to the Group's success and these may not operate as expected, including as a result of technical failures, human error, unauthorised access, cybercrime, natural hazards or disasters, or similarly disruptive events.***

The Group's operational processes and their IT and related communication systems are critical to their success. These systems are fundamental to the Group's business, including in the areas of product pricing and product sales, assessing acceptable levels of risk exposure, determining product approvals, setting required levels of provisions and capital, providing and maintaining customer service and meeting regulatory requirements, for example through accurate record keeping. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by technical failures, human error, unauthorised access, cybercrime, natural hazards or disasters, or similarly disruptive events. Any failure of the Group's operational processes or IT systems or failure to integrate new platforms, including in relation to the transfer of data and customer information, or failure of third-party processes, infrastructure and services on which the Group relies, could lead to significant costs, including regulatory fines, and could have an adverse effect on the Group's ability to deliver appropriate customer outcomes during the affected period and in turn, adversely affect the Group's brand and reputation.

The Group is investing significantly in technology as a part of its three-year €870 million investment programme. The IT transformation programmes are aimed at delivering resilience, agility and a simple efficient operating model focused on improving the customer experience. There can be no assurance, however, that this will be completed successfully or in a timely manner, or that it will not result in unforeseen costs or disruptions to the Group's business, including as a result of expected efficiencies not being achieved on schedule, disruptions to the business while upgrades are taking place, and the continuing use of older systems and platforms for longer than intended.

The Group, in operating within the multiple financial service zones of Ireland, the UK and New York, may be subject to failure of processes and systems across other institutions or financial market infrastructures. These other institutions or financial market infrastructures may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by technical failures, human error, unauthorised access, cybercrime, natural hazards or disasters or similarly disruptive events. Any failure of these institutions' or instruments' operational processes or IT systems or failure to integrate new platforms, including in relation to the transfer of data and customer information, or failure of third-party processes, infrastructure and services on which the financial service market relies, could lead to significant costs, systemic outlook and could have an adverse effect on the financial services markets' ability to deliver appropriate customer outcomes during the affected period and in turn, adversely affect the financial services markets' sentiment and reputation.

Any disruptions to the Group's, or any other institution's or financial market infrastructure's, operational processes or IT systems, could adversely affect the overall operational or financial performance of their business, as well as harm the Group's reputation and/or attract increased regulatory scrutiny and intervention (including sanctions), any of which could have a material adverse effect on their business, results of operations, financial condition and prospects.

20 ***The Group is dependent on the performance of third-party service providers, including providers that have licensed certain IT systems to it, and if these providers do not perform their services or fail to provide services to the Group or renew their licences with the Group, the Group's business could be disrupted and it could incur unforeseen costs.***

The Group is dependent on the performance of third-party service providers for critical aspects of its business, including its outsourcing agreements with Total Systems Services, Inc, a third-party payments processor that acts as the Group's acquirer for all debit and credit card transactions; Wipro Limited in relation to the supply of IT operational capability and IT application development and maintenance; Infosys Limited, which provides IT application development and maintenance; Integrity Communications Limited, which supplies IT security software and hardware and security operations centre; HCL Technologies Limited for the provision of IT service desk and desktop support services; Eir for the provision of IT telecommunications and related support services; Sentenial Limited which provides a service to upload multi-formatted payment files into the Single European Payments Area format for processing by the Group; Banctec to provide domestic and international cheque and drafts clearing operations; Bottomline for the provision of a SWIFT access service to EBS; G4S Cash Solutions Ireland Limited for the supply of ATM replenishment and maintenance and cash-in-transit services; and First Data for the provision of card acceptance services. The Group also relies on certain IT systems which have been licensed or developed for it

under licence and development agreements with suppliers. If any of its third-party service providers fail to provide the agreed level of service, or if the Group is unable to renew its licences, maintenance agreements, outsourcing agreements or any other material third-party service agreements on acceptable terms, it could face a number of adverse outcomes, such as monetary damages, customer redress and/or litigation, which could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

Furthermore, the Group is exposed to a number of risks as a result of its dependence on third-party service providers, including:

- failure by such third parties to perform their contractual obligations;
- inadequate business continuity management on the part of the third-party service provider;
- inability of such third parties to retain key members of staff or large scale industrial action affecting third-party service providers;
- cost overruns in relation to the services provided by third parties;
- fraud (including financial fraud and/or theft) or misconduct by an officer, employee or agent of a third party, which could result in losses to the Group;
- disputes between the Group and the third-party service providers that the conduct of third party service providers and/or the Group's business may infringe the intellectual property of third parties;
- insolvency of third parties;
- liability of the Group for the actions or omissions of such third parties;
- withdrawal of the relevant third-party service provider from the market;
- a requirement that the Group terminate contractual arrangements with third-party service providers to address any regulatory or other issues arising from the UK's withdrawal from the EU;
- other geopolitical events that may lead to government instability or restrictions on movement in their place of establishment or operation; and
- regulatory requirements that require it to insource processes currently carried out by third parties over which it previously had no oversight.

These risks could be heightened in situations where there is a chain of outsourcing, which would result in the Group having even more limited oversight over actions by third parties.

The Group in operating within multiple financial service zones of Ireland, the UK and New York, may be subject to the failure of third party suppliers that other institutions or financial market infrastructures rely on. The third party suppliers of these other institutions or financial market infrastructures may not operate as expected, may not fulfil their intended purpose or may not fulfil their contractual obligations, may be insolvent, may result in fraud, or terminate the contract or similarly disruptive events. Any failure of these institutions or instruments as a result of third-party suppliers, infrastructure and services on which the financial service market relies, could lead to significant costs, systemic outlook and could have an adverse effect on the financial services markets' ability to deliver appropriate customer outcomes during the affected period and in turn, adversely affect the financial services markets' sentiment and reputation.

If the Group is unsuccessful in managing any of the foregoing risks, its business, results of operations, financial condition and prospects could be materially adversely affected.

21 ***The Issuer and the Group may be subject to privacy or data protection failures, cybercrime and fraudulent activity in relation to personal customer data, which could result in investigations by regulators, liability to customers and/or reputational damage.***

The Issuer and the Group are subject to regulation regarding the processing (including disclosure and use) of personal data. The Issuer and the Group processes significant volumes of personal data relating to customers (including name, address and bank details) as part of its business, some of which may also be classified under legislation as sensitive personal data. The Issuer and the Group therefore must comply with strict data protection and privacy laws and regulations, including the DPA and the ePrivacy Regulations. Such laws govern the Issuer's and the Group's collection and use of personal information of existing and potential customers, including the use of that information for marketing purposes. The ePrivacy Regulations also govern marketing to the Group's corporate customers.

The GDPR will take effect from 25 May 2018, and will replace the DPA as the primary legislation governing the Issuer's and the Group's use of customer personal data. The GDPR introduces substantial changes to data protection law, including an increased emphasis on businesses being able to demonstrate compliance with their data protection obligations, which will require significant investment by the Issuer and the Group in its compliance strategies. In addition, relevant supervisory authorities are given the power to issue fines of up to 4 per cent. of an undertaking's annual global group turnover or €20 million (whichever is the greater) for failure to comply with certain provisions of the GDPR. The EC recently released its proposal for a new European ePrivacy Regulation.

Apart from the GDPR, there remains significant legal uncertainty over the means by which personal data can be lawfully transferred outside the EEA; with continuing doubt over the efficacy of the EU-US Privacy Shield arrangement between the EEA and the United States, and a potential reference by the Irish High Court to the Court of Justice of the EU over the legality of the use of model clauses as a means of cross-border transfer. In addition, the effect of the UK's withdrawal from the EU on the legal basis for data flows between the UK and the EU remains unclear. This uncertainty, and any potential restriction of data flows outside the EU, may adversely affect the Issuer's and the Group's ability to leverage technological solutions such as cloud computing or, in the case of the UK, its ability to transfer information between group companies. The Group also faces the risk of a breach in security of its systems, for example, from increasingly sophisticated attacks by cybercrime groups.

The Issuer and the Group seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third-party service providers, and also implements security measures to help prevent cybercrime. Notwithstanding such efforts, the Issuer and the Group are exposed to the risk that personal customer data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations including as a result of human error. The introduction of PSD2, which requires the Issuer and the Group to share customer data with account information service providers upon the request of the customer, may further increase the risk of such a privacy or data breach. If the Issuer and the Group or any of the third-party service providers on which it relies fails to store or transmit personal customer data in a secure manner, or if any loss of personal customer data were otherwise to occur, the Issuer and the Group could be subject to investigative or enforcement action by relevant regulatory authorities such as the Office of the Data Protection Commissioner and the Central Bank, and could face liability under data protection and privacy laws and regulations and/or reputational damage or damage to its brands. The Issuer and the Group could also be targeted by other forms of fraudulent activity. Any of these events could also result in the loss of the goodwill of its customers and deter new customers, which could have a material adverse effect on the Issuer's and the Group's business, financial condition, results of operation and prospects.

The Group relies on remote access services through the internet, or otherwise, by customers, employees and third party service providers. Failure of any of the foregoing parties to access the Group's systems on a systemic or large scale basis could have a material adverse effect on the Group's business, financial condition, results of operation, reputation and prospects. Remote access also increases inherent exposure to cybercrime, systems compromises or information leaks, in spite of any information security technology, protocols, policies or other controls which may be in place.

22 ***The Issuer and the Group may be subject to losses that are completely or partially uninsured.***

The Issuer and the Group maintains insurance policies to cover a number of risk events. These include financial lines policies (comprehensive crime/computer crime; professional indemnity/civil liability; employment practices liability; and directors' and officers' liability) and a suite of general insurance policies to cover such matters as property and business interruption, terrorism, combined liability and personal accident. There can be no assurance,

however, that the level of insurance the Issuer and the Group maintains is appropriate for the risks to its business or adequate to cover all potential claims. Certain types of losses (such as losses associated with credit risk, market risk, reputational risk, non-operational risk and standard policy exclusions) are not covered by the Issuer's and the Group's insurance policies and may be either completely or partially uninsurable or not insurable on commercially reasonable terms. If the Issuer and the Group were to suffer a completely or partially uninsured loss, this could have a material adverse effect on its business, financial condition, results of operations and prospects.

23 *The Issuer's and the Group's risk management systems, processes, guidelines and policies may prove inadequate for the risks faced by its business and any failure to properly assess or manage the risks which it faces could cause harm to the Issuer's and the Group's business.*

Risk management requires, among other things, robust systems, processes, guidelines and policies which must be forward-looking, clearly articulated, documented and communicated throughout the business for the accurate identification and control of many transactions and events. Such systems, processes, guidelines and policies must also be continually reviewed and updated and effectively communicated to all personnel to ensure that resources, governance and infrastructure are appropriate for the increasing size and complexity of the business.

Risk management also requires complex judgements, including decisions (based on assumptions about economic factors) about the level and types of risk that the Issuer and the Group are willing to accept in order to achieve its business objectives, the maximum level of risk the Issuer and the Group can assume before breaching constraints determined by regulatory capital and liquidity needs and its regulatory and legal obligations, including, among others, from a conduct and prudential perspective. Furthermore, the Group is subject to differing regulatory regimes both within and across the jurisdictions in which it operates, requiring the Group to design and implement policies that ensure compliance with regulations that may be inconsistent and address the varying priorities of different regulators. Given these complexities and the dynamic environment in which the Issuer and the Group operates, there is a risk that the decisions made may not be appropriate or yield the results expected or that management may be unable to recognise emerging risks for the Issuer and the Group quickly enough to take appropriate action in a timely manner.

The Issuer and the Group are exposed to a number of material risks that it manages through its risk management framework, including:

- Business risk, which encompasses the external and internal factors that can impact the Issuer's and the Group's performance and strategy delivery;

- Capital adequacy risk, which is the risk that the Issuer and the Group breaches or may breach regulatory capital ratios and internal targets;

- Liquidity and funding risk, which is the risk that the Issuer and the Group will not be able to fund its assets and meet its payment obligations as they become due, without incurring unacceptable costs or losses;

- Credit risk, which is the risk that the Issuer and the Group will incur losses as a result of a customer or counterparty being unable or unwilling to meet a credit exposure commitment that it has entered into;

- Market risk, which is the risk relating to the uncertainty of returns attributable to fluctuations in market factors. Where the uncertainty is expressed as a potential loss in earnings or value, it represents a risk to the income and capital position of the Issuer and the Group. The Issuer and the Group are primarily exposed to market risk through the interest rate and credit spread risk factors and to a lesser extent through foreign exchange, equity and inflation rate risk factors;

- Pension risk, which is the risk that the funding position of the Group's defined benefit schemes deteriorate to such an extent that it would be required to make additional contributions, above what is already planned, to cover its pension obligations pertaining to current and former employees, particularly in a low interest rate environment. (for more information see "*The Group faces the risk that the funding position of its defined benefit pension schemes will deteriorate, requiring it to make additional contributions, adversely affecting its capital position"*);

- Regulatory and compliance risk, which is the risk of legal or regulatory sanctions, material financial loss or loss to reputation which the Issuer and the Group may suffer as a result of a failure to comply with the

laws, regulations and self-regulatory codes which relate to its regulated banking and financial services activities;

- Operational risk, which is the risk arising from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk, which is the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings, but excludes strategic and reputational risk;

- People risk, which is the risk resulting from (i) the Group's inability to recruit, retain or develop resources to support its strategic objectives, (ii) inadvertent or intentional behaviours or actions taken by employees that are not conducive to the overall delivery of objectives and the Issuer's and the Group's targets and (iii) risks associated with levels of employee engagement;

- Culture risk, which is the risk that staff may take actions or set strategy, which are contrary to the risk culture and may result in the business, results of operations, financial condition and prospects being materially adversely affected;

- Restructure execution risk, which is the risk of not having the right structures, processes, people and controls in place to consistently deliver solutions that are fair to customers in difficulty, whilst optimising returns to the Issuer and the Group and meeting regulatory targets;

- Conduct risk, which is the risk that inappropriate actions or inactions by the Issuer and the Group may cause poor and unfair customer outcomes or market instability;

- Model risk, which is the risk of adverse consequences from decisions based on incorrect or misused model outputs and reports; and

- Competition risk, which is the risk that actions of competitors or new entrants to the market impair the Issuer's and the Group's competitive advantage, threaten the viability of the business model or even its ability to survive.

Although the Issuer and the Group has developed a comprehensive risk management framework to manage such risks (as described in further detail in "*Risk Management at the Issuer*" section), this may not prove to be adequate in practice. If the Issuer and the Group are unable to implement their business strategy or effectively manage the risks it faces, its reputation, business, financial condition, results of operations and prospects could be materially adversely affected.

24 ***The Issuer and the Group uses models across many, though not all, of its activities and if these models prove to be inaccurate, its management of risk may be ineffective or compromised and/or the value of its financial assets and liabilities may be overestimated or underestimated.***

The Issuer and the Group uses models across many, though not all, of its activities including, but not limited to, capital management, credit grading, provisioning, valuations, liquidity, pricing and stress testing. The Issuer and the Group also uses financial models to determine the fair value of derivative financial instruments, financial instruments through profit or loss, certain hedged financial assets and financial liabilities and financial assets classified as available for sale in accordance with IFRS, as adopted by the EU. Since the Issuer and the Group uses risk measurement models based on historical observations, there is a risk that they underestimate or overestimate exposure to various risks to the extent that future market conditions deviate from historical experience. Furthermore, as a result of evolving regulatory requirements, the importance of models across the Issuer's and the Group's business has been heightened and their importance may continue to increase, in particular because of reforms introduced by the Basel Committee on Banking Supervision, including Basel IV. Certain of the Group's models are subject to ongoing regulatory review.

Should the Issuer's and the Group's models not accurately estimate its exposure to various risks, it may experience unexpected losses. The Issuer and the Group may also incur losses as a result of decisions made based on inaccuracies in these models, including the data used to build them or an incomplete understanding of these models. If the Issuer's and the Group's models are not effective in estimating its exposure to various risks or determining the fair value of its financial assets and liabilities or if its models prove to be inaccurate, its business, financial condition, results of operations and prospects could be materially adversely affected.

25 ***The Issuer's and the Group's credit models are subject to ongoing regulatory reviews and inspections, which may give rise to additional capital requirements, replacement of IRB for standardised approach or reputational risk for the Group.***

CRD IV provides for the use of an IRB approach to credit risk. Subject to certain minimum conditions and disclosure requirements, banks that have received regulatory approval to use the IRB approach may rely on their own internal estimates or risk components in determining the capital requirement for a given exposure.

The Group uses a combination of standardised and IRB approaches for assessing its capital requirements for credit risk. It has received regulatory approval to use the foundation IRB approach for certain sovereign, bank and corporate exposures and to use the retail (advanced) IRB approach for certain residential mortgage exposures. As at 31 December 2016, the Group applied the IRB approach to the portfolios and exposure classes listed in the table below, having received regulatory approval to do so.

Group portfolio:	**Exposure class:**
Bank	Institutions
Corporates	Corporates
Not-for-profit	Corporates
Project Finance	Corporates
Commercial/large SME	Corporates
Sovereign	Central governments and central banks
Residential mortgages (AIB in Ireland, not including EBS)...	Retail

The Group has a multiyear IRB roll-out plan to continue to transition standardised portfolios to the IRB approach and thus significantly increase IRB coverage. The implementation of the transition of new portfolios to the IRB approach is dependent on regulatory approval. The Group has a formalised governance framework in relation to its internal risk rating systems.

The Group requires approval from the ECB in order to implement new models or to change existing approved models. It is also subject to reviews and inspections from the ECB and other regulatory bodies in relation to the models, such as the TRIM, a process being undertaken by the ECB in systemically important banks subject to its supervision from 2017. TRIM is being undertaken to increase harmonisation in approaches to internal models used by banks across the EU.

Ongoing model development may potentially impact on the Group's expectation of normalising its risk-weighted asset density over time and could affect in the short term the risk-weighted asset density which is currently high relative to peer banks. In addition, the Group has agreed with the ECB to defer a planned TRIM process until the fourth quarter of 2017. The Issuer uses the IRB model that is applied by the Group. Therefore, these delays referred to above have an impact on the Issuer.

Regulatory reviews and inspections may require changes to the activities impacted by the models used by the Group, such as capital management, credit management and stress testing. It may also give rise to potential adverse capital consequences, including the application of additional capital scalars, replacement of the IRB approach with the standardised approach, delay in the normalisation of risk-weighted asset density and reputational risk for the Group.

26 ***The Issuer's and the Group's financial results may be negatively affected by changes to, or application of, accounting standards.***

The Issuer and the Group reports its results of operations and financial position in accordance with IFRS. The preparation of the Issuer's and the Group's financial statements requires management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IFRS. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include the level of impairment provisions for loans and advances, retirement benefit obligations and deferred tax assets. If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements differ from the actual results, there could be a significant loss beyond that anticipated or provided for, which could have a material adverse effect on the Issuer's and the Group's business, results of operations, financial condition and/or prospects.

Changes to IFRS or interpretations thereof may cause its future reported results of operations and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect the Issuer's and the Group's regulatory capital position and regulatory ratios by requiring the recognition of additional provisions for loss on certain assets. The Issuer and the Group monitors potential accounting changes and when these are finalised, it determines the potential impact and discloses significant future changes in its financial statements. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to impact the Issuer's and the Group's reported results of operations, financial position and regulatory capital in the future. Where the application of IFRS requires a large element of judgement, the risk of incorrect judgements being made may be heightened where the IFRS standard concerned is recently introduced as there is an absence of a developed practice in its application.

IFRS 9, which will replace IAS 39, when fully adopted, will require the Issuer and the Group to move from an incurred loss model to an expected loss model, requiring it to recognise not only credit losses that have already occurred but also losses that are expected to occur in the future. In general, loans and receivables to banks and customers that are currently classified as 'loans and receivables' under IAS 39 will be measured at amortised cost under IFRS 9; debt securities classified as available for sale under IAS 39 will be measured at fair value through other comprehensive income; debt securities classified as held to maturity under IAS 39 will be measured at amortised cost; and all equity securities will continue to be measured at fair value. However, for individual securities, it is yet to be decided if the fair value movements will be presented in profit or loss or in other comprehensive income. It is considered premature at this stage to quantify the precise financial effects of impairment under this new standard on the Issuer's and the Group's results of operations with any degree of certainty, although it is expected that IFRS 9 will have a significant impact for the Issuer and the Group (including in terms of increased provisions), as is the case for the banking industry as a whole. The estimated impact used by management in particular for capital planning and forecasting purposes is 90 to 100 basis points on the Group's fully loaded CET 1 ratio on implementation of IFRS 9. This will be subject to change as the situation evolves. The precise impact of IFRS9 will be based on detailed financial models which are currently under development across the Group. These models are subject to ongoing regulatory review. Regulatory review and inspections on models already in use (see "*—The Issuer's and the Group's credit models are subject to ongoing regulatory reviews and inspections, which may give rise to additional capital requirements, replacement of IRB for standardised approach or reputational risk for the Group"*) have the potential to impact the implementation of IFRS 9. For more information see "*— Risks Relating to Supervision and Regulation — The Issuer and the Group are subject to substantial and changing prudential regulation, including requirements to maintain adequate capital resources (including MREL) and liquidity and to satisfy specified capital, liquidity and leverage ratios, as well as changes in accounting standards that impact the Issuer's and the Group's capital position, and any perceived or actual shortage of capital or liquidity could result in actions by regulatory authorities, including public censure and the imposition of sanctions.*"

27 *The Group faces the risk that the funding position of its defined benefit pension schemes will deteriorate, requiring it to make additional contributions, adversely affecting its capital position.*

The Group maintains a number of defined benefit pension schemes for certain current and former employees. These defined benefit schemes were closed to future accruals from 31 December 2013. The most significant defined benefit schemes operated by the Group are the AIB Irish Pension Scheme, and to a lesser extent, the AIB UK Pension Scheme. In relation to these schemes, the Group faces the risk that the funding position of the schemes will deteriorate. Over the longer term, this may require it to make additional contributions above what is already planned to cover its pension obligations towards current and former employees. Furthermore, pension deficits as reported are a deduction from capital under CRD IV. Accordingly, any increase in the Group's pension deficit may adversely affect its capital position.

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 AIB Irish Pension Scheme. For its defined benefit schemes in the UK, the Group established an asset backed funding vehicle to meet its statutory funding objective as per the UK Pensions Act 2004.

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. 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.

The AIB Irish Pension Scheme and related trust deed and rules provide that the trustee has discretion to grant increases to pensions in payment under the scheme but also that the decision on whether to fund increases to pensions in payment is a matter for the Group. In 2012, the Board of AIB introduced a five-year moratorium on its funding of any increases under the AIB Irish Pension Scheme which will expire by the end of 2017. As this arrangement expires, the Board of AIB has now put in place a formal annual process under which it will consider, every year, what discretionary increases it should fund for that year. As part of this process, the Board of AIB considers the advice of the actuary, the interests of the members of the AIB Irish Pension Scheme, the interests of the employees, the Group's financial circumstances and ability to pay, the views of the trustees, the Group's commercial interests and any competing obligations to the State. Any increases to pensions in payment granted could increase costs to the Group and could, therefore, have a material adverse effect on its business, its operations, financial condition and prospects. Costs to the Group may also increase under the AIB UK Pension Scheme.

For the 2016 financial results, the Group made a change to the actuarial assumption regarding the nature and extent of the Group's obligations to fund discretionary increases to pensions in payment in the AIB Irish Pension Scheme. This was completed following a review by the Board of AIB, having considered actuarial and external legal advice. The trustees or a member of the AIB Irish Pension Scheme may seek to challenge the Group's position by asserting that the Group is obligated to fund increases to pensions in payment linked to consumer price index every year.

28 ***The Issuer and the Group are required to comply with a wide range of laws and regulations. If the Issuer and the Group fails to comply with these laws and regulations, it could become subject to regulatory actions, including monetary damages, fines or other penalties, regulatory restrictions, civil litigation, criminal prosecution and/or reputational damage.***

As a financial institution, the Issuer and the Group must comply with numerous laws and regulations across the jurisdictions in which it operates. The level of scrutiny to which it is subject is generally increasing, particularly in the treatment of its customers. If the Issuer and the Group fails to comply with the laws and regulations to which it is subject, it could become subject to legal or regulatory actions. Regulatory actions pose a number of risks to the Issuer and the Group, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. The Central Bank, the ECB or other regulators may impose other remedies as well, including injunctive measures and regulatory restrictions on the Issuer's and the Group's business. The Issuer and the Group may also be liable for damages to third parties harmed by the conduct of its business in the event it does not comply with laws and regulations. It may also face criminal prosecution in certain circumstances due to non-compliance. Furthermore, even if the Issuer and the Group has already taken steps to remedy its past practices to comply with regulatory standards, it could be held liable for these past practices. Actions by courts, regulators or other authorities against the Issuer and the Group involve the risk that current standards and requirements may be applied to past practices, even if those standards were not previously applicable. Actions by courts, regulators or other authorities against the Issuer and the Group may also involve the application of requirements, standards, customs or practices that are not applicable in other jurisdictions. These issues could have a negative effect on the Issuer's and the Group's reputation and the confidence of its customers in the Issuer and the Group, as well as taking a significant amount of management time and resources away from the implementation of the Issuer's and the Group's strategy.

The Issuer and the Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Issuer and the Group believes that it has no liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Issuer and the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Issuer and the Group does not believe that it is legally compelled to do so.

There is also a risk that pressures from the media, consumer groups and/or politicians could influence the agenda of the ECB, the Central Bank, the FCA or the PRA. For instance, a wide-ranging review of competition within the Irish banking sector has been commenced by the CCPC as part of the current programme for the Government (a similar review having been completed on the UK banking sector in 2016). As a part of such a review, the Issuer and the Group may be required to modify its business and the pricing of its products to satisfy the regulatory requirements arising from the review. Any failure to manage the foregoing risks adequately could result in the Issuer's and the Group's business, results of operations, financial condition and prospects being materially adversely affected.

29 ***The laws and regulations to which the Issuer and the Group are subject may change, including as a result of changes in interpretation or practice by courts, the ECB, the Central Bank, the FCA, the PRA or other regulators or authorities, resulting in higher compliance costs and resource commitments, and/or a failure by the Issuer and the Group to implement the necessary changes to its business within the time period specified.***

The legal and regulatory landscape in which the Issuer and the Group operates is constantly evolving and the burden of compliance with laws and regulations is increasing. As new laws or regulatory schemes are introduced, the Issuer and the Group may be required to invest significant resources in order to comply with the new legislation or regulations. For example, the introduction of PSD2 will result in the Group being required to introduce significant changes to its systems and processes in order to ensure compliance, while the implementation of IFRS 9 will require investment in developing an IFRS 9 compliant accounting system and models, as well as increased ongoing compliance costs. Furthermore, the laws and regulations to which the Group are already subject could change as a result of changes in interpretation or practice by courts, regulators or other authorities.

The investments made and resources committed by the Group in order to comply with evolving laws and regulations may divert funds and resources from other areas of the Group's business and may distract management. The Group may also be required to spend more than anticipated and/or may not achieve compliance by the specified deadline, which could result in fines or other regulatory sanctions with possible reputational consequences. In relation to the ACS Act, see "*Reliance on ACS Act*" below. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

30 ***The Group could face additional liabilities in relation to the assets it has transferred to NAMA under the NAMA Programme, including the risk that if NAMA's accounts show an aggregate loss in respect of the transferred assets, a surcharge on participating institutions, including the Group, may be imposed.***

In December 2009, the Government established the NAMA, which acquired certain performing and non-performing land and development and associated loans from participating banks, including the Group. If AIB HoldCo becomes the new holding company of the Group under the Scheme, AIB HoldCo will not be a a participating institutions under NAMA, meaning that AIB HoldCo will not itself be subject to the NAMA Programme. However, AIB will continue to be a participating institution under the NAMA Act and, as such, the NAMA Programme will continue to apply to AIB and its subsidiaries. For this reason, following AIB HoldCo becoming the holding company of the Group, the NAMA Programme will, in all material respects, continue to apply to AIB in the same way that it does currently. Under the NAMA Act, the Group transferred approximately €20 billion of assets to NAMA during 2010 and 2011. NAMA's initial stated objective was to obtain the best achievable financial return for the State over the course of a projected ten-year wind-down of the portfolio from 2009. NAMA's disposal expectations have, however, accelerated, with most sales activity envisaged to take place by the end of 2017. The NAMA Act provides for certain circumstances in which the Group could face additional liabilities in relation to assets transferred. In particular, the NAMA Act requires participating institutions to repay overpayments on NAMA Assets. The Group was also required to provide NAMA with a series of indemnities relating to the transferred assets. The Group has made provisions for transfer adjustments and potential indemnity claims in relation to NAMA, but if the adjustments or claims are higher than the provisions, this would negatively affect the Group's results of operations and financial condition. In addition, upon a dissolution or restructuring of NAMA, if NAMA's accounts show that an aggregate loss has been incurred during the period since its establishment, the Minister for Finance may impose a surcharge on participating institutions, including the Group. In its annual report and financial statements for 2016, published on 1 June 2017, NAMA indicated that it expected to make a profit of €3 billion over the course of its life.

31 ***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 the Group (and through it other members of the Group such as EBS) 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. The Group 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 Issuer's obligations under the ACS Act to maintain Cover Assets in its Pool which act as collateral for the Securities is dependent on transfer of mortgage credit assets transferred from EBS to the Issuer under a statutory transfer mechanism provided for in the ACS Act (See "*Transfers of a Business or Assets under the ACS Act involving an Institution*"). The Issuer is also dependent on EBS to provide it with cover assets hedge contracts.

The Group also issues Mortgage Covered Securities through AIB Mortgage Bank.

Risks Relating to Supervision and Regulation

32 ***The Issuer and the Group are subject to increasing regulation, supervision and regulatory costs including following the introduction of the SSM and the SRM, which may strain their resources and may have a significant impact on the Issuer's and the Group's capital requirements and business and consequently, their reported results and financing requirements.***

A significant number of new regulations have been issued by the various authorities that regulate the Issuer's and the Group's business in the recent past. Systemically important banks located in the Eurozone, including the Issuer and 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.

The Issuer and the Group are subject to prudential supervision by the SSM at the ECB and in the case of AIB UK, by the PRA, including through reviews and on-site inspections. Such supervision may involve assessments of whether the Issuer and the Group are in compliance with prudential requirements including under CRD IV and the BRRD. In the event that the ECB or PRA determines that the Issuer and the Group are not compliant with requirements within the scope of the relevant regulator's supervisory functions, the relevant regulator may direct the Issuer and the Group to ensure such compliance with those requirements and such failure may result in other regulatory actions, including monetary penalties, sanctions, public censure, or increased capital requirements as well as increased costs and management resources required to implement any corrective measures and reputational damage.

In addition, in March 2017, the ECB published guidance to banks subject to its supervision on non-performing loans. The ECB's objective in issuing the guidance is to drive strategic and operational focus on the reduction of non-performing loans, together with further harmonisation and common definitions of non-performing loans and forbearance measures. Non-compliance with the guidance may trigger supervisory measures that are not further specified in the guidance.

A SRM has been introduced by the ECB, including the SRB and a single fund for the resolution of banks, which is funded by bank levies raised at the national level. The Central Bank introduced the bank resolution fund levy for Irish banks such as the Issuer and the Group in 2015. The requirements of the SRM are set out in the SRM Regulation and the BRRD, which came into effect in 2015. The BRRD also sets out the functions of the SSM (as the consolidated supervisor of the Group) in conjunction with the PRA (as the competent authority for AIB UK) with respect to the drawing up and maintenance by the Group on a group basis of a recovery plan. The SRM became fully operational on 1 January 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 measures referred to above are subject to change in the future, including under the CRD V/BRRD2 Proposals. See *"— The SRB or SSM may take actions which require the Group to change, or otherwise result in the Group changing, its legal structure or take other actions which could have a significant impact on the Group's operations, structure, costs and/or capital requirements".*

The Issuer and the Group must meet the cost of all levies that are imposed on them in relation to funding the bank resolution fund established under the SRM or that are imposed on it under any other applicable compensation scheme relating to banks or other financial institutions in financial difficulty. In addition, the challenge of meeting the degree of regulatory change described above (including the drawing up of resolution plans and being under the direct supervision of a new regulatory body) may place a strain on the Issuer's and the Group's resources, particularly during a period of significant organisational transformation.

Furthermore, at the board level, the increasing regulatory requirements that impose additional obligations and time commitments on directors, may challenge the Issuer's and the Group's ability to retain existing, or identify and recruit new, directors. If the Issuer and the Group were unable to maintain an effective and balanced board membership, particularly with regard to non-executive directors, then their corporate governance and business could be negatively affected.

The challenge of balancing competing resource priorities and demands adds to the regulatory risk faced by the Issuer and the Group. These may also have a significant impact on the range of the Issuer's and the Group's future product offering, distribution channels, funding sources, capital requirements, business, strategy and, consequently, reported results and financing requirements.

33 *The BRRD contains Resolution Tools and other measures that may have a material adverse effect on the Group and certain of its stakeholders.*

The bank recovery and resolution framework introduced in the BRRD has as its objective 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. The BRRD provides the resolution authority with explicit Resolution Tools that may have a material adverse effect on the holders of certain liabilities or claims, including stakeholders such as shareholders. In particular, the BRRD gives the resolution authority the power to write down the share capital of a credit institution or its parent holding company (which will include AIB HoldCo if the Scheme becomes effective) and to write down or to convert into equity its relevant capital instruments (i.e., the own funds (as such term is defined in CRD IV) instruments of the credit institution) if certain conditions are met known as the write-down tool. The Write-Down Tool would be applicable, in particular, if the resolution authority determines that unless the Write-Down Tool is applied, the credit institution or its group will no longer be viable or if a decision has been made to provide that credit institution with extraordinary public support without which the credit institution or its group will no longer be viable. The BRRD further provides for certain resolution powers in circumstances where the credit institution or its group is failing or likely to fail, including the power to (i) transfer to an investor, shares, other instruments of ownership and/or all specified assets, rights or liabilities of the failing institution; (ii) transfer all or specified assets, rights or liabilities of the failing institution and its group to a bridge institution which is wholly or partially owned by public authorities; (iii) 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; or (iv) write down the claims of unsecured creditors of an institution and its group 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 and its group ((iv) being referred to as the "General Bail-In Tool" and (i) to (iv) being referred to as the Resolution Tools).

Under the CRD V/BRRD 2 Proposals, it is proposed that the BRRD be amended to empower competent authorities in certain circumstances to suspend payment and delivery obligations for a period of up to five working days where it is necessary to determine whether early intervention measures under BRRD are necessary or whether the credit institution is failing or likely to fail and these powers could affect the Securities. It is further proposed to give competent authorities the power to suspend payment and delivery obligations for a further five working days after a credit institution has entered into resolution where this is needed for the effective application of one or more Resolution Tools.

The Write-Down Tool came into effect in Ireland on 15 July 2015 and the General Bail-In Tool was implemented in Ireland on 1 January 2016.

In respect of the Write-Down Tool, which was implemented for Additional Tier 1 instruments and Tier 2 instruments with effect from 15 July 2015, and the General Bail-In Tool, which was implemented in Ireland on 1 January 2016, the resolution authority has the power, upon certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e. own funds instruments and, in the case of the General Bail-In Tool, other subordinated debt and even senior debt, subject to exceptions in respect of certain liabilities) of a failing credit institution or its group or to convert such eligible liabilities of a failing credit institution or its group 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.

One such exception relates to certain covered bonds (such as the Securities) and certain cover pool swaps (such as those comprised in the Pool maintained by the Issuer). The BRRD requires Member States to ensure that secured assets relating to a covered bond pool remain unaffected, segregated, and with enough funding. However, the BRRD 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 BRRD 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 BRRD Regulations.

Where a credit institution or its group meets the conditions for resolution, including the resolution 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 or conversion. After shares and other similar instruments, the write-down or conversion will first, if necessary, impose losses evenly on holders of subordinated debt and then evenly on those senior debt-holders which are subject to the write-down or conversion.

Pursuant to the BRRD, resolution authorities must ensure when applying the Resolution Tools, that creditors do not incur greater losses than they would have incurred if the credit institution had been wound down in normal insolvency proceedings. Furthermore, one or more of the Group's regulators may require the Group to make changes to the legal structures and/or business model of the Group pursuant to its implementation of requirements under the SRM Regulation, the BRRD or other applicable law or regulation.

In addition to the Resolution Tools, under the BRRD, resolution authorities may take early intervention measures to prevent a credit institution's (including its group's) financial position from deteriorating, including by the replacement of management or installing a temporary administrator in place of existing management. Furthermore, in the case of a failing credit institution or its group the resolution authorities can appoint a special manager with management authority over the credit institution in place of its existing management and in order to implement resolution actions by the resolution authority.

If the Group were to experience financial difficulty, the Group and certain of its stakeholders such as shareholders could be materially adversely affected in the event the resolution authority elected to apply the Write-Down Tool, the General Bail-In Tool or the other Resolution Tools. Existing shareholders of AIB or any other parent company of AIB may experience a severe dilution, involuntary transfer or the complete loss in value of their shareholdings and may be unlikely to receive any compensation for such act or event despite the BRRD containing safeguards for shareholders and certain creditors in specific circumstances which aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings. Furthermore, the ECB, the Central Bank, the FCA or the PRA, may require the Group (including the Issuer) to make changes to its legal structure and/or business model pursuant to its implementation of requirements under the SRM Regulation, the BRRD or other applicable law or regulation.

34 *The SRB or SSM may take actions which require the Group to change, or otherwise result in the Group changing, its legal structure, or take other actions which could have a significant impact on the Group's operations, structure, costs and/or capital requirements.*

SRB role in resolution planning

Pursuant to the SRM Regulation, on 1 January 2016, the SRB became responsible for drawing up the Group's resolution plan providing for resolution actions that may be taken if the Group were to fail or be likely to fail. In drawing up the Group's resolution plan, the SRB identifies any material impediments to the Group's resolvability. Where necessary, the SRB may instruct that actions are taken to remove such impediments.
These actions may include (but are not limited to):

- legal restructuring of the Group, which could lead to high transaction costs, or could make the Group's business operations or its funding mix less optimally composed or more expensive;
- issuing additional liabilities at various levels within the Group. This may result in higher capital and funding costs for the Group, and thus adversely affect the Group's profits and its ability to pay dividends;
- reviewing and amending the Group's contracts for the purposes of ensuring (i) continuity of business operations and (ii) that such contracts do not cause any impediments to the resolvability of the Group. This may result in additional costs and operational complexity for the Group; and
- requiring the Group to enhance its data infrastructure and management information systems to facilitate an expeditious valuation of its assets and liabilities over the course of the resolution event.

If the SRB is of the view that the measures proposed by the Group would not effectively address the impediments to resolvability, the SRB may direct the Group to take alternative measures as outlined in the SRM Regulation.

On 3 February 2017, the Group announced that it had been notified by the SRB that the PRS for the Group consists of a single point of entry via a holding company. Implementation of the PRS would require the introduction of a new holding company of the Group. AIB proposes that AIB HoldCo will be the holding company of AIB (the current principal operating company and holding company of the Group). The Group currently expects; by the end of 2017 and subject to the receipt of necessary consent of the Minister for Finance as well as regulatory, shareholder and court approvals to establish AIB HoldCo as the holding company of the Group (the current holding company of the Group) by way of a court approved scheme of arrangement and related capital reduction by AIB which, if approved, will result in AIB's shareholders receiving, in exchange for each one of their AIB shares, one ordinary

share in AIB HoldCo. On the establishment of AIB HoldCo as the Group's holding company, in addition to the risks referred to elsewhere in this section of this Prospectus, the following risk factors become relevant:

- dividend capacity: AIB HoldCo as a recently incorporated company without a trading record will initially not have distributable reserves, which are required inter alia to enable AIB HoldCo to pay a dividend on its shares. As part of the establishment of AIB HoldCo as the holding company of the Group, AIB HoldCo will seek Court approval to undertake the AIB HoldCo Reduction of Capital in order to create distributable reserves.

- Tier 1 and total capital at consolidated AIB Group level: as a result of the application of the CRR (articles 85 and 87-88), upon the establishment of AIB HoldCo as the new holding company of the Group, a portion of the regulatory capital instruments issued by an AIB subsidiary (including AIB) to third party investors will not be recognised in full for AIB consolidated regulatory capital purposes. Upon the establishment of AIB HoldCo as the holding company of the Group, a portion of the regulatory capital reserves represented by the existing AT1 and Tier 2 Capital instruments issued by the Group will, as a consequence, not qualify as regulatory capital at consolidated Group level. Had a new holding company for the Group been implemented as of 30 June 2017, it is estimated that the Group's consolidated Tier 1 capital ratio (transitional basis), would reduce by approximately 0.4 per cent. and the consolidated total capital ratio (transitional basis) would reduce by approximately 0.9 per cent., both of which are within capital planning capacity for the Group. If, subject to regulatory approval at the relevant time, the principal existing non-equity capital instruments issued by the Group were called at their first call dates, the impact of any reductions would be expected to be substantially eliminated by the end of December 2020. While the introduction of AIB HoldCo as a new holding company of the Group is expected to have a negative impact on the consolidated Tier 1 capital and total capital positions of the Group, it is not expected to have an impact on the consolidated Group CET1 capital position as, upon the Scheme becoming effective, all of AIB external shareholders will be at the level of AIB HoldCo; and

- credit ratings: the credit ratings which may be given to AIB HoldCo are not known at this point but they may be lower than the corresponding credit ratings of AIB. Lower credit ratings could raise the costs of debt instruments issued by AIB HoldCo (including instruments issued for the purposes of meeting MREL requirements) and reduce the potential investor base in AIB HoldCo's debt instruments (including instruments issued to meet MREL requirements). See "Risks relating to the Macro-economic Environment in which the Issuer and the Group operates – *"Downgrades to the Issuer and the Group's, Ireland's sovereign or other Irish bank credit ratings or outlook could impair the Issuer and the Group's access to private sector funding, trigger additional collateral requirements and weaken their financial position*" for a discussion of certain factors that may affect the credit ratings of AIB HoldCo.

SSM role in Recovery planning

The BRRD sets out functions of the SSM (as consolidated supervisor of the Group) in conjunction with the PRA (as competent authority for AIB UK) with respect to the drawing up and maintenance by the Group on a group basis of a recovery plan which must set out measures to be taken by the Group to restore its financial position following a significant deterioration of that position. An assessment by the SSM in conjunction with the PRA of such recovery plan proposed by the Group may result in the Group being required, and failing satisfaction by the Group of which, directed by the SSM, to address any material deficiencies in the recovery plan or any material impediments to its implementation. Failure by the Group to satisfy such direction may result in the SSM directing the Group to do one or more of the following:

- reduce its risk profile;
- enable timely recapitalisation measures;
- review its strategy and structure;
- make changes to its funding strategy so as to improve the resilience of its business lines and critical functions;
- make changes to its governance structure.

The changes and requirements to be implemented in respect of the SRM Regulation and the BRRD may have an effect on the Group's business, financial condition or prospects. Failure by the Group to implement those changes and requirements may result in regulatory action such as, increased regulatory capital levels, monetary fines or other sanctions and penalties. Depending on the specific nature of the changes and requirements and how they are enforced, such changes and requirements could have a significant impact on the Group's operations, structure, costs and/or capital requirements.

35 ***The Issuer and the Group are subject to substantial and changing prudential regulation, including requirements to maintain adequate capital resources (including MREL) and liquidity and to satisfy specified capital, liquidity and leverage ratios, as well as changes in accounting standards that impact the Issuer's and the Group's capital position, and any perceived or actual shortage of capital or liquidity could result in actions by regulatory authorities, including public censure and the imposition of sanctions.***

The Issuer and the Group faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The Issuer's and the Group's borrowing costs and capital requirements could be affected by prudential regulatory developments, including CRD IV and potentially the CRD V/BRRD2 Proposals, which include legislative proposals for amendments to the CRR and CRD IV.

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 Irish CRD IV Regulations 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 includes, among other measures, enhanced requirements for quality and quantity of capital and the introduction of the LCR, the NSFR and the leverage ratio. The LCR will require banks to have sufficient HQLA to withstand a 30-day stressed funding scenario that is specified by supervisors. The NSFR is a longer-term structural ratio designed to address liquidity mismatches. The leverage ratio 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.

The BRRD also makes provision for the meeting by a credit institution of its MREL requirements, over time periods, as set by its resolution authority on the basis of the Delegated Regulation (EU) 2016/1450 set out by the EBA. On the basis of the Delegated Regulation (EU) 2016/1450, it is possible that the Group may have to issue a significant amount of additional MREL eligible liabilities in order to meet the requirements within the required timeframes. In its final report on MREL published on 14 December 2016, the EBA recommended that MREL should be calculated by reference to an institution's risk-weighted assets and its leverage ratio exposure amount, with a leverage ratio exposure backstop requirement, rather than as a percentage of an institution's total liabilities and own funds as previously intended. It is not yet clear whether the EBA's recommendation will be implemented. If the Group were to experience difficulties in raising MREL (including within required timeframes), then it may have to reduce its lending or investments in other operations, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, on 23 November 2016, the EC published the CRD V/BRRD 2 Proposals, which cover multiple areas, including the Pillar 2 framework, the introduction of a minimum leverage ratio, the MREL framework and the integration of the Financial Stability Board's standard on TLAC into EU legislation. The CRD V/BRRD 2 Proposals cover, among other areas, mandatory restrictions on distributions, the NSFR, permission for reducing own funds and eligible liabilities, macro-prudential tools, the MREL framework and the integration of the TLAC standard into EU legislation.

The CRD V/BRRD 2 Proposals are to be considered by the European Parliament and the Council of the EU and therefore remain subject to change. The final new package of legislation may not include all elements of the CRD V/BRRD 2 Proposals and new or amended elements may be introduced throughout the course of the legislative process. Until the CRD V/BRRD 2 Proposals are in final form, it is uncertain how the CRD V/BRRD 2 Proposals will affect the Issuer and the Group and the minimum capital requirements to which the Issuer and the Group are subject. Furthermore, if the CRD V/BRRD 2 Proposals are adopted in their current form, the Group could become subject to restrictions on its ability to make payments in respect of the ordinary shares in the capital of AIB HoldCo following any failure by the Group to comply with its MREL requirement or its combined buffer requirement.

CRD IV requirements adopted in Ireland or the UK may change, whether as a result of further changes to CRD IV agreed by EU legislators (including but not limited to the CRD V/BRRD 2 Proposals or as a result of any reforms

adopted by the Basel Committee as part of Basel IV), binding regulatory technical standards to be developed by the EBA, changes to the way in which the Central Bank or, as applicable, the ECB (to the extent only in respect of functions confered on the ECB by the SSM) or as applicable, the PRA or the FCA in the UK, interprets and applies these requirements to the Issuer and the Group or, in the case of the UK, as a result of its withdrawal from the EU. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Issuer's and the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

In addition, the calculation of the Issuer's and the Group's capital ratios may be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the relevant regulator could require the Issuer and the Group to reflect such changes in any calculation of its capital ratios. In particular, it is expected that the Issuer and the Group will be impacted by IFRS 9 due for implementation on 1 January 2018. IFRS 9 will require the Issuer and the Group to move from an incurred loss model to an expected loss model requiring it to recognise not only credit losses that have already occurred but also losses that are expected to occur in the future. IFRS 9 may lead to a one-off increase in impairment allowances for financial assets on the Issuer's and the Group's balance sheet at the time of adoption, and, will lead to a negative regulatory capital impact. This is likely to be partially offset by a transitional arrangement yet to be fully decided upon by the regulators. In addition, following adoption, impairment under IFRS 9 is expected to increase the complexity of the Issuer's and the Group's impairment modelling and result in earlier recognition of credit losses than under IAS 39, which is likely to lead to an increase in total provisions.

A perceived or actual shortage of capital held by the Issuer and the Group could result in actions by regulatory authorities, including public censure and the imposition of sanctions. This may also affect the Issuer's and the Group's capacity to continue their business operations, generate a sufficient return on capital, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. Such changes could have a material adverse effect on the Issuer's and the Group's business, results of operations, financial condition and prospects.

If, in response to any such shortage, the Group raises additional capital through the issuance of share capital or capital instruments which are convertible to shares in the Group, AIB HoldCo Shareholders existing then may experience a dilution of their share holdings.

36 ***The Issuer and the Group are subject to conduct risk, including changes in laws, regulations and practices of relevant authorities and the risk that their practices are challenged under current regulations or standards, and if it is deemed to have breached any of these laws or regulations, they could suffer reputational damage or become subject to challenges by customers or competitors, or sanctions, fines or other actions.***

The Issuer and the Group are exposed to conduct risk, which the Issuer and the Group define as the risk that inappropriate actions or inactions cause poor or unfair customer outcomes or market instability. Certain aspects of the Issuer's and the Group's business may be determined by the Central Bank or other relevant regulators in various jurisdictions or by courts not to have been conducted in accordance with applicable local or, potentially, overseas laws and regulations, or in a fair and reasonable manner as determined by the local ombudsman. In particular, the Issuer and the Group may face scrutiny in relation to their treatment of customers in difficulty. If the Issuer and the Group fails to comply with any relevant laws or regulations, it may suffer reputational damage and may become subject to challenges by customers or competitors, or sanctions, fines or other actions imposed by regulatory authorities. The Issuer's and the Group's past practices may also be challenged under current regulations and standards.

For example, in September 2015, the Central Bank wrote to the Group to inform the Group that it had embarked on a broader examination of tracker mortgage-related issues across lenders that offered tracker interest rate mortgages to their customers in the Irish market (including AIB and certain of its subsidiaries located in Ireland). In December 2015, the Central Bank confirmed to the affected lenders that the objective of the Tracker Mortgage Examination was to assess compliance with both contractual and regulatory requirements relating to tracker mortgages and in circumstances where customer detriment is identified from the Tracker Mortgage Examination, to provide appropriate redress and compensation in line with the Central Bank's 'Principles for Redress'.

In 2015, the Group provisioned €190 million relating to the Tracker Mortgage Examination. There can be no assurance that the final cost to the Group will not be in excess of this amount, including as a result of:

- challenge by the Central Bank, rulings by the FSO or customer litigation, in particular, in relation to the entitlement of particular cohorts of customers to revert to a tracker mortgage and associated redress and compensation;
- sanction by the Central Bank; and
- challenge by the Central Bank to the Group's redress and compensation package.

Other Irish banks have been or are being made subject to regulatory sanctions by the Central Bank in connection with the Tracker Mortgage Examination or related exercises by the Central Bank and the Group cannot rule out the possibility of such sanctions being taken against the Group in connection with the Tracker Mortgage Examination.

In addition, 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 subsequently determined to have been inappropriate. This may result in customer litigation against the Issuer and the Group which litigation could be protracted in nature. In addition, 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.

Changes in laws or regulations may vastly change the requirements applicable to the Issuer and the Group in a short period of time and/or without transitional arrangements. In addition, contractual obligations of the Issuer's and the Group's customers and counterparties may either not be enforceable as intended or may be enforced in an adverse way to the Issuer's and the Group's interests. The Issuer and the Group may also face litigation arising from the contractual obligations to which it is party. If the Issuer and the Group are unable to manage these risks, its business, results of operations, financial condition and prospects could be materially adversely affected.

37 *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 Issuer's and the Group's customers, delays in the Issuer's and the Group's recoveries in their mortgage portfolio and increased impairments.*

As at 30 June 2017, the Group had €34.4 billion in total gross residential mortgages on its statement of financial position, accounting for 54 per cent. of its loans and receivables to customers. As at that date, €3.9 billion of the Republic of Ireland residential mortgages portfolio were in arrears (over 90 days past due), accounting for approximately 12 per cent. of total gross residential mortgages.

As at 31 December 2016, the Issuer had €5.2 billion in total gross residential mortgages on its statement of financial position, accounting for 100 per cent. of its loans and receivables to customers. As at that date, €0.8 billion were in arrears (over 90 days past due), accounting for approximately 15 per cent. of total gross residential mortgages.

Legislation and regulations introduced in 2013 may affect the Issuer's and the Group customers' attitudes towards their debt obligations, and hence their interactions with the Issuer and the Group in relation to their mortgages. 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. See section "*Certain aspects of Regulation of residential lending in Ireland*" for further details regarding the CCMA.

In addition, the Personal Insolvency Act introduced a PIA 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 Bankruptcy (Amendment) Act 2015 introduced an automatic discharge from bankruptcy, subject to certain conditions, after one year instead of 3 years, as had previously been the case since 2012. The inclusion of

secured debt in the personal insolvency process under the Personal Insolvency Act was a new provision in Ireland's personal insolvency regime. The Personal Insolvency Act has been amended with effect from 28 July 2015 to give the courts power to review and, where appropriate, approve personal insolvency arrangements in respect of secured debt which have been rejected by a bank or other secured creditors. See section "Certain aspects of Regulation of residential lending in Ireland" for further details regarding the Personal Insolvency Act. As at 31 December 2016, the Group had 917 accounts in the aggregate amount of €142 million in PIA under the Personal Insolvency Act, as reported through the Sustainable Mortgage Resolution Process.

The Issuer and the Group has 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. As at 31 December 2016, the Group had 7,443 accounts in the aggregate amount of €1.1 billion in the MARP framework in Ireland, as reported for its Annual Conduct of Business Return**.** 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. Given the required waiting periods that apply to lenders seeking to enforce security over mortgages under the CCMA and the possibility of including secured debt in insolvency arrangements, customers may be more likely to default even when they have sufficient resources to continue making payments on their mortgages. As a result, the Issuer and the Group cannot be certain of the progress or outcome of enforcement proceedings.

Furthermore, in instances where the Group seeks to enforce security on commercial or residential property (in particular over PDHs which are especially relevant to the Issuer's business), the Group may encounter significant delays arising from judicial procedures, which often entail significant legal and other costs. Custom, practice and interpretation of Irish legislation, regulations and procedures may also contribute to delays or restrictions on the enforcement of security. The courts in Ireland may have particular regard to the interests and circumstances of the borrower in disputes relating to the enforcement of security above the custom and practice of courts in other jurisdictions. As a result of these factors, enforcement of security in Ireland may be more difficult, take longer and involve higher costs for lenders as compared to other jurisdictions, or it may not be feasible for the Group to enforce security. Changes in legislation, regulations or judicial procedure or their interpretation could also have an adverse effect on the Group's ability to enforce security. As a result of all of these factors, the Group cannot be certain of the progress or outcome of enforcement proceedings.

On 23 February 2017, a bill was initiated in Dáil Éireann, entitled the 'Keeping People in their Homes Bill 2017'. The bill is a private members' bill and not sponsored by the Government and is subject to change through the legislative process and may not be adopted as law. However, the bill, if passed into law in its current form (or if other similar laws or regulations are introduced), would provide Irish courts with a statutory basis to effectively conduct proportionality assessments in relation to possession orders arising from mortgage arrears on people's homes. The bill seeks to facilitate Irish courts in effectively examining the proportionality of granting, adjourning, varying, postponing, suspending or executing possession orders, and to take account of certain factors when deciding whether to grant any such order, for example, whether the order pursues a legitimate aim, is justifiable by reference to a pressing social need, and the lender's compliance with regulatory requirements including the CCMA, the Mortgage Credit Regulations and the CPC.

In addition, on 28 June 2017, a bill was initiated in Dáil Éireann, entitled the 'Mortgage Arrears Resolution (Family Home) Bill 2017'. The bill is a private members bill sponsored by Fianna Fáil, but is not supported by the Government and is subject to change through the legislative process and may not be adopted as law. However, the bill if passed into law in its current form (or if other similar laws or regulations are introduced), would provide for the establishment of a mortgage resolution office within the aegis of the Insolvency Service which would be authorised in certain circumstances to issue non-judicial mortgage resolution orders relating to mortgages over family homes which were in arrears on 1 January 2017. A mortgage resolution order could include amongst other measures; an order varying in material respects mortgage loan terms between the mortgagor and a financial institution lender without the direct oversight of a court and an order implementing a mortgage to rent scheme allowing a mortgagor to surrender their family home to the financial institution lender and to subsequently rent that property from an approved housing body. A mortgage resolution order would be binding on the mortgagor and the financial institution lender, although the lender can object to the imposition of that order and apply for an investigation by the mortgage resolution office. The bill also proposes to introduce an independent appeals process to permit an appeal against decisions of the mortgage resolution office to an appeals officer rather than a court. An appeal to a court can only be made on a question of law. The bill is currently before Dáil Éireann at committee stage.

The aforementioned factors could result in delays and reductions in the Issuer and the Group recoveries in respect of its mortgage portfolio and increased costs and impairments. Furthermore, adverse public opinion regarding mortgage enforcement could negatively impact the Issuer's and the Group's reputation. Any of the foregoing could have a material adverse effect on its business, results of operations, financial condition and prospects.

38 ***The Issuer's and the Group's loan book (in particular, their residential mortgage book) may become subject to further supervision and scrutiny by the Government, the Central Bank and the CCPC, which could result in regulation and control of the Issuer's and the Group's loan book and therefore result in a reduction in the Issuer's and the Group's level of lending, interest income and net interest margin and/or increased operational costs*****.**

In common with other residential mortgage lenders, the Issuer and the Group face increased scrutiny and focus by the Government, the Oireachtas (the Irish legislature) and customer or consumer protection regulators, such as the Central Bank and the CCPC, on their loan book, in particular their residential mortgage book, with respect to such matters as the interest rates they charge on loans.

The Government has expressed concern as to the high level of SVRs charged by lenders in Ireland as compared to those charged by lenders in other EU Member States, in particular with respect to certain residential mortgage loans. SVR mortgages include mortgages where the lender has the ability unilaterally to vary the rate, unlike a fixed rate or a rate which tracks changes to an ECB official rate. In 2015, the Government requested that Ireland's largest banks, including the Issuer and the Group, review the level of their SVR and provide options to reduce monthly repayments to new and existing PDH borrowers, such as lower SVR products, competitive fixed rate products and lower variable rates (taking into account LTV) and indicated that if they failed to address these concerns, the Government could significantly increase the bank levy then applied to these banks or could seek to give the CCPC additional regulatory powers. As a result, under the Finance Act 2016, the bank levy was rebased and extended from 2016 to 2021. Since late 2014 and, in part, in response to a fall in funding costs, the Group has reduced SVRs for all mortgage customers across AIB, AIB Mortgage Bank, EBS, the Issuer and Haven by up to 100 basis points, with a further cut of 25 basis points announced in September 2017 for AIB and AIB Mortgage Bank customers and in October 2017 for Haven customers. However, there is a risk that the Government could adopt further measures to address its concerns with respect to SVR levels, which could result in a reduction in the Issuer and the Group net interest income and net interest margin.

The Issuer and the Group, along with other Irish banks, are subject to the risk of a review or investigation by regulators such as the Central Bank and the CCPC, and may incur potentially serious sanctions or penalties in respect of any perceived or actual failure to act appropriately when setting interest rates on its mortgage or other loan products. On 20 February 2017, the CCPC published a public consultation to gather views about the future of the Irish mortgage market in order to set out options available to the Government on how to reduce the cost of secured mortgage lending and to improve competition and consumer protection. The CCPC has indicated that it would examine the market structure, legislation and regulation of the mortgage market in Ireland and that following the consultation period it intended to produce a final report of its findings.

On 15 June 2017, on foot of that consultation exercise the CCPC published a report entitled "Options for Ireland's Mortgage Market" setting out its suggested options for short, medium and longer term consideration by the Government to allow for greater competition for new entrants in the Irish mortgage lending market and on price, quality and innovation, and to equip consumers to make better choices when taking out mortgage loans. In terms of short term (1 to 2 years) options, the CCPC identified the following:

- the introduction of new entrant/new product friendly initiatives by the Central Bank and a comparison exercise with other jurisdictions as to the authorisation period and regulatory burdens for lenders;
- enhanced switching to unlock greater competition in the Irish mortgage lending market, to be facilitated by measures such as the introduction of e-conveyancing and automated switching processes; and
- the rebuilding of reputation and trust in the Irish mortgage lending market, including by further consideration of the impact of cashback payments and loyalty discounts used by lenders and an encouragement to consumers to use mortgage brokers.

In terms of medium term (3 to 5 years) options, the CCPC identified the following:

- a need for predictable and consistent practices and systems when dealing with loans in arrears so as to increase certainty for both consumers in arrears and lenders;

- greater use of suspended possession orders by the courts in repossession cases;

- introduction of further regulatory measures restricting the ability of consumers to use their family homes as security for property investments; and

- regular reviews of section 149 of the CCA, which imposes restrictions on non-ordinary interest and other charges in the case of lending by credit institutions.

In terms of longer term (5 years and over) options, the CCPC identified the following:

- a move to longer term fixed rate mortgage loans and the use by lenders of longer term funding sources for mortgage lending; and

- the piloting of alternative funding models away from deposit funding, including the Danish covered bond matched loan and funding model.

The CCPC's report and any further review or investigation by the CCPC or the Central Bank, and any related litigation or regulatory action, or related change of law or regulation or measures introduced by the Government to address its concerns regarding SVRs, could have a material adverse effect on the Issuer's and the Group's business, financial condition, results of operations and prospects.

On 16 May 2016, a bill entitled the Central Bank (Variable Rate Mortgages) Bill 2016 was initiated in Dáil Éireann (the lower house of the Irish legislature) which, if passed into law by the Oireachtas, would specifically authorise the Central Bank in prescribed circumstances to impose a maximum SVR on PDH mortgage loans made by the Issuer and the Group and certain of its subsidiaries. The bill passed through the First stage and the Second stage of Dáil Éireann in May 2016 and has progressed to committee stage.

The bill proposes to permit the Central Bank to carry out assessments on the state of competition in the market for PDH mortgage loans and upon completion of an assessment, the bill will permit the Central Bank to form a conclusion as to whether the state of competition in the market for PDH mortgage loans is such that a "market failure" exists. A "market failure" exists where a lender is, or lenders are, charging a variable interest rate or variable interest rates for PDH mortgage loans which are higher than what the Central Bank considers can be reasonably and objectively justified.

The ECB has identified a number of concerns it has with the bill in an "Opinion of the European Central Bank of 17 November 2016 on the conferral of powers on the Central Bank of Ireland to assess competition in the market for mortgage loans and to issue lenders with directions on variable interest rates (CON/2016/54). The Central Bank has also expressed concerns about the bill to a meeting of the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach held on 8 December 2016. (Source: Oireachtas website, Committee Debates, Joint Committee on Finance, Public Expenditure and Reform, held on 8 December 2016). In a paper entitled 'Central Bank (Variable Rate Mortgages) Bill 2016—[Private Members Bill]—Observations of the Competition and Consumer Protection Commission to the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach' (dated 29 March 2017 on the CCPC's website), the CCPC has stated that it has serious concerns about the bill's proposals and that the CCPC believes that, if enacted, the bill would likely limit competition in the market for PDH mortgage loans.

If the bill is passed into law in its current form (or if other similar rules or regulations are introduced), the Issuer's and the Group's SVR PDH mortgages, which form a significant portion of its mortgage portfolio, may become subject to further supervision and scrutiny by the Central Bank. An increasing regulatory focus on the Issuer's and the Group's SVR mortgages to customers or an alignment of the SVR with those charged by lenders in other Eurozone markets may also result in a reduction in the Issuer's and the Group's interest income from SVR mortgages.

Any further supervision and scrutiny in relation to the Issuer's and the Group's loan book could result in a reduction in the Issuer's and the Group's level of lending, net interest income and net interest margin and/or increased

operational costs, any of 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.

39 ***LTV/LTI related regulatory restrictions on residential mortgage lending may restrict the Issuer's and the Group's mortgage lending activities and balance sheet growth generally.***

The Central Bank has, under the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015, as amended by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2016, imposed restrictions on Irish residential mortgage lending by lenders which are regulated by the Central Bank (including the Issuer and AIB, EBS, AIB Mortgage Bank and Haven in the case of the Group). The restrictions impose limits on residential mortgage lending by reference to LTV and LTI ceilings.

The regulations impose different LTV limits for different categories of buyers. See section "*Certain aspects of Regulation of residential lending in Ireland*".

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 the PDH loans the Issuer and the Group makes in the relevant period. Mortgages for non-PDH loans are exempt from the LTI limit. The Issuer and the Group needs to ensure that it dedicates sufficient resources to, and has the necessary procedures and controls in place to, ensure that the exception levels permitted under the regulations are monitored and not breached. These restrictions may adversely affect the level of new mortgage lending the Issuer and the Group can undertake and the costs of administering its residential mortgage lending, and hence may have a material adverse effect on its business, results of operations, financial condition and prospects.

40 ***The Issuer and the Group are subject to anti-money laundering, anti-corruption and sanctions regulations and if it fails to comply with these regulations, it may face administrative sanctions, criminal penalties and/or reputational damage.***

The Issuer and the Group are subject to laws aimed at preventing money laundering, anti-corruption and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-corruption and sanctions rules can impose a significant financial burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more stringent, resulting in several landmark fines against financial institutions. For example, MLD4, partly transposed into Irish law in 2016 (and Member States were required to transpose the balance of that directive by 26 June 2017), emphasises a ''risk-based approach'' to AML and counter-terrorist financing and imposes obligations on Irish incorporated bodies (such as the Issuer, AIB and its Irish incorporated subsidiaries) to take measures to compile information on beneficial ownership. In addition to this, the AML/CTF regulatory landscape is constantly changing with a series of proposed further amendments to MLD4 arising from events such as terrorist attacks in Europe and the release of the Panama papers as well as a desire to align European AML/CTF laws with recommendations from the Financial Action Task Force.

The combined impact of these proposed amendments on the current text of MLD4 is commonly referred to as the ''Fifth EU AML Directive''. The Group will need to continue to monitor and reflect the changes under MLD4 and any subsequent changes under MLD5 in its own policies, procedure and practices, as well as updating its framework to take account of the risk-based approach and the specific manner in which these requirements are transposed into national laws by the transposing legislation in Ireland and the UK. See "*Certain aspects of Regulation of Residential Lending in Ireland – Anti-Money Laundering, Countering the Financing of Terrorism and Financial Sanctions"* for more information. In addition, the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the way existing laws might be administered or interpreted.

Although the Group has policies and procedures that it believes are sufficient to comply with currently applicable AML, anti-corruption and sanctions rules and regulations, it cannot guarantee that such policies and procedures completely prevent situations of money laundering or corruption, including actions by the Group's employees, agents, customers, third-party suppliers or other related persons for which the Group might be held responsible. AIB was subject to an investigation by the Central Bank as part of an administrative sanctions procedure for breaches of AML laws and regulations, which commenced in April 2015 and concluded in April 2017. The inspection of AIB which led to the administrative sanctions procedure was one of a number of AML related inspections carried out by the Central Bank into the banking industry's level of compliance with Criminal Justice Act 2010 in the period from 2013 to 2014. AIB was reprimanded and a monetary penalty of €2,275,000 was imposed in connection with the investigation. All "prescribed contraventions" identified by the Central Bank which led to the penalty were the

subject of a comprehensive risk mitigation plan on which AIB reported progress to the Central Bank on a regular basis throughout 2014. The Central Bank accepted that all of these issues were remediated by July 2014. Other potential such events may have severe consequences, including litigation, sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to the Group's Relationship with the Government

41 ***Pursuant to the AIB HoldCo Relationship Framework, certain other agreements entered into between the Group and the Government and certain general legislative powers, the Government has, and will from AIB Admission have, the right to exercise a degree of influence over certain specified aspects of the Group's activities.***

The Minister for Finance specified an amended and restated AIB Relationship Framework which took effect on the AIB Admission (27 June 2017). The AIB Relationship Framework amended and restated the relationship framework specified by the Minister for Finance in relation to the Group on 29 March 2012. The Minister for Finance has specified a relationship framework on 10 October 2017 in relation to AIB HoldCo and AIB which will take effect at the Scheme Effective Time, in substitution for the AIB Relationship Framework. The AIB HoldCo Relationship Framework will become effective at the Scheme Effective Time, whereupon the AIB Relationship Framework will terminate at the Scheme Effective Time. Under the AIB HoldCo Relationship Framework, while the authority and responsibility for strategy and commercial policies (including business plans and budgets) and the conduct of the Group's day-to-day operations rests in all cases with the AIB HoldCo Board and its management team, AIB HoldCo, and, where relevant, AIB are required, in connection with certain specified aspects of the Group's activities, to consult with the Minister for Finance. In particular, the Group must, subject to certain exceptions, provide the Minister for Finance with all board and committee papers concurrently with the distribution to the AIB HoldCo Board or the Board of AIB, as relevant, copies of its financial, accounting and taxation information and records, copies of relevant audit documents and any other relevant information reasonably required by the Minister for Finance (among other things) to comply with applicable law and regulations or to respond to requests from the Oireachtas (the Irish legislature). The AIB HoldCo Relationship Framework also grants the Minister for Finance the right, at all times, to nominate up to two non-executive directors for appointment to the AIB HoldCo Board and to the Board of AIB.

The Group is also subject to various obligations under the placing agreement dated 23 December 2010 between AIB, the Minister for Finance, the NPRFC and the NTMA and the placing agreement dated 1 July 2011 between AIB, the Minister for Finance, the NPRFC and the NTMA pursuant to which AIB issued ordinary shares to the NPRFC (which shares were transferred to the ISIF, itself owned by the Minister for Finance, in 2014), together with the letter from the Minister for Finance to the Board of AIB dated 25 July 2011. Pursuant to a deed of covenant entered into on 10 October 2017 between AIB HoldCo, AIB and the Minister for Finance, AIB HoldCo has undertaken, with effect from the date of the AIB HoldCo Deed of Covenant, to comply with contractual governance obligations currently applicable to AIB under the 2010 Placing Agreement, the 2011 Placing Agreement and the Minister for Finance's letter. The obligations repeat existing obligations in respect of AIB contained in the 2010 Placing Agreement, 2011 Placing Agreement and the Minister for Finance's letter and relate to: (a) restrictions on reduction of reserves; (b) restrictions on director and senior executive/employee remuneration and termination payments; (c) assisting in the placing, offer to the public or admission to trading of AIB HoldCo Shares owned by the Minister for Finance; and (d) rights to obtain information. The AIB HoldCo Deed of Covenant also requires AIB HoldCo and AIB to comply with the AIB HoldCo Relationship Framework and for AIB HoldCo to enter into a registration rights agreement with the Minister for Finance on terms not inconsistent with the AIB registration rights agreement in circumstances where the AIB HoldCo Shares are listed on a stock exchange that has registered with the US Securities and Exchange Commission. The AIB HoldCo Deed of Covenant requires the Group to obtain the consent of the Minister for Finance to amend the terms of the Scheme or the Resolutions (save for technical amendments which are required for the proper implementation of the Scheme and which do not have a substantive consequence on the terms or implementation of the Scheme). The AIB HoldCo Deed of Covenant will terminate if the Scheme has not become effective by 30 March 2018 (or such later date, if any, as AIB and AIB HoldCo agree and the Court may allow). These agreements and letter impose certain requirements on the Group in relation to its lending activities and remuneration policies, among other areas, including the requirement to continue to provide the Government with certain information and consultation/consent rights.

In addition to these contractual rights, the Government also has certain statutory powers under the NAMA Act, the CIFS Scheme and the ELG Scheme. If AIB HoldCo becomes the new holding company of the Group under the Scheme, AIB HoldCo will not be a participating institution under the NAMA Act, or a member of the Group which participates in the CIFS Scheme or a member of the Group which participates in the ELG Scheme, meaning that

AIB HoldCo will not itself be subject to the NAMA Programme, the CIFS Scheme or the ELG Scheme. However, AIB will continue to be a participating institution under the NAMA Act, an AIB CIFS Covered Institution and an AIB ELG Participating Institution for the purposes of the NAMA Programme, the CIFS Scheme and the ELG Scheme, respectively (the Issuer will also continue to be an AIB CIFS Covered Institution). As such, the NAMA Programme will continue to apply to AIB and its subsidiaries, and the CIFS Scheme and the ELG Scheme will continue to apply to the AIB CIFS Covered Institutions and the AIB ELG Participating Institutions, and their respective subsidiaries. For this reason, following AIB HoldCo becoming the holding company of AIB, the NAMA Programme, the CIFS Scheme and the ELG Scheme will, in all material respects, continue to apply to AIB in the same way that they do at the date of this Base Prospectus. In addition to the powers under the NAMA Act described above under "*—Risks Relating to the Issuer's and the Group's Business—The Group could face additional liabilities in relation to the assets it has transferred to NAMA under the NAMA Programme, including the risk that if NAMA's accounts show an aggregate loss in respect of the transferred assets, a surcharge on participating institutions, including the Group, may be imposed",* the NAMA Act also obliges the Group to take reasonable steps to address any impediment it identifies to the achievement of the NAMA Act, and to follow directions which may be given by NAMA to perform management, administrative and enforcement services (or any service included in a direction by NAMA) in respect of a bank asset (as defined in the NAMA Act) which has been acquired, to facilitate the provision of those services by a third-party service provider, and, for the furtherance of the achievement of its purposes under the NAMA Act, to deal in a specified way with a bank asset which was not acquired. Also, the Minister for Finance is required to be consulted in connection with the exercise of certain rights and powers which the Central Bank has under the NAMA Act.

The terms and conditions of the CIFS Scheme and the ELG Scheme place certain restrictions on, and require the Group to submit to a degree of governmental regulation in relation to, the operation of the Group's business. The ELG Scheme (where the Minister for Finance's guarantee is still in effect in respect to certain liabilities) facilitated participating institutions issuing debt securities and taking deposits during an issuance window and with a maximum maturity of five years. Under the terms of the ELG Scheme, the Minister for Finance, in consultation with the Central Bank, may issue directions to a participating institution that are necessary to ensure that the objectives of the ELG Scheme are met. Directions were issued on behalf of the Minister for Finance on 12 November 2012 to each participating institution under the ELG Scheme, including the AIB ELG Participating Institutions. The rights conferred on the Minister for Finance under the CIFS Scheme and the ELG Scheme (as modified by the ELG Directions) include (i) the power to make rules, following consultation with the Central Bank, concerning the declaration and payment of dividends (and such rules were made in February 2017); (ii) the right to make directions to appoint up to two non-executive directors to the Board of AIB in order to promote the public interest, and to take steps to restructure its executive management responsibilities and improve corporate governance; (iii) the right to direct, following consultation with the Central Bank, the Group to draw up and comply with a restructuring plan to ensure compliance with the objectives of the CIFS Scheme; and (iv) the right to direct the Central Bank to require such reports from the Group as the Minister for Finance considers necessary. It is possible that the Minister for Finance may give further directions under the ELG Scheme in due course. Also, the Minister for Finance is required to be consulted in connection with the exercise of certain rights and powers which the Central Bank has under the CIFS Scheme and the ELG Scheme. In the event the Government elects to exercise the powers or invoke the rights described above, this may serve to limit the Group's operations and place significant demands on the reporting systems and resources of the Group.

The Group also has obligations to the Government to comply with the Group's Restructuring Plan approved by the EC on May 2014. Some of these commitments have expired, whilst others will expire on 31 December 2017.

The composition of the Government is subject to change depending on the ability of the Government to arrive at and maintain an agreed position on its programme, policies and actions, the outcome of elections for the Oireachtas and support by the Oireachtas of that programme and those policies and actions. The current Government is not in a position to rely on a majority of members of the Oireachtas to support it in all circumstances. Changes in the composition of the Oireachtas or the Government may result in changes to the laws or the programme, policies or actions of the Government, which may have a material adverse effect on the Group's business, results of operations, financial condition, ownership and prospects.

On 23 June 2017, the Minister for Finance disposed of in aggregate 780,384,606 ordinary shares in AIB, comprising in aggregate 28.75 per cent. of the issued ordinary share capital of AIB. Certain political parties and groups which have members in the Oireachtas may not support the further sale by the Minister for Finance of shares in AIB (including in AIB HoldCo if it becomes the holding company of AIB).

42 ***If the Group fails to comply with the conditions and restrictions set out in its Restructuring Plan, this could lead to action by the EC.***

On 7 May 2014, the EC approved, under state aid rules, the Restructuring Plan, the State Aid Decision. In arriving at its final decision, the EC acknowledged the significant number of restructuring measures previously implemented by the Group, comprising business divestments, asset deleveraging, liability management exercises and significant cost reduction actions and concluded that the Restructuring Plan set out the path to restoring long-term viability.

The Group committed to a range of measures, including 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. In the State Aid Decision, the EC considered the remuneration payable to the State in respect of the €1.6 billion of contingent capital tier 2 notes issued by AIB to the Minister for Finance on 27 July 2011 and which were redeemed on maturity on 28 July 2016 and the 2009 Preference Shares as appropriate, albeit at a low level, in light of the Group's distressed situation at the time. The EC also set out a repayment commitment under which the State has committed, subject to receipt of all regulatory and other approvals, that, prior to the end of the Restructuring Period on 31 December 2017, the Group will repay the state aid through the payment of "dividends or other means", in such amount equal to the surplus regulatory capital above the minimum CET1 ratio (on a Basel III fully implemented basis) as set by the Central Bank (plus a buffer of 2 per cent.) on 31 December 2016. This requirement to repay state aid was a condition for state aid approval and non-compliance could lead to withdrawal of approval by the EC. AIB has paid a final dividend for the year ended 31 December 2016 of €250 million for which it received approval from the SSM. Repayment of further state aid through a further dividend or other payment by AIB in 2017 would require SSM approval for the payment. Certain of the other commitments have expired while others will expire during the course of 2017 or on 31 December 2017. All of the commitments are aligned to the Group's operational plans and are supportive of the Group's return to viability. A monitoring trustee has been appointed to monitor compliance with these commitments.

The Restructuring Plan commitments impose certain restrictions which restrict the Group's ability to operate its business as it would otherwise have done so, which may have a negative impact on the Group's business, results of operations, financial condition and competitive position. 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). While no competitors have made a successful application under the Services Package, KBC Bank 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.

A failure to comply with the conditions and restrictions set out in the Restructuring Plan Term Sheet could lead to the need for action by the EC, which in turn could lead to material and significant adverse outcomes for the Group. Failure to comply with the conditions imposed by the EC in the State Aid Decision (including failing to implement the Restructuring Plan in full and/or implementing unapproved changes to the Restructuring Plan) may constitute a misuse of aid. If the EC doubts that the Group is complying with the terms of the State Aid Decision, it may reopen the State Aid Decision. A reopening of the State Aid Decision would, at a minimum, create uncertainty as to the Group's business, financial condition and results of operations. The EC's investigation would form the basis for a new decision which could result in the EC (i) re-approving the aid on the same terms; (ii) re-approving the aid but imposing more onerous conditions on the Group; (iii) reducing the level of aid that the Group is permitted to receive; or (iv) declaring the aid measure incompatible (i.e., taking a negative decision). A negative decision would give the EC the power to order Ireland to recover from the Group the amount of the aid that has been received by the Group at the relevant time (together with interest). A negative outcome could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

Risks relating to the Securities

43 ***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.

44 *Obligations under the Securities*

The Securities will not represent an obligation or be the responsibility of any of the Arranger 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.

45 *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 (AIB Mortgage Bank) 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 Institutions*. The ACS Act also contains a statutory mechanism for effecting a transfer of a business or assets to or by an Institution which EBS utilizes to transfer mortgage loans and their related security to the Issuer (see "*Transfers of a Business or Assets under the ACS Act involving an Institution"*). Any amendments to, or repeal or change in interpretation of, provisions of the ACS Act may have an adverse effect on the Securities or the Issuer's ability to meet its obligations under the Secutities and the ACS Act.

46 *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.

47 *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 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.

48 ***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. The ratings may be given at the initiative of the Issuer (where the Issuer appoints the rating agency) or without the solicitation of the Issuer. 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.

49 ***The regulation and reform of "benchmarks" (such as LIBOR or EURIBOR) may adversely affect the value or operation of Securities linked to or referencing such "benchmarks"***

Interest rates (such as EURIBOR and LIBOR) and indices which are "benchmarks", are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Securities linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 of 8 June 2016 will apply from 1 January 2018. That regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).That regulation could have a material impact on any Securities linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of that regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark". More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate / LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. That announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions, or result in other consequences, in respect of any Securities linked to or referencing such benchmark (including but not limited to floating rate Securities whose interest rates are linked to LIBOR). Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Securities linked to or referencing a "benchmark". Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the reforms and changes referred to above in making any investment decision with respect to any Securities linked to or referencing a "benchmark".

50 *European Monetary Union*

The Eurozone sovereign debt crisis has led to continuing and increased speculation that one or more Eurozone countries might abandon the euro as its national currency and even, although generally thought of as an extreme circumstance, the possible disappearance of the euro as a currency. There is a great deal of legal uncertainty surrounding these possibilities but it is likely, in the event that Ireland were to abandon the euro as its national currency, that contracts denominated in euro, including the Securities, would be redenominated into whatever currency replaced the euro as the national currency of Ireland with the possibility of consequent foreign exchange risk and the other uncertainties attendant on such an eventuality constituting risks relating to Securities denominated in euro.

51 *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 Conditions (see *Terms and Conditions of the Securities*) and the applicable Final Terms (see *Final Terms for Securities*).

52 *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. 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).

53 *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.

54 *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*.

55 *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 securitised mortgage credit assets; namely, RMBS or 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. However, subject as set out below, that position may change and no restrictions will apply to the Issuer acquiring or making mortgage credit assets the related loans under which are secured on commercial property or to the inclusion of those mortgage credit assets or CMBS or RMBS in the Pool, other than restrictions which apply under the ACS Act. The Issuer will not include in the Pool in any circumstance any asset-backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the ECB Guideline. 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.

56 *Location of property related to mortgage credit assets*

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

57 *Deposits / cover assets hedge contract counterparties*

The ACS Act permits the inclusion in the Pool of substitution assets and cover assets hedge contracts subject to certain restrictions under the ACS Act. In addition, the Issuer may from time to time hold Pool related deposits other than substitution assets comprised in the Pool, including any Pool Hedge Collateral posted in cash with the Issuer pursuant to a cover assets hedge contract.

At the date of this Base Prospectus, deposits comprised in the Pool are held by the Issuer with BNP Paribas, Dublin Branch and KBC Bank NV, Dublin Branch (see *Cover Assets Pool – Restrictions on inclusion of substitution assets in a Pool*) and the Pool Hedge has been entered into by the Issuer with EBS (see *Risk Management at the Issuer – Market Risk)*. Where required in accordance with the terms of the Pool Hedge, EBS may from time to time post

Pool Hedge Collateral to the Issuer in the form of cash. However, that position may change and Pool related deposits or cover assets hedge contracts may be made by the Issuer with other counterparties, 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 (which may or may not be current 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.

58 *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 –Market Risk - Non-trading interest rate risk*. The Issuer is entitled but not required under the ACS Act to enter into cover assets hedge contracts.

59 *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.

Material 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 if not sufficiently mitigated by overcollateralization or the availability of other non defaulted assets.

The Cover Assets which will secure the Securities comprise and will continue to comprise to a large extent loans secured on residential property which, at the date of this Base Prospectus, are located in Ireland. These residential loans may be loans originally made to a borrower for the purpose of that borrower buying, constructing, altering or refinancing a residential property in which that borrower then or subsequently resides or may be loans made to a borrower for the purchase of that residential property for investment, rental or other purposes.

60 *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 Issuer's Irish residential loans. Payments are collected by EBS primarily by way of direct debit into a designated bank account held by EBS. Such payments are held in trust by EBS for the Issuer and are transferred on the next business day to a bank account held by the Issuer. There is a risk that the trust arrangement between EBS and the Issuer is subject to tracing co-mingled funds where there is a shortfall in funds in the collection account to meet the claims of EBS and the Issuer. See *Irish Residential Loan Origination and Servicing – Mortgage Servicing.*

61 *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 – Credit Policy – 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*.

62 *Regulatory, contractual and rating agency overcollateralisation levels*

A significant level of overcollateralisation is held in the Issuer's Pool with the aim of providing adequate protection to holders of Mortgage Covered Securities issued by the Issuer in the event of higher defaults and reducing asset values. The Issuer monitors the level of overcollateralisation of its Pool to ensure that the prudent value of the Pool (as measured for the purposes of the Regulatory Overcollateralisation value of the Pool) exceeds minimum Regulatory Overcollateralisation, Contractual Overcollateralisation and rating agency requirements. See further *Cover Assets Pool*. Risks attaching to the Securities as a result of default or decline in value 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, or to decline materially in value, 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.

63 *Mortgage arrears regulatory requirements*

CCMA

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 imposes the following requirements:

- A provision requiring lenders to provide a warning letter giving at least twenty Business Days' notice to the borrower, outlining the implications of being classified as not cooperating and providing specific information on how to avoid this classification.

- Lenders must have a board-approved communications policy that will protect borrowers against unnecessarily frequent contacts and harassment, while ensuring that lenders can make the necessary contact to progress resolution of arrears cases. This replaces the limit under the CPC of three successful, unsolicited communications per month and allows for an approach to lender and borrower communication that is suited to individual needs and circumstances.

- Lenders must provide the SFS (a document which a lender uses to obtain information from a borrower in order to complete an assessment of that borrower's case) at the earliest opportunity, and to offer assistance to borrowers with completing it. In addition, lenders can agree with the borrower to put a temporary arrangement in place to prevent the arrears from worsening while the full SFS is being completed and assessed.

- Where there is no other appropriate and sustainable option available, lenders can offer an arrangement to distressed mortgage holders which provides a change from a tracker rate, which in practice may involve a situation where an alternative option is repossession of the home. Lenders must be able to demonstrate that there is no other appropriate and 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 must provide a 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.

- Increased information requirements for lenders, in order to improve transparency for borrowers including more detail in the MARP booklet on:

    - how the alternative repayment arrangements offered by the lender work and their key features;

    - explanations of other options such as voluntary surrender or trading down;

    - explanations of the meaning and implications of not co-operating;

    - summary information on a lender's potential use of confidentiality agreements;

    - information on the borrower's right of appeal;

    - a link to keepingyourhome.ie (i.e. where borrowers can get further information and assistance); and

    - a summary of the lender's communications policy.

Lenders are required to establish a MARP framework for handling arrears and pre-arrears cases and where alternative repayment arrangements expire or where the alternative repayment arrangement put in place breaks down. The MARP must incorporate the requirements of the CCMA regarding:

- communication with, and provision of information to, a borrower;

- the collection and assessment of financial information from a borrower; and

- resolution of cases by exploring alternative repayment arrangements.

Lenders also have to establish a centralised and dedicated 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:

- where the borrower does not co-operate with the lender and the lender has made every effort under the CCMA to agree an alternative repayment arrangement with the borrower or his/her nominated representative;

- in the case of a fraud perpetrated on the lender by the borrower; or

- 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 with the lender under the MARP.

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.

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. The Supreme Court recently considered this issue in its decision in *Irish Life and Permanent plc v Dunne* [2015] IESC 46. In that case, the Supreme Court held that where a breach of the CCMA involves a failure by a lender to abide by the moratorium on repossession proceedings referred to in the CCMA, but in no other circumstances, non-compliance with the CCMA affects, as a matter of law, a lender's entitlement to obtain an order for possession. The Supreme Court further clarified that it is a matter for the lender to establish by appropriate evidence in any application before the Court that compliance with that aspect of the CCMA has occurred.

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 although this risk has been mitigated by the Supreme Court's decision in *Irish Life and Permanent plc v Dunne* referred to above.

CPC

The CPC is designed to protect the interests of customers of regulated entities (as defined in the CPC) and is applicable (in part) to the activities of the Issuer (and other members of the Group which are regulated entities) with its customers generally and (in its entirety) to its dealings with those of its customers who are consumers within the meaning of the CPC. See "*Certain Aspects of Regulation of Residential Lending in Ireland – CPC"*) 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 CPC does not apply to the extent that the loan is a mortgage loan to which the CCMA applies.

The CPC 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 CPC, 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, 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 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 PIA process means that 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 PDH before availing of a PIA, there is no such requirement to co-operate with a secured creditor in respect of non-PDH. 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 published data covering the third quarter of 2017 (source: https://www.isi.gov.ie/en/ISI/ISI%20Statistics%202017%20Quarter%203.pdf/Files/ISI%20Statistics%202017%20Quarter%203.pdf), since the Insolvency Service began taking PIA applications in September 2013 there have been 7,883 new PIA applications made. The published data also provides figures for bankruptcy adjudications: 67 made in the third quarter of 2017. 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.

The Personal Insolvency (Amendment) Act 2015 (which came fully into operation on 20 November 2015) has made a number of significant changes to the Personal Insolvency Act affecting the PIA, including the introduction of a court review and approval process for certain PIAs rejected by creditors. In addition, the Bankruptcy (Amendment) Act 2015, which was signed into law on 25 December 2015, provides for several changes to the Irish bankruptcy regime for individuals, some of which took effect on 29 January 2016. These changes, which took effect on that date, include a reduction of the period for the automatic discharge from bankruptcy to one year. The remaining sections of the Bankruptcy (Amendment) Act 2015 came into effect on 1 June 2016 under the Bankruptcy (Amendment) Act 2015 (Commencement) (No. 2) Order 2016.

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*.

64 *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 Conditions, 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, EBS (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 Conditions 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.

65 *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*).

66 *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.

67 *Securities issued at a substantial discount or premium*

The market values of Securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

68 *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.

69 *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 advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

70 ***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, a Common Safekeeper, for 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.

71 ***No due diligence***

None of the Arranger 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*).

72 ***Interests of the Dealers***

Certain of the Dealers (including EBS) 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.

73 ***Eurosystem eligibility***

Though the NGN and 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 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

74 *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 issue of the relevant Securities. Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss absorption tools which may affect the rights of Security Holders.

75 *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.

76 *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.

77 ***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 EBS Group:

(a) the audited financial statements of the Issuer for the financial year ended 31 December 2016 and the auditor's report dated 30 March 2017 by Deloitte thereon. Such financial statements and such auditor's report are available on the website of EBS Group at:

https://www.ebs.ie/content/dam/ebs/pdfs/ebs-mortgage-finance-accounts-and-audit-reports/ebs-mortgage-finance-accounts-and-audit-report-for-the-year-ended-31-12-2016.pdf

(b) the audited financial statements of the Issuer for the financial year ended 31 December 2015 and the auditor's report dated 18 March 2016 by Deloitte thereon. Such financial statements and such auditor's report are available on the website of the EBS Group at:

http://www.ebs.ie/images/pdffiles/ebs-mf-annual-accounts-2015.pdf

On the website of the ISE:

(a) terms and conditions of the Securities as contained in pages 53 to 74 of the base prospectus dated 23 November 2011 in respect of the Programme. Such terms and conditions are available on the website of the ISE at:

http://www.ise.ie/debt_documents/Base%20Prospectus_c02c0fb2-334b-4e5b-8a50-ad7d2c6c869c.PDF

(b) terms and conditions of the Securities as contained in pages 53 to 75 of the base prospectus dated 14 December 2012 in respect of the Programme. Such terms and conditions are available on the website of the ISE at:

http://www.ise.ie/debt_documents/Base%20Prospectus_4f1689cf-582e-48fc-baa4-a6c87397120f.PDF

(c) terms and conditions of the Securities as contained in pages 70 to 96 of the base prospectus dated 9 July 2014 in respect of the Programme. Such terms and conditions are available on the website of the ISE at:

http://www.ise.ie/debt_documents/Base%20Prospectus_6fcc9cb7-1d84-4fc0-b312-1ef4b6ef3ba2.pdf?v=2962015

(d) terms and conditions of the Securities as contained in pages 62 to 88 of the base prospectus dated 29 October 2015 in respect of the Programme. Such terms and conditions are available on the website of the ISE at:

http://www.ise.ie/debt_documents/Base%20Prospectus_111e447c-3c51-4ea1-b6de-5a808efb4ae1.PDF

(e) terms and conditions of the Securities as contained in pages 57 to 82 of the base prospectus dated 20 October 2016 in respect of the Programme. Such terms and conditions are available on the website of the ISE at:

http://www.ise.ie/debt_documents/Base%20Prospectus_df1b42a2-8afd-4ad3-88a5-2139fef5770a.pdf

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.ebs.ie , access through 'Treasury and Corporate Services – EBS Mortgage Finance'.

As regards information contained in the base prospectuses dated 23 November 2011, 14 December 2012, 9 July 2014, 29 October 2015 and 20 October 2016 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 Bearer Securities, with or without interest coupons attached or 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 or a Permanent Bearer Global Security each of which, along with a Registered Global Security, 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 Safekeeper for Euroclear and 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 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 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 Exchange Date, 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.The Issuer will promptly give notice to holders of Securities in accordance with Condition 13, 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 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) 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) 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 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 Arranger 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 Arranger 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 Arranger 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 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.

EBS MORTGAGE FINANCE

Issue of [Aggregate Nominal Amount of Tranche] [•] per cent./Floating Rate/Zero Coupon] Mortgage Covered Securities due [•] under the €6,000,000,000 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 (collectively, the "**Conditions**" and each a "**Condition**") set forth in the Base Prospectus dated 27 November 2017 (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.ebs.ie, access through 'Treasury and Corporate Services – EBS Mortgage Finance'].

[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 (collectively, the "**Conditions**" and each a "**Condition**") incorporated by reference into the Base Prospectus dated 27 November 2017 (the "**Base Prospectus**") from the base prospectus dated [23 November 2011] / [14 December 2012] / [9 July 2014] / [29 October 2015] / [20 October 2016]. 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 27 November 2017 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 November 2011] / [14 December 2012] / [9 July 2014] / [29 October 2015] / [20 October 2016] [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 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

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

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.ebs.ie , access through 'Treasury and Corporate Services – EBS Mortgage Finance'].

[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:	EBS Mortgage Finance
2.	(a) Series Number:	[•]
	(b) Tranche Number:	[•]
	(c) Date on which Securities become fungible	Not applicable/[•]
3.	Specified Currency or Currencies:	[•]
4.	Aggregate Nominal Amount of Securities:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] *(in the case of fungible issues only, if applicable)*
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 (See Conditions 4(d) and 6(h))	[Applicable/Not Applicable] [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]
	(ii) Period from Maturity Date up to Extended Maturity Date:	[Not Applicable]/[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate][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 15 or 16 below and identify there]*
14.	Put/Call Options:	[Investor Put] [Issuer Call]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed 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)*[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	[Not Applicable]/[•] per cent. per annum [payable

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.

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

	Maturity Date:	[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 Actual/Actual or Actual/365 (Fixed) or Actual/360 or 30/360 or 360/360 or Bond Basis or 30E/360 or Eurobond Basis or 30E/360 (ISDA)]
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[Actual/Actual (ICMA) or Actual/Actual or Actual/365 (Fixed) or Actual/360 or 30/360 or 360/360 or Bond Basis or 30E/360 or Eurobond Basis or 30E/360 (ISDA)][11]
(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	[Not Applicable]/[•] in each year *(Insert regular interest payment dates, ignoring Issue*

[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.

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

Maturity Date:	*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))*[12]

16. 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)*[13]
(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] [•][14] [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][15]
(c) Additional Business Centre(s):	
(i) To Maturity Date:	[Not Applicable]/[•]
(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[•][16]
(d) Manner in which the Rate(s) of Interest and Interest Amount(s) is to be determined:	
(i) To Maturity Date:	[Not Applicable]/[Screen Rate Determination/ISDA Determination]

[12] State `Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed 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.

[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.

(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[Screen Rate Determination/ISDA Determination][17]
(e) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent):	
(i) To Maturity Date:	[Not Applicable]/[•]
(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[•][18]
(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 Reuters EURIBOR01 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][19]
– Reference Rate:	*[•] (either LIBOR or EURIBOR (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 Reuters EURIBOR01ensure 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)*

[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.

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

(g) ISDA Determination:

(i)	To Maturity Date:	[Not Applicable]
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	– ISDA Definitions	[2006]
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable][20]
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	–-ISDA Definitions	[2006]

(h) Margin(s):

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

(i) Minimum Rate of Interest:

(i)	To Maturity Date:	[Not Applicable] / [•] / [0 (zero) per cent. per annum]
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable] / [•] / [0 (zero) per cent. per annum][22]

(j) Maximum Rate of Interest:

(i)	To Maturity Date:	[Not Applicable]/[[•] per cent. per annum]
(ii)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[[•] per cent. per annum][23]

(k) Day Count Fraction:

(i)	To Maturity Date:	[Not Applicable] Actual/Actual (ICMA) Actual/Actual Actual/365 (Fixed) Actual/360 30/360 360/360 Bond Basis 30E/360

[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.

[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.

		Eurobond Basis 30E/360 (ISDA)]
	(ii) From Maturity Date up to Extended Maturity Date:	[Not Applicable][24] Actual/Actual (ICMA) Actual/Actual Actual/365 (Fixed) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360 (ISDA)]
17.	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 late payment:	[Condition 6(g) applies] *(consider applicable day count fraction if not U.S. dollar denominated)*

PROVISIONS RELATING TO REDEMPTION

18.	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:	[Not Applicable]
	(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)*
19.	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	[•] per Security of [•] Specified Denomination

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

Security:

	(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)*
20.	Final Redemption Amount of each Security:	[•] per Security of [•] Specified Denomination

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

21.	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 depositary 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)*]
22.	(a) New Global Note:	[Yes/No][25]
	(b) New Safekeeping Structure:	[Yes/No][26] [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).]
23.	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)*
24.	Talons for future Coupons to be attached to Definitive Bearer Securities (and dates on which	[Yes/No. As the Securities have more than 27 coupon payments, talons may be required if, on exchange into

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

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

	such Talons mature):	definitive form, more than 27 coupon payments are left.]
25.	Details relating to Instalment Securities:	
	(i) Instalment Amount(s):	[Not Applicable/[•]]
	(ii) Instalment Date(s):	[Not Applicable/[•]]
26.	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)*
27.	Overcollateralisation Percentage for the purposes of Condition 11(c):	[Insert percentage, e.g. 105 per cent.]

[**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 €6,000,000,000 Mortgage Covered Securities Programme of EBS Mortgage Finance.]

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/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 €6,000,000,000 Mortgage Covered Securities Programme generally:]

[Moody's Investors Service Limited: [•]]

[[Insert legal name of other credit rating agency]: [•]]

*[Where the Securities are to be rated by Moody's and/or another credit rating agency or agencies (each a,"**CRA**"), insert one (or more) of the following options, as applicable:*

Option 1: CRA is (i) established in the EU and (ii) registered under the CRA Regulation.

[Insert legal name of CRA] is established in the EU and registered under the CRA Regulation.

Option 2: CRA is (i) established in the EU, (ii) not registered under the CRA Regulation but (iii) has applied for registration:

[Insert legal name of CRA] is established in the EU and has applied for registration under the CRA Regulation although notification of the registration decision has not yet been provided.

Option 3: CRA is (i) established in the EU and (ii) has not applied for registration and is not registered under the CRA Regulation:

[Insert legal name of CRA] is established in the EU and is neither registered nor has it applied for registration under the CRA Regulation.

Option 4: CRA is not established in the EU but the relevant rating is endorsed by another credit rating agency which is established and registered under the CRA Regulation:

[Insert legal name of CRA] is not established in the EU but the rating is has given to the Securities is endorsed by [insert legal name of other credit rating agency], which is established in the EU and registered under the CRA Regulation.

Option 5: CRA is not established in the EU and the relevant rating is not endorsed under the CRA Regulation, but the CRA is certified under the CRA Regulation:

[Insert legal name of CRA] is not established in the EU but is certified under the CRA Regulation.

Option 6: CRA is neither established in the EU nor certified under the CRA Regulation and the relevant rating is not endorsed under the CRA Regulation:

[Insert legal name of CRA] is not established in the EU and is not certified under the CRA Regulation and the rating it has given to the Securities is not endorsed by a credit rating agency under that regulation.

[No assurance can be given that such rating[s] will be [obtained and/or] retained.]

[For the purposes of the above:

"**CRA Regulation**" means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies;

"**EU**" means the European Union.]]

(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. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] *(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:	[•]
(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 recognised 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.]]

8. **DISTRIBUTION**

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

TERMS AND CONDITIONS OF THE SECURITIES

*The following are the Conditions (as defined below) 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 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 EBS Mortgage Finance (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 27 November 2017 and made between the Issuer and The Bank of New York Mellon, London Branch 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 SA/NV, Luxembourg Branch 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 (collectively, these "**Conditions**" and individually, a "**Condition**"). 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 of the Securities**" 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 Issuer Deed of Covenant (the "**Issuer Deed of Covenant**") dated 27 November 2017 and made by the Issuer. The original of the Issuer 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 Issuer 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 Issuer Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these 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 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 Conditions;

(b) those Securities in respect of which the date for redemption under these 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 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 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 Conditions;

(d) those Securities which have become prescribed under these 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 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 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 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 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 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 is 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 ("**Interest Commencement Date**") at the rate(s) per annum equal to the Rate(s) of Interest ("**Rate(s) of Interest**"), as specified in the applicable Final Terms. 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 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 "**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);

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

(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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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 D_2 will be 30.

In these 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 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 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/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:

a. 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

b. 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 "**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);

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

(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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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;

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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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 each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date. 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 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 these 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 after the Maturity Date up to and including the Extended Maturity Date. 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. 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 Issuer will, on the third Business Day after the Maturity Date, give to the Security holders (in accordance with Condition 13), the Principal Paying Agent and the other Paying Agents, notice of that failure and that the maturity of the Securities and the date on which such Securities will be due and repayable for the purposes of these Conditions has been extended up to the Extended Maturity Date as provided in this Condition 6(h). Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of such extension 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 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 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; and

(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).

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 Issuer 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

The Issuer was duly incorporated in Ireland under the former Companies Acts 1963 to 2009 on 30 October 2008 as a public limited company under the name EBS Mortgage Finance p.l.c. with registration number 463791. It was subsequently re-registered on 25 November 2008 as a public unlimited company under the name EBS Mortgage Finance. The Issuer obtained a banking licence from the Central Bank of Ireland under the Central Bank Act 1971 and was registered as a designated mortgage credit institution under the ACS Act on 26 November 2008. At the date of this Base Prospectus, the Issuer is registered as a public unlimited company under the Companies Act. The Issuer is a wholly-owned subsidiary of EBS which is a wholly owned subsidiary of AIB. From 4 November 2014, the Issuer is deemed in accordance with the SSM Regulation to be authorised by the ECB under the SSM Regulation. At the date of this Base Prospectus, the Issuer is operating in accordance with its constitutive documents.

The Issuer's purpose is to issue Mortgage Covered Securities for the purpose of financing loans secured on residential property or commercial property in accordance with the ACS Act. Such loans may be made directly by the Issuer or may be purchased from EBS and other members of the Group or third parties. At the date of this Base Prospectus, the Issuer intends to purchase loans from EBS and does not intend to make loans directly or to purchase them from other members of the Group or third parties – see *Irish Residential Loan Origination and Servicing*. Under the ACS Act, the Issuer may also hold (and issue Mortgage Covered Securities secured on) certain RMBS or CMBS.

The Issuer will not include in the Pool in any circumstance any asset backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the ECB Guideline.

The Issuer's registered offices are located at The EBS Building, 2 Burlington Road, Dublin 4, Ireland. The telephone number of the Issuer is 353 1 665 9000.

The authorised share capital of the Issuer is €1,000,000,000 consisting of 1,000,000,000 ordinary shares of €1 each of which 551,540,000 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 EBS. Since 1 July 2011 EBS is a wholly owned subsidiary, and as such is under the control, of AIB. On 1 July 2011 EBS (as EBS Building Society) underwent a demutualisation pursuant to an acquisition conversion scheme under the Building Societies Act 1989. The effect of this was that EBS became a limited company operating as a standalone, separately branded subsidiary of AIB with its own branch network.

On 3 February 2017, the Group announced that it had been notified by the SRB that the PRS for the Group (including the Issuer) consists of a single point of entry bail in at a group holding company level, which would require the receipt of necessary consent of the Minister for Finance as well as regulatory, shareholder and court approvals, to establish HoldCo as the holding company of AIB (including, the Issuer) by way of the Scheme. To that extent, and subject as set out under Risk Factors *Risks Relating to the Group's Relationship with the Government – Pursuant to the AIB HoldCo Relationship Framework, certain other agreements entered into between AIB and the Government and certain general legislative powers, the Government has, and will from AIB Admission have, the right to exercise a degree of influence over certain specified aspects of AIB's activities.* AIB is effectively under the control of the State, and in particular, the Minister for Finance. At the date of this Base Prospectus, other than as set out above in this paragraph, the Issuer is not aware of any arrangement the operation of which may at a date subsequent to the date of this Base Prospectus result in a change in control of the Issuer. The Issuer does not have any subsidiaries.

On 2 October 2017, AIB announced that it has filed an application in the High Court of Ireland to commence the process for AIB Shareholder and High Court approval of the proposed introduction of a new holding company of the Group, namely AIB HoldCo, such introduction to be implemented by means of a scheme of arrangement and related share capital reduction of AIB under the Companies Act. On 10 October 2017, AIB HoldCo published a prospectus in connection with a conditional application to admit the ordinary shares to be issued by AIB HoldCo in connection with the above proposals to listing on the primary listing segment of the Official List of the ISE and on the premium listing segment of the FCA and to trading on the main markets for listed securities of the ISE and the

London Stock Exchange. Also on 10 October 2017, AIB issued a circular to its ordinary shareholders and convened shareholder meetings in order to obtain the relevant approvals for such proposals. The required approvals were given by the AIB Shareholders at two shareholder meetings held on 3 November 2017 and subject to court approval being obtained and related registrations being made, the establishment of AIB HoldCo is scheduled to take place on or about 8 December 2017. In turn, subject to such establishment occuring, the admission and listing of AIB HoldCo's ordinary shares (and related de-listing of the ordinary shares of AIB) is scheduled to take place on or about 11 December 2017. Finally, subject to court approval being obtained and related registrations being made, the AIB HoldCo Reduction of Capital which is being undertaken to create distributable reserves at AIB HoldCo level, is scheduled to take place on or about 14 December 2017.

No specific measures have been put in place by the Issuer to ensure that EBS's control of the Issuer is not abused. However, each of the Issuer, EBS and AIB are regulated and supervised by the Central Bank under 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 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. EBS 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, EBS 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.

Auditors

The auditors of the Issuer are Deloitte of 29 Earlsfort Terrace, Dublin 2, Ireland, who are chartered accountants and a statutory audit firm qualified to practice in Ireland.

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 Issuer will not include in the Pool in any circumstance any asset backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the ECB Guideline.

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*.

Loan Portfolio Transfers

On 1 December 2008, 1 June 2009, 1 May 2010 and 1 November 2011, EBS transferred to the Issuer certain Irish residential loans and related security held by it and certain of its Irish residential loan business related to such loans and security. The aggregate book value of the Irish residential loans transferred was approximately €3.41 billion in respect of the transfer on 1 December 2008, €1.74 billion in respect of the transfer on 1 June 2009, €803 million in respect of the transfer on 1 May 2010 and €2.449 billion in respect of the transfer on 1 November 2011. On 1 October 2012 the Issuer transferred to EBS a portfolio of BTL residential loans with an aggregate value of approximately €373 million. The transfers were effected pursuant to a statutory transfer mechanism provided for in the ACS Act. See *Transfers of a Business or Assets under the ACS Act involving an Institution – Transfer of EBS Residential Loan Book and Business to the Issuer.*

Irish Residential Mortgage Origination

Currently EBS originates mortgages through a network of 71 offices, with representation in all major towns and cities across the country. These 71 offices consist of:

55 tied branch agents - franchised agents tied to EBS for all their business. Customer experience mirrors that of a branch.

16 agents - tied to EBS for all related business but they typically have a secondary business such as an estate agents or insurance business.

EBS also has a direct telephone based distribution division, EBS Direct.

EBS also operates through the Irish broker market, through its wholly owned subsidiary Haven. Haven was launched to the market in January 2008 and previously operated as the EBS broker business.

On 1 December 2008, 1 June 2009, 1 May 2010 and 1 November 2011, EBS transferred to the Issuer residential mortgage loans and related security as described above (see - *Loan Portfolio Transfers*).

EBS and the Issuer have entered into an Origination and Transfer Agreement dated 28 November 2008 (the "**Origination and Transfer Agreement**") which envisages that there will be periodic transfers of:

1) new mortgage credit assets originated by EBS;

2) new mortgage credit assets comprising further advances made to borrowers whose mortgages have previously been transferred to the Issuer;

3) security related to mortgage credit assets being transferred; and

4) certain residential mortgage business related to mortgage credit assets and security transferred.

Although the Origination and Transfer Agreement allows for the potential transfer of commercial mortgage loans, the Issuer does not intend to include such loans in the Pool without first obtaining from Moody's (for as 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 Group also engages in Irish residential mortgage lending and issues Mortgage Covered Securities through AIB Mortgage Bank.

See also *Irish Residential Loan Origination and Servicing*.

Irish Housing/Residential Loan Market

A period of considerable growth was experienced in the Irish residential loan market 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 mortgage loan debt increased from less than €15 billion to around €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 mid-2006 and turned negative in June 2010. The level of outstanding loan balances has continued to fall on a year-on-year basis since then and stood at €76 billion at the end of July 2017 (Source: Central Bank of Ireland, Money and Banking Tables, Table A.1 Summary Irish Private Sector Credit and Deposits).

The volume of new Irish mortgage lending in 2016 was 9.7 per cent higher relative to 2015. A total of 26,885 mortgage loans were drawn down in 2015 with a value of approximately €4.9 billion. In 2016, a total of 29,498 mortgage loans were drawn down with a value of approximately €5.7 billion. In Q2 of 2017, the volumes continued to increase significantly on a year-on-year basis, with circa €1.6 billion of drawdowns in the quarter (a 28 per cent. increase on quarter two of 2016 at €1.3 billion). This level of new business is still low versus normalised mortgage market expectations of €10 billion or above 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 in the

third quarter of 2017 at 86.4 per cent. of the market (Source: 'BPFI Mortgage Drawdowns Report, Q3 2017' published on the BPFI website (www.bpfi.ie)).

Having risen sharply over most of the period from 1995 to mid-2007, house prices began to decline around the middle of 2007. National residential property prices suffered a total cumulative peak to trough decline of 55 per cent. between 2007 and 2013. However, since then the housing market has experienced a recovery. Property prices nationally increased by 12.8 per cent. in the 12 months to September 2017 and, as of September 2017 are 70.2 per cent. above their trough recorded in March 2013, with property prices in Dublin (as of September 2017) up 87 per cent. from their lows, while property prices outside Dublin are up 61.4 per cent. from their lowest point. (Source: Central Statistics Office Residential Property Price Index, September 2017.)

The latest available data on house completions indicate that house building is increasing at a modest pace 17,958 properties completed over the 12 months to September 2017, recognising that this is still below a normalised level of output, with approximately c.25,000 - 30,000 new units per annum required to meet underlying demand as per the Economic and Social Research Institute. Housing registrations also continue to improve, although they remain at a very low level (9,265 over the 12 months to September 2017).

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.

The Irish Competitive Landscape

There is competition among providers of banking services, based upon the quality and variety of products, propositions 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. EBS 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.

EBS 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 AIB Mortgage Bank (a subsidiary of AIB), KBC Bank Ireland plc, permanent tsb p.l.c. and Ulster Bank designated activity company, Pepper Group and Dilosk designated activity company. While the past year has seen an increase in mortgage activity and demand, with property prices increasing modestly, activity remains constrained by a shortage of supply of suitable houses, particularly in the main urban areas. The LTV/LTI Regulations has also set rules around criteria for residential mortgage lending. See *Risk Factors – Risks relating to Supervision and Regulation – LTV/LTI related regulatory restrictions on residential mortgage lending may restrict the Issuer's and the Group's mortgage lending activities and balance sheet growth generally.*

DESCRIPTION OF EBS GROUP

Introduction

EBS was founded in Ireland on 13 April 1935 with registration number 139 as The Educational (Permanent) Building Society under the Building Societies Act, 1874. EBS changed its name in 1949 to The Educational Building Society and, in 1991, to EBS Building Society. On 1 July 2011, EBS demutualised in accordance with the Building Societies Act 1989 and changed its legal status to a limited liability company and obtained a banking licence from the Central Bank of Ireland. It changed its name on this date to EBS Limited. From 4 November 2014, EBS is deemed in accordance with the SSM Regulation to be authorised by the ECB under the SSM Regulation. On 12 September 2016 EBS re-registered as a designated activity company (d.a.c.) as required under the Companies Act 2014 and the registered name of the legal entity changed to EBS d.a.c. The registered office of EBS is The EBS Building, 2 Burlington Road, Dublin 4, Ireland, telephone +353 1 665 9000.

EBS Group had consolidated total assets of €12.89 billion as at 31 December 2016, EBS has a countrywide network of 71 outlets, 55 tied branch agencies and 16 tied agencies in Ireland. EBS also has a direct telephone based distribution division, EBS Direct. EBS offers residential mortgages and savings products, together with life and property insurance on an agency basis. In the residential market, as at 31 December 2016, it had an 11.5 per cent. share of outstanding loans including securitised loans.

In December 2007, EBS established Haven, a wholly owned subsidiary focused on mortgage distribution through the intermediary market which, prior to 2005, had not been part of its target market. Haven is a separate entity from EBS and the Issuer with its own board of directors. At the date of this Base Prospectus, Haven is authorised by the Central Bank of Ireland as a retail credit firm under the Central Bank Act 1997. Haven offers a full range of prime mortgages.

Under the Outsourcing Agreement, AIB has been appointed the Issuer's agent and servicer to, among other things, service and administer the Irish loans of the Issuer, their related security and certain other related matters. Under the terms of the Outsourcing Agreement, AIB may, at its own cost, sub contract or delegate its powers and obligations under the Outsourcing Agreement, to the other members of the Group, including EBS. Any such sub-contracting or delegation does not abrogate or relieve AIB of any of its obligations under the Outsourcing Agreement. See also *Board of Directors and Management and Administration of the Issuer-Outsourcing Agreement with AIB*.

Constitution and Ownership

On 1 July 2011 EBS underwent a demutualisation pursuant to an acquisition conversion scheme under the Building Societies Act 1989. The effect of this was that the building society became a limited company and the €625 million of SIS that had been invested in EBS Building Society by the Government (see - *Special investment shares and Promissory Note* below), converted into €625 million of ordinary shares in EBS held by the Minister for Finance. Pursuant to an acquisition agreement dated 26 May 2011, the Minister for Finance transferred the entire issued share capital (€625 million ordinary shares) in EBS to AIB on 1 July 2011. Under and in accordance with the Building Societies Act 1989, on the conversion of EBS Building Society to EBS, the business, property, rights and liabilities of EBS Building Society vested in EBS. AIB operates EBS as a standalone, separately branded subsidiary of AIB with its own distribution network. EBS operates as a mortgage and savings business. The Group also engages in Irish residential lending and issues Mortgage Covered Securities through AIB Mortgage Bank.

EBS's board of directors is appointed by AIB and is responsible to AIB for the proper conduct of the affairs of EBS. EBS's board of directors appoints and supervises the senior executives who are responsible to that board for the day to day management of EBS, see *Governance* below.

Governance

The Group acquired EBS on 1 July 2011 and is responsible for EBS and its activities. The Managing Director of EBS (who, at the date of this Base Prospectus, is Mr. Des Fitzgerald) reports to the Head of Growth Platforms (who at the date of this prospectus is Mr. Bryan O'Connor) who reports to the Managing Director of Retail and Commercial Banking Ireland (who, at the date of this Base Prospectus, is Mr. Robert Mulhall) who is a member of the AIB Leadership Team.

The Group has delegated authority for the management of the day to day activities of EBS to the management team of EBS. Under the terms of its ECB banking authorisation, EBS continues to maintain its own board of directors. EBS's board of directors was reconstituted following the acquisition by the Group. EBS's board of directors includes members of AIB's board of directors in addition to the other independent non-executive directors and the Managing Director and Head of Finance of EBS. EBS has established a sub-committee of its board, namely the Board Audit Committee. As a designated activity company, EBS operates in accordance with the Companies Act. As the holder of an ECB banking authorisation, EBS is subject to regulation and supervision by the Central Bank.

Subsidiaries

The following are the principal subsidiaries of EBS, excluding the Issuer, at the date of this Base Prospectus:

Name of Subsidiary	Principal Nature of Business	Registered in	Percentage of ordinary shares held	Consolidated
Haven Mortgages Ltd.	Mortgage lending company	Ireland	100 per cent.	2007

Special investment shares and Promissory Note

On 27 May 2010, €100 million of capital in the form of SIS was provided by the Government to EBS. On 14 December 2010, a further €525 million of capital in the form of SIS was provided by the Government to EBS. On 17 June 2010, €250 million of capital was provided by the Government to EBS through the issuance of the EBS Promissory Note. On 17 December 2015, the Promissory Note was fully redeemed and cancelled.

Liquidity

EBS's liquidity risk has been incorporated into the AIB centralised risk management model in line with AIB common approach to Treasury risk management. Under this centralised approach the management of liquidity and related activities are overseen and controlled by AIB Treasury. See also *Risk Management at the Issuer – Financial Risk – Liquidity Risk*.

Credit Rating

At the date of this Base Prospectus, EBS has (i) from Moody's, a long term bank deposit rating of Baa1 (stable) and (ii) from Fitch, a long term "Issuer Default Rating" of BB+ (positive outlook).

Auditors

The auditors of EBS are Deloitte of 29 Earlsfort Terrace, Dublin 2, Ireland who are chartered accountants and a statutory audit firm qualified to practice in Ireland.

DESCRIPTION OF THE GROUP

Overview

The Group is a financial services group operating predominantly in Ireland, providing a comprehensive range of services to retail customers, as well as business and corporate customers. The Group had leading market shares in its core retail banking products within Ireland in 2016 and the six months to June 2017, including a 37 per cent. share of mortgages across all three of its mortgage brands (in the five months to May 2017), according to BPFI published figures for mortgage lending flows, as well as a 37 per cent. share of personal main current accounts, a 20 per cent. share of personal loans and a 35 per cent. share of personal credit cards, according to the Ipsos MRBI Personal Tracker Q2 2017. The Group also retains strong market shares in products for SME's, including a 43 per cent. share of business current accounts, a 45 per cent. share of business credit cards, a 34 per cent. share of main business loans, a 20 per cent. share of business leasing for 2017, according to the Ipsos MRBI Financial Services Monitor 2017. The Group also has operations in Northern Ireland, where it operates under the trading name of First Trust Bank, and in Great Britain, where it operates as Allied Irish Bank (GB).

The Group offers a full suite of products for retail customers, including mortgages, personal loans, credit cards, current accounts, insurance, pensions, financial planning, investments, savings and deposits. Its products for business and corporate customers include finance and loans, business current accounts, deposits, foreign exchange and interest rate risk management products, trade finance products, invoice discounting, leasing, credit cards, merchant services, payments and corporate finance.

The Group is managed through the following segments:

- Retail & Commercial Banking ("RCB"): RCB is Ireland's leading provider of retail and commercial banking products and services based on its market shares across key products. It has approximately 2.3 million retail and SME customers. RCB offers retail banking services through three brands, AIB, EBS and Haven, and commercial banking services through the AIB brand. It has the largest distribution network of any bank in Ireland, comprising 296 locations, including 205 AIB branches, 71 EBS offices, 19 business centres and 1 digital banking location, 989 ATMs and AIB telephone, internet, tablet and mobile banking, as well as a partnership with An Post through which it offers certain banking services at approximately 1,100 locations in Ireland. Complementing its physical infrastructure, RCB has a market leading digital banking proposition which has contributed significantly to strengthened relationship and transactional NPS and underpins a broader efficiency agenda.

- Wholesale, Institutional & Corporate Banking ("WIB"): WIB provides wholesale, institutional and corporate banking services to the Group's larger customers or customers requiring specific sector or product expertise. WIB serves customers through a relationship-driven model with a sector specialist focus. In addition to traditional credit products, WIB offers corporate customers foreign exchange and interest rate risk management products, cash management products, trade finance, mezzanine finance, structured and specialist finance, equity investments and corporate finance. WIB teams are based in Dublin and New York. WIB's activities in New York comprise syndicated and international finance activities.

- AIB UK: AIB UK offers services in two distinct markets, Northern Ireland, where it operates under the trading name of First Trust Bank, and Great Britain, where it operates as Allied Irish Bank (GB). First Trust Bank has approximately 253,000 active personal customers and approximately 28,000 active business customers. First Trust Bank operates as a focused retail and SME challenger bank and has recently migrated to a more integrated business model, with the closure of 15 of its 30 branches completed by August 2017. This will be complemented by an arrangement with the Post Office in Northern Ireland. Allied Irish Bank (GB) is a niche specialist business bank supporting businesses in Great Britain for over 40 years. It operates out of 15 locations in key cities across Great Britain targeting mid-tier corporates and larger SMEs in local geographies. AIB UK's overall proposition includes simplified products and improved digital capability, with closer alignment over time to that offered by the retail operations of the Group in Ireland.

- Group: The Group segment comprises wholesale treasury activities, central control and support functions. The support functions include business and customer services, marketing, risk, compliance, audit, finance, legal, human resources and corporate affairs. Certain overheads related to these activities are managed and reported in the Group's segment.

The following table provides a breakdown of net loans and customer accounts across AIB's four segments as at 30 June 2017:

	As at 30 June 2017	
	Net Loans	Customer Accounts
	(unaudited) (€ billions)	
RCB	42.1	44.7
WIB	9.1	5.6
AIB UK[(1)]	8.5	10.4
Group	0.1	3.0
	59.8	63.7

Notes:

(1) Net loans were £7.5 billion and customer accounts were £9.2 billion as at 30 June 2017. Euro amounts calculated using the pound sterling to euro exchange rate of 0.8793, being the period end exchange rate.

Within the above segments, AIB has migrated the management of the vast majority of its non-performing loans to the FSG, AIB's standalone dedicated workout unit which supports personal and business customers in financial difficulty, leveraging on FSG's well-resourced operational capacity, workout expertise and skillset. FSG has developed a comprehensive suite of sustainable solutions for customers in financial difficulty. AIB is moving into the mature stage of managing customers in difficulty and non-performing loan portfolios.

The Group's profit before taxation from continuing operations was €761 million and €1,017 million for the six months ended 30 June 2017 and 30 June 2016, respectively and €1,682 million, €1,914 million and €1,111 million for the years ended 31 December 2016, 2015 and 2014, respectively. As at 30 June 2017, the Group had total assets of €90.5 billion and equity of €13.2 billion.

History

AIB has a long history of operating in Ireland, with its predecessor organisations having been part of the Irish banking sector for almost 200 years. AIB's origins date back to the amalgamation in 1966 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). AIB was incorporated as a limited company on 21 September 1966 and was subsequently re-registered as a public limited company on 2 January 1985.

In 1991, AIB merged its interests in Northern Ireland with those of TSB Northern Ireland to create First Trust Bank. In 1996, AIB's retail operations in the United Kingdom were integrated and the resulting entity was renamed AIB Group (UK) p.l.c., with two distinct trading names, First Trust Bank in Northern Ireland and Allied Irish Bank (GB) in Great Britain. During the 1980s and 1990s, AIB entered a phase of international expansion in select markets, acquiring businesses in the United States and Poland. During this period, it acquired a 100 per cent. stake in Allfirst, a US bank, which subsequently merged with M&T, resulting in AIB owning a 22.5 per cent. stake in M&T. It also acquired a 70.5 per cent. stake in Bank Zachodni Wielkopolski Bank Kredytowy S.A., a Polish bank.

In the context of the global financial crisis beginning in 2008, the Government recognised the need to stabilise Irish financial institutions and to create greater certainty for all stakeholders. It implemented a number of measures in response to the crisis, including the introduction of the CIFS Scheme and the ELG Scheme and the establishment of NAMA, and several capital investments in AIB and EBS during 2009, 2010 and 2011 amounting to a total of €20.8 billion, which included the NPRFC making a €3.5 billion investment in AIB by way of a subscription for the 2009 Preference Shares in AIB on 13 May 2009. The Group was also required to deleverage approximately €20.5 billion of non-core assets by December 2013. During 2010 and 2011, it also disposed of substantially all of the international businesses it had acquired in the 1980s and 1990s as follows:

- on 10 September 2010, AIB announced the sale of its Polish interests to Banco Santander S.A. for a total cash consideration of €3.1 billion. This transaction was completed on 1 April 2011;
- on 4 November 2010, AIB disposed of its stake in M&T for a consideration of approximately $2.1 billion; and
- during this period, AIB also sold Goodbody Holdings Limited, AIB International Financial Services Limited; AIB Jerseytrust Limited; its 49.99 per cent. stake in Bulgarian-American Credit Bank and AIB Asset Management Holdings (Ireland) Limited, including AIB Investment Managers.

Following the issuance of €3.8 billion of new ordinary shares to the NPRFC in December 2010 (net proceeds of €3.7 billion), AIB's ordinary shares were delisted from both the Main Securities Market of the Irish Stock Exchange and from the UK Official List. AIB's ordinary shares were subsequently admitted, in January 2011, to the Enterprise Securities Market.

On 24 February 2011, the Group acquired deposits of €7 billion and NAMA senior bonds with a nominal value of €12 billion from Anglo Irish Bank pursuant to a transfer order made by the Court under the Credit Institutions (Stabilisation) Act 2010. The Group also acquired Anglo Irish Bank Corporation (International) PLC in the Isle of Man, including customer deposits of almost €1.6 billion. In July 2011, AIB was required to strengthen and increase its capital base to help restore confidence in the Irish banking sector, which it did through placing €5.0 billion of new ordinary shares in the capital of AIB with the NPRFC, following which the NPRFC owned 99.8 per cent. of the ordinary shares in the capital of AIB; capital contributions totalling €6.1 billion from the Minister for Finance and the NPRFC; and the issue of €1.6 billion of CCNs at par to the Minister for Finance. The Minister for Finance also invested €875 million in EBS through a subscription for special investment shares in EBS pursuant to Section 18 (1A) of the Building Soceities Act 1989 (which special investment shares were converted into ordinary shares on conversion of EBS to a limited company and acquired by AIB on 1 July 2011 in EBS and the contribution to EBS of the EBS Promissory Note during 2010. The Group completed its acquisition of EBS for a nominal cash payment of €1.00 in July 2011.

In August 2011, AIB's American Depositary Shares were delisted and ceased to be traded on the New York Stock Exchange.

On 22 December 2014, under the National Treasury Management Agency (Amendment) Act 2014, the 2009 Preference Shares and the ordinary shares in the capital of AIB held by the NPRFC, became the assets of the ISIF, a fund whose assets are owned by the Minister for Finance.

During 2012, AIB made significant progress in restructuring its balance sheet and also introduced a series of cost reduction programmes, including, in 2012, a voluntary severance scheme and an early retirement scheme. On 7 May 2014, the EC approved the Restructuring Plan under state aid rules. The EC concluded that the Restructuring Plan set out the path to restoring AIB's long-term viability. In October 2014, the results of the European-wide Comprehensive Assessment, a stress-testing exercise conducted by the EBA and the ECB in conjunction with the Central Bank, were published known as the 2014 Comprehensive Assessment. The results of the 2014 Comprehensive Assessment confirmed that AIB had capital buffers above minimum requirements under all stress test assessment scenarios, including 12.4 per cent. in the baseline scenario (minimum requirement: 8.0 per cent.), and 6.9 per cent. in the adverse scenario (minimum requirement: 5.5 per cent.) under the static balance sheet results.

On 5 March 2015, the Group announced a pre-tax profit of €1,111 million for the year ended 31 December 2014, its first annual profit since 2008. The Group has since continued its positive momentum and in December 2015 met all of the medium-term targets it had set in December 2012.

In 2015, the Group carried out the 2015 Capital Reorganisation, which entailed the partial redemption by AIB of the 2009 Preference Shares, which involved the payment of €1.7 billion, with the remainder being converted into ordinary shares in the capital of AIB at 125 per cent. of the subscription price. Further, an accrued dividend on the 2009 Preference Shares of €166 million was paid by AIB to the NTMA and the EBS Promissory Note was redeemed by the Minister for Finance. AIB Shareholders approved these transactions at an extraordinary general meeting of AIB held on 16 December 2015. AIB also issued in the fourth quarter of 2015 €750 million of subordinated Tier 2 notes and €500 million Additional Tier 1 instruments. Upon the maturity and redemption of the CCNs in July 2016, AIB made a further capital repayment to the Minister for Finance of €1.6 billion, as well as a coupon payment of €160 million to the Minister for Finance.

AIB was subject to the 2016 EBA stress test conducted by the EBA, in cooperation with the Central Bank, the ECB, the EC and the SRB, the results of which were published in July 2016. AIB's result was a 7.4 per cent. projected CET1 ratio in the adverse scenario (transitional basis), which was a 0.5 per cent. improvement over the result of the 2014 Comprehensive Assessment, and 4.3 per cent. (fully loaded basis). Unlike the 2014 Comprehensive Assessment, there was no pass/fail threshold in the 2016 EBA stress test; instead the results of the exercise were taken into account in AIB's SREP, the results of which were communicated to AIB in December 2016. AIB's minimum requirements for 2017 were set at 9.0 per cent. for the CET1 ratio and 12.5 per cent. for the total capital ratio. This excludes Pillar 2 guidance that is not publicly disclosed. See "*Part XIV: Capital—Approval of AIB Restructuring Plan and Comprehensive Assessment*". Given the strength of AIB's capital position, no mitigating capital actions were required as a result of the 2016 EBA stress test or the SREP.

Publication of the 2016 EBA stress test results and AIB's relative ranking in the list of participating banks generated some adverse commentary in the media. In response, AIB drew attention to:

- the strength of its capital position following the implementation of the 2015 Capital Reorganisation in December 2015, including the partial conversion by AIB of the 2009 Preference Shares (which increased CET1 capital on a fully loaded CRD IV basis by €1.8 billion, net of the redemption of the remaining 2009 Preference Shares) and the issuance by AIB of additional non-equity capital instruments (€500 million in Additional Tier 1 instruments and €750 million in Tier 2 Capital instruments); and
- having received SSM approval where required, AIB's ability to make significant capital and income payments to the State during this period, including the capital repayment by AIB of €1.6 billion, and a further coupon payment by AIB of €160 million, to the Minister for Finance upon the maturity of the CCNs in July 2016, and the €1.7 billion paid by AIB on partial redemption of the 2009 Preference Shares, together with the dividends on the 2009 Preference Shares paid by AIB to the Minister for Finance during 2015 in an aggregate amount of €446 million.

A final dividend by AIB in the amount of €250 million in respect of the AIB shares for the financial year ended 31 December 2016 was approved by AIB Shareholders at the 2017 AIB AGM and paid on 9 May 2017, the first ordinary dividend declared by AIB since 2008. To the date of this Base Prospectus, including this dividend, AIB has paid approximately €6.8 billion in capital, fees, dividends, coupons and levies to the State.

AIB IPO

On 30 May 2017, the Minister for Finance and AIB announced an intention to seek admission of the AIB shares to the Official Lists of each of the ISE and the FCA and to trading on the main markets of the ISE and the London Stock Exchange and to proceed with a secondary offering of ordinary shares in AIB by the Minister for Finance. Pursuant to this secondary offering, on 23 June 2017, the Minister for Finance sold 780,384,606 ordinary shares in AIB to certain institutional and retail investors (including on the exercise of an over-allotment option), comprising in aggregate 28.75 per cent. of the issued ordinary share capital of AIB. AIB did not receive any of the proceeds of the AIB IPO, all of which were received by the Minister for Finance. In connection with the AIB IPO, on 27 June 2017, the AIB shares were admitted to listing on the primary listing segment of the Official List of the ISE and on the premium listing segment of the Official List of the FCA and to trading on the main markets for listed securities of the ISE and the London Stock Exchange. Immediately before the AIB Admission, the admission of the AIB shares to trading on the Enterprise Securities Market of the ISE was cancelled. The AIB IPO reduced the Minister for Finance's shareholding in AIB to 1,930,436,543 AIB shares, representing 71.1188 per cent. of the issued share capital of AIB.

Other Information

SRB Preferred Resolution Strategy/AIB HoldCo

The Group has been notified by the SRB that the PRS for the Group is a single point of entry via a holding company directly above AIB, AIB HoldCo. AIB HoldCo would become the new parent company of the current Group, including the Issuer. The Group is engaging with the SRB in relation to the establishment of such a holding company which would require regulatory, Minister for Finance and AIB shareholder approval. The Group expects to put in place AIB HoldCo as the holding company of the Group during 2017 subject to obtaining such approvals.

On 2 October 2017, AIB announced that it has filed an application in the High Court of Ireland to commence the process for AIB Shareholder and High Court approval of the proposed introduction of a new holding company of the Group, namely AIB HoldCo, such introduction to be implemented by means of a scheme of arrangement and related share capital reduction of AIB under the Companies Act. On 10 October 2017, AIB HoldCo published a prospectus in connection with a conditional application to admit the ordinary shares to be issued by AIB HoldCo in connection with the above proposals to listing on the primary listing segment of the Official List of the ISE and on the premium listing segment of the FCA and to trading on the main markets for listed securities of the ISE and the London Stock Exchange. Also on 10 October 2017, AIB issued a circular to its ordinary shareholders and convened shareholder meetings in order to obtain the relevant approvals for such proposals. The required approvals were given by the AIB Shareholders at two shareholder meetings held on 3 November 2017 and subject to court approval being obtained and related registrations being made, the establishment of AIB HoldCo is scheduled to take place on or about 8 December 2017. In turn, subject to such establishment occuring, the admission and listing of AIB HoldCo's ordinary shares (and related de-listing of the ordinary shares of AIB) is scheduled to take place on or about 11 December 2017. Finally, subject to court approval being obtained and related registrations being made, the AIB HoldCo Reduction of Capital which is being undertaken to create distributable reserves at AIB HoldCo level, is scheduled to take place on or about 14 December 2017.

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, Countering the Financing of Terrorism and Financial Sanctions

Every credit institution in Ireland (including the Issuer) is obliged to take the necessary measures to effectively detect and counteract money laundering and terrorist financing. The third anti-money laundering directive, MLD3, repealed and replaced the previous anti-money laundering directives and introduced additional requirements and safeguards in line with the Forty Recommendations of the OECD-based Financial Action Task Force. The AML Acts transpose MLD3 and the associated implementing Directive 2006/70/EC into Irish law. The AML Acts contain requirements on the part of designated bodies covered by the AML Acts (including credit institutions such as the Issuer) to identify and verify the identity of 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. The fourth anti-money laundering directive, MLD4, was published on 5 June 2015.

MLD4 introduced two significant changes namely first, the increased emphasis it places on the "risk-based approach" to AML and counter terrorist financing and, second, the approach taken to the issue of beneficial ownership, including the requirement to set up a central register of beneficial owners. MLD4 also abolishes the automatic exemptions from customer due diligence, including for credit or financial institutions and for listed companies. While simplified CDD may still be carried out on the basis of a risk assessment, the Issuer will be required to carry on "sufficient monitoring" to enable the detection of unusual or suspicious transactions. MLD4 also affects the scope of AML requirements, CDD requirements; the approach taken to electronic money; the treatment of politically exposed persons; third party equivalents; and record keeping, as well as a variety of other matters. The Issuer will need to reflect the changes under MLD4 as set out in the relevant transposing legislation in its own policies, procedures and practices, as well as updating its framework to take account of the increased emphasis on the risk-based approach. MLD4 was transposed in part into Irish law on 15 November 2016 by the European Union (Anti-Money Laundering: Beneficial Ownership of Corporate Entities) Regulations 2016 which impose obligations on Irish incorporated bodies (such as the Issuer) to take measures to compile a beneficial ownership register and on individuals who are beneficial owners in certain circumstances. Dáil Éireann is due to consider the Criminal Justice (Money Laundering and Terrorist Financing)(Amendment) Bill which will give effect to the remaining provisions of MLD4. The fifth anti-money laundering directive is currently being considered by the European Parliament and the Council of the EU and, if passed, could introduce changes to MLD4.

The Wire Transfer Regulation sets out the existing regime under which payment service providers are required to send information on the payer throughout the payment chain for the purposes of preventing, investigating and detecting money laundering and terrorist financing. The Revised Wire Transfer Regulation amends and replaces the Wire Transfer Regulation. It has applied directly since 26 June 2017 and together with MLD4 will represent the revised EU framework on anti-money laundering and CTF. The Group has put in place procedures designed to comply with the Revised Wire Transfer Regulation on AML/CTF. The Group has engaged with industry fora on this matter, including the BPFI's AML & CTF Committee, and the Association of Compliance Officers in Ireland's Private Sector Group. Internally AIB has mobilised a project across the Group for the implementation of MLD4, which is sponsored at a senior level within the organisation and includes system enhancements to assist with identification of (i) politically exposed persons, (ii) high risk customers and (iii) customers who may be on EU sanctions lists. It also includes a full review of existing procedures to ensure they are in line with the obligations under MLD4. There is a separate project for the Revised Wire Transfer Regulation, again sponsored at a senior level within the Group. This builds on existing procedures in place to meet Regulation 1781/2006. An objective of the Revised Wire Transfer Regulation is to increase transparency of payment information, it makes it mandatory to verify certain information either upon remitting or receiving the monies.

Sanctions are legally binding measures that are used as a tool by the United Nations, the EU, the United States and others to bring about a change in the policy or behaviour of a country, entity or individual. For example, sanctions may be applied to deter the development of weapons of mass destruction, political or military aggression and/or human rights violations. They can be also be used to sanction unfair trade, target terrorism and/or drug trafficking and to prevent or penalise a country interfering in another country's affairs. Under certain sanctions regulations, financial institutions are prohibited from making available any funds, other financial assets or economic resources to sanctioned persons or entities. Credit institutions must ensure that they have the policies and procedures in place necessary to comply with any application sanctions. In Ireland, sanctions can be imposed under EU regulations having direct effect in Ireland, orders made by the Minister for Finance under the Financial Transfers Act 1992, the Criminal Justice (Terrorist Offences) Acts 2005 and 2015 or the European Communities Act 1972 to 2012, or directions or orders made under the AML Acts.

See *"Risk Factors—Risks Relating to Supervision and Regulation—The Issuer and the Group are subject to anti-money laundering, anti-corruption and sanctions regulations and if it fails to comply with these regulations, it may face administrative sanctions, criminal penalties and/or reputational damage"* for details of the investigation by the Central Bank as part of an administrative sanctions procedure for breaches by AIB of AML laws and regulations, which commenced in April 2015 and concluded in April 2017, and the monetary penalty of €2,275,000 imposed in connection with the investigation.

Data Protection

The DPA, which give effect to the Directive 95/146/EEC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, 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 and other members of AIB have registered under the DPA. The GDPR, adopted on 27 April 2016, will come into force across the EU on 25 May 2018 and will replace the existing directive referred to above. The GDPR introduces substantial changes to European data protection law, including significantly increasing the scope of financial penalties for non-compliance.

Credit Reporting Act

The Credit Reporting Act provides for the establishment of a mandatory credit reporting and credit checking system regulated and operated by the Central Bank, namely the CCR.

The purpose of the CCR is to provide for a national register for the collection and centralisation of financial information on borrowers, to ensure that a credit provider has access to the most accurate and up-to-date information regarding a borrower's total exposure. The Central Bank will also use the information for prudential/statistical purposes.

Key elements of the Credit Reporting Act are as follows:

- Available Information: the Credit Reporting Act 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 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. Under the CCR Regulations, the collection of credit and personal data from lenders will be implemented on a phased basis, with phase 1 focusing on data collection for consumer lending and phase 2 focusing on data collection for lending to businesses;

- 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. 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 provides for security controls in connection with access to information on the CCR;

- Data Protection: the Credit Reporting Act 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; and

- 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.

Data submissions by lenders for phase 1 commenced on 30 June 2017 with all lenders to consumers required to submit data by 31 December 2017. The Central Bank has notified some in-scope lenders of their obligations under the Credit Reporting Act and has provided access to technical and guidance manuals to support implementation. The Central Bank has indicated the CCR will produce credit reports for individual lenders after 31 December 2017, subject to quality data assurance. The credit reporting obligations and other requirements provided under the Credit Reporting Act will apply to the Issuer and the Group.

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 CPC) and/or advise on same. The Group and other members of AIB which are regulated firms are obliged to comply with these requirements to the extent that they apply to their business. In November 2016, the Central Bank published a Consultation Paper (CP106) seeking views from stakeholders on the proposals set out in the Consultation Paper to replace the MCC 2011 in part by a revised minimum competency code and in part by minimum competency regulations.

In September 2017 following the aforementioned consultation period, the Central Bank published the MCC 2017 and the Minimum Competency Regulations, which together, with effect from 3 January 2018, will replace the MCC 2011. The aim of the MCC 2017 and the Minimum Competency Regulations is to ensure that consumers of retail financial products, and retail or opt-up professional clients in the context of MiFID services or activities, obtain a minimum acceptable level of competence from individuals undertaking certain specific functions on behalf of regulated firms, relating to, for example, providing advice and information about retail financial products and adjudicating on complaints. A review of the MCC 2011 was undertaken by the Central Bank to, inter alia, consider the implications of the Mortgage Credit Regulations and the MiFID II Directive and the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415) for the assessment of knowledge and competence. The MCC 2017 specifies certain minimum competencies that persons coming within its scope must comply with when performing certain controlled functions.

Financial Services Ombudsman

The Central Bank and Financial Services Authority of Ireland Act 2004 provides for the establishment of 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 services provider.

Under section 72 of the Central Bank Act 2013, the FSO has "name and shame" powers. Pursuant to these powers, the FSO may publish the name of regulated financial services providers, 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 extension of credit (including, the making of cash loans, housing loans and other financial accommodation) as well as hire-purchase arrangements to or with, consumers (individuals who act outside their trade, business or profession) in Ireland is principally regulated by the CCA. The CCA which imposes a range of obligations and restrictions on lenders and 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.

The relevant part of the CCA applicable to housing loans (Part IX) applies to loans made by mortgage lenders only. For purposes of the CCA, a mortgage lender is an entity that carries on a business that 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 requirements 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 services.

A breach of obligations or restrictions imposed by the CCA may constitute a criminal offence. In respect of a regulated financial services 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 on customers (whether or not consumers) in the case of certain services, including the provision of credit and foreign currency facilities. 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 of itself renders a housing loan unenforceable against the borrower.

CPC

The CPC, issued by the Central Bank under its statutory powers, applies to the Issuer and other regulated financial service providers in the Group contains provisions that cover all aspects of a regulated entity's (meaning firms subject to regulation by the Central Bank when providing financial services, with certain exceptions such as services for the purposes of the Directive 2004/39 on markets in financial instruments and the MiFID II Directive) relationship with a consumer and certain aspects of a regulated entity's relationship with all of its customers. 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 CPC apply to all customers of the Issuer and other regulated financial services providers in the Group.

Relevant obligations of the CPC 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; for setting variable mortgage interest rates, an obligation to produce a summary statement of its policy for setting each variable mortgage interest rate that it makes available to personal consumers and publishes on its website; and a requirement to advise personal consumers how to mitigate/avoid fees and penalties in respect of the chosen product.

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 CPC requires that a lender test the consumer's ability to repay the instalments on the basis of a two per cent. interest rate increase above the interest rate offered. Other relevant provisions include suitability requirements, disclosure and notice requirements, requirements in connection with complaints resolution and a restriction of the circumstances in which unsolicited contact can be made with consumers.

The CPC also sets out how regulated entities must deal with and treat personal consumers who are in arrears on a range of loans, including buy-to-let mortgages. Amongst other things, under the CPC, the regulated entity is required to (i) make certain information available to the personal consumer within certain time periods and (ii) where arrears arise 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 per calendar month with a personal consumer in respect of the arrears. However, the provisions of the CPC in relation to arrears do not apply to the extent that the loan is a mortgage loan to which the CCMA applies.

In July 2016, the Central Bank published an Addendum to the CPC which amended the CPC as a consequence of the introduction of the Mortgage Credit Regulations and the SME Regulations. The Addendum also introduced a number of increased protections for variable rate mortgage holders. The enhanced measures require lenders to take certain measures, for example to produce a policy statement for setting variable interest rates and to notify variable rate borrowers of alternative mortgage options that could provide savings for the borrower, both on an annual basis and also when notifying borrowers of an increase in the variable interest rate. Where there is an increase in a variable interest rate, lenders are required to include the reason for the rate increase in the notification provided to variable rate borrowers.

Part 1 of the CPC Addendum became effective from 1 February 2017 and introduced a number of increased protections for variable rate mortgage holders by amending certain provisions in the following parts of the CPC; chapter 4 – Provision of Information; chapter 6 – Post-sale Information Requirements and creates a new appendix F (Variable Rate Policy Statement) for setting variable interest rates and to notify variable rate borrowers of alternative mortgage options that could provide savings for the borrower, both on an annual basis and also when notifying borrowers of an increase in the variable interest rate. Where there is an increase in a variable interest rate, lenders are required to include the reason for the rate increase in the notification provided to variable rate borrowers.

Part 2 of the CPC Addendum became effective on 21 March 2016 when the Mortgage Credit Directive was transposed into Irish law. As a consequence of the transposition of the Mortgage Credit Directive into Irish law, the scope and application of the following parts of the CPC was amended; chapter 3 – General Requirements; chapter 4 – Provision of Information; chapter 5 – Knowing the Consumer and Suitability; and chapter 12 – Definitions was also amended.

Part 3 of the CPC Addendum 2016 amended chapter 10 (Errors and Complaints Resolution) of the CPC with respect to handling complaints for lending to small and medium-sized enterprises. The amendments were introduced as a consequence of the SME Lending Regulations.

In August 2017, the Central Bank published a consultation paper entitled "Enhanced Mortgage Measures: Transparency and Switching" proposing to amend the CPC by introducing the following proposed policy measures; (i) enhanced transparency measures for fixed rate interest rate mortgage holders; (ii) enhanced transparency measures for variable mortgage rates linked to LTV; (iii) new requirements on incentives relating to mortgages; (iv) a requirement to provide standardised switching information; (v) a new provision of indicative switching savings and (vi) new provisions relating to prescribed timelines for switching processes. That consultation closed for comment on 1 November 2017.

CCMA

The CCMA was issued under the statutory powers of the Central Bank and is to be read together with the CPC. The CCMA sets out the procedures that must be adopted by every regulated entity operating in Ireland as regards mortgage lending and mortgage servicing to a borrower in respect of the borrower's primary residence in Ireland. As such, the CCMA applies to the Issuer.

In addition, 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/or her primary residence in Ireland; or

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

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 proceedings 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 does not offer the borrower an

alternative repayment arrangement or the borrower is unwilling to accept an alternative repayment arrangement offered by the lender.

In addition the CCMA imposes the following requirements:

- A provision requiring lenders to provide a warning letter giving at least 20 Business Days' notice to the borrower, outlining the implications of being classified as not cooperating and providing specific information on how to avoid this classification.

- Lenders must have a board-approved communications policy that will protect borrowers against unnecessarily frequent contacts and harassment, while ensuring that lenders can make the necessary contact to progress resolution of arrears cases. This replaces the limit under the CPC of three successful, unsolicited communications per month and allows for an approach to lender and borrower communication that is suited to individual needs and circumstances.

- Lenders must provide the SFS (a document which a lender uses to obtain information from a borrower in order to complete an assessment of that borrower's case) at the earliest opportunity, and to offer assistance to borrowers with completing it. In addition, lenders can agree with the borrower to put a temporary arrangement in place to prevent the arrears from worsening while the full SFS is being completed and assessed.

- Where there is no other sustainable option available, lenders can offer an arrangement to distressed mortgage holders which provides for the removal of a 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 must provide a 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.

- increased information requirements for lenders in order to improve transparency for borrowers including more detail in the MARP booklet on:

  - how the alternative repayment arrangements offered by the lender work and their key features;

  - explanations of other options such as voluntary surrender or trading down;

  - explanations of the meaning and implications of not co-operating;

  - summary information on a lender's potential use of confidentiality agreements;

  - information on the borrower's right of appeal;

- a link to keepingyourhome.ie (i.e. where borrowers can get further information and assistance)

  - a summary of the lender's communications policy.

  - Lenders are required to establish a MARP framework for handling arrears and pre-arrears cases and where alternative repayment arrangements expire or where the alternative repayment arrangement put in place breaks down. The MARP must incorporate the requirements of the CCMA regarding:

  - communication with, and provision of information to, a borrower;

  - the collection and assessment of financial information from a borrower; and

  - resolution of cases by exploring alternative repayment arrangements.

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  - communication with, and provision of information to, a borrower;

  - the collection and assessment of financial information from a borrower; and

  - resolution of cases by exploring alternative repayment arrangements.

Lenders also have to establish a centralised and dedicated 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:

- where the borrower does not co-operate with the lender and the lender has made every reasonable effort under the CCMA to agree an alternative repayment arrangement with the borrower or his or her nominated representative;

- in the case of a fraud perpetrated on the lender by the borrower; or

- 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.

Sustainable Mortgage Resolution Template returns

A requirement applicable to the main Irish residential mortgage credit institutions (including the Issuer and other Irish residential mortgage lenders in AIB) to make SMRT returns to the Central Bank in respect of mortgages secured on properties located within Ireland commenced in 2016, replacing the Central Bank Mortgage Arrears Resolution Targets (which previously set performance targets for those institutions).

The SMRT return is completed in respect of all mortgages secured on properties located within Ireland. Details of proposed and concluded sustainable PDH and buy-to-let mortgage arrears solutions are provided in the SMRT return which is submitted as part of the overall ‘Finrep’ regulatory reports required to be made by the Group each quarter. This information is used to monitor performance of sustainable solutions for Irish residential mortgage arrears cases in line with supervisory expectations to assess where any mitigation may be required.

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.

Consumer Protection Act 2007 and the Competition and Consumer Protection Act 2014

together, the Consumer Protection Acts apply the Directive on Unfair Commercial Practices 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 (i) 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 prescribed practice and (ii) 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 committed or engaged in the prohibited act or practice. 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 Central Bank has, under the LTV/LTI Regulations imposed restrictions on Irish residential mortgage lending by lenders which are regulated by the Central Bank (such as the Issuer). The restrictions impose limits on residential mortgage lending by reference to LTV and LTI ceilings, subject to limited exceptions. See *Risk Factors – Risks relating to Supervision and Regulation - LTV/LTI related regulatory restrictions on residential mortgage lending may restrict the Issuer's and the Group's mortgage lending activities and balance sheet growth generally.*

The 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 PDH. For first-time buyers of PDH's, a limit of 90 per cent. LTV applies. For non-PDH purchases (e.g., buy-to-let properties), a limit of 70 per cent. LTV applies.

In relation to these LTV restrictions, the Issuer is required:

- in the case of a loan to a first time buyer for the purpose of purchasing a PDH, to restrict lending beyond the prescribed LTV limits to no more than 5 per cent. of the aggregate value of all such loans;

- in the case of a loan to a non-first time buyer for the purpose of purchasing a PDH, to restrict lending beyond the prescribed LTV limits to no more than 20 per cent. of the aggregate value of all such loans in the relevant period (except in the case of the first relevant period, this is the calendar year); and

- in the case of loans other than PDH loans, to restrict lending beyond the prescribed LTV limits to 10 per cent. of the aggregate value of all such loans entered into in that relevant period.

The Issuer is required to restrict lending above 3.5 times LTI to no more than 20 per cent. of the aggregate value of the PDH loans the Issuer makes in the relevant period. Mortgages for non-PDH loans are exempt from the LTI limit.

Personal Insolvency Act

General

The Personal Insolvency Act transformed the personal insolvency regimes including through the introduction of three new debt resolution processes, namely:

(a) a DRN to allow for the write-off of qualifying debts up to €35,000, subject to a three year supervision period;

(b) a DSA for the settlement of qualifying unsecured debts over a period of up to five years (extendable to six years in certain circumstances) and subject to majority creditor approval; and

(c) a PIA which is a personal insolvency arrangement which is 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 six years (extendable to seven years in certain circumstances).

These processes are administered by approved intermediaries (in the case of the DRN) and registered personal insolvency practitioners (in the case of the DSA and PIA). The DSA and PIA processes involve the issuance of a protective certificate which precludes enforcement and related actions by creditors. Detailed eligibility criteria and

other requirements relating to the processes are set out in the Personal Insolvency Act. The Insolvency Service, amongst other things, processes DRN, DSA and PIA applications in the first instance. 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. 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 or her 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 Insolvency Service was established to oversee and operate the measures under the Personal Insolvency Act.

PIA

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 six years (subject to a possible extension to seven years). A personal insolvency practitioner formulates a proposal for an arrangement during a protective period of up to 110 days extendable to 150 days in exceptional circumstances 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 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 or her qualifying unsecured debts but is not released from his or her secured debts except to the extent provided for under the terms of the PIA.

The Personal Insolvency (Amendment) Act 2015 introduced a mechanism whereby a court review of a creditor's rejection of a proposal for a PIA is possible in certain qualifying circumstances. A PIA can affect 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 sum 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 PDH 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 PDH are disproportionately large.

Bankruptcy

Bankruptcy law in Ireland is set out in the Bankruptcy Act. The Personal Insolvency Act (in Part 4) provides for a number of amendments to the Bankruptcy Act. The bankruptcy regime has been further amended by the Bankruptcy (Amendment) Act 2015. Amongst other things, the Bankruptcy (Amendment) Act 2015 provides for a reduction of the bankruptcy period from three years to one year so that every bankruptcy will be automatically discharged on the first anniversary of the date of the making of the adjudication order in respect of that bankruptcy (unless the court extends the period of bankruptcy, typically when there has been non-cooperation by the bankrupt or other irregular actions). The Bankruptcy (Amendment) Act 2015 also reduces the normal maximum duration of a bankruptcy payment order (a court order requiring a bankrupt individual to make payments for the benefit of his or her creditors from any surplus income or assets after the deduction of reasonable living expenses for him or her and any dependents) from five to three years, although it retains the maximum five-year duration in cases of non-cooperation or asset concealment. The Bankruptcy (Amendment) Act 2015 also provides that a bankrupt person's legal interest in his or her home will revest in him or her after three years (subject to any outstanding mortgage), if the official assignee has neither sold it, nor applied to the High Court for an order permitting the sale of the house, before that date.

EU Legislation

Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds regulates the production and use of benchmarks

That regulation regulates the production and use of benchmarks and will apply from 1 January 2018. Among other things, it imposes requirements on a supervised entity (including a credit institution) that uses a benchmark for specified purposes. A credit institution that uses a benchmark in mortgage credit contracts will be using a benchmark for the purposes of the benchmark regulation (with the exception of certain mortgage credit contracts having standard variable rates). Specifically, a supervised entity is restricted as to the types of benchmarks it may use. In addition, a supervised entity that uses a benchmark must produce and maintain robust written plans setting out the actions it would take in the event that a benchmark materially changes or ceases to be provided. It must also provide its relevant competent authority with those plans on request and reflect them in its contractual relationship with clients.

Unfair Terms in Consumer Contracts Regulations

The UTCCR apply in relation to consumer contracts entered into 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. If the court finds a term of a contract to be unfair and therefore, not binding on the consumer, the rest of the contract will continue to bind the consumer if the contract is capable of continuing in existence without the unfair term. In addition, the CCPC or an authorised body (as defined in the UTCCR) may seek an injunction preventing the use of specific terms that are unfair.

The UTCCR will not generally affect "core terms" which set out the main subject of the contract, such as, in the context of a loan, a borrower's obligation to repay principal, but may affect terms deemed to be ancillary which may include terms the application of which are in the lender's discretion (such as a term permitting the lender to vary the interest rate or waiver by a borrower of set off rights).

Distance Marketing Regulations

The Distance Marketing of Financial Services Directive was implemented in Ireland by way of the DM Regulations. The DM Regulations apply to, *inter alia*, credit agreements entered into on or after 31 October 2014 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 must be provided within a reasonable time before the consumer is bound by a distance contract for the 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 (including the price to be paid by consumers to the supplier of financial services) 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). 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 Mortgage Credit Directive was transposed into Irish law by the Mortgage Credit Regulations.

The Mortgage Credit Directive aims to improve consumer protection measures by introducing revised rules for residential mortgage lending which apply across the EU. 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 Regulations apply 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 in an existing or projected building. Member States are permitted to exclude certain credit agreements (such as bridging loans and credit agreements in respect of buy-to-let properties) from the scope of the Mortgage Credit Directive where an appropriate national framework is in place to deal with such agreements. However, the Mortgage Credit Regulations have included these loans as being in scope.

The Mortgage Credit Regulations apply 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 Regulations is a natural person acting for purposes which are outside his or her trade, business or profession.

The key elements of the Mortgage Credit Regulations are:

- Transparency requirements: the Mortgage Credit Regulations require 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 is required to provide a consumer with a European Standardised Information Sheet which will allow the consumer to compare terms and conditions of loans being offered by different lenders in the market and so identify the product that is most appropriate for him or her. A consumer must be given a minimum thirty-day reflection period before the conclusion of the credit agreement or, alternatively, a minimum seven-day right of withdrawal after the conclusion of the credit agreement;

- Consumer safeguards: the Mortgage Credit Regulations oblige a creditor to conduct a thorough creditworthiness assessment before granting credit to a consumer;

- Business conduct rules: the Mortgage Credit Regulations require 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. The MCC 2017 will, from 3 January 2018, prescribe minimum competency standards to persons exercising a controlled function in relation to mortgage credit agreements as set out in the Mortgage Credit Regulations, when the MCC 2017;

- Early repayment: the Mortgage Credit Regulations grant a consumer a general right to repay a relevant mortgage loan early. The Mortgage Credit Regulations provide that a creditor is entitled to fair and objective compensation for potential costs directly linked to the early repayment, where justified. 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 Regulations require creditors to exercise reasonable forbearance before foreclosure proceedings are initiated, who must at a minimum comply with any code or similar measure put in place by the Central Bank on the handling of arrears. The Mortgage Credit Regulations require that any charge that a creditor may impose on a consumer arising from the consumer's default, subject to the provisions of section 149 of the CCA and any requirements that may be imposed by the Central Bank from time to time, shall be no greater than is necessary to compensate the creditor for the costs it has incurred as a result of the default. Where, after foreclosure proceedings, outstanding debt remains, in order to protect the consumer, the creditor is required to put in place measures to facilitiate repayment of the oustanding debt by the consumer.

- Passport regime for credit intermediaries: the Mortgage Credit Regulations include principles for the authorisation and registration of credit intermediaries and the Mortgage Credit Directive establishes a passport regime for those intermediaries;

- Non-credit institutions: the Mortgage Credit Regulations require the Central Bank to ensure that non-credit institutions engaged in mortgage lending pursuant to the Mortgage Credit Directive are subject to an adequate admission process and to supervision arrangements, including entering the non-credit institution in a register; and

- Amendment to the Consumer Credit Regulations: the Mortgage Credit Regulations amend the Consumer Credit Regulations by extending their 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 Issuer engages in lending to consumers which is subject to the Mortgage Credit Regulations.

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 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 LCLRA 2013 introduced a number of other changes to the procedural right to seek an order for possession of a PDH 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 five members of the board of directors of the Issuer as set out below. Three members of the board of directors of the Issuer are currently employees of Group members; one director is an executive director, one is a managing director and another director is a Group non-executive director. Two members of the board of directors are independent non-executive directors and are not at the date of this Base Prospectus and never have been employees of any Group member. 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. 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.

Name and Business Address	Functions with Issuer	Principal Outside Activities
Denis Holland EBS Building 2 Burlington Road Dublin 4 Ireland	Non-Executive Director (Chairman)	Director
Christopher Curley EBS Building 2 Burlington Road Dublin 4 Ireland	Managing Director	Head of Funding and Liquidity, AIB
William Cunningham EBS Building 2 Burlington Road Dublin 4 Ireland	Non-Executive Director	Director
Niamh Carolan EBS Building 2 Burlington Road Dublin 4 Ireland	Group Non-Executive Director	Head of Operational Risk, AIB
Gerry Gaffney EBS Building 2 Burlington Road Dublin 4 Ireland	Executive Director	Head of Finance, EBS

The company secretary of the Issuer is Catherine Kelly.

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 or officers 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.

As a credit institution authorised by the Central Bank, the Issuer is subject to the Revised CGC Code, and, for that purpose, has been designated a 'high impact' credit institution (which is a classification used by PRISM). The Revised CGC Code apply to credit institutions with effect from 11 January 2016. The Revised CGC Code requirements are similar in nature to the requirements that previously applied to the Issuer under the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2010 (and which came into effect on 1 January

2011). The Revised CGC Code contain the minimum requirements that a credit institution shall meet in the interests of promoting strong and effective governance. The requirements under the Revised CGC Code are imposed in addition to, and do not affect, any other corporate governance obligations and standards to which a credit institution is otherwise subject (including under conditions and/or requirements set out in the licence or authorisation of credit institutions). Amongst other things, the Revised CGC Code require that a high impact credit institution must have at least three independent non-executive directors and a minimum of seven directors on the board. However, the Central Bank has granted a derogation to the Issuer from these requirements on the basis that the board of directors of the Issuer continues to have at least two independent non-executive directors and a total of five directors on the board. This is consistent with an authorisation requirement imposed on the Issuer in 2008 that there should be a minimum of two non-executive directors who are independent of the Issuer’s parent.

Outsourcing Agreement with AIB

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 deposit taking activities including, custody of documentation administration of customer accounts, customer relations, product development, market strategy, risk management, legal, regulatory, compliance, human resources, payroll, information technology and services, financial control and project management services for the Issuer. AIB may sub-contract or delegate its powers under the Outsourcing Agreement to other members of the Group, including EBS, 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 1 December 2008, 1 June 2009, 1 May 2010, and 1 November 2011, EBS transferred certain Irish residential loans and related security held by it and certain of its Irish residential loan business related to such loans and security to the Issuer. The aggregate book value of Irish residential loans transferred by EBS to the Issuer was approximately €3.41 billion in respect of the transfer on 1 December 2008, €1.74 billion in respect of the transfer on 1 June 2009, €803 million in respect of the transfer on 1 May 2010 and €2.449 billion in respect of the transfer on 1 November 2011. On 1 October 2012 the Issuer transferred to EBS a portfolio of BTL residential loans with an aggregate value of approximately €373 million. The transfers were effected pursuant to the statutory transfer mechanism provided for in the ACS Act. For more detail in relation to the loan portfolio transfers see *Transfers of a Business or Assets under the ACS Act involving an Institution – Transfer of EBS Residential Loan Book and Business to the Issuer.*

EBS and the Issuer have entered into the Origination and Transfer Agreement relating to the origination by EBS of Irish residential loans and the transfer to the Issuer of such loans and related security and related loan business. The Origination and Transfer Agreement envisages that there will be regular periodic transfers of:

1) new mortgage credit assets originated by EBS, and

2) new mortgage credit assets comprising further advances made to borrowers whose mortgages have previously been transferred to the Issuer, together with related security and related loan business.

The Origination and Transfer Agreement does not provide for the origination by EBS and transfer to the Issuer of commercial mortgage loans and that agreement would need to be amended if it were to so provide.

Each mortgage credit asset (loan and related security) to be included in a transfer must conform to the Credit Policy for the time being approved by the board of directors of the Issuer. In the Origination and Transfer Agreement, EBS warrants that each mortgage credit asset so conforms and provision is included which allows the Issuer to re-transfer to EBS any mortgage credit asset that does not do so.

Credit Policy

The following summarises the Credit Policy that applies at the date of this Base Prospectus:

Lending Products

- Mortgage credits purchased are restricted to loans to individuals secured on fully constructed residential property including owner-occupied property, buy-to-let property, second home and holiday home;
- Mortgage credits purchased may be annuity or interest-only, including top-ups;
- Only mortgage credits denominated in euros are considered for purchase;
- Only mortgage credits secured against property located within the State are considered for purchase;
- The property must be a habitable dwelling in accordance with the requirements of the ACS Act;
- The remaining repayment term of the mortgage credit must not be greater than 40 years;
- No EBS Group staff loans / mortgage credits are considered for purchase;
- No inactive or closed accounts are considered for purchase;
- The transfer of any mortgage credit / loan from EBS to the Issuer must have the consent, either implicit or explicit, of the recipient / borrower of that loan;
- Mortgage credits with a contractual deposit offset are not considered for purchase; and

- Construction loans / mortgage credits and affordable housing loans / mortgage credits are not considered for purchase.

Security

- Mortgage credits, including top-up mortgage credits, purchased must be secured by a first legal mortgage over the property, subject only to completion of stamping, if necessary, or any registration that may be pending at the Land Registry or the Registry of Deeds; and

- EBS must have been satisfied that the borrower has good title to the property, in accordance with the procedures applicable at the time of origination.

Affordability and Income Verification

The key basis for assessment of affordability is to determine whether and when the applicant will be able to repay the loan advanced and service the interest.

Mortgage credits purchased must have been granted after applying the appropriate affordability assessment, as laid down in the duly approved lending policies of EBS (or Group policy) applicable to owner occupier loans or BTL loans, at the time of origination of the loan; and

Mortgage credits purchased must have been granted after having verified evidence of the borrower's / guarantor's income (or having appropriately assessed forecast cash flows for retail BTL loans), in accordance with the loan policies and procedures of EBS or the Group applicable at the time of origination of the loan, including stress-testing of the repayment capacity for an increase in interest rates, when applicable.

LTV

From the date of this Base Prospectus at the point of purchase of the mortgage credit from EBS, the LTV of the mortgage credit must not be in excess of 100 per cent., based on the most recent valuation of the property available to EBS, appropriately indexed in accordance with the applicable CSO index. The LTV of the mortgage credit limit referred to above was approved by the Issuer on 21 June 2016. Prior to the 21 June 2016, the LTV of the mortgage credit limit was 150 per cent.. Therefore, some mortgage credit assets issued by the Institution and included in the Pool will have an LTV of the mortgage credit in excess of the 100 per cent. LTV of the mortgage credit limit.

In the event that EBS provide a further advance loan in relation to a mortgage credit / loan already held by the Issuer, the LTV (including the further advance loan) at the time of transfer of the further advance loan to the Issuer may exceed 100 per cent, subject to the further advance loan having being provided in accordance with the EBS, or Group credit policy at the time of origination of the further advance loan; and

The property underlying the mortgage credit must have been independently valued by a valuer approved by EBS and the benefit / warranties attached to any such valuation must be assigned to the Issuer.

Insurance

Where property and life insurance are in place, and/or block policy is in place, the benefit of such insurance must be assigned to the Issuer.

Credit History of Borrower

For all mortgage credits purchased, the credit history of the borrower must have been reviewed in accordance with the duly approved lending policies of EBS or Group, applicable at the time of origination of the mortgage credit / loan.

Property Valuations

An independent professional property valuation must be provided in accordance with the Group policy regarding residential mortgage property lending. The independent valuation must be no more than 4 months old at the time of drawdown.

Arrears Status on Mortgage Credit

No mortgage credit purchased by the Issuer may be greater than 90 days past due as of the date of purchase.

In the event that EBS provide a further advance in relation to a loan already held by the Issuer, the mortgage arrears at the time of transfer of the further advance may exceed 90 days, subject to the further advance having being provided in accordance with the EBS or Group credit policy, at the time of origination of the further advance.

Anti-Money Laundering

In respect of loans acquired by the Issuer from EBS, the relevant anti-money laundering and anti-terrorist financing requirements have been complied with in accordance with EBS procedures (including obtaining documentary verification of identity and address). See *Certain Aspects of Regulation of Residential Lending in Ireland – Anti-Money Laundering, Countering the Financing of Terrorism and Financial Services*.

Changes to Credit Policy and Exceptions

The Issuer has the right to change the Credit Policy from time to time. The Issuer also has the right to vary or waive the Credit Policy from time to time and at any time and may have so done in the case of individual mortgage credits / loans.

Enforcement Procedures

EBS 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 same procedures, as from time to time varied in accordance with industry practice, are applied by AIB under the terms of the Outsourcing Agreement in respect of arrears arising on the Issuer's Irish residential mortgage loans. Reports on loans in arrears are provided by EBS to the Issuer, as required. See – *Arrears and Default Procedures* below.

The Issuer is subject to the CCMA (see *Certain Aspects of Regulation of Residential Lending in Ireland – CCMA*).

Mortgage Servicing

Introduction

AIB has been appointed under the Outsourcing Agreement to service and administer the Issuer's Irish loans, their related security and certain other related matters. Under the terms of the Outsourcing Agreement, AIB may, at its own cost, sub-contract or delegate its powers and obligations under the Outsourcing Agreement, to the other members of the Group, including EBS. Any such sub-contracting or delegation will not abrogate or relieve AIB 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 Issuer sets the interest rates on its Irish Residential Loans. Interest is calculated on the amount owing by a borrower (interest calculating balance) and is adjusted monthly to take account of repayments. At the date of this Base Prospectus, it is the Issuer's intention to apply the relevant policies and standards from time to time of EBS when setting interest rates on its Irish residential loans. Under the Origination and Transfer Agreement, the Issuer has agreed that, unless and until the Issuer notifies EBS to the contrary, the Issuer will apply the relevant policies and standards from time to time of EBS as notified by EBS to the Issuer when setting interest rates on Irish residential loans which have been transferred by EBS to the Issuer in accordance with that agreement.

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 Issuer's Irish Residential Loans. Payments are collected by EBS primarily by way of direct debit into a designated bank account held by EBS. Such payments

are held in trust by EBS for the Issuer and are transferred on the next business day to a bank account held by the Issuer.

Arrears, Default and Enforcement Procedures

At the date of this Base Prospectus, it is the Issuer's intention to apply the relevant policies and standards from time to time of EBS in relation to dealing with arrears on Irish Residential Loans and enforcing related security. Under the Origination and Transfer Agreement, the Issuer has agreed that, unless and until the Issuer notifies EBS to the contrary, the Issuer will apply the relevant policies and standards from time to time of EBS as notified by EBS to the Issuer in relation to arrears and the enforcement of security with respect to loans which have been transferred by EBS to the Issuer in accordance with that Agreement.

Monitoring, supervision and control of the Issuer's mortgage credits which are in arrears are carried out by the management of EBS in accordance with the EBS Group approved policies, procedures and regulations. In accordance with the requirements of the CCMA, EBS has established a centralised arrears support unit administrated by AIB pursuant to the terms of the Outsourcing Agreement which manages customers in difficulty in line with the MARP.

Under the Outsourcing Agreement, AIB will endeavour to collect all payments due under or in connection with the Issuer's mortgage loans, but having regard to the circumstances of the borrower in each case and in compliance with the CCMA. 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, a claim would be made under any applicable mortgage indemnity guarantee insurance and, 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*), and the Central Bank's CPC. See *Certain Aspects of Regulation of Residential Lending in Ireland – CPC.*

Redemption

Under the Outsourcing Agreement, AIB 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 EBS Group, assumes a variety of risks in undertaking its business activities. Risk is defined as any event that could damage the core earnings capacity of the Issuer, increase cash-flow volatility, reduce capital, threatened business reputation or viability and/or breach regulatory or legal obligations.

The EBS Group has a clearly defined Risk Governance structure and framework that is commensurate with the size, scale and complexity of the organisation. Over the course of 2013, the EBS Group aligned and integrated its risk management structures and frameworks with the Group. The Issuer, as an integrated member of the EBS Group has adopted a risk management structure and controls framework consistent with that of the Group.

Risk Management - 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 internal risk assessment process and which are relevant to the Issuer:

- Credit risk;
- Restructure execution risk;
- Funding and liquidity risk;
- Capital adequacy risk;
- Market risk;
- Operational risk;
- Regulatory compliance risk and conduct risk;
- People and culture risk;
- Business model risk; and
- Model risk.

Risk frameworks and policies comply with the AIB approved standards and are reviewed and approved annually. Monitoring of adherence with approved frameworks and policies is undertaken by both the Issuer and the independent Group Risk Management functions. In addition, Group Internal Audit reviews the Issuer's compliance with frameworks and policies on a regular basis. Further details of the Group's governance and organisation framework through which the Group manages and seeks to mitigate risk are set out in the 2016 annual report for the Group.

The 10 applicable risk types are discussed below with greater detail on these risks provided via the audited financial statements of the Issuer for the financial year ended 31 December, 2016 which are incorporated by reference in this Base Prospectus (see Documents Incorporated by Reference).

1. Credit risk

Credit risk is defined as the risk that the Group will incur losses as a result of either a customer or counterparty being unable or unwilling to meet a commitment that it has entered into and that pledged collateral does not fully cover amounts due to the Group. The most significant credit risks assumed by the Group arise from mortgage lending activities to customers in Ireland. Credit risk also arises on funds placed with other banks and 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 principles;
- Control and plan credit risk taking in line with external stakeholder expectations;
- Identify, assess and measure credit risk clearly and accurately across the Group, 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 pages 37 of the financial statements for the year ended 31 December 2016 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 Group's credit risk management systems operate through a hierarchy of lending authorities. The Issuer relies on the Group credit framework and its supporting policies, processes and governance.

The role of the Group Credit Risk function is to provide direction, oversight and challenge of credit risk-taking. The Group's Risk Appetite Statement sets out the credit risk appetite and framework. Credit Risk appetite is set at Group Board level and is described, reported and monitored through a suite of metrics. These are supported by credit risk policies, concentration limits to manage risk and exposure within the Group's approved risk appetite. The Group's risk appetite for credit risk is reviewed and approved annually.

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.

The primary model measures used are:

– PD – the likelihood that a borrower is unable to repay his obligations;

– EAD – the exposure to a borrower who is unable to repay his obligations at the point of default;

– LGD – the loss associated with a defaulted loan or borrower; and

– EL – the loss that can be incurred as a result of lending to a borrower that may default. It is the average expected loss in value over a specified period.

To calculate PD, the Group assesses the credit quality of borrowers and other counterparties and assigns a credit grade or score to these. This grading is fundamental to credit sanctioning and approval, and to the on-going credit risk management of loan portfolios. It is a key factor in determining whether credit exposure limits are sanctioned for new borrowers, at which authority level they can be approved, and how any existing limits are managed for current borrowers.

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 probability of default 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 probability of default changes. These individual rating models continue to be refined and recalibrated based on experience. In the retail 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.

Mortgage applications are assessed centrally with particular reference to affordability, assisted by scoring models. However, for larger cases with connected exposures, some mortgage applications are assessed by the relevant credit

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.

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.

In the Group, 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, or loans that are in a post impairment/restructuring phase; 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 review because of the increased risk associated with them. Credit management and credit risk management continues to be a key area of focus. Resourcing, structures, policies and processes are subjected to on-going 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 assessment management and mitigation

Credit risk management at the Issuer is supported by an appropriate governance structure at Group level with separation of function between the sourcing and approval of business, the issuing of funds, loan management and independent review and monitoring.

The Group's ERC is responsible for reviewing appropriate credit risk management structures, forbearance strategies and policies in line with the credit risk appetite of the Group and for monitoring the performance of the book.

All customer requests for credit are subject to a credit assessment process. The credit assessment process is monitored and overseen by an independent credit function.

Depending on the size and nature of the credit, the assessment process is assisted by standard application formats in order to assist the credit decision maker in making an informed credit decision. The credit approval authority is dependent on the size of the credit application.

The Group Risk Analytics team is responsible for the development and on-going validation of credit risk rating models which are used to assess credit applications and to support a robust capital adequacy assessment process, and for independently monitoring the quality of the loan assets.

The Group Credit Review team assesses the application of credit policies, processes and procedures across all areas of the Group, including the Issuer.

The EBS Group, including the Issuer, relies on the Group to conduct both regular and ad-hoc credit risk stress testing to assess on an ongoing basis the ability of the EBS Group to withstand various idiosyncratic and systemic stress scenarios. Credit contingency plans are developed and updated on a continual basis reflecting the results of the stress tests.

The Group conducts regular assessments of impairment provisions, assisted by the Risk Analytics and Credit divisions and evaluated by the Group Credit Committee.

Collateral

Collateral is required as a secondary source of repayment in the event of the borrower's default. Credit risk mitigation includes the requirement to obtain collateral as set out in the Group's policies and procedures. The Group maintains guidelines on the acceptability of specific classes of collateral. The principal collateral types for mortgage loans are mortgages over residential real estate.

For residential mortgages, the Group takes collateral in support of lending transactions for the purchase of residential property. Collateral valuations are required at the time of origination of each residential mortgage. The Group adjusts open market property values to take account of the costs of realisation and any discount associated with the realisation of collateral. The fair value at 31 December 2016 is based on property values at origination or date of latest valuation and applying the CSO Residential Property Price index (Republic of Ireland) to these values to take account of price movements in the interim.

Forbearance strategies

Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. A forbearance agreement is entered into where the customer is in financial difficulty to the extent that they are unable currently to repay both the principal and interest in accordance with the original contract terms. Modifications to the original contract can be of a temporary (e.g. interest only) or permanent (e.g. term extension) nature.

The Group uses a range of initiatives to support customers. The Group considers requests from customers who are experiencing cash flow difficulties on a case by case basis against their current and likely future financial circumstances and their willingness to resolve these difficulties, taking into account legal and regulatory obligations. Key principles include providing support for viable SMEs, and the objective of supporting customers to remain in a family home whenever possible. The Group has implemented the standards for the codes of conduct in relation to customers in difficulty as set out by the Central Bank of Ireland ensuring these customers are dealt with in a professional and timely manner.

The effectiveness of the forbearance measures over the lifetime of those arrangements will be measured and reviewed. A forbearance measure is deemed to be effective if the borrower meets the modified or original terms of the contract over a sustained period of time resulting in an improved outcome for the Group and the borrower.

The Group has developed a MARS for dealing with mortgage customers in difficulty or likely to be in difficulty. This builds on and formalises the Group's MARP.

The strategy is built on three key factors:

- Segmentation – identifying customers in difficulty;
- Sustainability – customer assessment; and
- Suitable Treatment – identifying solutions.

The core objectives are to ensure that arrears solutions are sustainable in the long term and they comply with the spirit and the letter of all regulatory requirements. MARS includes the following longer-term forbearance solutions which have been devised to assist existing Republic of Ireland primary residential mortgage customers in difficulty:

Low fixed interest rate sustainable solution – This solution is to support customers who have an income (and can afford a mortgage), but the income is not currently sufficient to cover full capital and interest on their mortgage based on their current interest rate(s) and/or personal circumstances. Their current income is, however, sufficient to cover full capital and interest at a lower rate. It involves the customer being provided with a low fixed interest rate for an agreed period after which the customer will convert to the prevailing market rate for the remainder of the term of the mortgage on the basis that there is currently a reasonable expectation that the customer's income and/or circumstances will improve over the period of the reduced rate. The customer must pay full capital and interest throughout;

Split mortgages – A split mortgage will be considered where a customer can afford a mortgage but their income is not sufficient to fully support their current mortgage. The existing mortgage is split into two parts: Loan A being the

sustainable element, which is repaid on the basis of principal and interest, and Loan B being the unsustainable element, which is deferred and becomes repayable at a later date. This solution may also include an element of debt write-off;

Negative equity trade down – This allows a customer to sell their house and subsequently purchase a new property and transfer the negative equity portion of the original property to a new loan secured on the new property. A negative equity trade down mortgage will be considered where a customer will reduce monthly loan repayments and overall indebtedness by trading down to a property more appropriate to his/her current financial and other circumstances;

Positive equity sustainable solution – This solution involves a reduced payment to support customers who do not qualify for other forbearance solutions such as Split loans due to positive equity;

Voluntary sale for loss – A voluntary sale for loss solution will be considered where the loan is deemed to be unsustainable and the customer is agreeable to sell the property and put an appropriate agreement in place to repay any residual debt. This solution may also include an element of debt write-off.

Credit policies are in place which outline the principles and processes underpinning the Group's approach to forbearance which the Issuer has adopted.

Loan loss provisioning

The Group's provisioning policy requires for impairments to be recognised promptly and consistently across the different loan portfolios. A financial asset is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which give rise to an adverse impact on the estimated future cash flows that can be reliably estimated.

Impairment provisions are calculated on individual loans and on groups of loans assessed collectively. All exposures, individually or collectively, are regularly reviewed for objective evidence of impairment.

Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of impairment provision accounts. Losses expected from future events are not recognised.

It is the Group's policy to provide for impairment promptly and consistently across the loan book. All business areas formally review and confirm the appropriateness of their provisioning methodologies and the adequacy of their impairment provisions on a quarterly basis. All of the Issuer's loans are automatically impaired when the account reaches 90 days past due. In addition, individual loans that are not 90 days past due, which required forbearance, which would result in a loss to the Group are impaired.

The following are triggers to prompt/guide case managers regarding the requirement to assess for impairment:

Mortgage portfolio triggers

– Deterioration in the debt service capacity;
– A material decrease in rents received on a buy-to-let property;
– Borrowers that are 90 days past due; and
– On receipt of a forbearance request.

In addition, the following factors are taken into consideration when assessing whether a loss event has occurred:

– Loss of significant tenant/material reduction in rental income;
– Significant financial difficulty;
– Decrease in cash flow;
– Loss of employment;
– Net worth;

– Planned sale of property asset did not take place; and
– Disappearance of an active market for refinancing or sale of assets.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- the Group's aggregate exposure to the customer;
- the amount and timing of expected receipts and recoveries;
- the realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding; and
- the ability of the borrower to obtain and make payments in the currency of the loan if not denominated in local currency.

Specific provisions

Specific impairment provisions arise when the recovery of a specific loan or group of loans is in doubt based on impairment triggers as outlined above and an assessment that all the expected future cash flows either from the loan itself or from the associated collateral will not be sufficient to repay the loan. The amount of the specific impairment provision is the difference between the present value of expected future cash flows for the impaired loan(s) discounted at the original effective interest rate and the carrying value of the loan(s).

When raising specific impairment provisions, the Group divides its impaired portfolio into two categories, namely "Individually Significant" and "Individually Insignificant".

Across the EBS Group portfolios, the Individually Significant threshold is €1,000,000 by customer connection. The calculation of an impairment charge for loans below the 'Significant' threshold is undertaken on a collective basis.

Individually Significant Mortgages:

All loans that are considered individually significant are assessed on a case-by-case basis throughout the year for any objective evidence that a loan may be impaired. Assessment is based on ability to pay and collateral value. Individually significant provisions are collectively assessed using discounted cash flows for each exposure. The cash flows are determined with reference to *the* individual characteristics of each credit including an assessment of the net cash flows that may arise from foreclosure less costs to sell in respect of obtaining and selling any associated collateral. The time period likely to be required to realise the collateral and receive the cash flows is taken in account in estimating the future cash flows and discounting these back to present value.

Individually Insignificant Mortgages:

Provisioning is assessed on a collective basis to estimate losses for homogeneous groups of loans that are considered individually insignificant. This applies for customer connections less than €1,000,000.

Individually insignificant mortgage specific provisions are calculated using a collective mortgage provisioning model. This methodology is based on the calculation of three possible resolution outcomes: cure; forbearance (with and without loss); and repossession (forced and voluntary), with different loss rates associated with each. The methodology has been updated to reflect current data on loss history and portfolio development as well as incorporating additional loss parameters assessed on restructuring outcomes.

The model parameters have been refined during the year based on an additional one year dataset.

Key model parameters at 31 December 2016 for owner-occupier mortgages are as follows: cure (14 per cent.); and disposal/forbearance (86 per cent.).

The corresponding BTL model parameters are as follows: cure (7 per cent.); disposal/forbearance (93 per cent.).

The cure rate parameter in the individually insignificant model reflects the percentage of loans which were defaulted but have exited default after a 12 month satisfactory performance and at no loss to the Issuer.

IBNR

Loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the balance sheet date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans are removed from the group and assessed on an individual basis for impairment. The estimation of IBNR also takes into consideration re-default and execution risk for restructured loans.

IBNR provisions can only be recognised for incurred losses i.e. losses that are present in the portfolio at the reporting date and are not permitted for losses that are expected to happen as a result of likely future events. IBNR provisions are determined by reference to loss experience in the portfolio and to the credit environment at the reporting date.

IBNR provisions are maintained at levels that are deemed appropriate by management having considered and having taken into account:

- historical loss experience (loss emergence rates based on historic grade migration experience or probability of default) in portfolios of similar credit risk characteristics (for example, by sector, loan grade or product);

- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate provision against the individual loan (Emergence Period);

- loss given default rates based on historical loan loss experience, adjusted for current observable data;

- management's judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience; and

- an assessment of higher risk portfolios, for example, non-impaired forborne mortgages and restructured loans.

Emergence Period

The emergence period is key to determining the level of IBNR provisions. Emergence periods are determined by assessing the time it takes following a loss event for an unidentified impaired loan to be recognised as an impaired loan requiring a provision. Emergence periods for each portfolio are determined by taking into account current credit management practices, historic evidence of assets moving from 'good' to 'bad' and actual case studies.

Emergence periods are reflective of the characteristics of the particular portfolio. Emergence periods are estimated based on historic loan loss experience supported by back-testing, and as appropriate individual case sampling.

Emergence periods are reviewed on at least an annual basis. At 31 December 2016, there was no change made to the emergence period for the mortgage portfolio (12 months).

Approval process

The Group operates an approval framework for impairment provisions which are approved, depending on amount, by various delegated authorities and referred to Area Credit Committee level, as required. These committees are chaired by a designated Credit Risk representative as outlined in the terms of reference for Credit Committees (approved by ERC), 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 Board of AIB

(where applicable). Segment impairments, mortgage model parameters 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 the Group senior management.

Write-offs

When the prospects of recovering a loan, either partially or fully, do not improve, a point will come when it will be concluded that as there is no realistic prospect of recovery, the loan will be written off and any related specific provision utilised. Where the loan is secured, the write-off will take account of receipt of the net realisable value of security held. Partial write-offs may also occur when it is considered that there is no prospect for the recovery of the provisioned amount, for example when a loan enters a legal process. The provision is written off but the remaining reduced loan balance remains on balance sheet as impaired. In addition, some write-offs may reflect restructuring activity agreed with customers who are subject to the terms of the revised agreement and subsequent satisfactory performance.

Reversals of impairment

If the amount of an impairment loss decreased in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment provision amount accordingly. The write-back is recognised in the income statement.

Impact of changes to key assumptions and estimates on the impairment provisions

Management is required to exercise judgement in making assumptions and estimations when calculating loan impairment provisions on both individually and collectively assessed loans and receivables. A significant judgemental area is the calculation of individually insignificant and IBNR impairment provisions which are subject to estimation uncertainty.

The methods involve the use of historical information which is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience. In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio, though sometimes it provides less relevant information about the inherent loss in a given portfolio at the balance sheet date. For example; when there have been changes in economic, regulatory or behavioural conditions which result in the most recent trends in portfolio risk factors not being fully reflected in the statistical models. In these circumstances, the risk factors are taken into account by adjusting the impairment provisions derived solely from historical loss experience.

Risk factors include loan portfolio growth, product mix, unemployment rates, bankruptcy trends, geographical concentrations, loan product features, economic conditions such as national and local trends in housing markets, the level of interest rates, portfolio seasoning, account management policies and practices, changes in laws and regulations, and other influences on customer payment patterns. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. For example; loss rates and the expected timing of future recoveries are benchmarked against actual outcomes where available to ensure they remain appropriate.

2. Restructure Execution risk

There is a restructure execution risk that the Group's restructuring activity programme for customers in difficulties will not be executed in line with management's expectation.

The Group continues to have a relatively high level of problem or criticised loans, which are defined as loans requiring additional management attention over and above that normally required for the loan type. The Group has been proactive in managing its criticised loans through a restructuring process. The objective of this process is to assist customers that find themselves in financial difficulties and to deal with them sympathetically and to work with them constructively and to explore appropriate solutions. By continuing to work together in this process, the Group and the customer can find a mutually acceptable and alternative way forward. These plans, if successfully

completed, will materially change the make-up of the Group's operations. It will remove non-performing assets from the Group's balance sheet, improve its asset quality, lower its overall risk profile, and strengthen its solvency.

However, as the Group moves forward into the post-restructure phase, the realisation of collateral and the receipt of expected cash flows within the timeframes estimated, presents a level of execution risk. In addition, there is the risk of customers re-defaulting post restructure.

The Group has extensive credit policies and strategies, implementation guidelines and monitoring structures in place to manage and to assist with the restructuring of problem loans. The Group regularly reviews the performance of these restructured loans and has a dedicated team to focus on asset sales within the restructured portfolio.

3. Funding & Liquidity risk

Liquidity risk relates to the ability of the Issuer to meet its on and off balance sheet obligations in a timely manner as they fall due, without incurring excessive cost, whilst continuing to fund its assets and growth therein. As part of the terms of its bank licence approval the Issuer elected to meet its solo prudential liquidity requirements at an EBS Group level which during 2013 was amended to be at Group level.

EBS Group was acquired by the Group on 1 July 2011 following instructions from the Minister for Finance on the 31 March 2011. As part of the Group, EBS Group's liquidity risk has been incorporated into the Group centralised risk management model in line with Group common approach to Treasury Risk management. Under this centralised approach the management of liquidity and related activities are overseen and controlled by Group Treasury.

The Issuer's liquidity risk is managed as part of the overall Group liquidity management. In line with Article 8 of the CRR, the Group applied to request derogations to the application of liquidity requirements under Part 6 of the CRR to EBS Group. Without this derogation EBS Group would have to comply with CRR liquidity management and reporting requirements in its own right.

EBS Group has a waiver from the Central Bank having received:

- a signed copy of the liquidity management agreement between the Group and the EBS Group 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 the Group, has appointed the Group 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.

The Issuer's actual and potential sources of funding can be broken down into the following categories:

- the issuance of Mortgage Covered Securities in accordance with the ACS Act;

- inter Group funding facilities;

- secured funding via sale and repurchase (repo) , or otherwise posting as collateral the Issuer's self-issued securities for value with AIB and/or the Central Bank;

- borrowing from the Central Bank by a way of mortgage backed promissory note facilities as agreed between both parties from time to time[27];

- ordinary share capital;

- other funding sources.

While the majority of the Issuer's funding has and will continue to be sourced from the categories detailed above there are other potential sources such as subordinated capital or deposits from other Group entities. As of the date of this Base Prospectus, the Issuer does not actively seek customer deposits.

Liquidity

The Group sets out how liquidity and funding risks are managed through its ILAAP. The ILAAP encompasses all aspects of funding and liquidity management, including planning, analysis, stress testing, control, governance, policy and contingency planning.

The Group adheres to the LCR, as required by the CRR and the European Commission Delegated Regulation to supplement the CRR which came into force on 1 October 2015. 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 Group also adheres to the NSFR standards which will come into force in 2018. 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 cash flow 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 mortgage backed promissory note 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.

4. Capital Adequacy risk

Capital adequacy risk is defined as the risk that the Issuer or the Group breaches or may breach regulatory capital ratios and internal targets. The key material risks impacting on the capital adequacy position of the Issuer or the Group is credit risk, although it should be noted that all material risks can to some degree impact capital ratios.

Capital Adequacy Risk is mitigated at Group level by an evaluation of the adequacy of the Group's capital under both forecast and stress conditions as part of the ICAAP. The ICAAP process includes the identification and evaluation of potential capital mitigants. The objectives of the Group's capital management policy are to comply at all times with all applicable regulatory capital requirements (including requirements at the Issuer level) and to ensure that the Issuer has sufficient capital to cover current and potential future risks to its business.

5. Market risk

Market risk is the risk relating to the uncertainty of returns attributable to fluctuations in market factors. Where the uncertainty is expressed as a potential loss in earnings or value, it represents a risk to the income and capital position of the Issuer.

The interest rate risk in the banking book is the current or prospective risk to both the earnings and capital of the Issuer as a result of adverse movements in interest rates being applied to positions held in the banking book.

[27] Mortgage backed promissory note facilities are not currently available to the Issuer at the date of this Base Prospectus.

Changes in interest rates impact the underlying value of the Issuer's assets, liabilities and off-balance sheet instruments and, hence, its economic value (or capital position). Similarly, interest rate changes will impact the Issuer's net interest income through interest-sensitive income and expense effects.

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. The Issuer is not allowed to engage in proprietary trading under the conditions of the ACS Act and its authorisation. The interest rate exposure of the Issuer relating to its Irish residential lending is managed using two macro interest rate swaps with EBS 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 EBS to reflect the net amount payable/receivable in each month. Interest rate swaps are used solely for risk management and not trading purposes.

The Issuer is not exposed to any other market risks, i.e. foreign exchange rates or equity prices.

6. Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk - the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings, but excludes strategic and reputational risk. In essence, operational risk is a broad canvas of individual risk types which include, products, projects and property, continuity and resilience, information and security and outsourcing. 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 a Managed Services Agreement. The Group operational risk framework applies across all areas of the Group including EBS Group. 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.

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.

7. Regulatory Compliance risk & Conduct risk

Regulatory compliance risk is defined as the risk of regulatory sanctions, material financial loss or loss to reputation 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.

Conduct risk is the risk that inappropriate actions, or inaction, by the Group cause poor and unfair outcomes for its customers, or market instability. A mature Conduct Risk Framework, aligned with the Group Strategy, is embedded in the organisation which provides oversight of conduct risks at Group Leadership Team and Board level. This includes the embedding of a customer centric culture aligned to AIB's Brand Values and Code of Conduct, the promotion of good conduct throughout the organisation and the operation of a control environment for the measurement and management of Conduct risk, in accordance with the relevant limits and other requirements set out in AIB's board Risk Appetite Statement.

Regulatory compliance risk is managed as part of the overall Group regulatory compliance framework. This includes risk identification and assessment, risk management, monitoring and reporting processes. Conduct Risk is managed in line with the processes, procedures and organisational structures for the management of Regulatory Compliance risk within the Group.

8. People and Culture risk

Definition

The risk to achieving the Group's strategic objectives as a result of an inability to recruit, retain or develop resources, or as a result of behaviours associated with low levels of employee engagement. It also includes the risk that the business, financial condition and prospects of the Group are materially adversely affected as a result of inadvertent, intentional or unintentional behaviours or actions taken or not taken by employees that are contrary to the overall strategy, culture and values of the Group. All of the Issuer's operational and support activities are outsourced to AIB under a Managed Services Agreement.

Mitigating Actions

People and culture are essential components in realising an organisation's strategic ambitions. An effective culture is built around a general principle of people "doing the right thing" for all stakeholders, including customers, staff and regulators. The Group seeks to foster a consistent culture, in the way decision making occurs and how the Group communicate this from the top and throughout the Group. In this way the Group has embedded a set of customer centric Brand Values. These values drive and influence activities of all staff, guiding the Group's dealings with customers, each other and all stakeholders. The Group's Brand Values are embedded within the Group's framework, from the way the Group recruit, promote, reward and manage staff. A strong culture demonstrates a consistent approach to compliance in both the letter and spirit of the law. The Group's Risk Culture Principles and code of conduct places great emphasis on the integrity of staff and accountability for both inaction and actions taken. These frameworks describe for staff the standards the Group apply that translate into how the Group behaves. How the Group lives up to the values determines what behaviours are acceptable in the Group and this means aligning remunerations and reward models around these values. In 2016, the Group launched the Aspire to facilitate quality performance discussions that contribute to delivering the Group's strategic ambitions. Aspire allows all staff to create goals that are clear on "What" they will achieve and that "How" they behave will be important to deliver these goals. This means that the Group stands out from its peers in embracing the right behaviours and outcomes with equal weighting, in achieving the Group's strategic ambition.

The Group has made significant steps in increasing engagement and awareness of the Group's risk management activities throughout the Group by embedding the Risk Appetite Statement in policies and frameworks of the Group. The Risk Appetite Statement contains clear statements of intent as to the Group's attitude to taking and managing risk, including culture risk. It ensures the Group monitors and reports against certain culture metrics in measuring culture risk and tracking cultural change.

The Group closely monitors the evolving culture at a Group level through the AIB staff engagement programme, iConnect. Engagement scores have increased since its inception 2013. As a result, initiatives continue to be undertaken at team level to improve the way the Group do things and from which the Group continuously identifies opportunities to evolve the culture at the Group level as a competitive advantage.

The Group's iLearn training portal, provides all staff with dedicated and bespoke curriculum that allow teams and individuals to invest in themselves and therefore the organisation. The Group's Speak Up Policy and process also provides staff with a protected channel for raising concerns which is at the heart fostering an open and receptive cultural environment.

9. Business Model risk

Business model risk is defined as the risk of not achieving the agreed strategy or approved business plan either as a result of an inadequate implementation plan, or failure to execute the implementation plan as a result of inability to secure the required investment, or due to factors in the economic, political or competitive environment. This also includes the risk of implementing an unsuitable strategy, or maintaining an obsolete business model, in light of known internal and external factors.

Risk Identification and Assessment

The Group identifies and assesses business risk as part of its integrated planning process, which encapsulates strategic, business and financial planning. This process drives delivery of the Group's strategic objectives aligned

to the Group's risk appetite and enables measurable business objectives to be set for management aligned to the short, medium and long-term strategy of the Group.

The Group reviews its assumptions on its external operating environment and, by extension, its strategic objectives on a periodic basis, the frequency of which is determined by a number of factors including the speed of change of the economic environment, changes in the financial services industry and the competitive landscape, regulatory change and deviations in actual business outturn from strategic targets. In normal circumstances, this is annually.

The Group's business and financial planning process supports the Group's strategy. Every year, the Group prepares three- year business plans at a Group level based on macro-economic and market forecasts across a range of scenarios. The plan includes an evaluation of planned performance against a suite of key metrics, supported by detailed analysis and commentary on underlying trends and drivers, across income, cost, balance sheet and business targets. This assessment includes, but is not limited to discussion on new lending volumes and pricing, deposits volumes and pricing, other income, cost management initiatives and credit performance. The Group plan is supported by detailed business unit plans, encapsulating the operations and activities of the Issuer. Each business unit plan is aligned to the Group strategy and risk appetite. The business plan typically describes the market in which the segment operates, market and competitor dynamics, business strategy, financial assumptions underpinning the strategy, actions/investment required to achieve financial outcomes and any risks/opportunities to the strategy.

Risk Management & Mitigation

At a strategic level, the Issuer manages business risk within its risk appetite framework, by setting limits in respect of measures such as financial performance, portfolio concentration and risk-adjusted return. At a more operational level, the risk is mitigated through periodic monitoring of variances to plan at both Group and Issuer level. Where performance against plan is outside agreed tolerances or risk appetite metrics, proposed mitigating actions are presented and evaluated, and tracked thereafter. During the year, periodic forecast updates for the full year financial outcome may also be produced. The frequency of forecast updates during each year will be determined based on prevailing business conditions.

Risk Monitoring and Reporting

Performance against plan and risk profile against risk appetite is monitored at Issuer level by the Issuer's executive management and board on a quarterly basis. At an overall Group level, performance against Plan and risk profile against risk appetite is monitored as part of the chief financial officer report which is discussed at Leadership Team and Board of AIB on a monthly basis.

10. Model risk

Model risk is comprised of two elements:

- Operational risk: The risk of losses relating to the development, implementation or improper use of models for decision making (e.g. product pricing, evaluation of financial instruments, monitoring of risk limits, etc.).

- Capital impact: The risk relating to the underestimation of own funds requirements by models used within the Group for those purposes.

The responsibilities and accountabilities in relation to the governance of model risk is outlined in the Group's Model Risk Framework.

The Group mitigates model risk by having policies and standards in place in relation to model development, operation and validation. In addition, Group Internal Audit provide independent assurance on the adequacy, effectiveness and sustainability of the governance, risk management and control framework supporting model risk through their periodic review of the Model Risk Management processes.

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 or commercial property, 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.

A "**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 EFI; and

(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 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 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 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 per cent. 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 – (c) 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 CTA Eligible Financial Institutions 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 Institutions 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 Institutions Regulations repeal the Asset Covered Securities Act 2001 (Section 27(4)) Regulation 2004 (S.I. No. 417 of 2004).

Permitted business activities – (d) 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 – Market 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. 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 within the meaning of the ACS Act;

(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 (within the meaning 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 *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 *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. Until those steps have been taken, the Institution may not issue further Mortgage Covered Securities.

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 did 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; and

(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 of not less than that of the Mortgage Covered Securities that relate to the Pool;

(b) the prudent market value 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.

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 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 collateralise 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) an Irish Residential Property Asset;

(b) an Irish Residential Loan; and

(c) 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, with the exception of Relevant Securitised Mortgage Credit Assets, 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 an Institution 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 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 EBS website (www.ebs.ie , access through 'Treasury and Corporate Services – EBS Mortgage Finance' – 'Prudent Market Valuation').

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 of that Irish Residential Property Asset. In general, an Irish Residential Property Asset for the purposes of the MCA Valuation Notice has an Origination Market Value 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.

In September 2016, the applicable index referred to above was revised by the CSO in order to cover all market transactions (including cash purchases) in the residential property market. Previously that index was determined by reference to mortgage lending levels.

See also, *Valuation of Irish Residential Property Assets, Valuation of Irish Residential Loans* and *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 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; and

(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; and

(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**" (meaning in relation to a Pool, 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.

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 per cent. 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, EBS and BNP Paribas, Dublin Branch (in this context, the "**Account Bank**"), have entered into a banking agreement dated 6 August 2010 pursuant to which the Issuer may from time to time deposit monies into specified accounts maintained by the Issuer with the Account Bank. Such deposits may comprise substitution assets and/or Pool Hedge Collateral.

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 under the ACS Act 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 proceeds of Cover Assets*, included in, or removed from, a Pool when the appropriate particulars are recorded in the register of *mortgage covered securities business* 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 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; and

(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

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.

Introduction

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 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 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.

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 (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 will not include in the Pool in any circumstance any asset-backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the ECB Guideline.

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.

(See *Restrictions on the activities of an Institution and Cover Assets Pool – Restrictions on inclusion of certain types of mortgage credit assets in a Pool and Location of assets that may be included in a Pool*).

Substitution Assets

The Issuer at the date of this Base Prospectus holds deposits with BNP Paribas, Dublin Branch and KBC Bank NV, Dublin Branch (*i.e.*, substitution assets).

In relation to substitution assets comprised in the Pool, see also *Risks Relating to the Securities – Deposits /cover assets hedge contracts with counterparties*.

Maturity of Mortgage Covered Securities

It is the Issuer's intention that for so long as the Securities remain outstanding no more than €2.5 billion in aggregate principal amount of Mortgage Covered Securities issued by it should mature within any given period of six months, unless Moody's, (for as long as the Securities are rated by Moody's) 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 EBS 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, EBS 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, EBS 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 EBS an amount related to one month EURIBOR on that notional amount.

Under the terms of the Pool Hedge with EBS, in the event that the relevant rating of EBS is downgraded by a rating agency appointed by the Issuer in respect of the Securities below the rating(s) specified in the Pool Hedge, EBS 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 EBS. 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*). 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 related Mortgage Covered Securities/Regulatory Overcollateralisation*.

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 Conditions is not sufficient for this purpose) at a level sufficient to ensure that the Securities maintain the current ratings assigned to them by Moody's (for so long as Moody's is appointed by the Issuer to rate the Securities), such level being that as determined by that rating agency 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. 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 Moody's (for so long as Moody's 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 EBS website (www.ebs.ie , access through 'Treasury and Corporate Services – EBS Mortgage Finance') in respect of any such overcollateralisation.

For the purposes of the LCR Commission Regulation, 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 (2015/62/EU) of 10 October 2014 to supplement Regulation (EU) 575/2013 with regard to liquidity coverage requirement of 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 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 large international integrated partnership, with offices across 79 countries, a total headcount of 18,000 employees and a global turnover of €1.36 billion. The Mazars Group is currently engaged as auditors / advisers 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 and assurance, tax, corporate finance, insolvency, consulting and corporate recovery. Based in Dublin Galway and Limerick, the firm has 25 partners and over 400 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 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 adviser 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 – 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 restrictions 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 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;

(c) one hundred basis point upward twist in the yield curve; and

(d) one hundred basis point downward 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 –Market Risk - 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 (within the meaning 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 under the ACS Act 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 Act (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 or potentially insolvent 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, 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 Act, 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 (now an ECB banking authorisation) 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 Act;

(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

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 2004 Regulations with effect from 5 May 2004. With effect from 4 February 2011, the 2004 Regulations were revoked by 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. 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 CIWUD 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 Supervision and Regulation – The BRRD contains Resolution Tools and other measures that may have a material adverse effect on the Group and certain of its stakeholders.*

Recovery and Resolution Directive

On 6 May 2014, the EU Council adopted the BRRD, establishing a framework for the recovery and resolution of credit institutions and investment firms. See *Risk Factors – Risks Relating to Supervision and Regulation – The BRRD contains Resolution Tools and other measures that may have a material adverse effect on the Group and certain of its stakeholders.*

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 (*i.e.*, a 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 *Restrictions on the activities of an Institution – Permitted Business activities – (e) entering into certain hedging contracts for the purpose 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 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 from the date of the transfer 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, 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 EBS Irish Residential Loan Book and Business to the Issuer

On 1 December 2008, 1 June 2009, 1 May 2010, and 1 November 2011, EBS transferred certain Irish residential loans and related security held by it and certain of its Irish residential loan business related to such loans and security to the Issuer. The aggregate book value of Irish residential loans transferred by EBS to the Issuer was approximately €3.41 billion in respect of the transfer on 1 December 2008, €1.74 billion in respect of the transfer on 1 June 2009, €803 million in respect of the transfer on 1 May 2010 and €2.449 billion in respect of the transfer on 1 November 2011. On 1 October 2012 the Issuer transferred to EBS a portfolio of BTL residential loans with an aggregate value of approximately €373 million. The transfers were effected pursuant to the 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 EBS and the Issuer on 28 November 2008 which permits the transfer of Irish residential loans and related security and/or Irish residential loan business between EBS and the Issuer. Transfers under that scheme were approved by order of the Central Bank of Ireland on 28 November 2008 as required by the ACS Act. The scheme permits further transfers from EBS to the Issuer or from the Issuer to EBS. The scheme also permits, subject to EBS and the Issuer obtaining the prior written agreement of the Central Bank, transfers of Irish commercial loans, and related security and/or Irish commercial loan business between EBS and the Issuer. At the date of this Base Prospectus, the Issuer does not intend to include in its Pool mortgage credit assets the related loans under which have their primary security over commercial property without first obtaining from Moody's (as long as Moody's 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.

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 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 under the ACS Act 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

General

The following summary of the 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, each of which is subject to change, possibly with retrospective effect. 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 Act 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 Taxes Act) such as the Issuer is obliged to withhold tax currently at a rate of 39 per cent. (reducing by 2 per cent. each year to achieve a rate of 33 per cent. by 2020) 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 exceptions 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 Taxes Act (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 Taxes Act) 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 Taxes Act 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 or exploration 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 a trade in Ireland through a branch or agency, 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.

Automatic Exchange of Information for Tax Purposes

Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU ("DAC2")) provides for the implementation among EU member states (and certain third countries that have entered into information exchange agreements with the relevant EU member state or the EC) of the automatic exchange of information in respect of various categories of income and capital and broadly encompasses the CRS regime proposed by the OECD as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions.

Under the CRS, governments of participating jurisdictions (currently more than 100 jurisdictions) are required to collect detailed information to be shared with other jurisdictions annually. A group of over 40 countries, including Ireland, have committed to the early adoption of the CRS from 1 January 2016 with the first data exchanges taking place in September 2017. All EU member states, except Austria, introduced the CRS from 1 January 2016. Austria introduced the CRS from 1 January 2017.

The CRS is implemented in Ireland by the Returns of Certain Information by Reporting Financial Institutions Regulations 2015 of Ireland (S.I. 583 of 2015) made under section 891F of the Taxes Act.

DAC2 was transposed into Irish law under the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations 2015 (S.I. No. 609 of 2015) made under section 891G of the Taxes Act.

Pursuant to the above referenced regulations, the Issuer will be required to obtain and report to the Revenue Commissioners of Ireland annually certain financial account and other information for all new and existing Security holders (other than Irish and US Security holders) in respect of their Securities. The first returns were required to be submitted on or before 4 September 2017 with respect to the year ending 31 December 2016 and by 30 June annually thereafter. The information will include amongst other things, details of the name, address, TIN, place of residence and, in the case of Security holders who are individuals, the date and place of birth, together with details relating to payments made to Security holders and their holdings. This information may be shared with tax authorities in other EU member states (and with certain third countries subject to the terms of IEAs entered into with those third countries) and jurisdictions which implement the OECD CRS.

FATCA

Pursuant to FATCA, non-U.S. financial institutions that become subject to provisions of local law intended to implement 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 Depositary/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 27 November 2017 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 addresses 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.

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.

UK

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 the 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 2015 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) (as amended, the "**MiFID Regulations**") including, without limitation, Regulations 7 (*Authorisation*) and 152 (*Restrictions on Advertising*) thereof and any regulations or codes of conduct made under the MiFID Regulations issued in connection therewith or from 3 January 2018, the European Union (Markets in Financial Instruments) Regulations 2017 and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 (including, without limitation, any guidance or delegated acts made thereunder) and (iii) the provisions of the Investor Compensation Act 1998 (as amended);

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 (including where the Securities are or are to be admitted to the official list of and trading on the ISE) other than in compliance with the Market Abuse Regulation (EU 596/2014) and any rules and guidance issued made by the Central Bank of Ireland 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 Securities on 28 November 2008. 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 27 September 2016.

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 Constitution (Memorandum and Articles of Association) of the Issuer;

   (b) the audited financial statements of the Issuer for the financial year ended 31 December 2016 and the auditor's report dated 30 March 2017 by Deloitte thereon;

   (c) the audited financial statements of the Issuer for the financial year ended 31 December 2015 and the auditor's report dated 18 March 2016 by Deloitte thereon; and

   (d) terms and conditions of the Securities as contained in the base prospectuses dated 23 November 2011, 14 December 2012, 9 July 2014, 29 October 2015 and 20 October 2016 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/Issuer Deed of Covenant

   The following provides a brief description of the contents of each of the Agency Agreement and the Issuer 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 *Cover Assets Pool - Cover assets hedge contracts* above.

   (a) Agency Agreement

   In the Agency Agreement dated 27 November 2017 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 Issuer Deed of Covenant.

   (b) Issuer Deed of Covenant

   Under the Issuer Deed of Covenant dated 27 November 2017 the Issuer has agreed, subject to the terms thereof, to grant certain direct contractual rights to Relevant Account Holders (as defined in the Issuer 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. 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 2016, 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. Deloitte were appointed on 20 June 2013 as auditors of the Issuer. Deloitte 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 Moody's which is established in the EU and is registered under the CRA Regulation. Securities issued under the Programme may be rated by Moody's and/or such other rating agency or agencies as may be appointed by the Issuer to rate the Securities, such ratings together with the relevant status of the relevant rating agency/agencies as may be appointed by the Issuer to rate the Securities, such rating(s) together with the relevant status of the relevant rating agency/agencies under the CRA Regulation, to be disclosed in the applicable Final Terms for the relevant Securities.

DEFINITIONS AND INTERPRETATION

In this Base Prospectus, unless the context otherwise requires:

A reference to (i) any enactment, statute, act, statutory instrument, regulation, order, decree, regulatory notice, code of conduct, directions or 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 Member States of the EU; the EEA or otherwise, or (iv) a provision of any of the foregoing measures referred to at or contemplated by (i) to (iii) above (in this paragraph, a (''**Legal Measure**'') is to that Legal Measure as extended, amended or replaced as of the date of this Base Prospectus or to any other date indicated and includes any other Legal Measure that is to be read as one therewith; 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 "**$**" or "**US dollars**" are to United States dollars, the lawful currency of the United States of America;

"**2004 Regulations**" means the European Communities (Reorganisation and Winding-up of Credit Institutions) Regulations 2004;

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

"2009 Preference Shares" means non-cumulative redeemable preference shares that AIB issued to the State in 2009;

"2010 Placing Agreement" means the placing agreement dated 23 December 2010 between AIB, the Minister for Finance, the NPRFC and the NTMA;

"2011 Placing Agreement" means the placing agreement dated 1 July 2011 between AIB, the Minister for Finance, the NPRFC and the NTMA;

"2011 Regulations" means the European Communities (Reorganisation and Winding-Up of Credit Institutions) Regulations 2011;

"2014 Comprehensive Assessment" means a stress-testing exercise conducted by the EBA and the ECB in conjunction with the Central Bank;

"2015 Capital Reorganisation" means the capital reorganisation approved by AIB Shareholders at an extraordinary general meeting held on 16 December 2015 which comprised, among other things, the conversion and redemption of the 2009 Preference Shares, a consolidation of the then existing ordinary shares in the capital of AIB, the entry into a warrant agreement and amendments to the memorandum and articles of association of AIB and the redemption and cancellation of the EBS Promissory Note;

"2016 EBA stress test" means the 2016 EU-wide stress test conducted by the EBA, in cooperation with the Central Bank, the ECB, the EC and the SRB;

"**30/360**" has the meaning given to it under Condition 4(a)(v) on page 89 and Condition 4(b)(v) on page 95 under the section entitled *Terms and Conditions of the Securities*, of this Base Prospectus;

"**30E/360**" has the meaning given to it under Condition 4(a)(vi) on page 89 and Condition 4(b)(vi) on page 95 under the section entitled *Terms and Conditions of the Securities*, of this Base Prospectus;

"**30E/360 (ISDA)**" has the meaning given to it under Condition 4(a)(vii) on page 90 and Condition 4(b)(vii) on page 96 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"**360/360**" has the meaning given to it under Condition 4(a)(v) on page 89 and Condition 4(b)(v) on page 95 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"**Account Bank**" means a banking agreement dated 6 August 2010 entered into by the Issuer, EBS and BNP Paribas, Dublin Branch pursuant to which the Issuer may from time to time deposit monies into specified accounts

maintained by the Issuer with the Account Bank. Such deposits may comprise substitution assets and/or Pool Hedge Collateral;

"**Accrual Period**" has the meaning given to it under Condition 4(a)(i)(A) on page 88 and Condition 4(b)(iv)(i)(A) on page 88 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"**ACS Act**" means the Asset Covered Securities Act 2001;

"**Actual/360**" has the meaning given to it under Condition 4(a)(iv) on page 89 and Condition 4(b)(iv) on page 95 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"**Actual/365 (Fixed)**" has the meaning given to it under Condition 4(a)(iii) on page 89 and Condition 4(b)(iii) on page 95 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"**Actual/Actual**" has the meaning given to it under Condition 4(a)(ii) on page 89 and Condition 4(b)(ii) on page 95 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"**Actual/Actual (ICMA)**" has the meaning given to it under Condition 4(a)(i) on page 88 and Condition 4(b)(iv) on page 94 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"**Additional Tier 1 instruments**" has the meaning given to it in the CRR;

"Agency Agreement" means the amended and restated agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time) dated 27 November 2017 and made between the Issuer and the Bank of New York Mellon, London Branch as Principal Paying Agent and Transfer Agent and the Bank of New York Mellon SA/NV, Luxembourg Branch as Registrar;

"**Agents"** has the meaning given to it under the section entitled *Terms and Conditions of the Securities,* on page 84 of this Base Prospectus;

"**AIB**" means Allied Irish Banks, p.l.c;

"**AIB Admission**" means the admission on 27 June 2017, in connection with the AIB IPO of the ordinary shares of AIB to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange;

"AIB CIFS Covered Institution" means the members of the Group participating in the CIFS Scheme, being AIB, AIB Group (UK) p.l.c., EBS, EBS Mortgage Bank, AIB Mortgage Bank, AIB (CI) Limited and AIB North America Inc;

"**AIB HoldCo Deed of Covenant**" means the deed of covenant entered into on 10 October 2017 between AIB HoldCo, AIB and the Minister for Finance;

"AIB ELG Participating Institutions" means the members of the Group participating in the ELG Scheme, being AIB, AIB Group (UK) p.l.c., EBS, AIB North America Inc, and formerly AIB (CI) Limited and AIB International Savings Limited;

"AIB HoldCo" means AIB Group plc, a company incorporated and registered in Ireland with registered number 594283, whose registered office is at Bankcentre, Ballsbridge, Dublin 4, Ireland, and which is the proposed new holding company of the Group;

"AIB HoldCo Board" means the board of directors of AIB HoldCo from time to time;

"AIB HoldCo Reduction of Capital" the proposed reduction of the capital of AIB HoldCo to create distributable reserves under sections 84 to 86 of the Companies Act, to become effective as soon as a certificate of registration of the Court Order, together with the minute approved by the Court in respect of the reduction of capital, is issued by the Registrar of Companies, which, subject to Court approval, would occur after the Scheme becomes effective;

“AIB HoldCo Shares” means ordinary shares in the capital of AIB HoldCo having a nominal value of (i) prior to the AIB HoldCo Reduction of Capital becoming effective, €2.47 each and (ii) on and following the AIB HoldCo Reduction of Capital becoming effective, €0.625 each;

“**AIB HoldCo Shareholders**” means the holders of ordinary shares in the capital of AIB HoldCo;

“AIB HoldCo Relationship Framework” the relationship framework specified by the Minister for Finance in relation to AIB HoldCo and AIB on 10 October 2017 to take effect at the time the Scheme becomes effective;

“AIB IPO” means the offer and sale of 678,595,310 ordinary shares in AIB by the Minister for Finance to institutional and retail investors in June 2017 (which offer and sale was increased to 780,384,606 AIB shares on exercise of an over-allotment option), together with the AIB Admission;

“**AIB Irish Pension Scheme**” means the defined benefit pension schemes operated by AIB and EBS for their respective staff in Ireland;

“AIB Shareholder” means a holder of ordinary shares;

“AIB UK” means AIB Group (UK) p.l.c.;

“**AIB Relationship Framework**” means the relationship framework specified by the Minister for Finance in relation to AIB on 12 June 2017 amending and restating the relationship framework specified by the Minister for Finance in relation to the Group on 29 March 2012; with effect from the admission of the ordinary shares of AIB to the official lists and to trading on the main markets for listed securities of the ISE and the London Stock Exchange becoming effective in accordance with the listing rules;

“**AIB UK Pension Scheme**” means a defined benefit pension scheme operated by AIB in respect of its staff employed in the UK;

“AML” means anti-money laundering;

“**AML Acts**” means the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 and 2013;

“**AML/CTF**” means anti-money laundering/counter-terrorist financing;

“**an offer of Securities to the public”** has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – European Economic Area* at page 204 of this Base Prospectus;

“applicable Final Terms” means the Final Terms (or the relevant provisions thereof) attached to or endorsed on a Security;

“**Aspire**” means the Aspire Performance Management Programme;

“**asset covered securities business activities**” in relation to the ACS Act has the meaning given to it under the section entitled *Supervision and Regulation of Institutions/Managers - Power of the Central Bank to appoint the NTMA or a recommended person as manager of an Institution* on page 190 of this Base Prospectus;

“**associated**” in the context of the section entitled *Transfers of a Business or Assets under the ACS Act involving an Institution* has the meaning given to it under the sub-section entitled *Approval of the Minister for Finance or the Central Bank* required on page 194 of this Base Prospectus;

“**ASU**” means an Arrears Support Unit for the purposes of the CCMA and the MARP;

“**ATM**” means automated teller machine**;**

“**authorised credit institution**” has the meaning given to it under the section entitled *European and Irish* Insolvency Law relevant to Institutions - CIWUD Directive on page 186 of this Base Prospectus;

"**Bankruptcy Act**" means the Bankruptcy Act 1988;

"**Barclays**" means Barclays Bank PLC, a credit institution whose principal office in London is at One Churchill Place, Canary Wharf, London, E14 5HP, UK;

"**Base Prospectus**" means this document (including information incorporated by reference in this document) which is a base prospectus for the purposes of the Prospectus Directive and relevant Irish laws, including 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 document;

"Bearer Securities" means the Securities in bearer form;

"Board of AIB" means the board of directors of AIB;

"Bond Basis" has the meaning given to it under Condition 4(a)(v) on page 95 and Condition 4(b)(v) on page 95 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

"'BPFI" means the Banking and Payments Federation of Ireland;

"**Brexit**" means the referendum on the UK's membership of the EU held on 23 June 2016 where a majority voted in favour of the UK's withdrawal from the EU;

"**BRRD**" means the Banking Recovery and Resolution Directive (Directive 2014/59/EU);

"**BRRD Regulations**" means the European Union (Bank Recovery and Resolution) Regulations 2015;

"**BTL**" means buy-to-let properties;

"**Business Day**" has the meaning given to it under Condition 4(b)(i) under the section entitled *Terms and Conditions of the Securities,* on page 91 of this Base Prospectus;

"**Business Register**" means the register of mortgage covered securities business maintained by the Institution;

"**category A**" has the meaning given to it under the section entitled *Cover Assets Pool - Location of assets that may be included in a Pool* on page 159 of this Base Prospectus;

"**category B**" has the meaning given to it under the section entitled *Cover Assets Pool - Location of assets that may be included in a Pool* on page 159 of this Base Prospectus;

"**CCA**" means the Consumer Credit Act 1995;

"**CCMA**" means the Code of Conduct on Mortgage Arrears (2013) issued by the Central Bank;

"**CCNs**" means the €1.1 billion of contingent capital tier 2 notes issued by AIB to the Minister for Finance on 27 July 2011 and which matured and were repurchased on 28 July 2016;

"**CCPC**" means the Competition and Consumer Protection Commission of Ireland;

"**CCR**" means the Central Credit Register established under the Credit Reporting Act 2013 and regulated and operated by the Central Bank;

"**CCR Regulations**" means the five regulations published by the Central Bank on 22 September 2016 governing the operation of the CCR;

"**CDD**" means customer due diligence;

"**Central Bank**" means:

(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, Regulation 468/2014 of the European Central Bank establishing the framework for cooperation within the SSM between the European Central Bank and national competent authorities and with national designated authorities and the European Union (Single Supervisory Mechanism) Regulations 2014;

"**Central Bank Act 2013**" means the Central Bank (Supervision and Enforcement) Act 2013;

"**Central Bank of Ireland**" includes, where appropriate, and in the context of the Conditions, 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;

"**CET1**" means common equity tier 1;

"**CIFS Scheme**" means the credit institutions financial support scheme introduced by the Government on 30 September 2008 pursuant to the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008), which expired on 29 September 2010;

"**CIWUD Directive**" means Directive 2001/24/EC of the European Parliament and the Council of 4 April, 2001 on the reorganisation and winding up of credit institutions which is implemented in Ireland by the 2011 Regulations;

"**Clearing Systems**" means Euroclear and Clearstream, Luxembourg;

"**Clearstream, Luxembourg**" means Clearstream Banking, S.A. and whenever the context so permits includes a reference to any additional or alternative clearing system specified in the applicable Final Terms;

"**CMBS**" means commercial mortgage backed securities;

"**Collateral Register**" in relation to the ACS Act, means the register of pool hedge collateral under the ACS Act;

"**collateral security**" in relation to the ACS Act, has the meaning given to it under the section entitled *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* on page 153 of this Base Prospectus;

"**commercial property**" in relation to the ACS Act, has the meaning given to it under the section entitled *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* on page 153 of this Base Prospectus;

"**Common Depositary**" means a common depositary for Euroclear and Clearstream, Luxembourg;

"**Common Safekeeper**" means a common safekeeper for Euroclear and Clearstream, Luxembourg;

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

"**Condition**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 83 of this Base Prospectus;

"**Conditions**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 69 of this Base Prospectus;

"**CONSOB**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – Republic of Italy* at page 205 of this Base Prospectus;

"Consumer Credit Regulations" means the European Communities (Consumer Credit Agreements) Regulations 2010, which give effect to the Consumer Credit Directive in Irish law;

“**Consumer Protection Acts**” means the Consumer Protection Act 2007 and the Competition and Consumer Protection Act 2014 (together, the “Consumer Protection Acts”);

“**contained in this Base Prospectus**” means information as set out or incorporated by reference in this Base Prospectus or any supplement thereto;

“**Contractual Overcollateralisation**” has the meaning given to it under the section entitled *Cover Assets Pool - The Pool maintained by the Issuer - Overcollateralisation* on page 173 of this Base Prospectus;

“**Couponholders**” has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 84 of this Base Prospectus;

“**Coupons**” has the meaning given to it under the *Terms and Conditions of the Securities* on page 83 of this Base Prospectus;

“**Cover Assets**” in relation to the ACS Act and an Institution, means the permitted assets comprised in a Pool which secure Mortgage Covered Securities issued by that Institution and certain claims of its other preferred creditors, in accordance with the ACS Act;

“**Cover-Assets Monitor Agreement**” means the agreement entered into between Mazars and the Issuer dated 28 November 2008 setting out the terms on which Mazars has been appointed and acts as Monitor in respect of the Issuer;

“**CPC**” means the Consumer Protection Code 2012 which was published by the Central Bank and became effective from 1 January 2012;

“**CRA Regulation**” means Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies;

“CRD IV ” means the CRR and the Capital Requirements Directive (2013/36/EU) together;

“**CRD V/BRRD 2 Proposals**” means the proposals published by the EC on 23 November 2016 for amendments to the CRR, the CRD IV, the BRRD, the SRM and the proposed new directive to facilitate the creation of a new asset class of “non-preferred” senior debt;

“**credit institution**” has the meaning given to it under the section entitled R*egistration Of Institutions/Revocation Of Registration - Registration of an eligible credit institution as an Institution* on page 195 of this Base Prospectus;

“Credit Reporting Act” means the Credit Reporting Act 2013;

“**credit transaction**” has the meaning given to it under the section entitled *Restrictions on the activities of an Institution - Permitted business activities – (d) dealing in and holding credit transaction assets* on page 155 of this Base Prospectus;

“**credit transaction asset**” has the meaning given to it under the section entitled *Restrictions on the activities of an Institution - Permitted business activities – (d) dealing in and holding credit transaction assets* on page 155 of this Base Prospectus;

“**CRR”** means the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms;

“**CRS**” means the regime known as the Common Reporting Standard proposed by the OECD as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions and is provided for in Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU);

“**CSO**” means the Central Statistics Office;

“**CTA Eligible Financial Institutions Regulations**” means the Asset Covered Securities Act 2001 (Section 27(4)) Regulations 2007 (S.I. No. 601 of 2007) made by the Central Bank which came into operation on 31 August 2007;

“**CTF**” means counter-terrorist financing;

“**Customer Mobility Package**” means a package permitting certain of AIB’s competitors to advertise their services to AIB’s customers;

“**DAC2**” means the automatic exchange of information regime under EU Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by EU Council Directive 2014/107/EU);

“**Dáil Éireann**” means the lower house of the Oireachtas (the Irish legislature);

“**Day Count Fraction**” has the meanings given to it under Condition 4(a) at page 88 and Condition 4(b) at page 94 under the section entitled *Terms and Conditions of the Securities,* of this Base Prospectus;

“**DCI**” in relation to the ACS Act means a credit institution registered as a designated credit institution under the ACS Act;

“**Dealer**” means a dealer specified under *Overview of the Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer 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;

“**Dealers**” means more than one Dealer; has the meaning given to it under the section entitled *Terms and Conditions of the Securities,* on page 84 of this Base Prospectus;

“**Defaults under residential loans**” means when a customer breaches a term and/or condition of a loan agreement, a loan is deemed to be in default for case management purposes. Depending on the materiality of the default, if left unmanaged, it can lead to loan impairment. Default is also used in a Basel II context when a loan is either 91+ days past due or impaired, and may require additional capital to be set aside;

“**Designated Account**” has the meaning given to it under Condition 5(d) under the section entitled *Terms and Conditions of the Securities,* on page 100 of this Base Prospectus;

“**Designated Bank**” has the meaning given to it under Condition 5(d) under the section entitled *Terms and Conditions of the Securities,* on page 100 of this Base Prospectus;

“**Determination Period**” has the meaning given to it under Condition 4(a) under the section entitled *Terms and Conditions of the Securities,* on page 90 of this Base Prospectus;

“**DIRT**” means deposit interest retention tax under the Taxes Act;

“**Distribution Compliance Period**” has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – United States* at page 204 of this Base Prospectus;

“**DM Regulations**” means the European Communities (Distance Marketing of Consumer Financial Services) Regulations 2004, which implements in Ireland the Distance Marketing of Financial Services Directive (Directive 2002/65/EC of 23 September 2002);

“**DPA**” means the Data Protection Acts 1988 and 2003;

“**DRN**” means a debt relief notice under the Personal Insolvency Act;

“**DSA**” means a debt settlement arrangement under the Personal Insolvency Act;

"**duration**" has the meaning given to it under the section entitled *Cover Assets Pool - Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation - Meaning of "duration" of a Pool or Mortgage Covered Securities* on page 162 of this Base Prospectus;

"**Duration Regulatory Notice**" means the Asset Covered Securities Act 2001 Regulatory Notice (Sections 32(10) and 47(10)) 2007 dated 31 August 2007 and made by the Central Bank;

"**EAD**" means exposure at default of a borrower, being the exposure of a borrower who is unable to repay his or her obligations at the point of default;

"**EBA**" means the European Banking Authority;

"**EBS**" means EBS d.a.c. (formerly EBS Limited and prior to that EBS Building Society), a company incorporated under the laws of Ireland (registered number 500748) and a wholly-owned subsidiary of AIB;

"**EBS Group**" means a reference to "**EBS Group"** is to EBS together with its consolidated subsidiaries from time to time, including the Issuer;

"**EBS Promissory Note**" means €250 million promissory note (that was provided by the State to EBS) in 2010;

"**EC**" means the Commission of the EU (provided for under the provision of Title III of the Treaty on European Union), which operates as the executive body of the EU;

"**ECAI**" means an external credit assessment institution for the purposes of CRD IV;

"**ECB**" means the European Central Bank;

"**ECB banking authorisation**" means:

(a) in the case of a licence granted by the Central Bank under section 9 of the Central Bank Act 1971 prior to 4 November 2014 (including that issued to and held by the Issuer, EBS 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 by the ECB under the SSM Regulation on the application therefor under section 9 of the Central Bank Act 1971;

"**ECB Guideline**" means Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60), as amended;

"**EEA**" means the European Economic Area;

"**EFI**" in relation to the ACS Act means an eligible financial institution for the purposes of the ACS Act;

"**EL**" means the loss that can be incurred as a result of lending to a borrower that may default. It is the average expected loss in value over a specified period;

"**ELG Directions**" means the Directions issued on behalf of the Minister for Finance in November 2012 to each participating institution under the ELG Scheme, including AIB. The rights conferred on the Minister for Finance under the CIFS Scheme and the ELG Scheme;

"**ELG Scheme**" means the Eligible Liabilities Guarantee Scheme established under the Credit Institutions (Financial Support) Act 2008 and by the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, which expired for new liabilities on 28 March 2013;

"**eligible liabilities**" in relation to the BRRD and the SRM Regulation, means liabilities which, inter alia, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives;

"**ePrivacy Regulations**" means the European Communities (Electronic Communications Networks and Services) (Privacy and Electronic Communications) Regulations 2011;

"**ERC**" means Executive Risk Committee;

"**EU**" means the European Union;

"**EU Prospectus Regulation"** means Commission Regulation (EC) No 809/2004 of 29 April 2004;

"**EURIBOR**" has the meaning given to it under Condition 4(b)(ii)(A)(3) under the section entitled *Terms and Conditions of the Securities,* on page 92 of this Base Prospectus;

"**Eurobond Basis**" has the meaning given to it under Condition 4(a)(vi) on page 89 and Condition 4(b)(vi) on page 95 under the section entitled *Terms and Conditions of the Securities* of this Base Prospectus;

"**Euroclear**" means Euroclear Bank S.A./N.V. and whenever the context so permits includes a reference to any additional or alternative clearing system specified in the applicable Final Terms;

"**Eurosystem**" means the central banking system of the Eurozone comprising the ECB and the national central banks of the Eurozone Member States;

"**Eurozone**" means the Member States of the EU which have adopted the euro as their common currency;

"**Exchange Date "** means on or after the date which is 40 days after a Temporary Bearer Global Security is issued;

"Exchange Event" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 65 of this Base Prospectus;

"FATCA" means the Foreign Account Tax Compliance Act of the United States;

"**FCA**" means Financial Conduct Authority of the UK;

"**Final Terms**" has the meaning given to it under the section entitled *Final Terms for Securities* on page 69 of this Base Prospectus;

"**Final Terms for Securities**" means a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Securities;

"**financial asset**" in relation to the ACS Act, has the meaning given to it under the section entitled *Restrictions on the Activities of an Institution* on page 155 of this Base Prospectus;

"Financial Instruments and Exchange Law" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – Japan* at page 205 of this Base Prospectus;

"Financial Services Act" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – Republic of Italy* at page 205 of this Base Prospectus;

"**Fintech**" means technologies used to support or enable banking and financial services;

"**FSG**" means the Financial Solutions Group;

"**FSU**" means the Financial Services Union;

"**First Trust Bank**" means the trading name of AIB Group (UK) p.l.c, in Northern Ireland, where it operates under that trading name;

"**Fitch**" means Fitch Ratings Limited;

"**Fixed Interest Period**" has the meaning given to it under Condition 4(a) under the section entitled *Terms and Conditions of the Securities*, on page 88 of this Base Prospectus;

"**foundation IRB**" means the foundation IRB approach to credit risk measurement under the CRR;

"**FSMA**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – UK* at page 205 of this Base Prospectus;

"**FSO**" means the Financial Services Ombudsman established under the Central Bank and Financial Service Authority of Ireland Act 2004;

"**GDP**" means gross domestic product;

"**GDPR**" means Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data;

"**General Bail-In Tool**" in relation to the BRRD and the SRM Regulation, means the tool by which the resolution authority under the BRRD is entitled 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 and then senior creditors, with the objective of recapitalising an institution;

"**Global Security**" means a either a Temporary Bearer Global Security, a Permanent Bearer Global Security, or a Registered Global Security;

"Government" means the government of Ireland;

"**Group**" means AIB or AIB HoldCo, if AIB HoldCo becomes the holding company of AIB, AIB HoldCo together in each case, with its consolidated subsidiaries and subsidiary undertakings from time to time;

"Group Credit Committee" means the credit committee of the Group;

"**group entity assets**" in relation to the ACS Act, has the meaning given to it under the section entitled *Permitted business activities – (a) providing mortgage credit and dealing in and holding mortgage credit assets and providing group mortgage trust services* **-** *Restrictions on the activities of an Institution* on page 154 of this Base Prospectus;

"**Haven**" means Haven Mortgages Limited;

"**Hedging Contracts**" in relation to the ACS Act, has the meaning given to it under the section entitled *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* **-** *Restrictions on the activities of an Institution* on page 155 of this Base Prospectus;

"High Court" means the High Court of Ireland;

"**holders of the Securities**" has the meaning given to it under the Terms and Conditions of the Securities on page 83 of this Base Prospectus and "holder of the Securities" is to be construed accordingly"

"**home Member State**" means the Member State in which the entity has been authorised as a credit institution;

"**HQLA**" means high quality liquid assets;

"**IAS 39**" means International Accounting Standard 39 Financial Instruments;

"**IBNR**" means Incurred but not reported;

"**ICMA**" means International Capital Markets Association;

"**ICAAP**" means internal capital adequacy assessment process;

“**ICSDs**” means the international central securities depositaries, which are, for the purposes of this Base Prospectus, Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* together;

“**IEA**” in relation to CRS and DAC2, means information exchange agreements between relevant countries;

“**IFRS**” means the International Financial Reporting Standards, as adopted by the EU;

“**IFRS 9**” means International Financial Reporting Standards 9 Financial Instruments;

“**IGA legislation**”in relation to FATCA, means an intergovernmental agreement;

“ILAAP” means the Group’s Internal Liquidity Adequacy Assessment Process;

“**Impaired**” in relation to criticised loans, has the meaning given to it in the heading *Measurement of Credit Risk* at page 141 of this Base Prospectus;

“**insolvency process**” in relation to the ACS Act, has the meaning given to it under the section entitled *Insolvency of Institutions - Meanings of “insolvent”, “potentially insolvent” and “insolvency process” for the purposes of the ACS Act* on page 186 of this Base Prospectus;

“**Insolvency Service**” means the Insolvency Service of Ireland;

“**insolvent**” in relation to the ACS Act, has the meaning given to it under the section entitled *Insolvency of Institutions - Meanings of “insolvent”, “potentially insolvent” and “insolvency process” for the purposes of the ACS Act* on page 185 of this Base Prospectus;

“**Institutions**” means those credit institutions, such as the Issuer, which are registered under the ACS Act as designated mortgage credit institutions and “**Institution**” means any one of them;

“**Interest Amount**” has the meaning given to it under Condition 4(b)(iv) under the section entitled *Terms and Conditions of the Securities,* on page 94 of this Base Prospectus;

“**Interest Payment Date”** has the meaning given to it under Condition 4(b)(i)(II) under the section entitled *Terms and Conditions of the Securities,* on page 91 of this Base Prospectus;

“**Investor’s Currency**” means a currency or currency unit other than the Specified Currency;

“**IRB**” means the Internal Ratings-Based approach which allows banks, subject to regulatory approval, to use their own estimates of certain risk components to derive regulatory capital requirements for Credit risk across different asset classes. The relevant risk components are: PD; LGD; and EAD;

“**Ireland**” means Ireland, excluding Northern Ireland;

“**Irish**” means Ireland, excluding Northern Irish, respectively;

“**Irish Banking Code**” means the laws and regulations applicable to general banking activities in Ireland;

“**Irish CRD IV Regulations**” means the European Union (Capital Requirements) Regulations 2014;

“**Irish Residential Loans**” in relation to the MCA Valuation Notice, means a mortgage credit asset (other than a securitised mortgage credit asset) which is secured on an Irish Residential Property Asset;

“**Irish Residential Property Asset**” means 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;

“**ISDA**” means the International Swaps and Derivatives Association, Inc.;

“**ISDA Definitions**” has the meaning given to it under Condition 4(b) (ii)(A) under the section entitled *Terms and Conditions of the Securities,* on page 92 of this Base Prospectus;

"**ISDA Rate**" has the meaning given to it under Condition 4(b) (ii) (A) of the *Terms and Conditions of the Securities* on page 92 of this Base Prospectus;

"**ISE**" means the Irish Stock Exchange plc;

"**ISIN**" in relation to Securities, means the international securities identification number;

"**Issuer**" means EBS Mortgage Finance, a wholly-owned subsidiary of EBS;

"**Issuer Deed of Covenant**" has the meaning given to it under the section entitled Terms and Conditions of the Securities, on page 84 of this Base Prospectus;

"**IT**" means information technology;

"**LCLRA 2009**" means the Land and Conveyancing Law Reform Act 2009;

"**LCLRA 2013**" means the Land and Conveyancing Law Reform Act 2013;

"**LCR**" means Liquidity Coverage Ratio for the purposes of the new Basel III liquidity related ratios;

"**LCR Commission Regulation**" means Commission Delegated Regulation (2015/62/EU) of 10 October 2014 to supplement Regulation (EU) 575/2013 with regard to liquidity coverage requirement of Credit Institutions;

"**LCR Overcollateralisation Percentage**" has the meaning given to it under the section entitled *Cover Assets Pool-The Pool Maintained by the Issuer – Overcollateralisation* at page 173 of this Base Prospectus;

"**Leadership Team**" means the most senior executive committee of AIB, comprising twelve members, and is responsible for the day-to-day management of AIB's operations';

"**Lending Criteria**" means the lending criteria that are applied at the date of this Base Prospectus in respect of the Irish residential lending by the Issuer;

"**LGD**" means loss given default, being the loss associated with a defaulted loan or borrower;

"LIBOR" has the meaning given to it under Condition 4(b) (ii) (A) (3) under the section entitled *Terms and Conditions of the Securities,* on page 92 of this Base Prospectus;

"**Liquidity Sub-Group**" means certain of AIB's subsidiaries (including the Issuer) in the context of a liquidity management agreement dated 29 January 2014 between AIB and its subsidiaries (including the Issuer) pursuant to which AIB manages, and reports on, the liquidity of those subsidiaries (including the Issuer) in accordance with the requirements of CRD IV;

"**London Business Day**" has the meaning given to it under Condition 4(b)(viii) under the section entitled *Terms and Conditions of the Securities,* on page 97 of this Base Prospectus;

"**Long Maturity Security**" has the meaning given to it under Condition 5(b) under the section entitled *Terms and Conditions of the Securities,* on page 99 of this Base Prospectus;

"**loss event**" means event(s) that occurred after the initial recognition of the asset;

"**LTI**" in relation to a loan, means loan-to-income;

"**LTV**" in relation to a loan, means the loan-to-value percentage;

"**LTV/LTI Regulations**" means the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015, as amended by the Central Bank (Supervision and Enforcement) Act of 2013 (section 48) (Housing Loan Requirements) Regulations 2016;

"**MARP**" means the Mortgage Arrears Resolution Process;

"**MARS**" means the Mortgage Arrears Resolution Strategy which built on and formalised the MARP and was required to be introduced to comply with the CCMA;

"**MCA Valuation Notice**" means the Asset Covered Securities Act 2001 Regulatory Notice (Sections 41(1) and 41A(7)) 2011;

"**MCC 2011**" means the Minimum Competency Code 2011;

"**MCC 2017**" means the Minimum Competency Code 2017;

"**Member State**" means a member state of the EU or, as the context may require, the EEA;

"**MiFID II Directive**" means Directive 2014/65/EU on markets in financial instruments;

"**Minimum Overcollateralisation Level**" has the meaning given to it under Condition 11(b) under the section entitled *Terms and Conditions of the Securities* on page 106 of this Base Prospectus;

"**Minimum Competency Regulations**" means the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Minimum Competency Regulations 2017;

"**Minister for Finance** " means the Minister for Finance of Ireland;

"**MLD3**" means Directive 2005/60 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;

"**MLD4**" means Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;

"**MLD5**" means the proposed directive to amend the current text of MLD4, commonly referred to as the Fifth EU AML Directive;

"**Monitor**" means a cover-assets monitor under the ACS Act;

"**Monitor appointed in respect of the Issuer**" means Mazars, which has agreed in the Cover-Assets Monitor Agreement to monitor compliance by the Issuer with its undertaking regarding the level of Contractual Overcollateralisation;

"**Moody's**" means Moody's Investors Service Limited;

"**Mortgage Covered Securities**" in relation to the ACS Act, means asset covered securities issued by Institutions in accordance with the ACS Act;

"**mortgage credit**" in relation to the ACS Act, has the meaning given to it under the section entitled *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* on page 152 of this Base Prospectus;

"**mortgage credit asset**" in relation to the ACS Act, has the meaning given to it under the section entitled *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* on page 153 of this Base Prospectus;

"**Mortgage Credit Directive**" means the Directive on Credit Agreements Relating to Residential Immovable Property (Directive 2014/17/EU), which was transposed into Irish law with effect from 21 March 2016 by the Mortgage Credit Regulations;

"**Mortgage Credit Regulations**" means the European Union (Consumer Mortgage Credit Agreements) Regulations 2016;

“**mortgage security**” in relation to the ACS Act, has the meaning given to it under the section entitled *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* on page 153 of this Base Prospectus;

“**MREL**” in relation to the BRRD and the SRM Regulations, means minimum requirement for own funds and eligible liabilities for the purposes of the BRRD and the SRM Regulation;

“**NAMA**” means the National Asset Management Agency;

“**NAMA Act**” means the National Asset Management Agency Act 2009;

“**NGN**” means in relation to Bearer Securities, means the new global note structure;

“**non-performing**” means in relation to assets of an Institution and the ACS Act, has the meaning given to it under the section entitled *Cover Assets Pool - Circumstances in which as asset may not be included in the a Pool* on page 159 of this Base Prospectus;

“**Non-Pool Hedge**” means a Hedge Contract other than the Pool Hedge Contract;

“**Northern Ireland**” means the counties of Antrim, Armagh, Derry, Down, Fermanagh and Tyrone on the island of Ireland;

“**NPRFC**” means the National Pension Reserve Fund Commission;

“**NSFR**” means the net stable funding ratio for the purposes of CRD IV and the Basel III liquidity related ratios;

“**NSS**” means in relation to Registered Global Security, means the new safekeeping structure;

“**NTMA**” means the National Treasury Management Agency;

“**OECD**” means the Organisation for Economic Co-operation and Development;

“**Official Lists**” means the official list maintained by the ISE and/or (as the context requires) the official list of the FCA;

“**Oireachtas**” means the national parliament of Ireland, consisting of the President of Ireland, Dáil Éireann and Seanad Éireann;

“**Origination Market Value**” for the purposes of the MCA Valuation Notice, means, as a general rule, the market value of an Irish Residential Property Asset at the time of origination of the mortgage credit asset secured on 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;

“**Origination and Transfer Agreement**” means the Origination and Transfer Agreement dated 28 November 2008 between EBS and the Issuer;

“**other security**” has the meaning given to it under the section entitled *Permitted business activities – (a) providing mortgage credit and dealing in and holding mortgage credit assets and providing group mortgage trust services* **-** *Restrictions on the activities of an Institution* on page 152 of this Base Prospectus;

“**Outsourcing Agreement**” means the Outsourcing and Agency Agreement dated 7 December 2012 between AIB and the Issuer;

“**outstanding**” in relation to Securities, has the meaning given to it under the section entitled *Terms and Conditions of the Securities,* on page 84 of this Base Prospectus;

“**Overcollateralisation Percentage**” has the meaning given to it under Condition 11(c) under the section entitled *Terms and Conditions of the Securities,* on page 106 of this Base Prospectus;

"**Overcollateralisation Regulation**" means the Asset Covered Securities Act 2001 (sections 61(1), 61(2) and 61(3)) [Overcollateralisation] Regulation 2004;

"**Paying Agent**" has the meaning given to it under the *Terms and Conditions of the Securities* on page 83 of this Base Prospectus;

"**Payment Day**" has the meaning given to it under Condition 5(f) of the *Terms and Conditions of the Securities* on page 101 of this Base Prospectus;

"**PD**" means the probability of default for a borrower, being the likelihood that a borrower is unable to repay his or her obligations;

"**PDH**" means principal dwelling homes;

"**Permanent Bearer Global Security**" means a Tranche of Bearer Securities issued in permanent bearer global form;

"**Personal Insolvency Act**" means the Personal Insolvency Act 2012;

"**PIA**" means a personal insolvency arrangement under the Personal Insolvency Act;

"**Pool**" means a cover assets pool for the purposes of the ACS Act;

"**Pool Hedge**" means the cover assets hedge contract comprised in the Pool entered into by the Issuer with EBS on 9 December 2008 in the form of an International Swap Dealers Association master agreement and credit support annex (as supplemented by transaction confirmations);

"**Pool Hedge Collateral**" in relation to the ACS Act, means collateral posted with an Institution under a cover assets hedge contract;

"**potentially insolvent**" in relation to the ACS Act, has the meaning given to it under the section entitled *Insolvency of Institutions - Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Act* on page 186 of this Base Prospectus;

"**PRA**" means the prudential regulatory authority of the UK;

"**Preferred creditors**" in relation to the ACS Act, has the meaning given to it under the section entitled *Insolvency of Institutions - Effect under the ACS Act of insolvency, potential insolvency or insolvency process with respect to an Institution* on page 184 of this Base Prospectus;

"**Principal Paying Agent**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 83 of this Base Prospectus;

"**PRISM**" means the Probability Risk Impact System. It is the Central Bank's risk based framework for the supervision of regulated financial service providers;

"**Programme**" means the €6,000,000,000 Mortgage Covered Securities Programme pursuant to which the Issuer may from time to time issue mortgage covered securities denominated in any currency agreed between the Issuer and the relevant Dealer 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 or offered to the public in a Member State of the EEA being €100,000 (or the equivalent thereof in another currency);

"**Programme Agreement**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – Subscription and Sale: Programme Agreement* at page 203 of this Base Prospectus;

"**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended;

"**Prospectus Regulations**" means the Prospectus (Directive 2003/71/EC) Regulations 2005;

"**PRS**" means preferred resolution strategy;

"**PRSI**" means pay-related-social-insurance;

"**Prudent Market Discount**" in relation to the MCA Valuation Notice, has the meaning given to it under the section entitled *Cover Assets Pool – Valuation of Assets held by an Institution - Prudent Market Discount* on page 163 of this Base Prospectus;

"**Prudent Market Discount Regulation**" means 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);

"**prudent market value**" in relation to the ACS Act, has the meaning given to it under the section entitled *Cover Assets Pool – Valuation of Assets held by an Institution - Valuation of Relevant Securitised Mortgage Credit Assets* on page 165 of this Base Prospectus;

"**PSD2**" means Payment Services Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market;

"**RBS**" means Royal Bank of Scotland, p.l.c.;

"**RCB**" means the Group's Retail & Commercial Banking segment;

"**Put Notice**" has the meaning given to it under Condition 6(c) under the section entitled *Terms and Conditions of the Securities* on page 103 of this Base Prospectus;

"**Receiptholders**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 84 of this Base Prospectus;

"**Receipts**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities,* on page 83 of this Base Prospectus;

"**Record Date**" has the meaning given to it under Condition 5(d) under the section entitled *Terms and Conditions of the Securities,* on page 100 of this Base Prospectus;

"**Redeemed Securities**" has the meaning given to it under Condition 6(b) under the section entitled *Terms and Conditions of the Securities,* on page 102 of this Base Prospectus;

"**Reference Banks**" has the meaning given to it under Condition 4(b) (ii) (B) under the section entitled *Terms and Conditions of the Securities, on* page 93 of this Base Prospectus;

"**Register**" has the meaning given to it under Condition 5(c)(i) under the section entitled *Terms and Conditions of the Securities,* on page 100 of this Base Prospectus;

"**Register of Institutions**" in relation to the ACS Act means the register of designated mortgage credit institutions maintained by the Central Bank under the ACS Act;

"**Registered Global Security**" means Securities issued in registered global form;

"**Registered Securities**" means the Securities in registered form;

"**Registrar**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities,* at page 83 of this Base Prospectus;

"**regulated market**" means a regulated market for the purposes of Directive 2004/39/EC;

"**Regulation No. 11991**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – Republic of Italy* at page 206 of this Base Prospectus;

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

"**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;

"**relevant applicable enactment**" has the meaning given to it under the section entitled *Insolvency of Institutions - CIWUD Directive* on page 186 of this Base Prospectus;

"**Relevant Date**" has the meaning given to it under Condition 8 under the section entitled *Terms and Conditions of the Securities,* on page 105 of this Base Prospectus;

"**Relevant Implementation Date**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – European Economic Area* at page 204 of this Base Prospectus;

"**Relevant Member State**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – European Economic Area* at page 204 of this Base Prospectus;

"**relevant person"** for the purposes of the transfer mechanism under section 58 of the ACS Act has the meaning given to it under the section entitled *Transfers of a Business or Assets under the ACS Act involving an Institution - Approval of the Minister for Finance or the Central Bank required* on page 194 of this Base Prospectus;

"**Relevant Person**" for the purposes of page 2 of the Base Prospectus only means the Minister for Finance, the Department of Finance, the Government, NAMA 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 advisers) of any such person;

"**a Relevant Securitised Mortgage Credit Asset**" in relation to the MCA Valuation Notice, means 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);

"**resident of Japan**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – Japan* at page 205 of this Base Prospectus;

"**residential property**" in relation to the ACS Act, has the meaning given to it under the section entitled *Restrictions on the activities of an Institution* on page 153 of this Base Prospectus;

"**Resolution Tools**" has the meaning giving to it under the Risk Factor "*The BRRD contains Resolution Tools and other measures that may have a material adverse effect on the Group and certain of its stakeholders*" in page 37 of this Base Prospectus;

"**Restructuring Plan**" means the restructuring plan approved by the European Commission on 7 May 2014 in respect of the state aid granted to AIB and EBS;

"**Revenue Commissioners**" means the Revenue Commissioners of Ireland;

"Revised CGC Code" means the Corporate Governance Requirements for Credit Institutions 2015 issued by the Central Bank;

"Revised Wire Transfer Regulation" means Regulation (EC) No 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006;

"**RMBS**" means residential mortgage backed securities;

"**S&P**" means Standard & Poor's Credit Market Services Europe Limited;

"**Scheme**" means the scheme of arrangement proposed to be made under Part 9 of Chapter 1 of the Companies Act between AIB and the holders of the Scheme Shares, as set out in Part III of the Scheme Circular, and the related AIB reduction of capital under sections 84 to 86 of the Companies Act, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by AIB and AIB HoldCo;

"**Scheme Effective Time**" means the time on the effective date of the Scheme, expected to be 8 December 2017, at which the Court Order and a copy of the minute required by section 86 of the Companies Act are registered by the Registrar of Companies;

"**Section 41(3)/(5) Valuation Notice**" means the Asset Covered Securities Act 2001 Regulatory Notice (Section 41(3) and (5)) 2007;

"**Securities**" means mortgage covered securities that are issued under the Programme;

"**Securities Act**" has the meaning given to it under the section entitled *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements – Transfer Restrictions* at page 204 of this Base Prospectus;

"**securitisation**" means the process of aggregation and repackaging of non-tradable financial instruments such as loans and receivables, or company cash flow, into securities that can be issued and traded in the capital markets;

"**securitised mortgage credit assets**" in relation to the ACS Act, means a mortgage credit asset in securitised form; namely, RMBS or CMBS;

Security holders" has the meaning given to it under the *Terms and Conditions of the Securities* on page 83 of this Base Prospectus;

"**Security Holders**" for the purposes of the *Taxation* section has the meaning given to it in under the heading entitled *General* on page 199 of this Base Prospectus;

"**Selection Date**" has the meaning given to it under Condition 6(b) under the *Terms and Conditions of the Securities* on page 102 of this Base Prospectus;

"**Sensitivity to Interest Rate Changes Regulation**" means 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);

"**Series**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 84 of this Base Prospectus;

"**SFS**" means a standard financial statement;

"SMEs" means small and medium size enterprises;

"**SMRT**" means Sustainable Mortgage Resolution Template;

"SRB" means the Single Resolution Board, the EU resolution authority which, together with the national resolution authorities, forms part of the SRM;

"**SREP**" means supervisory review and evaluation process;

"**SRM Regulation**" means the Single Resolution Mechanism Regulation (EU) No. 806/2014 of 15 July 2014;

"**SRM**" means the Single Resolution Mechanism;

"**SSM**" means the Single Supervisory Mechanism;

"**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;

"**Stabilising Manager**" means the Dealer(s) (if any), named as the stabilisation manager(s) in the applicable Final Terms;

"**State**" means Ireland;

"**State Aid Decision**" means the European Commission Decision of 7 May 2014 reference C(2014) 2638 made in connection with the Restructuring Plan;

"**Substitution Asset Deposit Regulations"** means the Asset Covered Securities Act 2001 (Section 6(2)) Regulations 2007 (S.I. No. 603 of 2007);

"**Substitution Asset Pool Eligibility Notice**" means the Asset Covered Securities Act 2001 Regulatory Notice (Section 35(9B)) 2014 made by the Central Bank (which came into operation on 4 July 2014);

"**sub-unit**" has the meaning given to it under Condition 4(a) of the *Terms and Conditions of the Securities* on page 90 of this Base Prospectus;

"**super-preferred creditors** " has the meaning given to it in the heading *Priority of Monitor on an Insolvency of the Institution* at page 12 of this Base Prospectus;

"**SVR**" means standard variable rate;

"**Talon**" has the meaning given to it under the *Terms and Conditions of the Securities* on page 83 of this Base Prospectus;

"**TARGET2 System**" has the meaning given to it under Condition 4(b)(i) under the section entitled *Terms and Conditions of the Securities* on page 92 of this Base Prospectus;

"**Taxes Act**" means the Taxes Consolidation Act 1997;

"**Temporary Bearer Global Security**" means Securities issued in temporary bearer global form;

"Tier 1" means a measure of a bank's financial strength defined by the Basel Accord. It captures Core Tier 1 Capital plus other tier 1 securities in issue, but is subject to deductions relating to the excess of EL on the Internal Ratings Based Approach portfolios over the IFRS provision on the Internal Ratings Based Approach portfolios, Securitisation positions and material holdings in financial companies;

"**Tier 2**" broadly includes qualifying subordinated debt and other tier 2 securities in issue, eligible collective impairment provisions, unrealised available for sale equity gains and revaluation reserves. It is subject to deductions relating to the excess of EL on the Internal Ratings Based Approach portfolios over the accounting impairment provisions on the Internal Ratings Based Approach portfolios, Securitisation positions and material holdings in financial companies;

"**TLAC**" means total loss absorbing capacity;

"total capital " means the Tier 1 Capital plus Tier 2 Capital;

"total capital ratio" the ratio of Total Capital to risk weighted assets, each as determined on a consolidated basis, and in accordance with CRR, expressed as a percentage;

"Tracker Mortgage Examination" means the Central Bank's examination of tracker mortgage related issues across Irish lenders (including AIB and Irish subsidiaries of AIB), the commencement of which was announced by the Central Bank in October 2015;

"**Tranche**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 84 of this Base Prospectus;

"**Transaction Document**" means any document referred to in this Base Prospectus or any supplement or amendment thereto;

"**Transfer Agent**" has the meaning given to it under the section entitled *Terms and Conditions of the Securities* on page 83 of this Base Prospectus;

"**TRIM"** means Targeted Review of Internal Models;

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

"**UK Government**" means the government of the United Kingdom;

"**underlying asset**" in relation to the ACS Act, means, in relation to a Pool, a mortgage credit asset or substitution asset that is then comprised in a Pool;

"**UTCCR**" means the European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 to 2000 which implement in Ireland Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts;

"**variable rates**" means the standard variable interest rates on PDH mortgage lending; i.e. 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;

"**Vulnerable**" in relation to criticised loans, has the meaning given to it in the heading *Measurement of Credit Risk* at page 141 of this Base Prospectus;

"**Watch"** in relation to criticised loans, has the meaning given to it in the heading *Measurement of Credit Risk* at page 141 of this Base Prospectus;

"**Wholesale Debt Instrument**" has its meaning defined in section 246A of the Taxes Act;

"**WIB**" means the Group's Wholesale, Institutional & Corporate Banking segment;

"Wire Transfer Regulation" means Regulation EU 1781/2006 on information accompanying transfer of funds;

"**WRC**" means the Workplace Relations Commission;

"**Write-Down Tool**" in relation to the BRRD and the SRM Regulation, means a statutory write-down and conversion power introduced by the BRRD which gives the resolution authority the power to write down or to convert into equity the Issuer's capital instruments (which does not include Securities) if certain conditions are met.

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