



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

€6,000,000,000

MORTGAGE COVERED SECURITIES PROGRAMME

EBS Mortgage Finance (the **Issuer**) is a designated mortgage credit institution for the purposes of the Asset Covered Securities Act 2001, as amended (the **2001 Act**). The 2001 Act was amended by the Asset Covered Securities (Amendment) Act 2007 (the **2007 Amendment Act**, and together with the 2001 Act, the **ACS Acts**). The Securities will constitute mortgage covered securities for the purposes, and with the benefit, of the ACS Acts. Under this €6,000,000,000 Mortgage Covered Securities Programme (the **Programme**), the Issuer may from time to time issue mortgage covered securities (the **Securities**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below) and subject to the minimum denomination of any Security to be admitted to trading on a regulated market for the purposes of the Prospectus Directive (defined below) or offered to the public in a member state of the EEA (defined below) being €100,000 (or the equivalent thereof in another currency) and integral multiples of €1,000 in excess thereof (or, in the case of Securities not denominated in euro, 1,000 basic units of such other 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 specified under *Summary of the Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Securities being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Securities.

See *Risk Factors* for a discussion of certain risk factors to be considered in connection with an investment in Securities. Securities issued under the Programme are not guaranteed by the Minister for Finance of Ireland under the (Eligible Liabilities Guarantee) Scheme 2009 (Statutory Instrument No. 490 of 2009), as amended (the **ELG Scheme**), the Credit Institutions (Financial Support) Scheme 2008 (Statutory Instrument No. 411 of 2008), as amended (the **CIFS Scheme**) or otherwise.

Any person (an **Investor**) intending to acquire or acquiring any Securities from any person (an **Offeror**) should be aware that, in the context of an offer to the public as defined in the Prospectus Directive (defined below), the Issuer may be responsible to the Investor for the Base Prospectus only if the Issuer is acting in association with that Offeror to make the offer to the Investor. Each Investor should therefore verify with the Offeror whether or not the Offeror is acting in association with the Issuer. If the Offeror is not acting in association with the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of Article 6 of the Prospectus Directive as implemented by the national legislation of each EEA Member State in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.

This document constitutes a base prospectus (**Base Prospectus**) for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the **Prospectus Directive**) and relevant Irish laws, including the Prospectus (Directive 2003/71/EC) Regulations 2005 (the **Irish Prospectus Regulations**), for giving information with regard to the issue of Securities of the Issuer under the Programme during the period of twelve months after the date of this Base Prospectus. The Base Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under the Prospectus Directive. The Central Bank 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 the regulated market of the Irish Stock Exchange (the **Irish Stock Exchange**) or other regulated markets for the purposes of Directive 2004/39/EC (**regulated market**) or which are to be offered to the public in any Member State of the European Economic Area (**EEA**).

Application has been made to the Irish Stock Exchange 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			
BNP PARIBAS Credit Suisse	DZ BANK AG EBS Limited	J.P. Morgan	UBS Investment Bank
		The Royal Bank of Scotland	Société Générale Corporate & Investment Banking

The date of this Base Prospectus is 23 November 2011.

The following two paragraphs should be read in conjunction with the 4th paragraph on the first page of this Base Prospectus.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Securities are the persons named in the applicable Final Terms as the relevant Dealers.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY SECURITIES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE SECURITIES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE SECURITIES AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

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

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

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

Upon approval of this Base Prospectus by the Central Bank, this Base Prospectus will be filed with the Registrar of Companies in Ireland in accordance with regulation 38(1)(b) of the Irish 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 or EBS Limited 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 in this Base Prospectus or any other information provided by the Issuer or EBS Limited 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 EBS Limited, 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 (as defined under Terms and Conditions of the Securities) of Securities will be set out in the final terms applicable to such Tranche (the **Final Terms**) which, with respect to Securities to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the regulated market of the Irish Stock Exchange or the subject of a public offer in Ireland, will be delivered to the Irish Stock Exchange.

The Issuer anticipates that Securities issued under the Programme may be issued and retained as collateral for monetary policy operations. Accordingly, an issue of Securities by the Issuer and admission of such Securities to listing or trading on a regulated market should not necessarily be taken as an indication that there is an active and liquid market for such Securities at the time of issue, listing or admission to trading.

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

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

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

Securities issued under the Programme are expected on issue to be rated by Moody's Investors Service Ltd (**Moody's**) and/or by Fitch Ratings Limited (**Fitch**), such rating(s) to be disclosed in the Final Terms for the Securities. The rating of Securities will not necessarily be the same as the rating applicable to the Issuer. 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. A credit rating organisation may from time to time alter the methodology employed by it when rating Securities and such alteration may affect ratings attributed to Securities issued under the Programme.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. 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 European Union (the **EU**) and registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation, unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. Each of Moody's and Fitch is established in the EU and registered under the CRA Regulation.

This Base Prospectus may only be used for the purposes for which it has been published. This Base Prospectus supersedes the base prospectus dated 15 December 2010 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 and/or EBS Limited 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 EBS Limited 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 as the competent authority under the Prospectus Directive and application has been made to the Irish Stock Exchange for approval for Securities issued under the Programme to be admitted to the Official List and trading on its regulated market. Accordingly, no Securities may be offered or sold, directly or distributed or published in any jurisdiction, and neither this Base Prospectus nor any advertisement or other offering material may be distributed in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations' Persons into whose possession this Base Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Securities. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Securities in the United States, the United Kingdom, the EEA, Japan, Republic of Italy, and Ireland. See *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.

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

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

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

Interpretation

In this Base Prospectus, unless the context otherwise requires:

- references to **€** or **euro** are to the common currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community

(as amended), to **£** or **GBP** or **Sterling** are to pounds sterling, the lawful currency of the United Kingdom and to **\$**, **USD** or **US dollars** are to United States dollars, the lawful currency of the United States of America;

- references to **EBS** are to EBS Limited and to the **EBS Group** are to EBS Limited together with its consolidated subsidiaries from time to time, including the Issuer;
- references to **AIB** are to Allied Irish Banks, p.l.c. and to the **Group** or the **AIB Group** are to Allied Irish Banks, p.l.c. together with its consolidated subsidiaries from time to time, including EBS and the Issuer;
- references to the **State** are to Ireland and references to **Ireland** and **Irish** exclude Northern Ireland and Northern Irish, respectively;
- references to the **EU** are to the European Union and references to the **EEA** are to the European Economic Area;
- a reference to information **contained** in this Base Prospectus is a reference to such information as set out or incorporated by reference in this Base Prospectus or any supplement thereto;
- a reference to the **Companies Acts 1963 to 2009** is a reference to the Companies Acts 1963 to 2005 and every enactment that is to be read or construed as one with those Acts, including without limitation, the Investment Investment Funds, Companies and Miscellaneous Provisions Act 2006 and the Companies (Amendment) Act 2009);
- a reference to the **Central Bank** is a reference to the Central Bank of Ireland, and includes where appropriate a reference to the former Central Bank and Financial Services Authority of Ireland and its constituent part, the Irish Financial Services Regulatory Authority, in respect of functions or actions carried out prior to the commencement of relevant parts of the Central Bank Reform Act 2010;
- a reference to the **Minister for Finance** is a reference to the Minister for Finance of Ireland;
- a reference to the **High Court** is a reference to the High Court of Ireland;
- a reference to a **Member State** is to a member state of the EU or, as the context may require, the EEA;
- a reference to **Tranche** means, subject as set out in (ii) below, Securities which are identical in all respects (including as to listing) and a reference to **Series** means a Tranche of Securities together with any further Tranche or Tranches of Securities which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates, interest amounts/rates in respect of the first Interest Period and/or Issue Prices; and
- a reference to a provision of a law is a reference to that provision as extended, amended or re-enacted and includes any provision that is to be read as one therewith, in each case, as of the date of this Base Prospectus or to any other date indicated.

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 Irish Prospectus Regulations, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus as required by the Central Bank and such regulation 51.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Securities and whose inclusion in or removal from this Base Prospectus is necessary, for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Securities, the Issuer shall prepare a supplement to this Base Prospectus or prepare a replacement prospectus for use in connection with any subsequent offering of the 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 Irish Stock Exchange 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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GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Securities denominated in any currency, subject as set out herein 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) and integral multiples of €1,000 in excess thereof (or, in the case of Securities not denominated in euro, 1,000 basic units of such other currency). A summary of the terms and conditions of the Programme and the Securities appears under *Summary of the Programme* below. The applicable terms of any Securities will be agreed between the Issuer and the relevant Dealer prior to the issue of those Securities and will be set out in the Terms and Conditions of the Securities endorsed on, or attached to, the Securities as modified and supplemented by the applicable Final Terms attached to, or endorsed on, such Securities, as more fully described under *Final Terms for Securities* below.

In respect of Securities to be listed on the Official List of the Irish Stock Exchange and admitted to trading on its regulated market, this Base Prospectus will only be valid for such listing and admitting to trading during the period of 12 months from the date of this Base Prospectus in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding on all Securities previously or simultaneously issued under the Programme, does not exceed €6,000,000,000 (subject to increase in accordance with the Programme Agreement (as defined below)) or its equivalent in other currencies. 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, described under *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, described under *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.

SUMMARY OF THE PROGRAMME

This summary 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.

Following the implementation of the relevant provisions of the Prospectus Directive in each member state of the EEA, civil liability attaches to the persons who have responsibility for this summary in any such member state in respect of this summary, including any translation hereof by those persons, but only if it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in a member state of the EEA, the plaintiff investor might, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating this Base Prospectus before the legal proceedings are initiated.

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

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

Issuer: EBS Mortgage Finance. The Issuer was incorporated in Ireland under the 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 an Irish banking licence under the Irish Central Bank Act, 1971 (as amended) and was registered as a designated mortgage credit institution under the 2001 Act on 26 November 2008.

The Issuer's principal purpose is to issue Mortgage Covered Securities (as defined below) for the purpose of financing loans secured on residential property or commercial property in accordance with the ACS Acts. Such loans may be purchased from EBS and other members of the Group or third parties or may be made directly by the Issuer. However, the Issuer's current intention is to obtain such loans through the purchase of loans originated by EBS. The Issuer's principal executive and registered offices are located at The EBS Building, 2 Burlington Road, Dublin 4.

EBS, AIB and the Group: The Issuer is a wholly owned subsidiary of EBS Limited (**EBS**), whose principal and registered offices are located at the EBS Building, 2 Burlington Road, Dublin 4. Since 1 July 2011, EBS is a wholly owned subsidiary of Allied Irish Banks, p.l.c. (**AIB**). See *Description of the EBS Group*. AIB was established on 21 September 1966. AIB and its consolidated subsidiaries, including EBS and the Issuer (collectively, the **Group** or the **AIB Group**) is one of the largest financial services groups in Ireland with total assets of approximately €127 billion at 30 June 2011. The Group provides an extensive range of banking and other financial services principally in Ireland and the United Kingdom. The address of the principal executive offices of the Group is Bankcentre, Balisbridge, Dublin 4, Ireland. See *Description of the Group*.

Programme Description: Mortgage Covered Securities Programme.

Risk Factors: There are risk factors that may affect the Issuer's ability to fulfil its obligations under Securities issued under the Programme. In addition, there are risk factors which are material for the purpose of assessing the other risks associated with Securities issued under the Programme. See *Risk Factors*.

Arranger: J.P. Morgan Securities Ltd.

Dealers: BNP Paribas; Credit Suisse Securities (Europe) Limited; DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main; EBS Limited; J.P. Morgan Securities Ltd.; Société Générale; The Royal Bank of Scotland plc; UBS Limited and any other Dealers appointed pursuant to the Programme Agreement.

Certain Restrictions: Each issue of Securities denominated in a currency in respect of which particular laws,

guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*).

Principal Paying Agent, Issuing Agent and (if applicable) Calculation Agent:	The Bank of New York Mellon.
Registrar and Transfer Agent:	The Bank of New York Mellon
Cover-Assets Monitor:	Mazars. See <i>Cover-Assets Monitor</i> .
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 under <i>General Description of the Programme</i>) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Securities may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. Securities will be issued only outside the United States in reliance on Regulation S under the Securities Act (Regulation S). See <i>Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements</i> .
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).
Redenomination:	The applicable Final Terms may provide that certain Securities not denominated in euro on issue may be redenominated in euro.
Maturities:	Such maturities as may be agreed by the Issuer and the Dealer(s) 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 <i>Extended Maturity Date</i> .
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 <i>Form of the Securities, Issue Procedures and Clearing Systems</i> . Registered Securities will not be exchangeable for Bearer Securities and vice versa.
Fixed Rate Securities:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such

Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Securities:

Floating Rate Securities will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. (ISDA) and as amended and updated as at the Issue Date of the first Tranche of the Securities of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s).

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

Zero Coupon Securities:

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

Redemption:

The applicable Final Terms relating to each Tranche of Securities will indicate either that the relevant Securities cannot be redeemed prior to their stated maturity (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 on a monthly basis up to but, no later than, the Extended Maturity Date, subject as otherwise 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 an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms.

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 and will be payable on each Interest Payment Date in respect of the Interest Period ending immediately prior to that Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms.

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; and

- (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) and integral multiples of €1,000 in excess thereof (or, in the case of Securities not denominated in euro, 1,000 basic units of such other 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 Irish Stock Exchange), 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.

For the avoidance of doubt, the Securities will not be guaranteed by the Minister for Finance pursuant to the Credit Institutions (Financial Support) Scheme 2008 (Statutory Instrument No. 411 of 2008) of Ireland as amended (the **CIFS Scheme**) or the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (Statutory Instrument No. 490 of 2009) of Ireland as amended (the **ELG Scheme**) or otherwise.

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 Acts, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the ACS Acts, 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 Acts. See *Irish Mortgage Covered Securities*.

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 Irish Stock Exchange and to be admitted to trading on the regulated market of the Irish Stock Exchange. 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 a regulated market for the purposes of the Prospectus Directive 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 regulated market(s).

Ratings: Securities issued under the Programme are expected on issue to be rated by Moody's and/or by Fitch, such rating(s) to be disclosed in the Final Terms for the Securities. The rating of Securities will not necessarily be the same as the rating applicable to the Issuer 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. A credit rating organisation may from time to time alter the methodology employed by it when rating Securities and such alteration may affect ratings attributed to Securities issued under the Programme.

Governing Law: The Securities will be governed by, and construed in accordance with, Irish law.

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Securities in the United States, the United Kingdom, 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 under the Securities Act. 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 Acts.

Irish Mortgage Covered Securities: The 2001 Act introduced into Irish law a framework for the issuance of asset covered securities. The 2001 Act was amended by the 2007 Amendment Act. The provisions of the 2007 Amendment Act relevant to Institutions (as defined below) came into operation by order of the Minister for Finance of Ireland on 31 August 2007. Asset covered securities can only be issued by Irish credit institutions that are registered under the ACS Acts and restrict their principal activities to public sector or property financing. Those credit institutions, such as the Issuer, that are registered under the ACS Acts and restrict their principal activities for the main part to residential property sector financing, are called designated mortgage credit institutions (**Institutions**). The 2007 Amendment Act makes provision for a third type of designated credit institution, namely, a designated commercial mortgage credit institution. Designated commercial mortgage credit institution activities are focused on mortgage credit assets secured on commercial property as opposed to residential property.

The ACS Acts provide, among other things, for the registration of eligible credit institutions as Institutions, the maintenance by Institutions of a defined pool of prescribed mortgage

credit assets (including mortgage credit assets in securitised form) and limited classes of other assets, known as a cover assets pool (**Pool**) and the issuance by Institutions of certain asset covered securities secured by a statutory preference under the ACS Acts on the assets (**Cover Assets**) comprised in the Pool. Asset covered securities issued by Institutions in accordance with the ACS Acts are called mortgage covered securities (**Mortgage Covered Securities**). The ACS Acts also make provision for the inclusion in the Pool as Cover Assets of certain hedging contracts which are called cover assets hedge contracts. The 2007 Amendment Act makes provision for collateral posted with an Institution under cover assets hedge contracts (**Pool Hedge Collateral**) and the maintenance by Institutions of a register in respect of Pool Hedge Collateral.

The ACS Acts also vary 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 Acts further provide for the supervision and regulation of Institutions by the Central Bank, for the role of a cover-assets monitor (the **Monitor**) in respect of each Institution and the Pool maintained by it, for restrictions on the types and status of Cover Assets which may be included in the Pool (including loan to value 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 National Treasury Management Agency 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 Acts involving an Institution and Registration of Institutions/Revocation of Registration, Risk Factors - Irish Mortgage Covered Securities Legislation Untested*.

The Securities will qualify as Mortgage Covered Securities for the purposes of the ACS Acts. The Securities are senior obligations of the Issuer and rank equally with all other Mortgage Covered Securities which may be issued by the Issuer. 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 Acts 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 Acts. See *Insolvency of Institutions - Effect under the ACS Acts of insolvency, potential insolvency or insolvency process with respect to an Institution* for further information.

Asset Transfers involving the Issuer:

On 1 December 2008, EBS transferred to the Issuer certain Irish residential loans and related security held by it. The aggregate book value of Irish residential loans transferred by EBS to the Issuer on 1 December 2008 was approximately €3.41 billion. The transfer was effected pursuant to a statutory transfer mechanism provided for in the 2001 Act. This statutory mechanism involved the putting in place of a scheme in accordance with the 2001 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 on 28 November 2008 as required by the 2001 Act. EBS has made further transfers of Irish residential loans (including the mortgages and other security for these loans) to the Issuer in accordance with that scheme and pursuant to section 58 of the 2001 Act including large transfers on 1 June 2009, 1 May 2010 and 1 November 2011. The aggregate book value of the loans transferred from EBS on 1 June 2009 amounted to approximately €1.74 billion. The aggregate book value of the loans transferred from EBS on 1 May 2010 amounted to approximately €803 million. The aggregate book value of the loans transferred from EBS on 1 November 2011 amounted to approximately €2.449 billion.

The scheme permits further transfers from EBS to the Issuer or from the Issuer to EBS in the future. See *Transfers of a Business or Assets under the ACS Acts involving an Institution*.

**Representation
of holders of
Securities:**

There is no provision for representation of holders of Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been approved by the Central Bank or filed with it (or in the case of the audited financial statements, referred to at (a) and (b) below, filed with the Irish Stock Exchange) are incorporated in, and form part of, this Base Prospectus:

- (a) the audited financial statements of the Issuer for the 14 month period from the Issuer's incorporation date of 30 October 2008 to 31 December 2009, including the auditor's report dated 15 April 2010 by KPMG thereon;
- (b) the audited financial statements of the Issuer for the financial year ended 31 December 2010, including the auditor's report dated 29 June 2011 by KPMG thereon;
- (c) terms and conditions of the Securities as contained in the base prospectus dated 4 December 2008 in respect of the Programme; and
- (d) terms and conditions of the Securities as contained in the base prospectus dated 15 December 2010 in respect of the Programme.

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.

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, 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. Requests for such documents should be directed to the Issuer at its registered office set out at the end of this Base Prospectus. In addition, such documents will be available in printed form free of charge from the Issuer at its registered office and from the Principal Paying Agent from its office specified at the end of this Base Prospectus.

As regards information contained in the base prospectuses dated 4 December 2008 and 15 December 2010 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.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Securities issued under the Programme. Most 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 any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with 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 Securities issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information available to the Issuer at the date of this Base Prospectus or which the Issuer may not at the date of this Base Prospectus be able to anticipate or be aware 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 document incorporated by reference and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER AND ITS BUSINESS

The Issuer's business is subject to the general economic conditions of the markets in which it operates in Ireland

The Group's and therefore the Issuer's Irish residential mortgage lending activities depend on the level of finance required by residential borrowers in Ireland. In particular, levels of borrowing depend on residential property prices, economic conditions, employment levels, interest rates, and other factors that affect the Irish economy.

Ireland is experiencing severe economic difficulties. These have led to, amongst other things, an historically high level of unemployment (14.3 per cent. in August 2011, down from a peak of 14.8 per cent. in November 2010 – Source: CSO Live Register Report, September 2011) and a significant decline in the demand for residential property. These difficulties have, and are expected to continue to have, an adverse impact on borrowers' ability to repay loans.

The Issuer's business, results of operations and financial condition could be adversely affected by a further worsening of general economic conditions, higher unemployment, any continued deterioration in residential property prices in Ireland, higher interest rates and government policy, regulatory or legal changes in Ireland.

Irish housing / residential loan market

Since the beginning of 2007, the Irish residential property market has undergone a material negative correction as regards mortgage lending activity and residential property prices. Following significant increases between 1995 and 2006, month on month residential property prices have fallen since early 2007. In the year to 30 September 2011, residential property prices at a national level, fell by 14.3 per cent. Dublin residential property prices were 15.6 per cent. lower during this period, while prices outside Dublin were 13.2 per cent. lower than in September 2010. Residential property prices in Dublin are 52 per cent lower than at their highest level in February 2007. House prices in Dublin are 49 per cent. lower than their highest levels, with apartments 59 per cent. lower. The fall in the price of residential properties outside Dublin is somewhat lower at 40 per cent.. Overall, the national index is 44 per cent. lower than its highest level in 2007. The above information has been sourced from the Central Statistics Office (CSO) residential property price index published on the website of the CSO (www.cso.ie). 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.

There were 14,602 house completions in 2010. The low number of completions reflects an oversupply of property arising from excessive levels of house building which reached their peak in 2006. This oversupply is not uniform across the country and is less pronounced in Dublin and the major urban population centres in comparison to rural locations. In the medium term, housing supply will continue to remain depressed until such time as the imbalance of supply and demand is reduced. The volume of new Irish mortgage lending continued to fall in 2010. About 27,666 mortgage loans were drawn down in 2010 at a value of over €4.7 billion. The trend of declining mortgage activity continued in 2011, and according to the IBF/PwC Mortgage Market Profile Quarterly Report published in November 2011, as at Q3 2011, in total 10,417 mortgage loans were completed with a value of approximately €1.8bn. The first time buyer (FTB) sector remains the largest segment of the market as regards number and value of loans completed. The above information has been sourced from the IBF/PwC Mortgage

Market Profile published on the website of the Irish Bankers Federation (www.ibf.ie). 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.

At the date of this Base Prospectus, mortgage arrears on residential properties are increasing. Figures published by the Central Bank on 18 November 2011 show that, at the end of September 2011, 62,970 or 8.1 per cent. of total private residential mortgages were in arrears for more than ninety days. This compares with 55,763 accounts, or 7.2 per cent. of the total, at the end of June 2011. In addition, the numbers of performing and non performing loans which have been subject to restructuring has increased to a total of 69,735 at the end of September 2011. This compares with 66,732 at the end of June 2011. The above figures have been sourced from information published on the website of the Central Bank on 18 November 2011 (www.ibf.ie). 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.

See further, *Description of the Issuer – Irish Housing/Residential Loan Market*.

The trends of declining residential property values, increasing arrears and low levels of house completions and mortgage lending is forecast to continue given the weak macro-economic back-drop and poor consumer confidence levels and may materially adversely affect the Group's (including the Issuer's) business, financial condition and results of operations, including the value of their assets, and in the case of the Issuer, affect its ability to perform the Securities.

Recent Developments relating to Ireland

On 21 November 2010, the Irish government announced that it had agreed to request financial support from the IMF, the European Union and the euro-area Member States. On 28 November 2010, the Irish government announced that it had agreed in principle to the provision of up to €85 billion of financial support to Ireland by Member States through the European Financial Stability Fund (**EFSF**) and the European Financial Stability Mechanism (**ESFM**); bilateral loans from the UK, Sweden and Denmark; and the IMF's Extended Fund Facility (**EFF**), in each case on the basis of specified conditions. It was agreed that €17.5 billion of the €85 billion package would be contributed by Ireland. A central element of the support relates to further restructuring and the restoration of the long-term viability and financial health of the Irish banking system, including addressing the potential future capital needs of the banking sector. A separate statement from the European Union Economic and Financial Affairs Council (**ECOFIN**) made on 21 November 2010 stated that a comprehensive range of measures – including deleveraging and restructuring of the banking sector in Ireland - will contribute to ensuring that the Irish banking system performs its role in the functioning of the economy.

On 31 March 2011, the Minister for Finance made a statement on banking matters in which he outlined the Irish government's policy in relation to the restructuring of the Irish banking sector.

The ongoing restructuring of the banking sector could impact the Group and the Issuer in ways that cannot be predicted and such restructuring could adversely impact the Group's members (including EBS, AIB and the Issuer). Also, it is possible that EBS, AIB and/or the Issuer may become subject to further more stringent capital adequacy, liquidity ratio and other requirements relevant to its business. This could result in an increase in the level of involvement of the Minister for Finance, the Central Bank or other third parties in the management and/or affairs of EBS, AIB and/or the Issuer or impact in other ways that cannot be predicted or foreseen.

In addition, current and future budgetary policy in Ireland and taxation and other measures adopted by Ireland to deal with the economic situation in Ireland may have an adverse impact on borrowers' ability to repay their loans and hence the Issuer's business and the Issuer's ability to meet its obligations in respect of the Securities.

The Group's business is subject to the current difficult economic conditions and market conditions

The Group's businesses, earnings and financial condition have been and will continue to be affected by the recent and future economic developments and conditions in Ireland and internationally (see Recent Developments relating to Ireland, above). In addition, a failure to successfully implement the provisions of the joint EU/International Monetary Fund (**IMF**) programme for Ireland (the **EU-IMF Programme**) and achieve the fiscal targets within the timeframe envisaged could lead to a termination of the financial support provided under the EU-IMF Programme, which could have a material adverse effect on the Group, including EBS and the Issuer.

The deterioration of the Irish economy, as well as the deterioration of the economies of the United Kingdom and certain other markets served by the Group, significantly and adversely affected the Group's financial condition and performance in recent years, presented significant risks and challenges for the Group in 2011, and will continue to do so in the future. Although economic activity had regained some momentum in Ireland and internationally, following a very deep recession, the IMF, in its World Economic Outlook (September 2011) noted

that global activity has weakened again and warned that the world economy has entered a dangerous new phase.

A renewed downturn in the economic performance of the Irish economy or other economies served by the Group could further adversely affect the Group's financial condition and results of operations, including that of EBS and the Issuer. This could include further reductions in business activity, lower demand for the Group's products and services, reduced availability of credit, increased funding costs, decreased asset values, and additional write-downs and impairment charges. The Group's (including EBS' and the Issuer's) financial performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates may no longer be accurate given the general economic instability.

Concerns relating to the Irish public finances have affected the liquidity and profitability of the financial system in Ireland and have resulted in:

- an inability by the Irish sovereign to access funding in the international markets at economic rates, resulting in the EU-IMF Programme;
- limited liquidity availability for the Irish banking system and a consequential increase in the reliance by Irish financial institutions on the liquidity provision operations offered by central bank or monetary authorities; and
- increased competition between banks to attract customer deposits, resulting in an increased cost of customer deposits.

These conditions have already materially adversely affected the Group, including EBS and the Issuer, have exerted downward pressure on share prices, liquidity and availability of credit for financial institutions and other corporations and have left the Irish banking system facing serious structural and funding issues. If economic conditions worsen again, or if the Irish economy recovers at a slower rate than anticipated, the Group, including EBS and the Issuer, may experience further reductions in business activity, increased funding costs, decreased asset values, additional write-downs and impairment charges with resulting adverse effects on profitability and financial condition.

Macro-risks in the European Union

Economic, monetary and political conditions and stability remain uncertain in the EU, in particular, in a number of the euro-zone members, including Ireland. If economic and financial conditions in the EU or its euro-zone component deteriorates, or if fears persist that one or more EU/euro-zone members will default or restructure its or their indebtedness, or in the case of euro-zone members be forced or choose to withdraw from the euro, the cost and availability of funding available to European banks, including the Group and the Issuer, may be affected, or such events could otherwise materially adversely affect the Group's (including the Issuer's) business, financial condition and results of operations, including the value of their assets, and in the case of the Issuer, affect its ability to perform the Securities or have other unforeseen consequences relevant to holders of the Securities.

Counterparty risk

The Group has been exposed to increased counterparty risk as a result of failures of financial institutions during the global economic crisis. Defaults by, or even reductions in the perceived creditworthiness of, one or more corporate borrowers, or financial institutions, or the financial services industry generally have led to market-wide liquidity problems, losses and defaults. Such defaults could lead to further losses or defaults by such borrowers and/or institutions, which could adversely affect the Group's results of operations, financial condition and future prospects.

Competition

The Group (and therefore EBS and the Issuer) faces competition across all of its markets from credit institutions. While the Group believes it is positioned to compete effectively with these competitors, there can be no assurance that existing or increased competition will not adversely affect the Group or its subsidiaries, including EBS and the Issuer, in one or more of the markets in which they operate. See *Description of the Issuer – The Irish Competitive Landscape*.

The Issuer's risk management strategies and techniques may leave it exposed to unidentified or unanticipated risks

Like other banks, the Issuer faces risk in the conduct of its business, such as (1) credit risk, (2) liquidity risk, (3) operational risk, (4) regulatory compliance risk and (5) market risk (including non-trading interest rate risk). In

order to minimise these risks, the Issuer has (in conjunction with the Group – see further *Risk Management at the Issuer*) implemented comprehensive risk management strategies, including the use of derivatives. Although the Issuer invests substantial time and effort in its risk management strategies and techniques, such risk management may nonetheless fail under some circumstances, particularly when confronted with risks that are not identified or anticipated. Some of the Issuer's methods for managing risk are based upon observation of historical market behaviour. The Issuer applies statistical techniques to these observations to quantify its risk exposures. If circumstances arise that the Issuer did not identify or anticipate in developing its models, the Issuer's losses could be greater than the Issuer would expect. Furthermore, the Issuer's quantifications do not take all risks into account. If the Issuer's measures to assess and mitigate risk prove insufficient, the Issuer may experience material unexpected losses.

In addition, the Issuer may be exposed to systemic risk. Systemic risk refers to concerns about, or a default by, one institution which could lead to liquidity problems or losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of corporate, credit, trading, clearing or other relationships between institutions. Systemic risk may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks and securities firms and exchanges with which the Issuer interacts and therefore could adversely affect the Issuer.

Issuer's Short Business History

The Issuer was incorporated in Ireland on 30 October 2008 and only commenced its business operations on 1 December 2008. Accordingly, the Issuer does not have a long established business history. However, EBS, which has a long established business history, transferred to the Issuer on 1 December 2008 Irish residential loans and related security the aggregate book value of which amounted to €3.41 billion. EBS made further large transfers to the Issuer of Irish residential loans and related security on 1 June 2009, 1 May 2010 and 1 November 2011, the aggregate book values of which amounted to €1.74 billion, €803 million and €2.449 billion respectively (see *Summary - Transfer of EBS' Irish Residential Loan Book and Business to the Issuer*). EBS also provides agency and other services to the Issuer (see *Board of Directors and Management and Administration of the Issuer - Servicing and Agency arrangements with EBS*). AIB acquired EBS Group (including the Issuer) on 1 July 2011, see *Description of the EBS Group – Constitution and Ownership*. The AIB Group also has experience of issuing Mortgage Covered Securities through AIB Mortgage Bank, a designated mortgage credit institution for the purposes of the ACS Acts since 2006.

Issuer's dependence on EBS and the Group and central bank funding

The Issuer, as a subsidiary of EBS and an integral member of the Group, is dependent to a very large extent on EBS (and variously through EBS, AIB and other members of the Group) in relation to the origination and servicing of Irish residential loans, administration and accounting services, treasury services, hedging arrangements, debt funding, equity and regulatory capital and services relating to the issuance of Mortgage Covered Securities. The Group also issues Mortgage Covered Securities through AIB Mortgage Bank.

To meet its funding requirements, the Group has accessed a range of central bank liquidity facilities, including at times certain additional liquidity schemes introduced by central banks for market participants during periods of dislocation in the funding markets. In accessing Central Bank and other secured lending facilities, the Group has relied significantly on its "Qualifying Liquid Assets" and "Contingent Funding" capacity. The curtailment or non-extension of the central bank liquidity facilities currently relied upon by the Group, or the Group's inability to access such facilities would require the Group to seek alternative sources of funding.

Risks relating to the restructuring of the Group

AIB acquired EBS Group (including the Issuer) on 1 July 2011. Accordingly, EBS and the Issuer are members of the Group, see *Description of the EBS Group – Constitution and Ownership*.

The Group's strategy is to establish a new core bank with a restructured balance sheet. This will be achieved through the separation and progressive disposal and winding down of non-core assets through its deleveraging plan with a target loan to deposit ratio of 122.5 per cent. by December 2013. In May 2011, the Group outlined the Group's new operating model and announced a number of appointments to its new top executive leadership team as well as the dismantling of the former divisional structure, which has been replaced by an integrated bank comprising the following customer facing units: Personal & Business Banking and Corporate, Institutional and Commercial Banking. AIB Group (UK) p.l.c. will be managed as a separate unit. The integration of EBS and the Issuer as part of the Group is a part of the restructuring required.

The Group's business and organisational restructuring represents a significant change programme and brings with it a number of key execution risks, including the impact on labour relations as a consequence of moving to a significantly smaller and less diversified institution.

In addition, the implementation of the cost reduction and business rationalisation programme currently being developed by the Group to re-align its cost base and become a more focused and streamlined organisation may result in the Group incurring significant additional costs (including redundancy costs). Any such programme will take time to implement and may negatively impact on the margins of the Group.

Given the possibility of the imposition of conditions by the European Commission, in connection with the approval of the Group's EU restructuring plan, there can be no assurance that the Group will be able to implement its cost reduction and business rationalisation programme in the way currently envisaged, which could adversely affect the Group's results, operations, financial condition and future prospects. In relation to the Group's EU restructuring plan, see *Description of the Group – EU Restructuring Plan*.

The integration of the EBS Group, including the Issuer, into the Group is a significant element of the restructuring of the Group. The achievement of such integration may involve the need to address operational, technological, systems, mortgage credit, legal, human resources and other business risks in very challenging market circumstances. The resource implications of this integration process may be material. No assurance can be given as to the timing, costs or success of such integration process and its affect on EBS' or the Issuer's business, financial condition, prospects and business model and accordingly, on the Issuer's ability to perform the Securities. In that regard, the Issuer has in place a managed services agreement with EBS (see *Board of Directors and Management and Administration of the Issuer – Managed Services Agreement with EBS*) which addresses outsourced servicing arrangements in place as regards the Issuer's residential mortgage portfolio. The integration of EBS as part of the Group may result in a discontinuity in the delivery of these services. The terms of the programme team charged with planning and implementing the EBS integration encompasses the management of risks regarding the continuous delivery of outsourced services to the Issuer. The Group has been issuing Mortgage Covered Securities through AIB Mortgage Bank since 2006.

The future of the Issuer's and the Group's business activities are subject to government and regulatory policies and changes in the identity or composition of the Irish government

Changes in government policy, central bank/monetary authority policy, EU/eurozone policies, legislation or regulation or their interpretation relevant to the financial services industry in the markets in which the Issuer and the Group operates may adversely affect its product range, distribution channels, funding sources, capital requirements and consequently, reported results and financing requirements. These changes include possible changes in government and regulatory policies, the regulation of selling practices and solvency, funding and capital requirements.

AIB (and accordingly, EBS and the Issuer) is substantially owned by an agency of the Irish State and accordingly, subject to EU state aid rules, controlled by the Irish State. Such ownership, control or rules may affect the Group's (and accordingly, EBS' and the Issuer's) operations, financial condition and future prospects, including with respect to its interest rate setting/net interest margin.

For so long as ownership of AIB, EBS and the Issuer remains within State control, in light of recent developments in relation to the Irish financial services industry, there is an increased risk of intervention by the Irish government in relation to the operations and policies of the Group, including EBS and the Issuer. Such further interventions may have a negative impact on the operations of the Group, including the Issuer.

The Issuer and the Group are subject to financial services laws, regulations, administrative actions and policies in each location in which they operate. Changes in supervision and regulation, in particular in or applying to Ireland, could materially affect the Issuer's and the Group's business, the products and services offered or the value of its assets.

The implementation of the Prudential Capital Assessment Review (**PCAR**) and the Prudential Liquidity Assessment Review (**PLAR**) (see *Description of the EBS Group – Capital Adequacy* and *Description of the Group – PCAR/PLAR 2011*) in relation to the EBS Group and the AIB Group may have an impact on the Group's (including the Issuer's) business.

RISKS RELATING TO THE SECURITIES

Securities are obligations of the Issuer only

Securities will constitute unsubordinated obligations of the Issuer secured by a statutory preference under the ACS Acts 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 EBS, AIB, the government of Ireland or the Irish 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 EBS, AIB or the Irish State) may adversely affect the market value of the relevant Securities.

Obligations under the Securities

The Securities will not represent an obligation or be the responsibility of the Minister for Finance, AIB, 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 EBS is a member of the Issuer, EBS will not be acting as a guarantor and Security holders will have no right of recourse against EBS. Only the liquidator of the Issuer or the courts may proceed against EBS to require it as a member of an unlimited company to make a contribution on the winding-up of the Issuer.

Although the Irish banking sector has been subject to very substantial restructuring in the last two years, there continues to be uncertainty regarding the future structure of the Irish bank sector. A general restructuring of the banking sector could impact the Group (including EBS and the Issuer) in ways that cannot be predicted. Such restructuring could adversely impact its ability to meet EBS' obligations as Mortgage Servicer.

Irish Mortgage Covered Securities Legislation Untested

The 2001 Act was passed in 2001 and came into effect on 22 March 2002. The provisions of the 2007 Amendment Act relating to designated mortgage credit institutions such as the Issuer came into operation on 31 August 2007. The Issuer is at the date of this Base Prospectus only one of three designated mortgage credit institutions registered under the ACS Acts. 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 Acts. The first issue of Mortgage Covered Securities under the 2001 Act was made in September 2004 and the Issuer issued its first Mortgage Covered Securities in December 2008. Accordingly, there is limited experience of Institutions operating under the 2007 Amendment Act and only a relatively limited track record for Mortgage Covered Securities issued in accordance with the ACS Acts or in relation to the operation of the ACS Acts with respect to the Issuer or other Institutions. See *Insolvency of Institutions*. The Group also has been issuing Mortgage Covered Securities through AIB Mortgage Bank since 2006.

Secondary Market for Mortgage Covered Securities

As indicated above, the first issue of Mortgage Covered Securities in accordance with the 2001 Act took place in September 2004 and the Issuer first issued Mortgage Covered Securities in December 2008. 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 Irish Stock Exchange and to admit the Securities to trading on the regulated market of the Irish Stock Exchange, 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. 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.

At the date of this Base Prospectus, there is no active and liquid secondary market for the Securities, and no assurance is provided that a secondary market for the Securities will develop. To the extent that a secondary market develops, it may not continue for the life of the Securities or it may not provide holders of the Securities with liquidity of investment with the result that a holder of the Securities may not be able to find a buyer to buy its Securities readily or at prices that will enable the holder of the Securities to realise a desired yield.

In addition, investors in the Securities should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Base Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Securities. As a result of the current liquidity crisis, there exist significant additional risks to the Issuer and the investors which may affect the returns on the Securities to investors.

Moreover, the current liquidity crisis has stalled or adversely affected in material respects the primary market for a number of financial products, including instruments similar to the Securities. While it is possible that if and when the current market crisis alleviates for certain sectors of the global credit markets, there can be no assurance that

the market for Mortgage Covered Securities or other securities similar to the Securities will recover at the same time or to the same degree as such other recovering global credit market sectors.

Credit rating risks

One or more independent credit rating agencies may assign credit ratings to the Securities. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Base Prospectus, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A rating agency may lower or withdraw its rating of the Securities and that action may reduce the market value of the Securities. A credit rating may be subject to restrictions or otherwise set by reference to the credit rating of entities other than the Issuer, including AIB and Irish sovereign. A credit rating agency may from time to time alter the methodology employed by it when rating Securities and such alteration may affect ratings attributed to Securities issued under the Programme.

The sovereign credit rating of Ireland has a significant effect on the outlook for the Irish banking sector as a whole. Over the course of 2010 and continuing into 2011, each of Standard & Poor's, Moody's, DBRS Ratings Limited and Fitch have all downgraded their sovereign rating of Ireland. Any further downgrades would be likely to have an adverse effect on Irish economic conditions, which would have an adverse effect on the Group (including the Issuer), its ratings and the ratings of the Securities.

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 on a monthly basis for up to one year to the Extended Maturity Date, subject as otherwise provided 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, subject as otherwise provided in the applicable Final Terms. In that event also, the interest payable on the principal amount outstanding of those Securities will change as provided in the applicable Final Terms and such interest may apply on a fixed or floating basis. The extension of the maturity of the principal amount outstanding of those Securities from the Maturity Date up to the Extended Maturity Date will not result in any right of Security holders to accelerate payments on those Securities or constitute an event of default for any purpose and no payment will be payable to the Security holders in that event other than as set out in the Terms and Conditions of the Securities (see *Terms and Conditions of the Securities*) as amended by the applicable Final Terms.

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

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

Sharing of Pool

The Cover Assets included in the Pool benefit not only the holders of the Securities but also other preferred creditors of the Issuer. These preferred creditors are all other holders of the Issuer's Mortgage Covered Securities whether outstanding now or in the future, counterparties under cover assets hedge contracts now and 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, under the 2007 Amendment Act, a Pool security trustee appointed by the Issuer, whether now 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 now or in the future. In addition, the claims of super-preferred creditors of the Issuer (being the Monitor, any such Pool security trustee and any manager appointed to the Issuer) rank ahead of those of other preferred creditors.

Dynamic Nature of the Pool

The Pool may contain mortgage credit assets, substitution assets and cover assets hedge contracts, subject to the limitations provided for in the ACS Acts. 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 Acts. The ACS Acts permit the composition of the Pool to be dynamic and do 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 Acts. 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 Acts. Accordingly, any alterations to mortgage credit assets or substitution assets comprised in the Pool from time to time will require the Monitor's approval. See *Cover Assets Pool*.

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

A mortgage credit asset includes a loan secured over commercial property as well as one secured over residential property. Under the 2007 Amendment Act, a mortgage credit asset also includes a mortgage credit asset in securitised form (**securitised mortgage credit assets**); namely, residential mortgage backed securities (**RMBS**) or commercial mortgage backed securities (**CMBS**). Accordingly, subject to the limits set out in the ACS Acts, the Pool may include mortgage credit assets the related loans under which are secured over commercial property or 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 Acts. However, 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 Acts. See *Restrictions on the Activities of an Institution, Cover Assets Pool and Characteristics of the Pool/Overcollateralisation – Introduction*.

Location of Property related to mortgage credit assets

The ACS Acts permit the inclusion in the Pool of mortgage credit assets and substitution assets which are located for the purposes of the ACS Acts outside of Ireland subject to certain restrictions provided for in the ACS Acts. At the date of this Base Prospectus, the Pool includes mortgage credit assets the related residential properties under which are all situated in Ireland.

The location (for the purposes of the ACS Acts) 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 Acts (see *Restrictions on the Activities of an Institution and Cover Assets Pool*).

However, at the date of this Base Prospectus, the Issuer does not intend to include in the Pool mortgage credit assets or substitution assets which are located for the purposes of the ACS Acts outside Ireland without first obtaining from Moody's and Fitch (in each case, for so long as the Securities are rated by such rating agency) a confirmation that any such action will not result in a downgrade of the rating then ascribed by such rating agency to the Securities.

Deposits / Cover Assets Hedge Contract Counterparties

The ACS Acts permit the inclusion in the Pool of substitution assets and cover assets hedge contracts subject to certain restrictions under the ACS Acts. 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 (see *Cover Assets Pool – Restrictions on inclusion of substitution assets in a Pool*) and cover assets hedge contracts comprised in the Pool have been entered into by the Issuer with EBS (the **Pool Hedge**) and J.P. Morgan Securities Ltd. (the **JPMS Hedge**) – see *Risk Management at the Issuer – Non-trading interest rate risk (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 Acts (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 Acts (see *Characteristics of the Pool/Overcollateralisation – Substitution Assets*) and/or (ii) meet the rating criteria of any rating agency appointed at the relevant time to provide credit ratings in respect of any of the Issuer's then outstanding Securities.

Cover Assets Hedge Contracts

At the date of this Base Prospectus, (i) the Pool Hedge only hedges the interest rate exposure with respect to mortgage credit assets located in Ireland for the purposes of the ACS Acts and which are secured on Irish residential property, denominated in euro and included in the Pool, and (ii) the Pool Hedge and the JPMS Hedge (defined below) only hedge interest rate exposure with respect to certain Mortgage Covered Securities which are 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 Acts, mortgage credit assets not denominated in euro, RMBS or CMBS or issues Mortgage Covered Securities not denominated in euro, neither the Pool Hedge nor the JPMS Hedge would hedge any interest rate risk and/or, as applicable, currency risk, associated with those 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 or J.P. Morgan Securities Ltd. See *Risk Management at the Issuer – Non-trading interest rate risk (market risk)*. The Issuer is entitled but not required under the ACS Acts to enter into cover assets hedge contracts.

Default of Issuer's Assets

Default of the Issuer's assets (in particular of Cover Assets comprised in its Pool) could jeopardise the Issuer's ability to make payments in full or on a timely basis on the Securities. Risks attaching to the Securities as a result of default of Cover Assets in the Issuer's Pool are reduced by a number of features of the ACS Acts, including overcollateralisation of the Pool and the Issuer's ability to substitute assets to and from its Pool. However, if a material amount of Cover Assets in the Issuer's Pool were to default, there is no guarantee that the required level of overcollateralisation could be maintained or that the Issuer would be in a position to substitute non-defaulting assets for the defaulting assets.

Payments by Borrowers and Collection of Residential Loans

At the date of this Base Prospectus, payments of principal and interest by borrowers are usually made monthly in respect of the residential loans held by the Issuer. Such payments are collected by EBS as the Mortgage Servicer under the terms of the Outsourcing and Agency Agreement and are credited into an account maintained by the Issuer with BNP Paribas (Dublin Branch). See *Irish Residential Loan Origination and Servicing – Mortgage Servicer*. 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. 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 or property values or with unemployment, death, illness or relationship breakdown affecting borrowers or similar factors to the above factors. The level of default of residential loans in Ireland, including those held by the Issuer, has significantly increased in the last three years due to the deterioration in economic conditions in Ireland, including increased interest rates on loans, unemployment rates, increased levels of personal taxation, negative equity in houses funded by loans and material decreases in residential property values.

Title Insurance

Certain Irish residential loans transferred from EBS to the Issuer may have the benefit of a title insurance policy taken out by EBS with First Title Insurance p.l.c. to provide cover where the borrower was refinancing a loan from another lender. The master insurance policy contains a number of restrictions and exceptions in relation to the title insurance cover provided by First Title Insurance p.l.c. in respect of certain of the mortgages. Any failure by First Title Insurance p.l.c. to make payment, in full or in part, under the terms of the master insurance policy could adversely affect amounts recoverable by the Issuer in respect of such loans.

No Due Diligence

Neither the Arranger nor 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*).

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. 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.

In addition, a recent decision of the High Court relevant to repossession of real property (*Start Mortgages Ltd & Ors v Gunn & Ors* [2011] IEHC 275 (2011)) may result in an increase of the timeline and complexity of proceedings in Ireland when seeking repossession of a residential or commercial property on enforcement of a mortgage loan. See *Regulation of Banks and Residential Lending in Ireland - Material Legal Aspects of the Irish Residential Loans and Related Security – Taking Security over Land – Land and Conveyancing Law Reform Act 2009*.

Code of Conduct on Mortgage Arrears

The Central Bank has issued the Code of Conduct on Mortgage Arrears (the **Mortgage Arrears Code**) which is a code of practice relevant to the enforcement of residential mortgages by mortgage lenders (including the Issuer) - see *Regulation of Banks and Residential Lending in Ireland – Code of Conduct on Mortgage Arrears*.

The Mortgage Arrears Code applies to the mortgage loan of a borrower which is secured on the borrower's primary residence. Lenders are required to establish a Mortgage Arrears Resolution Process (**MARP**) as a framework for handling arrears and pre-arrears cases and where alternative repayment arrangements expire or are breached by the borrower. The Mortgage Arrears Code affects the timeline and the procedure for the Issuer's enforcement of its security over a borrower's primary residence. Amongst other things, the Mortgage Arrears Code provides that where a borrower co-operates with a lender, the lender must wait at least 12 months from the date the borrower is classified as a case suitable for resolution in accordance with the lender's MARP before applying to the courts to commence legal action for repossession of the borrower's primary residence. In addition, lenders are restricted from imposing charges and/or surcharge interest on arrears arising on a mortgage account in arrears to which the Mortgage Arrears Code applies and in respect of which a borrower is co-operating reasonably and honestly with the lender under the MARP.

Consumer Protection Code

The Central Bank has also published a revised Consumer Protection Code (the **Consumer Protection Code 2012**), which replaces the original Consumer Protection Code introduced in August 2006 (the **Consumer Protection Code 2006**) and which will be effective from 1 January 2012 - see *Regulation of Banks and Residential Lending in Ireland – Consumer Protection Code*. New rules have been introduced in the Consumer Protection Code 2012 setting 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. However, the Consumer Protection Code 2012 will not apply to the extent that the loan is a mortgage loan to which the Mortgage Arrears Code applies.

The Consumer Protection Code 2012 will affect the timeline and the procedure for the Issuer's enforcement of security over a residential property falling within its scope. Amongst other things, under the Consumer Protection Code 2012, the regulated entity will be 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 will be required to notify the personal consumer of the potential for legal proceedings and proceedings for repossession of the property, and will be prohibited from initiating more than three unsolicited communications to a personal consumer in respect of the arrears.

Initiatives to deal with mortgage arrears

The Irish government is considering additional measures to address the problem of residential loan arrears in Ireland. A recent report of an inter-departmental working group (the **Keane Report**) has set out possible solutions that could be advanced by mortgage lenders to address residential mortgage over-indebtedness, including (i) 'split mortgages' whereby a distressed mortgage would be split into two portions: one portion being an amount assessed to be affordable to the borrower and the other portion being the balance (which would be 'warehoused' until dealt with by the lender and borrower at a point in the future) and (ii) 'trade-down mortgages' whereby a mortgage borrower in negative equity with a high value property would be permitted to trade down to a lower value property, redeem part of the original mortgage loan and carry the negative equity as part of the new mortgage loan. The Group intends to work on developing the solutions recommended in the Keane Report.

In addition, the Irish government made a commitment under the EU-IMF Programme to publish a Personal Insolvency Bill by the end of March 2012 (the **Personal Insolvency Bill**). It is expected that the Personal Insolvency Bill will provide a new framework for the settlement and enforcement of debt (including residential mortgage debt) and for personal insolvency.

Separate to the Personal Insolvency Bill, the Debt Settlement and Mortgage Resolution Office Bill 2011 (a private members' bill which at the date of this Base Prospectus is not sponsored by the Irish government) (the **Debt Settlement Bill**) has been introduced to the Dáil (the Irish parliament). The Debt Settlement Bill proposes to reform the law on personal insolvency and to provide for a non-judicial debt settlement arrangement process concerning personal debt (including the making of debt relief orders in relation to unsecured debt). It also provides for, amongst other things, non-judicial mortgage resolution orders concerning mortgages over family homes. A new body called the Debt Settlement and Mortgage Resolution Office (an independent unit within the 'Debt Enforcement Office' which the Debt Settlement Bill proposes to establish) would be empowered to make mortgage resolution orders in certain circumstances involving financially restricted mortgagors. The effect of a mortgage resolution order would be that a mortgagee would be prevented from commencing any legal proceedings for the recovery of a debt or repayment included in a mortgage resolution order, or (depending on the circumstances) from commencing any legal proceedings seeking to eject a mortgagor from their tenancy in the family home.

These possible changes in the supervision and regulation of the responses of mortgage lenders to mortgage arrears and debt settlement may materially affect the Issuer's and the Group's business and hence the Issuer's ability to meet its obligations in respect of the Securities.

Changes in the regulation of setting of interest rates

Government policy may seek to regulate the interest rates that credit institutions (including EBS and the Issuer) can charge on their residential loan mortgages. According to an address by the Deputy Governor (Financial Regulation) of the Central Bank on 14 October 2011 published on the Central Bank's website, the Central Bank has decided to require that any bank which has received government capital support must provide an impact analysis of any proposed standard variable rate increase in terms of the implications of such an increase for its arrears position and future capital requirements, and that the bank's board of directors review and approve this impact analysis to ensure that due attention is given to the costs of such actions.

At the date of this Base prospectus, details of any such changes or proposed changes are not available and it cannot be known whether they or possible future changes in the regulation of the setting of interest rates would adversely affect the Issuer's or the Group's business, the value of their assets or consequently their financial position or the results of their operations.

RMBS/CMBS

The financial performance and market value of any RMBS or CMBS comprised in the Pool 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. The ACS Acts do not require members of the Group to be the originator in respect of any RMBS or CMBS comprised in the Pool.

Concentration of location of Residential Properties

At the date of this Base Prospectus, the Pool consists of residential loans secured on residential properties in Ireland. The ACS Acts permit (and the Terms and Conditions of the Securities do not prohibit) the inclusion by

the Issuer in the Pool of mortgage credit assets located in any member state of the EEA and subject to certain limits and criteria, in the United States of America, Canada, Switzerland, Japan, Australia and New Zealand. See *Cover Assets Pool*.

Valuation of Irish residential property assets, Irish residential loans and relevant securitised mortgage credit assets/Prudent Market Discount

The Asset Covered Securities Act 2001 Regulatory Notice (Sections 41(1) and 41A(7)) 2007 (the **MCA Valuation Notice**) made by the Central Bank (which came into operation on 31 August 2007) lays down requirements in relation to the valuation basis and methodology, time of valuation and other matters related to determining the prudent market value of:

- (a) a property asset which is residential property situated in Ireland and which secures a mortgage credit asset (other than a securitised mortgage credit asset) held by an Institution (an **Irish Residential Property Asset**);
- (b) a mortgage credit asset (other than a securitised mortgage credit asset) which is secured on an Irish Residential Property Asset (an **Irish Residential Loan**); and
- (c) a securitised mortgage credit asset the related property assets of which indirectly comprise (in whole or in part) residential property (whether or not located in Ireland) (a **Relevant Securitised Mortgage Credit Asset**),

and also specifies requirements and criteria with respect to certain matters required when determining the prudent market value of Relevant Securitised Mortgage Credit Assets. The Central Bank has, at the date of this Base Prospectus, not published valuation requirements under the ACS Acts which apply to other types of mortgage credit assets (and related property assets) permitted by the ACS Acts to be comprised in a Pool maintained by an Institution.

The MCA Valuation Notice repealed and replaced the Asset Covered Securities Act 2001 Regulatory Notice (Section 41(1)) 2004 Irish Residential Property Assets/Mortgage Credit Assets (the **2004 Irish Residential Loan/Property Valuation Notice**) with effect from 31 August 2007.

The prudent market discount which the Issuer has adopted and published for the purposes of the MCA Valuation Notice and the Asset Covered Securities Act 2001 (Sections 61(1), 61(2) and 61(3)) [Prudent Market Discount] Regulation 2004 (the **Prudent Market Discount Regulation**) (see Condition 11(d) in Terms and Conditions of the Securities) is only applicable to residential property in Ireland and not any other property assets related to mortgage credit assets permitted by the ACS Acts or to RMBS or CMBS. With respect to the MCA Valuation Notice and the Prudent Market Discount Regulation, see further *Cover Assets Pool — Valuation of Assets held by an Institution*.

Reference Index under the MCA Valuation Notice

The MCA Valuation Notice specifies that the reference index (the **Reference Index**), for the purposes of certain calculations which are to be made by Institutions to determine the prudent market value of Irish Residential Property Assets (**Relevant Calculations**), is the applicable house price index published by Irish Life & Permanent plc (trading as permanent tsb) and compiled in association with The Economic and Social Research Institute (**PTSB/ESRI Index**). The PTSB/ESRI Index is no longer being produced, the latest available house price figures under that index being in respect of the fourth quarter of 2010. Under the MCA Valuation Notice, if an index figure under the Reference Index is not available for a period, the latest available Reference Index figure must be used. Accordingly, for certain calculations under the MCA Valuation Notice, the Issuer is required to use PTSB/ESRI Index figures for the fourth quarter of 2010 in respect of periods falling from January 2011 onwards. Such figures do not reflect declines in Irish residential property prices after 2010, see *Description of the Issuer - Irish Housing/Residential Loan Market*.

On 13 May 2011, the Central Statistics Office in Ireland launched a new Irish residential property price index which provides a monthly data series from the beginning of 2005 (the **CSO Index**). The Issuer expects that the Central Bank will in due course make a new regulatory notice under the ACS Acts to replace the MCA Valuation Notice and that such new regulatory notice will provide for the use of the CSO Index when making Relevant Calculations for periods from the beginning of 2005.

At the date of this Base Prospectus, the Issuer voluntarily monitors the prudent market value of its Irish Residential Property Assets by reference to the CSO Index for relevant periods (i.e. 2005 to the most recently published monthly figures under the CSO Index).

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

The ACS Acts vary 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 2001 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 Acts), all Mortgage Covered Securities issued by the Institution remain outstanding, subject to the terms and conditions specified in the security documents under which those Mortgage Covered Securities are created. Accordingly, subject to the terms and conditions of the Securities, the ACS Acts do 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 (or EBS (as the Issuer's parent entity) or any other company related to the Issuer), including AIB. See *Insolvency of Institutions – Effect under the ACS Acts of insolvency, potential insolvency or insolvency process with respect to an Institution* for further information.

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

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 breakage cost of the associated interest rate hedge. 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 Acts and with contractual undertakings in respect of overcollateralisation (see *Cover Assets Pool*).

Risks related to the structure of a particular issue of Securities

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

Interest rate risks

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

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.

Clearing Systems

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

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

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

Interests of the Dealers

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

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities issued under the Programme. Any such short positions could adversely affect future trading prices of Securities issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Eurosystem Eligibility

Though the new global note (**NGN**) form and new safekeeping structure (**NSS**) have been introduced to 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 international central securities depositories (**ICSDs**) under the classical global note (**CGN**) structure are not eligible as collateral for Eurosystem purposes. In addition, Securities in definitive form issued after 30 September 2010 are not eligible as collateral for Eurosystem purposes.

OTHER RISKS

EU Savings Directive

Under EC Council Directive 2003/48/EC on taxation of savings income, member states of the European Union (**EU**) are required, from 1 July 2005, to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state. However, for a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate instead a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland, with the option of information exchange and consequent reporting where authorised by the recipient of the interest) with effect from the same date.

The European Commission has proposed certain amendments to this Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a member state of the EU which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any

Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Securities as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent the Issuer will be required to maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to that Directive.

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 Acts. At the date of this Base Prospectus, all of the mortgage credit assets comprised in the Issuer's Pool and their related security are governed by Irish law. No assurance can be given as to the impact of any possible judicial decision or change to European Union or Irish law (including in connection with the ACS Acts or affecting the Issuer or the Group), regulation or administrative or regulatory practice after the date of this Base Prospectus.

Basel Capital Requirements/Capital Requirements Directive

The Bank of International Settlements capital adequacy framework issued in June 2004 and commonly known as Basel II (**Basel II**) places enhanced emphasis on market discipline and sensitivity to risk. The EU has implemented Basel II type standards for banks and other credit institutions in the EU in Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) (the **Capital Requirements Directive** or **CRD**) and the related Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast) (the **CAD Recast Directive**). In Ireland the legislation implementing the CRD/CAD Recast Directive is in force. The Group has received permission from the Central Bank to use the Basel II Foundation Internal Ratings Based Approach in respect of its residential mortgage portfolios to determine regulatory capital requirements.

A set of reform measures, known as Basel III, has been developed by the Basel Committee on Banking Supervision to strengthen the regulation, supervision and risk management of the banking sector. These measures have not yet been implemented at EU level and the Issuer is not in a position to determine how they may affect the Issuer's business or that of the Group. See *Regulation of Banks and Residential Lending in Ireland – Capital and Liquidity Requirements*. On 20 July 2011, the European Commission published a proposal, known as **CRD IV**, which would replace the CRD/CAD Recast Directive, and which is intended to supplement the provisions of Directive 2009/111/EC (**CRD II**) and Directive 2010/76/EU (**CRD III**). The proposal contains two parts: a directive governing the access to deposit-taking activities and a regulation establishing prudential requirements for credit institutions and investment firms. Amongst other things, CRD IV is intended to implement Basel III capital adequacy standards in the EU.

Prospective investors in the Securities should consult their own advisers as to the consequences for them of the potential application of the Basel II/III proposals and CRD I-IV/CAD Recast Directive measures/proposals.

Credit Institutions (Financial Support) Act 2008

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

Credit Institutions (Stabilisation) Act 2010

The Credit Institutions (Stabilisation) Act 2010 (the **Stabilisation Act**) was commenced by the Minister for Finance on 21 December 2010. The Stabilisation Act provides a legislative basis for the reorganisation and restructuring of the banking system agreed in the EU-IMF Programme (see *-Recent Developments relating to Ireland* above).

The Stabilisation Act provides broad powers to the Minister for Finance (in consultation with the Governor of the Central Bank) to act on financial stability grounds to effect the restructuring actions and recapitalisation measures

envisaged in the EU-IMF Programme.

The Stabilisation Act applies to “relevant institutions”, which are, for the most part, Irish banks who have received financial support from the Irish state (which would include EBS, AIB and the Issuer), Irish building societies and their holding companies and subsidiaries. The Stabilisation Act will cease to have effect on 31 December 2012, although this date may be extended by the Oireachtas. The cessation of the Stabilisation Act will not affect any order or requirement made under it.

The Stabilisation Act has been followed by an extensive special resolution regime (see – *Resolution Act*) that will provide for a comprehensive framework to facilitate the orderly management and resolution of distressed credit institutions. In that context, the Stabilisation Act includes the powers to appoint a special manager to a relevant institution which would only arise in limited and exceptional circumstances in order to achieve the objectives of the Stabilisation Act.

The Stabilisation Act provides that nothing in the Stabilisation Act affects the operation of the ACS Acts.

No assurance can be given as to the future effect of the Stabilisation Act on the Issuer, EBS, AIB or their respective businesses or operations. In relation to the Stabilisation Act, see also *Regulation of Banks and Residential Lending in Ireland – Credit Institutions (Stabilisation) Act 2010*.

Resolution Act

The introduction of a new special resolution regime for credit institutions may impact on the regulation of the Group and on its corporate structure. On 20 October 2011, the Central Bank and Credit Institutions (Resolution) Act 2011 (the **Resolution Act**) was enacted, and was brought into force on 28 October 2011. The Resolution Act provides that one of its purposes is to make provision for an effective and efficient resolution regime for authorised credit institutions that are failing or likely to fail. The Resolution Act provides that nothing in it affects the operation of the ACS Acts.

The Resolution Act is untested and it cannot be said for certain what its implications might be for authorised credit institutions to which it applies. No assurance can be given as to the effect of the Resolution Act on the Issuer, EBS, AIB or their respective businesses or operations. See also *Regulation of Banks and Residential Lending in Ireland – Resolution Act*.

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 in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its, his or her particular financial situation, an investment in the Securities and the impact the Securities will have on its, his or her overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities including Securities with principal or interest payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its, his or her investment and its, his or her ability to bear the applicable risks.

General Investment Risks

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

The Securities may fall as well as rise in value.

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

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

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

FORM OF THE SECURITIES, ISSUE PROCEDURES AND CLEARING SYSTEMS

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

Bearer Securities

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

- (a) if the Bearer Securities are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safe-keeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**); and
- (b) if the Bearer Securities are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

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

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

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.

The Issuer will promptly give notice to holders of Securities in accordance with Condition 13 of the Terms and Conditions of the Securities, if an Exchange Event occurs. In the event of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Security or the Issuer) may give notice to the Principal Paying Agent requesting exchange. Any such

exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

**“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO
LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS
PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”**

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

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

Registered Securities

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

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

Registered Global Securities will be deposited with:

- (a) in the case of Registered Global Securities issued under the new safekeeping structure for Eurosystem eligibility purposes (**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 depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg.

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

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

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

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

Transfer of Interests in Global Securities

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

Clearing Systems

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) 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. 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 name and address of the Common Depositary for Securities issued under the Programme is The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom.

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 international securities identification number (**ISIN**) which are different from the common code assigned to Securities of any other Tranches of the same Series until at least the expiry of the distribution compliance period applicable to the Securities of such Tranche.

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

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

Where any Security is represented by a Global Security and the Global Security (or any part thereof) has become due and repayable in accordance with the Terms and 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.

This document constitutes the Final Terms relating to the issue of Securities described herein.

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the **Conditions**) set forth in the Base Prospectus dated 23 November 2011 (the **Base Prospectus**) [and the supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the **Prospectus Directive**) and relevant Irish laws. The Central Bank of Ireland (the **Central Bank**, 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 (the **Irish Prospectus Regulations**) as having been drawn up in accordance with the Irish Prospectus Regulations and Commission Regulation (EC) No. 809/2004 (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]. 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 to the Base Prospectus dated [•]] [is][are] available for viewing during normal business hours at the registered office of the Issuer at EBS Building, 2 Burlington Road, Dublin 4, Ireland [and at www.ebs.ie] and copies may be obtained (i) in printed form free of charge from the Issuer at its aforementioned registered office and from the Principal Paying Agent at its office set out at the end of the Base Prospectus [as so supplemented], or (ii) in electronic form on the website of the Central Bank (for so long as the Central Bank decides to provide a service of publishing prospectuses on its website).

[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.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities incorporated by reference into the Base Prospectus dated 23 November 2011 (the **Base Prospectus**) from the base prospectus dated [4 December 2008]/[15 December 2010] (the **Conditions**). This document (**Final Terms**) constitutes the final terms of the Securities described herein for the purposes of Article 5.4 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the **Prospectus Directive**) and relevant Irish laws and must be read in conjunction with the Base Prospectus dated 23 November 2011 [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 [4 December 2008]/[15 December 2010] and the supplement to the base prospectus dated [•]] [and are attached hereto]. The Central Bank has approved the Base Prospectus under Part 7 of the Prospectus Directive (2003/71/EC) Regulations 2005 (the **Irish Prospectus Regulations**) as having been drawn up in accordance with the Irish Prospectus Regulations and Commission Regulation (EC) No. 809/2004 (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 and the Base Prospectus. The Conditions and the Base Prospectus [and the supplement to the Base Prospectus dated [•]] [is][are] available for viewing during normal business hours at the registered office of the Issuer at EBS Building, 2 Burlington Road, Dublin 4, Ireland [and at www.ebs.ie] and copies may be obtained (i) in printed form free of charge from the Issuer at its aforementioned registered office and from the Principal Paying Agent at its office set out at the end of the Base Prospectus [as so supplemented], or (ii) in electronic form on the website of the Central Bank (for so long as the Central Bank decides to provide a service of publishing prospectuses on its website)].

[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, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive].

1. (a) Issuer: EBS Mortgage Finance
- (b) Guarantor: [•] / [None.
- For the avoidance of doubt, note that the Securities will not be guaranteed by the Minister for Finance pursuant to the Credit Institutions (Financial Support) Scheme 2008 (Statutory Instrument No. 411 of 2008) or the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (Statutory Instrument No. 490 of 2009) or otherwise.]
2. (a) Series Number: [•]
- (b) Tranche Number: [•]
- (If fungible with an existing Series, details of that Series, including the date on which the Securities become fungible)
3. Specified Currency or Currencies: [•]
4. (a) Aggregate Nominal Amount of Securities:
- (i) Series: [•]
- (ii) Tranche: [•]
- (b) Specify whether Securities to be admitted to trading: [Yes — if so specify which Series/Tranche/No]
5. (a) Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)
- (b) [Net proceeds (Required only for listed issues): [•]]
- (c) Specify whether expenses or taxes will be charged to investors: [Yes – if so specify which expenses/taxes / No]
6. Specified Denominations: [•]¹
- (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

¹ Specified Denomination for Securities must be at least €100,000 (or other currency equivalent).

- nearest to [specify month and year]]
9. Extended Maturity Date: [Applicable/Not Applicable]
[insert date]²
- [The Extended Maturity Date is [•]. In accordance with the Conditions and these Final Terms, if the Issuer fails to redeem the Securities in full on the Maturity Date or within two Business Days thereafter, the maturity of the principal amount outstanding of the Securities will automatically be extended on a monthly basis for up to one year to the Extended Maturity Date without constituting an event of default or giving holders of the Securities any right to accelerate payments on the Securities. In that event, the interest rate payable on and the interest periods and Interest Payment Dates, in respect of, the Securities, will change from those that applied up to the Maturity Date and the Issuer may redeem 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, all in accordance with the Conditions and these Final Terms. See Conditions 4(d) and 6(h).]
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/or other] +/- [•] per cent.
Floating Rate]
[Zero Coupon]
(further particulars specified below)
- (ii) Period from Maturity Date up to Extended Maturity Date: [Not Applicable]/[[•] per cent Fixed Rate]
[[LIBOR/EURIBOR/or other] +/- [•] per cent.
Floating Rate]
(further particulars specified below)⁴
12. Redemption/Payment Basis: [Redemption at par]
[Instalment] [other (specify)]
13. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Securities into another Interest or Redemption/ Payment Basis]
14. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
15. Status of the Securities: The Securities will be direct, unconditional and

² If applicable, the date should be that falling one year, unless otherwise stated, after the Maturity Date. If not applicable, insert 'Not Applicable'.

³ If Extended Maturity Date is applicable, insert the Maturity Date. If Extended Maturity Date is not applicable, insert 'Not Applicable'.

⁴ Insert 'Not Applicable' only if Extended Maturity Date does not apply.

senior obligations of the Issuer and rank equally with all other mortgage covered securities issued or to be issued by the Issuer. The Securities will qualify as mortgage covered securities for the purposes of the Asset Covered Securities Act 2001 (as amended) of Ireland.

16. Listing/Admission to Regulated Market: [Admission to the Official List of the Irish Stock Exchange and to trading on its regulated market/ specify other/None]
17. Method of Distribution: [Syndicated/Non-Syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

18. 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)⁵
 - (a) Rate(s) of Interest:
 - (i) To Maturity Date: [•] per cent per annum [payable[annually/ semi annually/quarterly/monthly] in arrear]
(If payable other than annually, consider amending Condition 4)
 - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [•] per cent per annum.
[payable[annually/semi annually/ quarterly/monthly] in arrear]
(If payable other than annually, consider amending Condition 4)⁶
 - (b) Interest Payment Date(s):
 - (i) To Maturity Date: [[•] in each year up to and including the Maturity Date] [adjusted in accordance with [specify Business Day Convention and applicable Business Centre(s) for the definition of "Business Day"/not adjusted]/ [specify other]
(NB — this will need to be amended in the case of long or short coupons)
 - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]⁷/[[•] in each month up to and including the Extended Maturity Date]/ [specify other]
(NB — this will need to be amended in the case of coupons which are not on a monthly basis — also consider amending Condition 4)

⁵ State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.

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

⁷ State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.

- (c) Fixed Coupon Amount(s):
- (i) To Maturity Date: [•] per [•] in nominal amount
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]⁸/[•] 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]⁹/ [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]
- (e) Day Count Fraction:
- (i) To Maturity Date: [Actual/Actual (ICMA) or 30E/360 or Eurobond Basis or 30E/360 (ISDA) or [specify other]]
- (ii) From Maturity Date up to Extended Maturity Date: [Actual/Actual (ICMA) or 30E/360 or Eurobond Basis or 30E/360 (ISDA) or [specify other]]¹⁰
- (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 — 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)]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] / [•] in each year
[Insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last Coupon
NB — This will need to be amended in the case of regular interest periods which are not of equal duration
NB — Only relevant where Day Count Fraction is Actual/Actual (ICMA)]¹¹
- (g) Other terms relating to the method of calculating interest for Fixed Rate Securities: [None/give details]
19. Floating Rate Security Provisions:
- (i) To Maturity Date: [Applicable/Not Applicable]
(If not applicable, state "Not Applicable" in the relevant

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.

subparagraphs below of this paragraph)

- (ii) From Maturity Date up to Extended Maturity Date: [Applicable/Not Applicable]
(If sub-paragraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)¹²
- (a) Interest Period(s)/Specified Interest Payment Dates:
- (i) To Maturity Date: [Interest Periods: [•]
Specified Interest Payment Dates: [•]]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]¹³ [•]
[Interest Periods: [•]
Specified Interest Payment Dates: [•]]
- (b) Business Day Convention:
- (i) To Maturity Date: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (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/[specify other]]¹⁴
- (c) Additional Business Centre(s):
- (i) To Maturity Date: [•]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [•]¹⁵
- (d) Manner in which the Rate(s) of interest and Interest Amount(s) is to be determined:
- (i) To Maturity Date: [Screen Rate Determination/ISDA Determination/ specify other]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [Screen Rate Determination/ ISDA Determination/specify other]¹⁶
- (e) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent):
- (i) To Maturity Date: [•]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]/[•]¹⁷

¹² State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

¹³ State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

¹⁴ State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

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.

- (f) Screen Rate Determination:
- (i) To Maturity Date:
- Reference Rate: [•] (either LIBOR, EURIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)
 - 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 TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: [•] (In the case of EURIBOR, if not Telerate page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]¹⁸
- Reference Rate: [•] (either LIBOR, EURIBOR or other, although additional information is required if other including fallback provisions in the Agency Agreement)
 - 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 TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: [•] (In the case of EURIBOR, if not Telerate page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination:
- (i) To Maturity Date:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]¹⁹
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (h) Margin(s):

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.

- (i) To Maturity Date: [+/-] [•] per cent per annum
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]²⁰ [+/-] [•] per cent per annum
- (i) Minimum Rate of Interest:
- (i) To Maturity Date: [•] per cent per annum
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]²¹ [•] per cent per annum
- (j) Maximum Rate of Interest:
- (i) To Maturity Date: [•] per cent per annum
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]²² [•] per cent per annum
- (k) Day Count Fraction:
- (i) To Maturity Date: *[Actual/Actual (ISDA)
Actual/Actual
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
360/360
Bond Basis
30E/360
Eurobond Basis
30E/360 (ISDA)
Other]
(see Condition 4 for alternatives)*
- (ii) From Maturity Date up to Extended Maturity Date: *[Actual/Actual (ISDA)
Actual/Actual
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
360/360
Bond Basis
30E/360
Eurobond Basis
30E/360 (ISDA)
Other]²³
(see Condition 4 for alternatives)*
- (l) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Securities, if different from those set in the Conditions:
- (i) To Maturity Date: [•]
- (ii) From Maturity Date up to Extended

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.

- Maturity Date: [Not Applicable]²⁴ [•]
20. 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) Any other formula/basis of determining amount payable: [•]
- (d) Day Count Fraction in relation to late payment: [Condition 6(g) applies/specify other]
(consider applicable day count fraction if not U.S. dollar denominated)

PROVISIONS RELATING TO REDEMPTION

21. 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 and method, if any, of calculation of such amounts(s): [•] per Security of [•] Specified Denomination
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [•]
- (ii) Maximum Redemption Amount: [•]
- (d) Notice period (if other than as set out in the Conditions): [•]
(NB — If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)
22. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount of each Security and method, if any, of calculation of such amount(s): [•] 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.

- (c) Notice period (if other than as set out in the Conditions): [•]
(NB — If setting notice periods which are different to those provided in the Conditions, 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)
23. Final Redemption Amount of each Security: [•] per Security of [•] Specified Denomination

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

24. Form of Securities, Issue Procedures and Clearing Systems:
- [Bearer Securities:**
- [Temporary Bearer Global Security exchangeable for a Permanent Bearer Global Security which is exchangeable for Definitive Bearer Securities only upon an Exchange Event]]
- [Permanent Bearer Global Security exchangeable for Definitive Bearer Securities only upon an Exchange Event]
- [Registered Securities:**
- [Registered Global Security ([•] nominal amount) registered in the name of a nominee of, and deposited with, [a common depository for Euroclear and Clearstream, Luxembourg / a common safekeeper for Euroclear and Clearstream, Luxembourg] which is exchangeable for definitive Registered Securities only upon an Exchange Event.]
- [Registered Securities in definitive form]
(Specify nominal amounts)
25. (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).]*
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [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)
27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Securities (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Instalment Securities:
- (i) Instalment Amount(s): [Not Applicable/give details]

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.

- (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: [Applicable/Not Applicable] (if *Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)
30. 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*)
31. Overcollateralisation Percentage for the purposes of Condition 11(c): [Insert percentage, e.g. 105 per cent.]
32. Other final terms or conditions: [Not applicable/give details]²⁷
- [Notwithstanding paragraph 6 above, if in respect of the Securities definitive Bearer Securities are required to be issued at any time in exchange for a Global Security, definitive Bearer Securities will only be printed and issued in a denomination of €100,000. Under no circumstances will definitive Bearer Securities be printed or issued in respect of a nominal amount of Securities which is less than €100,000 and any holder of Securities, which on the date on which such an exchange is effected on the occurrence of an Exchange Event, holds Securities having a nominal amount which cannot be represented by a definitive Bearer Security with a denomination of at least €100,000 will not be entitled to receive a definitive Bearer Security. The Issuer does not authorise in any circumstances the trading of Securities in a principal or nominal amount of less than €100,000.]

DISTRIBUTION

33. (a) If syndicated, names of Dealers: [Not applicable/ give names and, if the relevant Dealer is not also a permanent Dealer under the Programme, addresses and descriptions (for example, Financial Institution)]
- (b) Date of Subscription Agreement: [Not applicable/[•]]
- (c) Stabilising Dealer(s) (if any): [Not applicable/give name]
34. If non-syndicated, name of relevant Dealer: [•] (*if relevant Dealer is not also a permanent Dealer under the Programme, include its address and description*)
- [35. Commission Payable/Selling Concession: [•]]
- [36. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]]
37. Additional selling restrictions: [Not applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

²⁷ When adding on any other final terms or conditions consideration should be given as to whether such terms or conditions constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under article 16 of the Prospectus Directive.

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

PART B – OTHER INFORMATION

1. LISTING

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

2. RATINGS

Ratings: [The Securities to be issued have been 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: [•]
[Fitch Ratings Limited: [•]

[In accordance with Article 4(1) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, include a statement as to whether the rating(s) have been issued by a credit rating agency that is established in the European Community and registered under that Regulation. E.g.: "Credit ratings included or referred to in these Final Terms [and the Base Prospectus] have been issued by [Fitch / Moody's], [each of] which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies."]

(The above disclosure should reflect the rating allocated to Securities of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. NOTIFICATION

[The Central Bank [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 EEA] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]¹

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

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

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

- [(i) Reasons for the offer: [•]²

¹ Delete if not applicable.

² "Not Applicable" can be inserted if Securities are in minimum denominations of €100,000 or its equivalent.

(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: [•]³
(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: [•]⁴

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

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

7. **OPERATIONAL INFORMATION**

(i) ISIN Code: [•]

(ii) Common Code: [•]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

(v) Name(s) and address(es) of initial Paying Agent(s): [•]

(vi) Names and addresses of additional Paying Agent(s) (if any): [•]

(vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No]

[Note that the designation "yes" simply means that the Securities are intended upon issue to be deposited with one of the 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 Global Securities]* and does not necessarily mean that the Securities will 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. Such recognition will depend upon satisfaction of the Eurosystem's eligibility criteria][*Include this text if "yes" selected in which case the Securities, if Bearer Securities in global form, must be issued in New Global Note (NGN) form and if Registered Global Securities, must be issued under the New Safekeeping Structure (NSS)*].

³ "Not Applicable" can be inserted if Securities are in minimum denominations of €100,000 or its equivalent.

⁴ "Not Applicable" can be inserted if Securities are in minimum denominations of €100,000 or its equivalent.

8. **TERMS AND CONDITIONS OF THE OFFER⁵**

Offer Price: [Issue Price/Not applicable/specify]

Conditions to which the offer is subject: [Not applicable/give details]

Description of the application process: [Not applicable/give details]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/give details]

Details of the minimum and/or maximum amount of application (whether in number of Securities or aggregate amounts to invest): [Not applicable/give details]

Details of the method and time limits for paying up and delivering the Securities: [Not applicable/give details]

Manner in and date on which results of the offer are to be made public: [Not applicable/give details]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/give details]

Categories of potential investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/give details]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/give details]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/give details]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/give details]

9. **SECONDARY MARKET ARRANGEMENTS**

[Insert details of any secondary market arrangements, providing liquidity through bid and offer rates agreed with the Dealers or other persons, including a description of the main terms of their commitment]

[Names and addresses of Dealers or other persons with whom secondary market arrangements have been made:]

⁵ Delete section or insert “**Not Applicable**” if Securities are in minimum denominations of €100,000 or its equivalent.

TERMS AND CONDITIONS OF THE SECURITIES

The following are the Terms and Conditions of the Securities which will be incorporated by reference into each Global Security (as defined below) and each definitive Security, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Security will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Securities may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Securities. 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 23 November 2011 and made between the Issuer, The Bank of New York Mellon as issuing agent and principal paying agent, transfer agent and (if applicable) calculation agent (the **Principal Paying Agent**, which expression shall include any successor and together with any additional or successor paying and transfer agents, the **Paying Agents** and the **Transfer Agents**, respectively), and The Bank of New York Mellon as registrar (the **Registrar**, which expression shall include any successor registrar).

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

The Final Terms for this Security (or the relevant provisions thereof) is attached to or endorsed on this Security and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Security. References to the **applicable Final Terms** are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Security.

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

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

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

The Security holders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 23 November 2011 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary or, as the case may be, the common service provider, for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

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

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

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

- (a) those Securities which have been redeemed and cancelled pursuant to these Terms and Conditions;
- (b) those Securities in respect of which the date for redemption under these Terms and Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under these Terms and Conditions after that date) have been duly paid to or to the order of the Principal Paying Agent in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Security holders in accordance with these Terms and Conditions) and remain available for payment against presentation of the relevant Securities and/or Receipts and/or Coupons as applicable;
- (c) those Securities which have been purchased (or otherwise acquired) and cancelled under these Terms and Conditions;
- (d) those Securities which have become prescribed under these Terms and Conditions;
- (e) those mutilated or defaced Securities which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to these Terms and Conditions;
- (f) (for the purpose only of ascertaining the principal amount of the Securities outstanding and without prejudice to the status for any other purpose of the relevant Securities) those Securities which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued under these Terms and Conditions;
- (g) a Temporary Global Security to the extent that it has been duly exchanged for the relevant Permanent Global Security and a Permanent Global Security to the extent that it has been exchanged for the Definitive Bearer Securities in each case under its provisions; and
- (h) any Registered Global Security to the extent that it has been exchanged for definitive Registered Securities and any definitive Registered Security to the extent that it has been exchanged for an interest in a Registered Global Security.

1. FORM, DENOMINATION AND TITLE

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

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

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

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

Securities that are to be admitted to trading on a regulated market for the purposes of Directive 2003/71/ EC of the European Parliament and of the Council of 4 November 2003 (the **Prospectus Directive**) or offered to the public in a member state of the European Economic Area (EEA) are subject to a minimum denomination of €100,000 (or the equivalent thereof in another currency) and integral multiples of €1,000 in excess thereof (or, in the case of Securities not denominated in euro, 1,000 basic units of such other 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/Payment Basis shown in the applicable Final Terms.

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

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

For so long as any of the Securities 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 at the rate(s) per annum equal to the Rate(s) of Interest. Subject as provided in Condition 4(d), interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

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

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

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

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

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
 - (a) in the case of Securities where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (b) in the case of Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if **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:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ 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

D₂ 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

- (iii) 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:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ 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

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

In these Terms and Conditions:

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

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

(b) *Interest on Floating Rate Securities*

(i) **Interest Payment Dates**

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

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

Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

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

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Securities is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Securities will be determined as provided in the applicable Final Terms.

(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 (ISDA)** or **Actual/Actual** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ 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

D₂ 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:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ 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

D₂ 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:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ 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

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

(v) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified will cause the Rate of Interest and each

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

(vi) **Certificates to be final**

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

(c) *Accrual of interest*

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

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

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

- (i) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Securities and the maturity of those Securities is extended beyond the Maturity Date in accordance with Condition 6(h), the Securities shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Securities are redeemed in full or the Extended Maturity Date, subject to Condition 4(c). In that event, interest shall be payable on those Securities at the rate determined in accordance with Condition 4(d) (ii) on the principal amount outstanding of the Securities in arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.
- (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Securities and the maturity of those Securities is extended beyond the Maturity Date in accordance with Condition 6(h), the rate of interest payable from time to time in respect of the principal amount outstanding of the Securities on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Principal Paying Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, two Business Days after the Maturity

Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

- (iii) In the case of Securities which are Zero Coupon Securities up to (and including) the Maturity Date and for which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 4(d) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (iv) This Condition 4(d) shall only apply to Securities to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Securities (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Securities is automatically extended up to the Extended Maturity Date in accordance with Condition 6(h).

5. PAYMENTS

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively);
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments in US dollars will be made by a transfer to a US dollar account maintained by the payee with a bank outside the United States (which expression as used in this Condition 5, means the United States of America including the State, and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

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

(b) *Presentation of definitive Bearer Securities and Coupons*

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

Payments of instalments of principal (if any) in respect of definitive Bearer Securities, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Security in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Security to which it appertains. Receipts

presented without the definitive Bearer Security to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Security becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

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

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

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

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

(c) *Payments in respect of Bearer Global Securities*

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

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

(d) *Payments in respect of Registered Securities*

Payments of principal in respect of each Registered Security (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Security at the specified office of the Registrar or any of the Paying Agents. 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 TARGET 2 System is open.
- (g) *Interpretation of principal and interest*

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

- (i) the Final Redemption Amount of the Securities;
 - (ii) the Optional Redemption Amount(s) (if any) of the Securities;
 - (iii) in relation to Securities redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms); and
 - (iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Securities.
- (h) *Payments on Registered Securities in definitive form*

In respect of payments on Registered Securities in definitive form, whether made or falling due before or during any insolvency or composition proceedings to which the Issuer may be subject, the Issuer, to the extent permitted by applicable law and if Condition 5(h) is specified to apply in the applicable Final Terms, hereby waives any right of set-off to which it may be entitled as well as the exercise of any pledge, right of retention or other rights through which the claims of the Security holder could be prejudiced to the extent that such rights belong to the reserved assets (*gebundenes Vermögen*) of an insurer within the meaning of § 54 Insurance Supervisory Act (*Vericherungsaufsichtsgesetz*) 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 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:

$$RP \times (1 + AY)^y$$

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

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

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

(h) Extension of Maturity up to Extended Maturity Date

- (i) An Extended Maturity Date may be specified in the applicable Final Terms as applying to a Series of Securities.
- (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Securities and the Issuer fails to redeem all of those Securities in full on the Maturity Date or within two Business Days thereafter, the maturity of the Securities and the date on which such Securities will be due and repayable for the purposes of the Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise 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 an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms. The Issuer shall give to the Security holders (in accordance with Condition 13), the Principal Paying Agent and the 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 the Conditions has been extended up to the Extended Maturity Date as provided in this Condition 6(h), subject as otherwise provided in the applicable Final Terms. 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 Terms and Conditions.
- (v) In the event of the extension of the maturity of Securities under this Condition 6(h), interest rates, interest periods and interest payment dates on the Securities from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4(d).
- (vi) If the Issuer redeems part and not all of the principal amount outstanding of Securities on an Interest Payment Date falling in any month after the Maturity Date the redemption proceeds shall be applied rateably across the Securities and the principal amount outstanding on the Securities shall be reduced by the level of that redemption.
- (vii) If the maturity of any Securities is extended up to the Extended Maturity Date in accordance with this Condition 6(h), subject to otherwise provided for in the applicable Final Terms, for so long as any of those Securities remains in issue, the Issuer shall not issue any further mortgage covered securities, unless the proceeds of issue of such further mortgage covered securities are applied by the Issuer on issue in redeeming in whole or in part the relevant Securities in accordance with the terms hereof.
- (viii) This Condition 6(h) shall only apply to Securities to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Securities in full on the Maturity Date (or within two Business Days thereafter).

7. TAXATION

All payments of principal and interest in respect of the Securities, Receipts and Coupons shall be made by or on behalf of the Issuer 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 shall be obligated by law to make such deduction or withholding. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments in respect of any such withholding or deduction imposed.

8. PRESCRIPTION

To the extent permitted by applicable law, the Bearer Securities, Receipts and Coupons will become void unless presented for payment within a period of 12 years from the Relevant Date in respect thereof and claims in respect of Registered Securities shall become prescribed unless made within a

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

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

9. **REPLACEMENT OF SECURITIES, COUPONS AND TALONS**

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

10. **AGENTS**

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

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Securities are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Securities) and a Transfer Agent (in the case of Registered Securities) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

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

11. **OVERCOLLATERALISATION/PRUDENT MARKET DISCOUNT**

(a) *Maintenance of Overcollateralisation*

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

(b) *Minimum Pool Overcollateralisation Level*

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

(c) *Overcollateralisation Percentage*

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

- (i) the Overcollateralisation Percentage shall not, for so long as the Securities are outstanding, be reduced by the Issuer below the overcollateralisation percentage specified for the purposes of this Condition 11(c) in the applicable Final Terms relating to that Series of Securities; and
- (ii) without prejudice to (i), the Issuer shall not at any time reduce the then Overcollateralisation Percentage which applies for the purposes of this Condition 11(c) if to do so would result in any credit rating then applying to the Securities by any credit rating agency appointed by the Issuer in respect of the Securities being reduced, removed, suspended or placed on credit watch.

(d) *Prudent Market Discount*

For the purposes of the Asset Covered Securities Act 2001 Regulatory Notice (Sections 41(1) and 41A(7)) 2007 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 Receipholders or the Couponholders to create and issue further mortgage covered securities in accordance with the Act having terms and conditions the same as the Securities or the same in all respects (including as to liability) save for their respective Issue Dates, Interest Commencement Dates, interest amounts/rates in respect of the First Interest Period and/or Issue Prices and so that the same shall be a Tranche of and consolidated and form a single Series with the outstanding Securities.

15. GOVERNING LAW, JURISDICTION AND PARTIAL INVALIDITY

(a) Governing Law

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

(b) Jurisdiction

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

(c) Partial Invalidity

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

USE OF PROCEEDS

The Issuer expects to use the net proceeds from the issue of Securities to support the business of the Issuer permitted by the ACS Acts (See *Risk Factors and Restrictions on the Activities of an Institution*).

DESCRIPTION OF THE ISSUER

The Issuer

The Issuer was duly incorporated in Ireland under the 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 an Irish banking licence under the Irish Central Bank Act, 1971 (as amended) and was registered as a designated mortgage credit institution under the 2001 Act on 26 November 2008. The Issuer is a wholly-owned subsidiary of EBS. At the date of this Base Prospectus, the Issuer is operating in accordance with its constitutive documents, its Memorandum and Articles of Association.

The Issuer's 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 Acts. 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 2007 Amendment Act, the Issuer may also hold (and issue Mortgage Covered Securities secured on) RMBS or CMBS. At the date of this Base Prospectus, the Issuer has not included RMBS in the Pool but may do so in the future. At the date of this Base Prospectus, the Issuer does not propose to include CMBS 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 Acts. However, 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 in the Pool, other than restrictions which apply under the ACS Acts. See *Restrictions on the Activities of an Institution, Cover Assets Pool and Characteristics of the Pool/Overcollateralisation -Introduction*.

The Issuer's principal executive and registered offices are located at 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 316,540,000 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 of, and as such is under the control of, EBS and the Issuer does not have any subsidiaries. Since 1 July 2011 EBS is a wholly owned subsidiary of AIB. 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 EBS became a limited company operating as a standalone, separately branded subsidiary of AIB with its own branch network, AIB is effectively under the control of the Minister for Finance, see *Description of the EBS Group – Constitution and Ownership*. At the date of this Base Prospectus, the Issuer is not aware of any arrangement the operation of which may at a date subsequent to the date of this Prospectus result in a change in control of the Issuer.

No specific measures have been put in place by the Issuer to ensure that EBS' control of the Issuer is not abused. However the Issuer and EBS are both regulated and supervised by the Central Bank (see *Regulation of Banks and Residential Lending in Ireland*) and two of the Issuer's directors are not at the date of this Base Prospectus employees of any member of the Group (see *Board of Directors and Management and Administration of the Issuer*).

Unlimited Liability Status of the Issuer

The Issuer is an unlimited company. There is no limit on the liability of the then-current members (the registered shareholders of record) of the Issuer (as an unlimited company under Irish law) to contribute to the Issuer in an insolvent liquidation of the Issuer to the extent that the Issuer's assets are insufficient to meet its liabilities. In that event, the liquidator of the Issuer or the court has the right to seek contribution from each of the members. 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

Since their appointment on 29 May 2009, the auditors of the Issuer are KPMG of 1 Harbourmaster Place, International Financial Services Centre, Dublin 1, who are chartered accountants 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 2007 Amendment Act may include certain RMBS or CMBS) and limited classes of other assets, engaging in activities connected with the financing and refinancing of such assets, entering into certain hedging contracts and engaging in other activities which are incidental or ancillary to the above activities. The objects of the Issuer are set out in paragraph 2 of its Memorandum of Association which forms part of its constitutive documents. See *Restrictions on the Activities of an Institution - Permitted business activities in which an Institution may engage*.

Transfers of Irish Residential Loans and Business to the Issuer

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. The transfers were effected pursuant to a statutory transfer mechanism provided for in the 2001 Act. This statutory mechanism involved the putting in place of a scheme in accordance with the 2001 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 on 28 November 2008 as required by the 2001 Act. The scheme permits further transfers from EBS to the Issuer or from the Issuer to EBS in the future. 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 the Pool mortgage credit assets the related loans under which have their primary security over commercial property without first obtaining from Moody's and Fitch (in each case, 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.

Issue of Securities

Information in relation to Securities issued by the Issuer up to 31 December 2010 are available in the audited financial statements of the Issuer incorporated by reference in this Base Prospectus (see *Documents Incorporated by Reference*). On 23 November 2009, the Issuer made its debut international offering under the Programme of €1,000,000,000 3.875% Securities due 23 November 2012.

Irish Housing/Residential Loan Market

The housing market in Ireland has seen considerable growth since the mid 1990s. During this time total Irish residential loan debt grew from less than €15 billion to in excess of €140 billion at the peak of the market. This growth was backed by strong population growth in key house buying age groups, rapid macro economic expansion and income growth which supported borrower demand for residential property and subsequent house price appreciation.

Since the beginning of 2007, the housing market has undergone a material negative correction as regards mortgage lending activity and house prices. Following significant increases between 1995 and 2006, month on month house prices have fallen since early 2007. In the 12 months to 31 October 2011, residential property prices at a national level, fell by 15.1 per cent.. Dublin residential property prices were 17.5 per cent. lower during this period, while prices outside Dublin were 13.8 per cent. lower than in October 2010. Residential property prices in Dublin are 53 per cent. lower than at their highest level in February 2007. House prices in Dublin are 51 per cent. lower than their highest levels, with apartments 60 per cent. lower. The fall in the price of residential properties outside Dublin is somewhat lower at 42 per cent. Overall, the national index is 45 per cent. lower than its highest level in 2007. The above information has been sourced from the Central Statistics Office

(CSO) residential property price index published on the website of the CSO (www.cso.ie). 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.

The EBS/DKM Affordability Index released in October 2011 showed that the average first time buyer (FTB) working couple is paying 12.4 per cent. of their joint net income to service their mortgage compared with 26.4 per cent. (December 2006). This equates to average monthly mortgage repayments for a FTB working couple of €608 in October 2011 as opposed to €1,323 which a couple would have paid in December 2006. Affordability has consistently improved each month since 2007. The corresponding improvement in housing affordability for FTB's in Dublin has resulted in net repayments falling to 14.7 per cent. of net income in June 2011 from 32.5 per cent. in December 2006. The above information on the EBS/DKM Affordability Index has been sourced from information published on the website of DKM Economic Consultants (www.dkm.ie). 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.

There were 14,602 house completions in 2010. The low number of completions reflects an oversupply of property arising from excessive levels of house building which reached their peak in 2006. This oversupply is not uniform across the country and is less pronounced in Dublin and the major urban population centres in comparison to rural locations. In the medium term, housing supply will continue to remain depressed until such time as the imbalance of supply and demand is reduced. In the medium to long term, factors which should support activity in the market include favourable demographic trends and rising headship rates (this measures the proportion of the population that are householders). There have been 7,917 completions year-to-date as at September 2011. The volume of new Irish mortgage lending continued to fall in 2010. About 27,666 mortgage loans were drawn down in 2010 at a value of over €4.7 billion. The trend of declining mortgage activity continued in 2011, and according to the IBF/PwC Mortgage Market Profile Quarterly Report published in November 2011, as at Q3 2011, in total 10,417 mortgage loans were completed with a value of approximately €1.8bn. The FTB sector remains the largest segment of the market as regards number and value of loans completed. The above information has been sourced from the IBF/PwC Mortgage Market Profile published on the website of the Irish Bankers Federation (www.ibf.ie). 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.

At the date of this Base Prospectus, mortgage arrears on residential properties are increasing. Figures published by the Central Bank on 18 November 2011 show that, at the end of September 2011, 62,970 or 8.1 per cent. of total private residential mortgages were in arrears for more than ninety days. This compares with 55,763 accounts, or 7.2 per cent. of the total, at the end of June 2011. In addition, the numbers of performing and non performing loans which have been subject to restructuring has increased to a total of 69,735 at the end of September 2011. This compares with 66,732 at the end of June 2011. The above figures have been sourced from information published on the website of the Central Bank on 18 November 2011 (www.ibf.ie). 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.

Irish Residential Mortgage Origination

Currently EBS originates mortgages through a network of 98 offices, with representation in all major towns and cities across the country. These 91 offices consist of:

14 branches	offices wholly owned by the Group, offering EBS products and EBS partnered products;
41 tied branch agents	franchised agents tied to EBS for all their business. Customer experience mirrors that of a branch;
36 agents	tied to EBS for all related business but they typically have a secondary business such as an estate agents or insurance business.

The Group also operates through the Irish broker market, through its wholly owned subsidiary Haven Mortgages Limited (**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 - *Transfers of Irish Residential Loans and Business to the Issuer*).

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 and Fitch (in each case, 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 has issued Mortgage Covered Securities since 2006 through AIB Mortgage Bank.

See also *Irish Residential Loan Origination and Servicing*.

The Irish Competitive Landscape

For a period of almost a decade, competition and growth in the financial services sector were accelerated by the presence of foreign banks that entered the market when Ireland was experiencing strong economic growth. However, over the last three years the retail mortgage and retail saving markets have changed considerably. A number of the foreign banks operating in Ireland have significantly reduced lending activity in the Irish mortgage market, presumably as funding and capital are being prioritised within their home markets.

EBS is an important player in the Irish retail mortgage and retail savings markets, providing much needed competition and mortgage credit in the market. Over the last three years EBS, AIB and Bank of Ireland, have been the key institutions fulfilling demand for new mortgages within the Irish market. In 2010, EBS provided €1.14 billion in new mortgages to borrowers. In 2010 EBS' share of new residential mortgage advances was 24.1 per cent. with a particularly strong 32 per cent. share of the first time buyer segment of the market. The EBS share of outstanding balances was approximately 11.1 per cent.. As at Q3 2011, EBS' year-on-year share of new lending stood at 11.6 per cent. and its share of outstanding balances was approximately 10.7 per cent.

This information has been sourced from information published in the EBS Annual Report and Accounts 2010. 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 this information inaccurate or misleading.

CIFS Scheme and ELG Scheme

The Issuer was a covered institution for the purposes of the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008) as amended (the **CIFS Scheme**). The CIFS Scheme was made by the Minister for Finance on 20 October 2008 pursuant to the Credit Institutions (Financial Support) Act 2008, as amended (the **Financial Support Act**), having been approved by both Houses of the Oireachtas (i.e. the Irish Parliament) on 17 October 2008. The Financial Support Act, the CIFS Scheme and associated Ministerial orders made under section 6(1) of the Financial Support Act provided the statutory basis for the credit institution guarantee arrangement announced by the Minister for Finance on 30 September 2008 and 9 October 2008. Pursuant to the CIFS Scheme, certain liabilities (known as **covered liabilities**) of covered institutions for the period 30 September 2008 to 29 September 2010 inclusive were guaranteed under the laws of Ireland by the Minister for Finance. The guarantee under the CIFS Scheme expired on 29 September 2010.

On 9 December 2009, the Minister for Finance made a new credit institution guarantee scheme pursuant to the Financial Support Act, known as the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009) as amended (the **ELG Scheme**). The ELG Scheme was approved by both Houses of the Oireachtas (i.e. the Irish Parliament) on 3 December 2009. The ELG Scheme provides for the guarantee by the Minister for Finance of certain eligible liabilities (not including Mortgage Covered Securities or other forms of asset covered securities or covered bonds) of participating institutions. The ELG Scheme is subject to continuing state aid approval by the European Commission. However, asset covered securities (including

Mortgage Covered Securities) remain outside of the scope of the Minister for Finance's guarantee under the ELG Scheme.

The Issuer is not a participating institution in the ELG Scheme.

The Financial Support Act, the CIFS Scheme, the ELG Scheme and associated documents are available, at the date of this Base Prospectus, on the website of the Department of Finance (www.finance.gov.ie).

NAMA Act

EBS is designated as a participating institution under the National Asset Management Agency Act 2009, as amended (the **NAMA Act**). Under the NAMA Act, the designation of an applicant credit institution as a participating institution operates to designate as participating institutions all of its subsidiaries except any subsidiary excluded by the Minister for Finance in accordance with the NAMA Act. As a subsidiary of EBS that was not so excluded by the Minister for Finance, the Issuer is also designated a participating institution under the NAMA Act. The NAMA Act provides for the transfer of certain classes of eligible bank assets prescribed by the Minister for Finance (primarily relating to development land) from participating institutions to the National Asset Management Agency (**NAMA**) established under the NAMA Act. At the date of this Base Prospectus, the Issuer does not envisage any material transfer of its assets to the National Asset Management Agency. The Issuer does not, in general, hold eligible bank assets of the type prescribed by the Minister for Finance for the purposes of the NAMA Act. In this regard, the Issuer's Credit Policy requires that mortgage credit assets acquired by the Issuer from EBS in accordance with the Origination and Transfer Agreement between the Issuer and EBS should be secured on fully constructed residential property (see *Irish Residential Loan Origination and Servicing – Credit Policy*). In addition, there are restrictions under the ACS Acts on the inclusion of development property in the Pool (see *Cover Assets Pool – Development Property*).

DESCRIPTION OF THE 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 (as amended) and changed its legal status to a limited liability company and obtained a banking licence. It changed its name on this date to EBS Limited. The registered office of EBS is 2 Burlington Road, Dublin 4, Ireland, telephone +353 1 665 9000.

EBS Group had consolidated total assets of €20.09 billion as at 31 December 2010, EBS has a countrywide network of 91 outlets, comprising 14 branches, 41 tied branch agencies and 36 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 2010, it had a 10 per cent. share of outstanding loans. It held a 24.1 per cent. share of new mortgage lending in the overall market in 2010 and a 11.1 per cent. share of outstanding retail mortgage balances. At 31 December 2010, the Tier-1 and total capital ratios for EBS were 9.2 per cent. and 12.4 per cent., respectively.

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. It is authorised by the Central Bank as a retail credit firm under Part V of the Central Bank Act 1997 (as amended). Haven has its own board of directors and the autonomy to grow and establish its business around the needs of its customer (the intermediary). Haven offers a full range of prime mortgages. While the products are independent of EBS and the Issuer, they are broadly comparable in terms of annual percentage rates of interest (**APR**).

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 special investment shares that had been invested in EBS Building Society by the Irish government (see - *Special Investment Shares and Promissory Note*, below), converted into €625m of ordinary shares 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 (€625m ordinary shares) in EBS to AIB on 1 July 2011. Under and in accordance with the Building Societies Act 1989 (as amended), on the conversion of EBS Building Society to EBS Limited, the business, property, rights and liabilities of EBS Building Society vested in EBS Limited. AIB will operate EBS as a standalone, separately branded subsidiary of AIB with its own branch network. EBS will continue to operate as a mortgage and savings business. The AIB Group also engages in Irish residential lending and issues Mortgage Covered Securities through AIB Mortgage Bank.

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

Governance

The AIB Group acquired EBS on 1 July 2011 and is responsible for EBS and its activities. The Chief Executive of EBS (Mr. Fergus Murphy) reports to the Executive Chairman of the AIB Group (Mr. David Hodgkinson) and is a member of the AIB Group Executive Committee. The AIB 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 banking licence, EBS continues to maintain its own board of directors. The EBS board of directors was reconstituted following the acquisition by the AIB Group. The EBS board of directors now includes members of the AIB board of directors and the AIB Group Executive Committee in addition to the independent non-executive directors and executive directors of EBS. EBS has two established sub-committees to its board, namely the Board Audit & Compliance Committee and the Board Risk Committee. As a limited liability company, EBS operates in accordance with the Companies Acts 1963 to 2009. As an Irish licensed bank, EBS is subject to regulation and supervision by the Central Bank.

Subsidiaries

The following are the principal subsidiaries of EBS, excluding the Issuer:

Name of Subsidiary	Principal Nature of Business	Registered in	Percentage of ordinary shares held	Consolidated
Haven Mortgages Ltd.	Mortgage lending company	Ireland	100%	2007
Hinsona Ltd.	Property investment company	Ireland	100%	1999
EBS Capital No 1 S.A.	Capital securities issuer	Luxembourg	95.4%	2005

Capital Adequacy

The Central Bank specifies minimum capital requirements for Irish authorised credit institutions in accordance with the terms of the European Banking Directives. Total capital is defined as the sum of Tier-1 Capital plus Tier-2 Capital less certain deductions. For EBS, post its demutualisation on 1 July 2011, Tier-1 Capital comprises of ordinary shares and reserves. The CRD/CAD Recast Directive became law in Ireland on 1 January 2007. Under the terms of this Directive, minimum capital must be held for both risk weighted assets and for operational risks. EBS made the full transition to the standardised approach to capital requirements in January 2008.

On 30 March 2010, the Central Bank announced that it had carried out an exercise known as the Prudential Capital Assessment Review (**PCAR**) to determine the forward-looking prudential capital requirements of certain of the credit institutions covered by the government guarantee of credit institutions, including EBS. The PCAR assesses the capital requirements arising for expected base and potential stressed loan losses, and other financial developments, over a 3 year (2010-2012) time horizon and involves the Central Bank making an assessment of the recapitalisation requirements of the credit institutions in order to satisfy both a base case and stressed target capital requirement. The PCAR was undertaken to determine the recapitalisation requirements of the credit institutions with reference to both:

- a target level of 8 per cent. core tier 1 capital that should be attained after taking account of the realisation of future expected losses and other financial developments under a base case scenario. As a further prudent requirement, the capital used to meet the base case target must be principally in the form of equity, with 7 per cent. equity as the target level; and
- a target level of 4 per cent. core tier 1 capital that should be maintained to meet a stress scenario or a portfolio level sensitivity analysis.

In its announcement on 30 March 2010, the Central Bank indicated that the level of additional capital required for each credit institution under the PCAR analysis would be required to be in place by the end of 2010. The capital requirements of EBS resulting from the PCAR were (i) an additional €875m of core tier 1 capital to meet the base case target of 8 per cent. core tier 1, and (ii) contingent capital of €120m of core tier 1 capital to meet the stress case target of 4 per cent. core tier 1.

The above information on PCAR has been sourced from the announcement of the Central Bank dated 30 March 2010 published on its website (www.centralbank.ie). 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.

On 21 June 2010, EBS announced the completion of two capital repurchase programmes, improving its capital position by approximately €90 million.

On 28 November 2010, the Central Bank announced that it required a new minimum capital requirement for EBS (among others) of 10.5 per cent. core tier 1, increasing to achieve a capital ratio of at least 12 per cent. core tier 1 by 28 February 2011. The Central Bank set the requirement for EBS at €438 million and required this additional capital to be in the form of equity or equivalent instruments for EBS.

The Central Bank revised the target date for the 8 per cent. core tier 1 requirement from 31 December 2010 to 28 February 2011 and increased the required ratio from 8 per cent. to 12 per cent.

On 24 February 2011, EBS announced the completion of two capital and four subordinated debt repurchases, improving its capital position by approximately €131.9 million.

The Central Bank performed a PCAR and a Prudential Liquidity Assessment Review (the **PLAR**) for EBS in the first quarter of 2011. The PLAR sets bank specific funding targets consistent with Basel III and other international measures of stable, high quality funding. It was announced on 31 March 2011 that EBS would require a further €1.5bn of capital to meet the new capital requirements (in addition to the €875m already received), which includes €0.3bn of contingent capital.

On 31 March 2011 the Minister for Finance announced the future banking landscape in Ireland and its intention to combine the operations of AIB and EBS to build a second pillar bank.

On 15 June 2011, EBS announced the completion of two capital and three subordinated debt repurchases, improving its capital position by approximately €93 million.

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 €625m of special investment shares that had been invested in EBS Building Society by the Irish government, converted into €625m of ordinary shares 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 (€625m ordinary shares) in EBS to AIB on 1 July 2011.

The Central Bank confirmed on 18 July 2011 that EBS is subject to the capital requirements outlined in Regulation 19 of the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006. Regulation 19 sets out a minimum total capital requirement of 8 per cent. On 28 July 2011, AIB received capital contributions totalling approximately €6.1 billion from the Minister for Finance and the National Pensions Reserve Fund Commission (the **NPRFC**). No new shares were issued to the Minister for Finance or the NPRFC in return for these capital contributions. See *Description of the Group - Relationship with the Irish Government*. At the date of this Base Prospectus, EBS expects that approximately €1.5 billion of capital will be provided by AIB to EBS as required in accordance with EBS' regulatory capital requirements as confirmed by the Central Bank on 18 July 2011.

Liquidity Ratios

Liquidity is managed under a maturity mismatch approach on a Group-wide basis which requires that a pool of highly liquid assets is maintained to cover a specified percentage of foreseeable cash outflows for future periods of time ('time bands'). The Central Bank specifies the minimum percentages to be maintained.

See also *Risk Management at the Issuer – Liquidity Risk – Liquidity*.

Special Investment Shares and Promissory Note

As stated above, the capital requirements of EBS resulting from the 2010 PCAR were (i) an additional €875m of core tier 1 capital to meet the base case target of 8 per cent. core tier 1, and (ii) contingent capital of €120m of core tier 1 capital to meet the stress case target of 4 per cent. core tier 1. In his speech to the Irish lower parliament (the Dáil) on 30 March 2010, the Minister for Finance confirmed that, to the extent that private capital is not forthcoming, the Irish government would provide capital to EBS to enable EBS to comply with the Central Bank's minimum core tier 1 requirements. On the same day, it was also stated by the Minister for Finance that €100 million of capital would be provided by the Government to EBS in the form of Special Investment Shares (**SIS**). The Minister for Finance also stated that to the extent that private capital was not forthcoming, the remaining capital requirement would be met either partly or fully through the issuance of a promissory note (the **Promissory Note**), which would be paid over a period of ten to fifteen years.

On 27 May 2010, €100m of capital in the form of SIS was provided by the Irish government to EBS. On 17 June 2010, a further €250m of capital was provided by the Irish government to EBS through the issuance of the Promissory Note. The Promissory Note carries a coupon which, at the discretion of the Minister for Finance, may be paid as interest or capitalised. In order to reach the €875 million level of core tier 1 capital set by the Central Bank pursuant to the PCAR, the remaining balance of €525 million was met through a subscription by the Irish government for additional SIS on 14 December 2010. The SIS were issued to the Minister for Finance and the subscription monies were received by EBS on 14 December 2010.

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 €625m of special investment shares that had been invested in EBS Building Society by the Irish government, converted into €625m of ordinary shares 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 (€625m ordinary shares) in EBS to AIB on 1 July 2011.

Credit Rating

At the date of this Base Prospectus, EBS has (i) from Moody's, a long term rating of Ba1, a Financial Stability Rating (**FSR**) of D- and (ii) from Fitch, a long term senior unsecured rating of BBB-, a long term Issuer Default Rating (**IDR**) of BBB- and a short term IDR of F3, respectively.

Conflicts of Interest

There are no potential conflicts of interest between the duties to EBS of the members of EBS' Board of Directors and their other duties and private interests.

Board of Directors

The names of the directors, their responsibilities within EBS, their business occupations and other principal directorships as at the date of this Base Prospectus are given below:

Name	Function within EBS/Business Occupation	Principal/other Directorships
Bernard Byrne	Non-Executive Director / AIB Group Director of Personal & Business Banking	Allied Irish Banks, p.l.c.
Emer Finnan	Executive Director	EBS Mortgage Finance Haven Mortgages Limited Dublin Port Company Limited
Eamonn Hackett	Non-Executive Director / AIB Group Treasurer	AIB Capital Markets p.l.c.
Fergus Murphy	Executive Director (Chief Executive)	EBS Mortgage Finance Haven Mortgages Limited Financial Services Ireland
Denis O'Callaghan	Non-Executive Director / AIB Group Head of Branch Channels	None
Jim Ruane	Non-Executive Director / Business Consultant	Haven Mortgages Limited Ace Bermuda International Insurance (Ireland) Limited Ace Bermuda International Reinsurance (Ireland) Limited Allianz Global Life Limited DIT Foundation Key Capital Private Limited MFXchange (Ireland) Limited nSpire Re Limited Royal Victoria Eye and Ear Hospital Scottish (Re) Dublin Limited Whitcas (Ireland) Ltd.
Philip Williamson	Non-Executive Director (Chairman) / Business Consultant	Investors in People UK
Catherine Woods	Non-Executive Director / AIB Non-Executive Director/Business Consultant	Allied Irish Banks, p.l.c. An Post

The business address of each of the above is The EBS Building, 2 Burlington Road, Dublin 4, Ireland.

Auditors

Since their appointment on 29 May 2009 (as renewed on 1 July 2011 following EBS' demutualisation), the auditors of EBS are KPMG of 1 Harbourmaster Place, International Financial Services Centre, Dublin 1, who are chartered accountants qualified to practice in Ireland.

Government Guarantee Schemes

EBS was a covered institution under the CIFS Scheme (which expired on 29 September 2010) and is a participating institution under the ELG Scheme. The Financial Support Act, the CIFS Scheme, the ELG Scheme and associated documents are available, at the date of this Base Prospectus, on the website of the Department of Finance (www.finance.gov.ie). See also *Description of the Issuer – CIFS Scheme and ELG Scheme*.

NAMA Act

EBS is designated as a participating institution under the National Asset Management Agency Act 2009 (the **NAMA Act**). In relation to the NAMA Act, see further *Description of the Issuer – NAMA Act* above. The transfer of the first tranche of loans from EBS to the National Asset Management Agency (**NAMA**) was completed on 26 March 2010. On that date, NAMA acquired loans from EBS with a nominal value of approximately €144 million in exchange for NAMA securities with a value of approximately €91 million, representing an approximate discount of 37 per cent.

Since then, EBS has transferred a further five tranches bringing the total nominal value of loans transferred to the date of this Base Prospectus to €904 million at a cumulative haircut of 58 per cent.

DESCRIPTION OF THE GROUP

General

The Group conducts retail and commercial banking business in Ireland through an extensive branch network across the country, as well as its head office in Dublin. Following the disposals in 2010 and 2011 of a number of overseas businesses in the USA and Poland, the Group now has a limited but focused overseas presence which includes operations in the UK.

AIB's strategy is to establish a new core bank with a restructured balance sheet. This will be achieved through the separation, progressive disposal and winding down of non-core assets through a deleveraging plan in order to achieve a target loan to deposit ratio of 122.5 per cent. by December 2013. At 31 December 2010, the Tier-1 and total capital ratios for AIB were 6 per cent. and 9 per cent., respectively.

In May 2011, the Group outlined its new operating model and announced a number of appointments to its executive leadership team. The former divisional structure has been replaced by an integrated bank comprising the following customer-facing units: Personal & Business Banking and Corporate, Institutional and Commercial Banking. AIB Group (UK) p.l.c will be managed as a separate unit. Control and support functions are in the process of being streamlined and centralised. To manage the deleveraging process, the Group has set up a non-core unit to oversee the disposal and run-off of selected non-core assets. This unit has been operational with its own management team since 1 July 2011. The team has a strong emphasis on governance, risk, performance measurement and oversight reporting and the entire organisational transformation process is supported by a dedicated team.

Through its deleveraging plan and organisational changes, the Group intends to develop a strong foundation from which a profitable business can be rebuilt and to be well positioned in the market as one of two pillar domestic Irish banks. The Group expects that the acquisition of EBS and EBS' consolidated subsidiaries, including the Issuer, completed on 1 July 2011, will contribute to a return to economic viability.

The Group also engages in Irish residential mortgage lending and issues Mortgage Covered Securities through AIB Mortgage Bank.

EU Restructuring Plan

The financial support provided to the Group by the Irish government, as outlined below, including the support provided most recently as part of the July 2011 recapitalisation, is subject to review and approval by the European Commission under EU state aid rules. The Group's original restructuring plan was submitted to the European Commission in November 2009. An updated plan was submitted in May 2010. Following a capital injection from the Irish government in December 2010 and the recapitalisation of the Group by the Irish government in July 2011, a revised restructuring plan was necessary. This plan, which incorporated the acquisition of EBS, was submitted by the Group to the European Commission on 29 July 2011. The European Commission may require the Group to undertake structural and behavioural measures, including measures to support the development of competition in the Irish market.

History of the Group

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

In December 1983, AIB acquired 43 per cent. of the outstanding shares of First Maryland Bankcorp (**FMB**). In 1989, AIB completed the acquisition of 100 per cent. of the outstanding shares of common stock of FMB. During the 1990s, there were a number of 'bolt-on' acquisitions, the most notable being Dauphin Deposit Bank and Trust Company, a Pennsylvania chartered commercial bank which was acquired in 1997. Subsequently, all banking operations were merged into Allfirst Bank. In 2003, Allfirst was integrated with M&T Bank Corporation (**M&T**). Under the terms of the agreement AIB received 26.7 million shares in M&T, representing a stake of approximately 22.5 per cent. in the enlarged M&T, together with US\$ 886.1 million cash, of which US\$ 865 million was received by way of a pre-sale dividend from Allfirst Bank.

The Group entered the Polish market in 1995, when it acquired a non-controlling interest in Wielkopolski Bank Kredytowy S.A. (**WBK**). In September 1999, AIB completed the acquisition of an 80 per cent. shareholding in Bank Zachodni S.A. (**Bank Zachodni**) from the State Treasury. In June 2001, WBK merged with Bank Zachodni to form BZWBK, following which the Group held a 70.5 per cent. interest in the newly-merged entity. The Group's interest in BZWBK decreased to approximately 70.36 per cent. when BZWBK's share capital was increased in 2009.

In October 1996, AIB's retail operations in the United Kingdom were integrated and the enlarged 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.

In January 2006, Aviva Life & Pensions Ireland Limited and AIB's life assurance subsidiary, Ark Life were brought together under a holding company Aviva Life Holdings Ireland Limited (**ALH**), formerly Hibernian Life Holdings Limited. This resulted in AIB owning an interest of 24.99 per cent. in ALH. Following this, AIB entered into an exclusive agreement to distribute the life and pensions products of the venture.

Developments in Recent Years

Since mid 2008, the Group has experienced many significant challenges as a result of issues arising from the financial crisis. The Group had expanded significantly outside Ireland in the past, as outlined above, as well as having smaller operations and interests in other markets. However, in order to meet the increased PCAR requirements as outlined below, the Group has undertaken a number of measures including liability management exercises and the disposal of its BZWBK and M&T shareholdings (and selected other businesses). AIB disposed of M&T on 4 November 2010 and completed the sale of BZWBK on 1 April 2011.

AIB ceased trading on the main markets of the Irish and London stock exchanges on 25 January 2011. Its ordinary shares are now listed on the Enterprise Securities Market of the Irish Stock Exchange.

On 26 August 2011, AIB announced that its American Depositary Shares were delisted and ceased to be traded on, the New York Stock Exchange. In due course, AIB will terminate its obligations under the US Securities Exchange Act 1934 by filing a Form 15F.

Credit Rating

At the date of this Base Prospectus, AIB has the following credit ratings from rating agencies which it has appointed (i) from Moody's, a long term senior unsecured rating of Ba2 (with bank deposits not covered by the ELG Scheme rated Not Prime/ Ba2) and a short term rating of Not Prime (ii) from Fitch, a long term senior unsecured rating of BBB and a short term rating of F2, and (iii) from Standard and Poor's, a long-term senior unsecured rating of BB and a short term rating of B.

PCAR/PLAR 2011

On 31 March 2011, the Central Bank of Ireland published the 'Financial Measures Programme Report' which details the outcome of its review of the capital (the prudential capital assessment review, **PCAR 2011**) and funding requirements (the prudential liquidity assessment review **PLAR 2011**) of the domestic Irish banks. Arising from the results of PCAR 2011, the Central Bank set a new capital target for the enlarged AIB Group including EBS which requires that the Group maintains a minimum capital target of 10.5 per cent. Core Tier 1 Capital in the base scenario, and in excess of 6 per cent. Core Tier 1 Capital in a stress scenario. As a result, the Group was required to raise capital necessary to fulfil the new capital target applicable under PCAR 2011 by 31 July 2011. This resulted in a total capital requirement of approximately €14.8 billion Core Tier 1 Capital. As a result of the capital issued to the Irish government, as described below, of €6.6 billion, the capital contributions of €6.1 billion and the capital raising initiatives, primarily the liability management exercise launched on 13 May 2011 which raised a total of €2.1 billion, the Group has now fulfilled its PCAR 2011 requirement. The Central Bank has confirmed this.

PLAR 2011 assessed the funding and liquidity structure of the balance sheets of Irish credit institutions. It focused on the loan to deposit ratio, with the explicit purpose of reducing the assets held by Irish banks. Each of the credit institutions participating in PLAR 2011 must achieve a target loan to deposit ratio of 122.5 per cent. by December 2013.

These PCAR 2011/PLAR 2011 assessments follow the announcement in November 2010 of the EU-IMF Programme for Ireland whereby the provision of an overall amount of €85 billion in financial support was agreed in principle. Up to €35 billion of this support is earmarked for the banking system, €10 billion for immediate recapitalisation with the remaining €25 billion to be provided on a contingency basis.

Also on 31 March 2011, and arising from the results of the PCAR 2011 and PLAR 2011 assessments, the Minister for Finance announced a restructuring of the Irish banking system. The Minister for Finance proposed the combination of AIB and EBS to form one of two pillar banks. The acquisition by AIB of EBS was completed on 1 July 2011. A non-core division of the combined entity will be required to deleverage assets to achieve the target loan to deposit ratio.

Relationship with the Irish government

Since the onset of the global and Irish financial crisis, AIB's relationship with the Irish government has changed significantly.

On 13 May 2009, the Irish government implemented a recapitalisation of AIB pursuant to which the National Pensions Reserve Fund Commission (the **NPRFC**) made a direct capital investment in AIB by way of a €3.5 billion subscription by the NPRFC for 3,500,000,000 non-cumulative redeemable preference shares of €0.01 each in the share capital of AIB (the **2009 Preference Shares**) and 294,251,819 warrants to subscribe for ordinary shares in the share capital of AIB. The dividend on the 2009 Preference Shares is a non-cumulative cash dividend at a fixed rate of 8 per cent. per annum of the subscription price, payable annually in arrears, at the sole and absolute discretion of the directors of AIB.

On 13 May 2010, the Group issued 198,089,847 ordinary shares to the NPRFC in lieu of the annual cash dividend on the 2009 Preference Shares amounting to €280 million.

On 23 December 2010, arising from a direction order issued by the High Court pursuant to the Stabilisation Act, the Group issued 675,107,845 ordinary shares and 10,489,899,564 convertible non-voting shares (**CNV**) to the NPRFC. Additionally the warrants attaching to the 2009 Preference Shares were cancelled on this date.

On 8 April 2011, following the completion of the BZWBK disposal outlined above, all of the CNV shares of AIB were converted into ordinary shares on a one-for-one basis, which resulted in the NPRFC holding 92.8 per cent. of the issued ordinary shares of AIB at that date.

On 13 May 2011, 484,902,878 ordinary shares were issued to the NPRFC in part satisfaction of the bank's obligation to issue shares in lieu of a dividend on the 2009 Preference Shares held by the NPRFC. This resulted in the NPRFC holding 93.1 per cent. of the total issued ordinary shares.

Having obtained the required approvals from shareholders at an extraordinary general meeting held on 26 July 2011, AIB issued 500 billion ordinary shares of €0.01 each (following renominatisation of AIB's ordinary shares from €0.32 each to €0.01 each) to the NPRFC at a subscription price of €0.01 per share and €1.6 billion of contingent capital notes at par to the Minister for Finance on 27 July 2011.

Following this issue of ordinary shares to the NPRFC on 27 July 2011, a further 762,370,687 ordinary shares were issued to the NPRFC, being the remainder of the bonus shares due as a result of the 2011 annual cash dividend on the 2009 Preference Shares not being satisfied in full on 13 May 2011.

On 28 July 2011, AIB received capital contributions totalling approximately €6.1 billion from the Minister for Finance and the NPRFC. No new shares were issued to the Minister for Finance or the NPRFC in return for these capital contributions.

As at 30 June 2011, the NPRFC held approximately 99.8 per cent. of the total issued ordinary shares of AIB. The NPRFC also holds 3.5 billion 2009 Preference Shares.

In addition to its shareholders' interests, the Irish government's relationship with AIB is reflected through oversight by the Minister for Finance and the Department of Finance and the Central Bank, representation on the Board of Directors (three non-executive directors are government nominees), participation in NAMA and otherwise.

The Irish government has guaranteed relevant deposits and debt securities of AIB through the CIFS Scheme and the ELG Scheme. The CIFS Scheme expired on 29 September 2010. In relation to the CIFS Scheme and the ELG Scheme, see *Description of the Issuer – CIFS Scheme and ELG Scheme*.

Since the enactment of the NAMA Act in November 2009 and up to 30 June 2011, AIB had transferred financial assets with a net carrying value of €14,752 million to NAMA for which it has received consideration from NAMA in the form of NAMA senior bonds and subordinated NAMA bonds with a fair value on issue of €8,192 million and €224 million respectively. The NAMA senior bonds are guaranteed by the Irish government. During 2011, NAMA redeemed, for cash, NAMA senior bonds at their par value of €533 million. On 15 April 2011, the Irish government announced that no further loans would transfer to NAMA, apart from those above already earmarked for transfer, which at 30 June 2011 amounted to €952 million.

In addition to the NAMA senior bonds received as consideration for financial assets transferred to NAMA, AIB also acquired NAMA senior bonds as part of the acquisition, on 24 February 2011, by AIB, of deposits of €7 billion and NAMA senior bonds with a nominal value of €12 billion from Anglo Irish Bank Corporation Limited, pursuant to a transfer order issued by the High Court under the Stabilisation Act. Also pursuant to that transfer order on 24 February 2011, AIB acquired Anglo Irish Bank Corporation (International) PLC in the Isle of Man, including customer deposits of almost €1.6 billion.

Arising from liquidity difficulties in the Irish market, the Central Bank has provided a number of funding support

mechanisms to AIB. At 30 June 2011, €28.2 billion was outstanding to the Central Bank in respect of this support.

BOARD OF DIRECTORS AND MANAGEMENT AND ADMINISTRATION OF THE ISSUER

Board of Directors

As of the date of this Base Prospectus, there are seven members of the Board of Directors as set out below. Five members of the Board of Directors of the Issuer are currently employees of EBS Group members. Two members of the Board of Directors are not at the date of this Base Prospectus and never have been employees of any EBS Group member. Three of the seven members of the Board of Directors of the Issuer are executive directors and the remaining four members of the Board of Directors are non-executive directors of the Issuer, including the chairman. This close tie between the EBS Group and the directors of the Issuer is indicative of the high level of integration of the Issuer's business in the EBS Group. However, the Issuer is independent in its decision-making capability as far as it is appropriate for a wholly-owned subsidiary bank of a banking group. It is expected that at least four board meetings of the Issuer will be held each year.

The names, business addresses, functions within the Issuer and principal outside activities of the members of the Board of Directors of the Issuer are listed below.

Name and Business Address	Function within Issuer	Principal Outside Activities
Fidelma Clarke The EBS Building 2 Burlington Road Dublin 2	Executive Director (Risk / Compliance)	Chief Risk Officer EBS Limited
Audrey Collins The EBS Building 2 Burlington Road Dublin 2	Executive Director (Finance)	Head of Finance EBS Limited
Dara Deering The EBS Building 2 Burlington Road Dublin 2	Executive Director (Chief Executive)	Director EBS Retail Business EBS Limited
William Cunningham 55 Trees Road Mount Merrion Co. Dublin	Non-Executive Director	Business Consultant
Emer Finnan The EBS Building 2 Burlington Road Dublin 2	Non-Executive Director	Director of Strategy EBS Limited
Denis Holland 5 Grove Lawn Malahide Co. Dublin	Non-Executive Director (Chairman)	Business Consultant
Fergus Murphy 7 Eagle Valley Powerscourt Demesne Enniskerry Co. Wicklow	Non-Executive Director	Chief Executive Officer EBS Limited

The company secretary of the Issuer is Helen Dooley.

As far as is known to the Issuer, other than as may arise from an individual director's principal outside activities listed in each case above or, in the case of current or former employees of the EBS Group, other roles within the EBS 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.

Managed Services Agreement with EBS

Under an amended and restated Managed Services Agreement dated 21 June 2010 between EBS and the Issuer (as amended, extended or supplemented from time to time, the **Managed Services Agreement** or **MSA**), EBS 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 of the Issuer, custody of documentation administration of customer accounts, customer relations, risk management, legal, regulatory, compliance, human resources, payroll, information technology and services, financial control and project management services for the Issuer. EBS may subcontract or delegate its powers under the Managed Services Agreement to other members of the EBS Group but any such subcontracting or delegation will not abrogate or relieve EBS of any of its obligations under the Managed Services Agreement. See also *Irish Residential Loan Origination and Servicing -Mortgage Servicing*.

IRISH RESIDENTIAL LOAN ORIGATION AND SERVICING

Introduction

On 1 December 2008, 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 the Irish residential loans transferred was approximately €3.41 billion. The transfer was effected pursuant to a statutory transfer mechanism provided for in the 2001 Act. This statutory mechanism involved the putting in place of a scheme in accordance with the 2001 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 on 28 November 2008 as required by the 2001 Act. The scheme permits further transfers from EBS to the Issuer or from the Issuer to EBS in the future. 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 the Pool mortgage credit assets the related loans under which have their primary security over commercial property without first obtaining from Moody's and Fitch (in each case, 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.

EBS and the Issuer have entered into an 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 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 the Agreement would need to be amended if it were to so provide. At the date of this Base Prospectus, the Issuer does not intend to acquire mortgage credit assets the related loans under which have their primary security over commercial property, nor does the Issuer intend to include such mortgage credit assets in the Pool without first obtaining from Moody's and Fitch (in each case, 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.

Each mortgage credit asset to be included in a transfer must conform to the mortgage origination and servicing credit policy (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:

A Mortgage credit asset characteristics

Mortgage credit assets must:

- be made to one or more individuals;
- be secured on fully constructed residential property located in the Republic of Ireland, including an owner-occupied property, buy-to-let property, second home or holiday home;
- be annuity or interest-only, including top-ups;
- be designated in Euro;
- not be a site-only loan;

- have a remaining repayment term of not more than 40 years;
- not comprise an EBS Group staff loan;
- not be an inactive or closed account;
- be a mortgage credit asset where the recipient of the loan has consented, either implicitly or explicitly, to the transfer;
- not be a mortgage credit asset originally originated by The Midland & Western Building Society and Norwich Irish Building Society;
- not be a mortgage credit asset with a contractual deposit offset;
- not be a construction loan or an affordable housing loan;
- not be cross-collateralised (i.e., where separate mortgages/charges are taken in respect of different residential and/or commercial properties).

B Security

As regards security for each mortgage credit asset:

1. it must be (or be such that upon acquisition by the Issuer it will 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
2. 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, or good title must be covered under the EBS group title insurance policy.

C Affordability and Income Verification

- Mortgage credits assets purchased must have been granted after applying the appropriate affordability assessment, as laid down in the duly approved lending policies of EBS applicable at the time of origination of the loan; and
- Mortgage credits assets must have been granted after having verified evidence of the borrower's / guarantor's income (or having appropriately assessed forecast cash flows for retail buy-to-let loans), in accordance with the loan procedures of EBS applicable at the time of origination, including stress-testing of the repayment capacity for an increase in interest rates, when applicable.

D Loan to Value

- At the point of transfer to the Issuer, the loan to value ("**LTV**") of the mortgage credit asset must not be in excess of 150 per cent., based on the most recent valuation of the property available to EBS, appropriately indexed in accordance with the property index specified in the ACS Acts or as updated by regulatory notice by the Central Bank;
- In the event that EBS makes a further advance in relation to a loan already held by the Issuer, the LTV (including the further advance) at the time of transfer of the further advance to the Issuer may exceed 100 per cent., subject to the further advance having being provided in accordance with the EBS credit policy at the time of origination of the further advance; and
- The property underlying the mortgage credit must have been independently valued by a valuer approved by EBS and the benefit of any such valuation must be available to the Issuer.

E Insurance

- The mortgaged property must be insured for a value that is not less than its re-instatement value in accordance with EBS policy and procedure, and the benefit of EBS' interest in the policy must be available to the Issuer; and

- Life insurance is required in accordance with EBS policy and procedure and, where applicable, the benefit of any such insurance must be available to the Issuer.

F **Credit History of Borrower**

- The credit history of the borrower must have been reviewed in accordance with the duly approved lending policies of EBS applicable at the time of origination of the loan.

G **Arrears Status on Mortgage Credit Asset**

- No mortgage credit asset may be greater than 90 days past due as of the date of transfer.
- In the event that EBS makes 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 to the Issuer may exceed 90 days, subject to the further advance having being provided in accordance with the EBS credit policy at the time of origination of the further advance.
- A mortgage with arrears greater than 90 days may be transferred where the main loan and security are in the Issuer and the objective is to unify loan(s) and security interest within one credit institution.

H **Mortgage Indemnity Guarantee**

- Where mortgage insurance cover is in place, the benefit of such insurance must be available to the Issuer.

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).

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 Irish residential 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, will continue to be applied by the Mortgage Servicer under the terms of the MSA in respect of arrears arising on the Issuer's Irish residential mortgage loans. Reports on loans in arrears are provided by EBS to EBSMF, as required. See – *Arrears and Default Procedures* below.

The Issuer is subject to the Central Bank's Code of Conduct on Mortgage Arrears (see *Regulation of Banks and Residential Lending in Ireland – Regulation of the Irish Residential Mortgage Market – Code of Conduct on Mortgage Arrears*).

There are a number of proposed changes in regulation, including proposed legislation, which may impact on the way in which EBS manages loans that are in arrears. See *Risk Factors – Value and Realisation of Security over Residential Property – Initiatives to deal with mortgage arrears*.

Mortgage Servicing

Introduction

EBS has been appointed agent and servicer (the **Mortgage Servicer**) by the Issuer under the Managed Services Agreement to service and administer the Irish loans of the Issuer, their related security and certain other related matters. Under the terms of the MSA, the Mortgage Servicer may at its own cost sub-contract or delegate its powers and obligations under the MSA, to the other members of the Group. Any such sub-

contracting or delegation will not abrogate or relieve the Mortgage Servicer of any of its obligations under the MSA.

EBS has agreed under the MSA 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 will set 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

Payments of principal and interest 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 and Default 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 mortgage credits 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 Mortgage Arrears Code, EBS has established a centralised arrears support unit and manages customers in difficulty in line with the MARP.

The Mortgage Servicer will endeavour to collect all payments due under or in connection with the mortgage loans, but having regard to the circumstances of the borrower in each case and in compliance with the Mortgage Arrears Code. 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. In this regard, a recent decision of the High Court relevant to repossession of real property (*Start Mortgages Ltd & Ors v Gunn & Ors* [2011] IEHC 275 (2011)) may result in an increase of the timeline and complexity of proceedings in Ireland when seeking repossession of a residential or commercial property on enforcement of a mortgage loan. See *Regulation of Banks and Residential Lending in Ireland - Material Legal Aspects of the Irish Residential Loans and Related Security – Taking Security over Land – Land and Conveyancing Law Reform Act 2009*.

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. 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.

EBS may, on behalf of the Issuer negotiate a pre-emptive claim on a mortgage, or group of mortgages, under the mortgage indemnity guarantee insurance, prior to the re-possession and foreclosure of a property, where it believes this is in the best interests of the Issuer and the terms of the claim are comparable to a similar pre-emptive claim EBS is making on its own loans at that time.

In February 2010, the Irish government established an expert group on mortgage arrears and personal debt (the **Expert Group**) tasked with making recommendations to the Minister for Finance on options for improving the current situation for families with mortgage arrears on their principal private residence and with personal debt. On 17 November 2010, the Expert Group published its final report dated 16 November 2010. That report contains a number of recommendations on measures to deal with the difficulties created by mortgage arrears including a deferred interest scheme so that borrowers who can pay at least 66 per cent. of their mortgage interest can defer payment of the balance for up to 5 years (a **Deferred Interest Scheme**).

Following the recommendations of the Expert Group, EBS expanded the range of options it employs to include a Deferred Interest Scheme which will operate in line with the recommendations of the Expert Group, subject to modifications which reflect the needs of EBS and its customers. For so long as the Issuer continues to apply the policies and standards of EBS in relation to dealing with arrears on Irish residential loans and enforcing related security (see the first paragraph under the heading *Arrears and Default Procedures* above), that Deferred Interest Scheme will, at the sole discretion of EBS, be utilised in certain circumstances to manage customers of the Issuer with mortgage arrears.

See also *Risk Factors - Value and Realisation of Security over Residential Property - Initiatives to deal with mortgage arrears*.

Redemption

Under the MSA, the Mortgage Servicer is responsible for handling the procedures connected with the redemption of Irish residential loans held by the Issuer.

RISK MANAGEMENT AT THE ISSUER

Introduction

The EBS Group defines risk as a failure to maximise opportunities or a failure to foresee or manage events which could result in unnecessary material financial loss, interruption in business operations or damage to the EBS Group's reputation. The EBS Group recognises that the effective management of risk and its system of internal control is essential to the growth of earnings, the preservation of member value and the achievement of the EBS Group's strategic objectives. The primary focus of the risk management framework is to ensure that the EBS Group achieves the optimal risk/reward return on any investment of people, time and resources.

Risk management across the EBS Group is supported by a clear risk management governance structure and a significant investment of both senior management and Board time in reviewing the system of internal control. There is regular reporting to the Board on emerging risk issues and key risk indicators, both directly and also through the Board Audit and Compliance Committee and the Board Risk Committee. All material risk policies are reviewed by the Board Risk Committee on an annual basis and approved by the Board. These policies are closely managed on a day to day basis throughout the EBS Group, and are monitored by specific business units with oversight by relevant risk management committees. Risk management in the EBS Group is supported by three independent risk functions, Regulatory & Compliance, Internal Audit and Risk.

Risk taking is inherent in the provision of financial services and the Issuer, as part of the EBS Group, assumes a variety of risk in undertaking its business activities.

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:

1. Credit risk
2. Funding & Liquidity risk
3. Operational risk
4. Regulatory compliance risk
5. Non-trading interest rate risk (market risk)

Risk Policies with respect to the management of these risks have been approved by the Board of Directors of the Issuer and are subject to annual review. All such policies comply with the EBS Group standards and policies. Monitoring of adherence with approved policies is undertaken by both the Issuer and the independent EBS Risk Management functions. In addition EBS Internal Audit reviews the Issuer's compliance with policies and procedures on a regular basis.

The 5 applicable risk types are discussed below.

1. Credit risk

Credit risk is the risk of financial loss to the EBS Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the EBS Group's loans and advances to customers and exposure to other credit institutions.

The most significant credit risks assumed by the Issuer arise from mortgage lending activities to customers in Ireland. Credit risk also arises in respect of funds placed with the EBS Group and in respect of derivatives relating to interest rate risk management with approved counterparties.

The Executive Director for Risk & Compliance has overall responsibility for the ongoing credit management of residential mortgages at the Issuer. It is EBS Group policy to maintain a separation of function between the sourcing and approval of business, the issuing of funds, loan management and independent review and monitoring.

A credit risk policy has been approved by the Board of Directors of the Issuer, is subject to annual review and complies with EBS Group standards. The day to day management of credit risk (including arrears management)

is outsourced to EBS and managed in accordance with the terms of the MSA in place between EBS and the Issuer.

Lending credit risk is measured both at transaction level and at portfolio level. Individual loan transactions are assessed for credit risk using a combination of factors, including the risk rating attached to the credit (application score or obligor grade or external rating of a counterparty), the security exposure and an assessment of the member's, customer's or obligor's ability to repay the debt.

Portfolio risk is measured by reference to the volume and value of loans in default, migration patterns observed in the arrears aged analysis, the volume of legal recovery activity and repossessions, movements in credit impairment provisions and the level of write-offs.

Credit risk also arises in relation to exposures to other credit institutions, including any swap counterparties. A counterparty risk policy has been approved by the Board which is subject to annual review and is in accordance with Group policy. The management of the Issuer's counterparty risk is outsourced to EBS under the terms of the MSA.

Risk identification and assessment

Mortgage origination and servicing credit risks of the Issuer arise from mortgage credits purchased by the Issuer from the EBS Group and held as assets in its books of accounts.

All mortgage loans purchased by the Issuer are subject to an individual underwriting process undertaken at origination by EBS. Credit risk is identified, assessed and measured through the use of credit rating and scoring tools for each borrower or transaction.

For ongoing risk assessment of all loans and approvals, the methodology used produces a quantitative estimate of the Probability of Default (PD) and Loss Given Default (LGD) for the borrower. This assessment is carried out at the level of the individual borrower or transaction and at portfolio level when relevant. 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. The ratings influence the management of individual loans. Special attention is paid to lower quality rated loans and, when appropriate, loans are transferred to special units to help avoid default or when in default to minimise loss.

Role of stress and scenario analysis in the assessment of credit risk

EBS in its capacity as Mortgage Servicer on behalf of the Issuer conducts periodic stress tests on the mortgage loan portfolio. The assessment of individual mortgage loans includes an interest rate stress test in compliance with parameters set by the Central Bank.

Risk management and mitigation

The Board of Directors of the Issuer has approved the Mortgage Origination and Servicing credit risk policy.

EBS in its capacity as Mortgage Servicer on behalf of the Issuer operates an established credit process within the framework of the credit risk policy approved by the Board of the Issuer and delegates authority based on skill and experience, for the management and control of credit risk. Credit grading, scoring and monitoring systems accommodate the early identification and management of any deterioration in loan quality. The credit management system is underpinned by an independent system of credit review. Credit review assesses the application of credit policies, processes and procedures across all areas of the EBS Group.

Credit risk mitigation

The most significant and widely used credit risk mitigation tool available to the Issuer is the EBS Group's own robust internal credit risk control framework.

At a group level, mortgage indemnity insurance cover is in place for particular loans originated by EBS based on LTV to mitigate against the double risk of high unemployment and house price reductions. Where applicable, the benefit of such insurance is transferred to the Issuer.

Provisioning for impairment

At each financial year end and half year, the Group assesses whether there is objective evidence that a financial asset or a group of assets has been impaired.

A loan or portfolio of loans is impaired and an impairment loss is incurred if there is objective evidence of impairment as a result of one or more loss events that have occurred after the initial recognition of an asset or group of assets. An impairment loss event is an event which has an impact on the expected cash flows of the asset. If the impaired asset is deemed to be significant, then it is reviewed on an individual basis. Where the asset is impaired, but not significant, it is reviewed on a pooled or collective basis. Assets where there is no objective evidence of impairment yet, but where impairment may have been incurred are included in the collective assessment. In this way, all assets are reviewed.

For individual loan assets, the EBS Group calculates provisions by reviewing the expected future cashflows of the assets against the underlying value of the security, plus recovery costs. The cashflows are discounted for periods which are more than twelve months hence, and the discount interest rate is adjusted to take account of unamortised costs and fees received. Impairment provisions are calculated on a collective basis by assessing the loss rates for different asset pools against the value of the pool, netting out individually significant cases where a provision has already been calculated. The loss rates themselves are determined by application of the EBS Group rating systems.

The EBS Group assesses the level of provisions being held on a collective basis against developments, both external and internal, which may have resulted in assets becoming impaired even though there is no existing objective evidence of impairment. The factors are based on both observable data – such as interest rate changes - and appropriate management judgment. Provisions may be adjusted as a result of these factors depending on their significance.

The EBS Group has a robust process in place to oversee, evaluate and approve any adjustments to provisions levels arising as a result of this assessment. The adjustment factors and their effects are documented, evaluated at the EBS Credit Risk Committee and recommended to EBS Management Team for approval as part of the overall credit impairment provisions requirements. A similar process is employed at the Issuer with adjustment factors and their effects documented and evaluated by the Issuer's Audit, Risk & Compliance Committee and recommended to the Issuer's Management Committee for approval. Day to day management of the Issuer's impairment process will be outsourced to EBS and managed in accordance with the terms of the MSA in place between EBS and the Issuer.

Risk monitoring and reporting

Relevant credit risk information is reported in a timely manner to the appropriate level to enable informed management decision making.

Credit managers receive sufficient account and customer information to pro-actively manage the Issuer's credit risk exposures at a transaction and relationship level.

The production and reporting of day to day credit risk management information is outsourced to EBS and will be managed in accordance with the terms of the MSA in place between EBS and the Issuer.

2. Funding and Liquidity risk

Funding and Liquidity risk is the exposure to loss from not having sufficient funds available at an economic price to meet actual and contingent commitments. The objective of liquidity management is to ensure that, at all times, the Issuer holds sufficient funds to meet its contracted and contingent commitments and regulatory requirements, at an economic price.

The Issuer's liquidity risk is managed as part of the overall Group liquidity management. This includes risk identification and assessment, risk management and mitigation, and risk monitoring and reporting processes.

Funding and Liquidity

The funding and liquidity policies as approved by the Board of Directors of the Issuer set out the forms of funding which can be used by the Issuer to meet its requirements (see below) and the outsourcing arrangements which have been established with EBS to source and manage the funding and liquidity requirements. The policies also specify reporting requirements with respect to funding and liquidity management. AIB provides Group consolidated prudential liquidity returns to the Central Bank, encompassing EBS and the Issuer,

Funding

The Issuer is authorised to fund the assets it holds through the following forms of funding:

- (a) the issuance of Mortgage Covered Securities in accordance with the ACS Acts;
- (b) inter EBS Group lending facilities - borrowing funds from EBS;
- (c) borrowing from the Central Bank under a mortgage-backed promissory note (short term) facility (**MBPN Facility**);
- (d) wholesale market deposit taking; and
- (e) capital funding to ensure at a minimum compliance with the capital adequacy requirements of the Central Bank.

The MBPN Facility is secured by a floating charge over a pool of the Issuer's residential loans and related security which is separate to the Pool (that secures the Securities) maintained by the Issuer in accordance with the ACS Acts.

Liquidity

As at the date of this Base Prospectus, liquidity requirements for EU credit institutions are not the subject matter of EU directives (however, in this regard, see *Amendments to the CRD/CAD Recast Directive*, below). The Central Bank requires credit institutions to comply with a cashflow maturity mismatch approach for the management of their liquidity. This involves credit institutions analysing their cash flows on a group-wide basis under various headings and placing them in pre-determined time bands depending on when the cash is received or paid out. Limits are imposed on the group on the first (0-8 days) and the second (8-31 days) 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 Issuer complies with its liquidity reporting obligations as part of the group consolidated reporting permitted by the Central Bank.

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 and to repay short term borrowings under the MBPN Facility. The Issuer's liquidity risk is managed as part of the overall Group liquidity management.

The EBS Treasury, through the MSA:

- supports the liquidity management requirements of the Issuer taking into account the regulatory framework at EBS Group level;
- ensures that the Issuer's liquidity management complies with EBS Group liquidity policy.

3 Operational risk

Operational risk, which is inherent in all business activities, is the exposure to loss from inadequate or failed internal processes, people and systems, or from external events. The management of operational risk is a line management responsibility. The Issuer's and EBS's (as the Mortgage Servicer) management of operational risk is supported by specialist operational risk management (**ORM**) functions within EBS that assist and advise line management on specific operational risks. The core focus of operational risk management is to ensure that the key requirements outlined within the MSA between EBS and the Issuer are met including operational efficiency, fraud prevention, clear lines of authority, employee development, health, safety and personal security of all employees and customers, systems integrity, business continuity management, and third party partnership management etc.

An element of the Issuer's ORM programme is an operational risk self-assessment process. This process requires the Issuer to assess its 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. EBS Group Operational Risk supports the business in conducting regular self-assessments of the risks in individual functions, in key processes and in significant projects.

4 Regulatory compliance risk

Regulatory compliance risk is defined as the risk of regulatory sanctions, material financial loss or loss to reputation which the Issuer may suffer as a result of failure to comply with all applicable laws, regulations, rules, related self regulatory standards and codes of conduct applicable to its activities.

The Issuer's legal & regulatory compliance risk is managed as part of the overall Group regulatory compliance framework. This includes legal & regulatory compliance risk identification and assessment, risk management and mitigation, and risk monitoring and reporting processes.

5 Non-trading interest rate risk (market risk)

Interest rate risk is the exposure of the Issuer's earnings to movements in market interest rates. The Issuer is exposed to risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts.

The Issuer is exposed to interest-rate risk arising from mortgage lending activities and the issuance of Mortgage Covered Securities. Interest rate swaps, as explained below are used to manage this exposure.

The description below relates to the interest rate exposure hedging by the Issuer with respect to mortgage credit assets which are Irish residential loans and substitution assets, in each case, denominated in euro and comprised in or out of its Pool. The Issuer has entered into interest rate exposure hedging arrangements with EBS and may enter into other such arrangements with counterparties other than EBS (**External Counterparties**). Hedging arrangements with External Counterparties may relate to the Pool and Mortgage Covered Securities, or to the Pool, Mortgage Covered Securities, other assets of the Issuer and/or other liabilities of the Issuer. At the date of this Base Prospectus, EBS has entered into interest rate exposure hedging arrangements with J.P. Morgan Securities Ltd. (**JPMS**) of 125 London Wall, 8th Floor London EC2Y 5AJ, United Kingdom (the **JPMS Hedge**), as outlined below. If hedging arrangements with External Counterparties other than JPMS are entered into by the Issuer, the hedging arrangements with EBS and/or JPMS outlined below may be amended or varied. However, any such hedging arrangements with such External Counterparties will be entered into in accordance with the ACS Acts and on the date of this Base Prospectus, it is the policy of the Issuer that any such hedging arrangements with such an External Counterparty will not be entered into if to do so would result in the Securities being downgraded by the rating agencies which are then appointed by the Issuer to provide credit ratings on the Securities, or if the then current credit ratings of such agencies would be withdrawn or placed on negative credit watch as a result of the implementation of such hedging arrangements.

The interest rate exposure hedging arrangements between the Issuer and EBS are divided into two macro hedges documented under separate master agreements and confirmations under each master agreement. The first (the **Pool Hedge**) relates (i) on the mortgage credit asset side of the Pool Hedge, only to certain euro denominated Irish residential loans comprised from time to time in the Pool and (ii) on the Mortgage Covered Securities side of the Pool Hedge, to Mortgage Covered Securities issued from time to time by the Issuer. The second (the **Balance Sheet Hedge**) relates to all euro denominated Irish residential loans of the Issuer from time to time (whether or not comprised in the Pool) other than those the subject of the Pool Hedge. This division is required by the ACS Acts (see Cover Assets Pool – Cover assets hedge contracts) in order that the Pool Hedge can be comprised in the Pool.

Pool Hedge – mortgage credit asset side

The Pool Hedge, which is a cover assets hedge contract, has on the mortgage credit asset side, three components each of which is documented under a separate confirmation under the same master agreement. The first component (the **Fixed Component**) relates to certain euro denominated Irish residential loans comprised in the Pool from time to time which bear interest at the relevant time at a rate determined by reference to a fixed or set interest rate (which may apply only for part of the tenor of the loan (**Fixed Rate**)). The second component (the **Tracker Component**) relates to certain euro denominated Irish residential loans comprised in the Pool from time to time which bear interest at the relevant time at a rate determined by reference to a margin over the applicable ECB Rate at the applicable time (**Tracker Rate**). The third component (the **Standard Variable Component**) relates to certain euro denominated Irish residential loans comprised in the Pool from time to time which bear interest at the relevant time at a rate determined, at its discretion, by the lender (**Standard Variable Rate**). The term **Component** when used in this Base Prospectus in relation to the Pool Hedge means any of the Fixed Component, Tracker Component or Standard Variable Component.

The aggregate notional amount on the mortgage credit side of the Pool Hedge across the three Components will be adjusted monthly to reflect the aggregate outstanding principal amount of Irish mortgage credit assets then comprised in the Pool the prudent market value of which is required under the ACS Acts to secure Mortgage Covered Securities then outstanding up to a level which is the greater of that which is then applicable by virtue of:

- (i) Regulatory Overcollateralisation,
- (ii) undertakings by the Issuer with respect to Contractual Overcollateralisation, or
- (iii) such other level of overcollateralisation as the Issuer may from time to time determine, in particular having regard to the criteria of the rating agencies and the level of

overcollateralisation necessary at the relevant time to ensure that the outstanding Mortgage Covered Securities maintain the current ratings then assigned to them by each of Fitch and Moody's (in each case, for so long as such rating agency is appointed by the Issuer to rate the Mortgage Covered Securities),

in each case, of certain Cover Assets comprised in the Issuer's Pool with respect to outstanding Mortgage Covered Securities issued by the Issuer.

The remainder of any cover assets comprised in the Pool (which are not referable to the Pool Hedge) are not hedged by a cover assets hedge contract comprised in the Pool but, in the case of euro denominated Irish residential loans, are hedged under the Balance Sheet Hedge, which is not a cover assets hedge contract.

With respect to the mortgage credit asset side of the Pool Hedge, under each Component, on a monthly basis, the Issuer pays to EBS, on the relevant notional amount determined as set out above, an amount related to the weighted average basket rate determined by reference to interest rates payable on all the relevant loans comprised in the Pool at the relevant time which in the case of the Fixed Component, bear a Fixed Rate, or, in case of the Tracker Component, bear a Tracker Rate, or, in the case of the Standard Variable Component, bear a Standard Variable Rate. In turn, on a monthly basis EBS pays to the Issuer, on the relevant notional amount, an amount related to one month EURIBOR plus or less a margin which may be adjusted periodically by agreement of the Issuer and EBS. At the date of this Base Prospectus, it is the policy of the Issuer that any such adjustment will not be made if to do so would result in the Securities being downgraded by the rating agencies which are then appointed by the Issuer to provide credit ratings on the Securities, or if the then current credit ratings of such agencies would be withdrawn or placed on negative credit watch as a result of the implementation of such hedging arrangements or if such adjustment would result in the Issuer contravening the interest matching requirements that apply to an Institution in respect of its Pool and Mortgage Covered Securities under the ACS Acts (see - *Cover Assets Pool - Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*).

Pool Hedge – Mortgage Covered Securities side

With respect to the Mortgage Covered Securities side of the Pool Hedge (being the cover assets hedge contract), hedges may be put in place to address the following mismatches (i) where receipts by the Issuer on the mortgage credit asset side of the Pool Hedge do not match interest payments on Mortgage Covered Securities issued by the Issuer; and/or (ii) where the date(s) on which the Issuer receives payments on the mortgage credit asset side of the Pool Hedge are different than the date(s) on which the Issuer is obliged to make interest payments on Mortgage Covered Securities it has issued.

Under the terms of the Pool Hedge entered into with EBS, in the event that 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, depending on the rating agency concerned, may include providing collateral for all or part of its obligations under the Pool Hedge, arranging for all or part of its obligations under the Pool Hedge to be transferred to an entity with the ratings necessary to maintain the relevant rating, procuring another entity with the ratings necessary to maintain the relevant rating, 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. 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.

Balance Sheet Hedge

In the case of the Balance Sheet Hedge (which is separate from the Pool Hedge and not a cover assets hedge contract), this is an interest rate hedge between the Issuer and EBS relating to the Irish mortgage credit assets (other than those to the extent that they relate to the Pool Hedge) and substitution assets, whether or not comprised in the Issuer's Pool. The Balance Sheet Hedge, when taken with the Pool Hedge, is structured to ensure compliance by the Issuer with the Sensitivity to Interest Rate Changes Regulation (see further below).

JPMS Hedge

The JPMS Hedge is a cover assets hedge contract for the purposes of the ACS Acts. The JPMS Hedge was entered into by JPMS and the Issuer on 10 February 2010 and relates to an interest rate swap transaction in connection with certain Securities issued by the Issuer and does not hedge Cover Assets comprised in the Pool. Under the terms of the JPMS Hedge, in the event that JPMS is downgraded by a rating agency appointed by the Issuer in respect of the Securities below the rating(s) specified in the JPMS Hedge, JPMS is required, in accordance with the JPMS Hedge, to take certain remedial measures which, depending on the rating agency concerned, may include providing collateral for all or part of its obligations under the JPMS Hedge, arranging for all or part of its obligations under the JPMS Hedge to be transferred to an entity with the ratings necessary to maintain the relevant rating, procuring another entity with the ratings necessary to maintain the relevant rating to

become an eligible guarantor in respect of its obligations under the JPMS 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 JPMS Hedge.

If the Issuer acquires or originates mortgage credit assets located for the purposes of the ACS Acts in Ireland and secured on commercial property or mortgage credit assets (whether secured on residential property or commercial property) which are located outside of Ireland for the purposes of the ACS Acts (see *Risk Factors*), RMBS, CMBS or mortgage credit assets denominated in a currency other than euro or the Issuer issues Mortgage Covered Securities denominated in a currency other than euro, the Pool Hedge, the Balance Sheet Hedge or, as applicable, the JPMS Hedge, will not hedge any interest rate or currency risks associated with those mortgage credit assets or, as applicable Mortgage Covered Securities and any such risks will 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 or JPMS. See also *Risk Factors - Cover assets hedge contracts*.

Under the Asset Covered Securities Act, 2001 (section 91(1)) (Sensitivity to Interest Rate Changes) Regulation, 2004 (S.I. No. 416 of 2004) as amended by the Asset Covered Securities Act 2001 (Section 91(1)) (Sensitivity to interest Rate Changes - Mortgage Credit) (Amendment) Regulations 2007 (S.I. No. 612 of 2007) (which came into operation on 31 August 2007) (together the **Sensitivity to Interest Rate Changes Regulation**), the Issuer is required to ensure that the sensitivity of its own funds to a 1 per cent. upward shift, downward shift or twist in the yield curve does not exceed 10 per cent. of the level of own funds. In addition, the Issuer sets an internal limit to the sensitivity of net worth to interest rate movements which is approved by the Board of Directors. In addition, the Issuer complies with restrictions on currency related derivative activities under the 2001 Act. In respect of assets within the Pool, the Issuer complies with the currency matching requirements set out in the 2001 Act and provisions applicable to cover assets hedge contracts. See *Cover Assets Pool*.

The Issuer uses derivatives within the limitations prescribed under the ACS Acts. See *Cover Assets Pool - Cover Assets Hedge Contracts and Restrictions on the Activities of an Institution - 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*.

At the date of this Base Prospectus, the Issuer is not exposed to any other market risks i.e. foreign exchange rates or equity prices.

REGULATION OF BANKS AND RESIDENTIAL LENDING IN IRELAND

General Supervision and Regulation of Banks in Ireland

As a credit institution that is incorporated in Ireland, the Issuer is (a) authorised by and subject to the regulatory oversight of the Central Bank, (b) subject to regulation under general banking legislation in Ireland (the **Irish Banking Code**), and (c) subject to regulation under the specialist ACS Acts in respect of the activities regulated thereby.

The relationship between the Central Bank's powers and functions under the Irish Banking Code and those under the ACS Acts is addressed in *Supervision and Regulation of Institutions/Managers - Regulation of Institutions* under banking legislation other than the ACS Acts (below).

The Irish Banking Code consists primarily of the Central Bank Acts 1942 to 2010 (the **Central Bank Acts**), (including the Central Bank and Financial Services Authority of Ireland Act 2003 (the **2003 Act**), the Central Bank and Financial Services Authority of Ireland Act 2004 (the **2004 Act**) and the Central Bank Reform Act 2010), regulations made by the Minister for Finance under the European Communities Act 1972, and regulatory notices issued by the Central Bank. These ministerial regulations and regulatory notices implement EU directives relating to banking regulation, including Council Directive No. 77/780/EEC of 12 December 1977, as amended (the **First Banking Co-ordination Directive**), Council Directive 89/646/EEC of 15 December 1989, as amended (the **Second Banking Co-ordination Directive**), Council Directive 93/6/EC of 15 March 1993 (the **Capital Adequacy Directive**), Council Directive 89/647/EEC of 18 December 1989 (the **Solvency Ratio Directive**), Council Directive 89/299/EEC of 17 April 1989 (the **Own Funds Directive**), Council Directive 92/121/EEC of 21 December 1992 (the **Large Exposures Directive**), Council Directive 94/19/EC of 30 May 1994, as amended (the **Deposit Guarantee Scheme Directive**), Council Directive 92/30/EEC of 6 April 1992 (the **Consolidated Supervision Directive**) and European Parliament and Council Directive 95/26/EC of 29 June 1995 (the **Post BCCI Directive**).

Most of the above directives were consolidated and in some cases amended, under Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) (the **Capital Requirements Directive** or **CRD**) and the related Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast) (the **CAD Recast Directive**).

The Central Bank Acts provide that banking business may only be carried on in Ireland by the holder of a banking licence or an entity which exercises 'passport rights' to carry on business in Ireland (as to which, see further below). The Central Bank may, in its discretion, grant or refuse a licence under the Central Bank Acts and may attach conditions to any licences granted. The Central Bank is empowered in specified circumstances, after consultation with the Minister for Finance, to revoke a licence granted under the Central Bank Acts. Under the Central Bank Acts, licensed banks must maintain a minimum deposit with the Central Bank. The Issuer holds a banking licence; no conditions for the purposes of the Central Bank Acts are attached to that licence. The Issuer is also registered as a designated mortgage credit institution under the ACS Acts.

The Second Banking Co-ordination Directive (which has been replaced by the CRD) was the key legislative provision which introduced a single market in banking within the EU. The Second Banking Co-ordination Directive was implemented in Ireland by the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (the **1992 Licensing Regulations**). The 1992 Licensing Regulations permit a credit institution authorised in an EU Member State (its **Home State**) to do business in any other EU Member State (the **Host State**) without having to obtain an official authorisation from the relevant regulator in the Host State. The authorisation from the Home State operates effectively as a 'passport' to do business throughout the EU. Other EU Directives which have been implemented in Ireland provide similar 'passporting' mechanisms for investment firms and authorised life assurance companies. In the spirit of co-operation between financial regulators throughout the EU, the 1992 Licensing Regulations provide that in exercising its regulatory functions, the Central Bank may collaborate with any competent authority from another Member State with similar functions, to the extent that it considers reasonable. The 1992 Licensing Regulations also permit the Central Bank to carry out an inspection or investigation of a credit institution authorised in another EU Member State which has exercised passport rights and established a branch in Ireland.

Capital and Liquidity Requirements

The Bank of International Settlements capital adequacy framework was issued in June 2004 and is commonly known as Basel II (**Basel II**). The CRD/CAD Recast Directive introduced Basel II capital adequacy standards as adopted in the EU. Under the CRD/CAD Recast Directive capital adequacy standards, a minimum solvency ratio

of eight per cent. applies to Irish licensed banks such as the Issuer, with respect to credit risk and dilution risk of all business activities, subject to certain exceptions. The CRD/CAD Recast Directive also imposes regulatory capital requirements for trading book business, position risk, settlement and counterparty risk, large exposures, foreign exchange risk and operational risk.

A set of reform measures, known as Basel III (**Basel III**) has been developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. In December 2010, the Basel Committee published “Basel III: A global regulatory framework for more resilient banks and banking systems” (as revised in June 2011) and “Basel III: International framework for liquidity risk measurement, standards and monitoring”, which together present the Basel Committee’s reforms to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector. The Basel III measures have not at the date of this Base Prospectus been the subject of implementing measures at EU level although proposals for such measures have been published, see Recent Amendments to the CRD/CAD Recast Directive below.

At the end of 2006, the CRD and the CAD Recast Directive were (insofar as the latter may be relevant to credit institutions) implemented to the extent required under Irish law in relation to the capital adequacy of credit institutions under the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (S.I. No. 661 of 2006) (the **2006 CRD Regulations**) and together with any other laws implementing the CRD in Ireland, the **Irish CRD Code**). The Central Bank has published an administrative notice, dated 28 December 2006, as amended in January 2011, with respect to the implementation of the CRD and that notice together with the Irish CRD Code and the guidance published by the Committee of European Banking Supervisors (whose responsibilities have now been taken over by the European Banking Authority) form the basis of transposition of the CRD in Ireland. To the extent that areas of banking activity are the subject of EU directives, the provisions of Irish banking law reflect the requirements of those directives.

As at the date of this Base Prospectus, liquidity requirements for EU credit institutions are not the subject-matter of EU directives (however, in this regard, see – *Amendments to the CRD/CAD Recast Directive* below). In Ireland, the Central Bank requires credit institutions to manage their liquidity, on a consolidated group-wide basis, by applying a cash-flow maturity mismatch approach. This requires a credit institution to analyse its cash flow on a group wide basis under various headings and to place them in pre-determined time bands depending on when the cash is received or paid out. Limits imposed on the group on the first (0-8 days) and the second (8-31 days) time bands and monitoring ratios are calculated for subsequent time bands. These liquidity requirements apply to the Group on a consolidated basis rather than to the Issuer on a solo basis and the Issuer complies with such requirements as part of the group consolidated reporting that is permitted by the Central Bank.

Recent Amendments to the CRD/CAD Recast Directive

Directive 2009/111/EC (**CRD II**) amends the CRD/CAD Recast Directive to update the capital requirements for credit institutions. The changes include setting criteria for hybrid capital instruments to be eligible for original own funds of credit institutions, strengthening the supervision of cross-border banking groups and requiring the establishment of colleges of supervisors, new rules for large exposures and liquidity risk management, and new requirements in respect of securitisations, inter alia, the need for originators or sponsors to retain a net economic interest equivalent to no less than 5 per cent. of the securitised exposures. These changes were implemented in Ireland by the European Communities (Directive 2009/111/EC) Regulations 2010.

Directive 2010/76/EU (**CRD III**) amends the CRD/CAD Recast Directive as regards capital requirements for trading books and resecuritisations and the supervisory review of remuneration policies. CRD III was transposed into Irish law by the European Communities (Directive 2010/76/EU) Regulations 2010. Certain amendments made by those Regulations came into operation on 1 January 2011 and the remainder are due to come into operation on 31 December 2011.

On 20 July 2011, the European Commission published a proposal, known as **CRD IV**, which would replace the CRD/CAD Recast Directive, and which is intended to supplement the provisions of CRD II and CRD III. The proposal contains two parts: a directive governing access to deposit-taking activities and a regulation establishing prudential requirements for credit institutions and investment firms. Amongst other things, CRD IV is intended to implement Basel III capital adequacy standards in the EU. Details of CRD IV are available, as of the date of this Base Prospectus, on the European Commission’s website (www.ec.europa.eu).

Role of the Central Bank

Prior to the commencement of relevant provisions of the Central Bank Reform Act 2010, the functions of the Central Bank of Ireland were carried out by the Central Bank and Financial Services Authority of Ireland (**CBFSAI**). The CBFSAI had two component parts: (i) the Central Bank and (ii) the Irish Financial Services Regulatory Authority. The Central Bank had responsibility for monetary policy functions, financial stability, economic analysis, currency and payment systems, investment of foreign and domestic assets and the provision of central services. The Irish Financial Services Regulatory Authority had responsibility for financial sector regulation and consumer protection with respect to most financial services activities in Ireland.

On 18 June 2009, the Minister for Finance announced the Irish government's intention to establish a single, fully integrated regulatory body which would replace the current structure of two autonomous parts within the CBFSAI (i.e. the Central Bank and the Irish Financial Services Regulatory Authority). The Central Bank Reform Act 2010 was enacted on 17 July 2010 and certain provisions thereof were commenced on 1 October 2010 by an order of the Minister for Finance (SI No. 469/2010). The Central Bank Reform Act 2010 provides, amongst other things, for the change of the Irish Financial Services Regulatory Authority and the CBFSAI to the 'Central Bank of Ireland'.

The Central Bank is responsible for regulating and supervising a range of banking and financial services entities in Ireland including credit institutions, investment firms, stockbroking firms, and insurance companies and operates on the basis of the principle of consolidated regulation. Pursuant to this power, the Central Bank carries out regular review meetings and periodically inspects licensed banks. The Central Bank is also empowered by law to carry out inspections of the books and records of licence holders and to obtain information from licence holders about their banking and bank-related business. The Central Bank has a wide range of statutory powers to enable it to effectively regulate and supervise the activities of financial institutions in Ireland. Features include prudential regulation, codes of conduct and restrictions on acquiring transactions, each of which is addressed in more detail below.

The Central Bank also has wide ranging powers of inspection; inspectors appointed by the Central Bank can enter the relevant premises, take documents or copies thereof, require persons employed in the business to provide information, and produce documents. In cases of extreme concern, the Central Bank may direct a licence holder to suspend its business activity for a specified period and may also intervene in the management or operation of an entity. The Central Bank must also approve appointments to senior and influential positions in licensed entities and has the power under the Central Bank Acts to impose administrative sanctions directly on financial institutions for failure to comply with regulatory requirements, subject to a right of appeal to the Irish Financial Services Appeals Tribunal.

The Central Bank may also prescribe ratios to be maintained between, and requirements as to the composition of, the assets and liabilities of licensed banks, to prescribe maximum interest rates permitted to be charged and to make regulations for the prudent and orderly conduct of banking business of such banks. The Irish CRD Code sets forth minimum start-up and ongoing capital requirements for banks licensed by the Central Bank and requires applicants for a banking licence to notify the Central Bank of the identity of certain shareholders and the size of their holdings in the applicant. In relation to the capital position of the Group, see *Description of the Group – Capital Adequacy*.

The Central Bank also sets requirements and standards from time to time for the assessment of applications for banking licences. The Central Bank's requirements of applicants are expressed in a publicly-available guidance note on completing and submitting a banking licence application and a checklist for applicants. The Central Bank is principally concerned to ensure that certain minimum standards apply (before a banking licence is issued and, on an ongoing basis) in respect of the following: (a) initial capital requirements; (b) own funds/solvency requirements; (c) capital adequacy requirements; (d) liquidity requirements; (e) large exposures limits; (f) funding requirements; and (g) the fitness, probity and competence of the entity's personnel.

The European Communities (Financial Conglomerates) Regulations 2004 (the **Financial Conglomerate Regulations**) have implemented in Ireland the Financial Conglomerates Directive (Directive 2002/87/EC). The Financial Conglomerate Regulations put in place new rules regarding the supplemental supervision of regulated entities in a financial conglomerate (i.e. a financial group that provides products and services in the banking, investment and insurance sectors). The Financial Conglomerate Regulations impose requirements in respect of own funds, notification obligations in relation to risk concentrations and intra-group transactions and obligations in relation to the maintenance of adequate risk management processes and internal control mechanisms.

The Group's operations in overseas locations are subject to the regulations and reporting requirements of the regulatory and supervisory authorities in the overseas locations with the Central Bank having overall responsibility for their regulation and supervision. The Central Bank is required to supervise the Group on a consolidated basis, i.e., taking account of the entire Group activities and relationships.

Under the Consumer Credit Act 1995, licensed banks (including the Issuer) must notify their existing fees and charges and related terms and conditions, and any changes therein from time to time to the Central Bank who can direct that no fees, charges or increases or changes therein be made without the Central Bank's approval.

The 2004 Act gives the Central Bank the power to request a licensed entity to provide it with a statement confirming that the entity has complied with its relevant obligations/guidelines, thus going further than the general company law obligation to ensure that appropriate policies and procedures are in place.

The Central Bank (Supervision and Enforcement) Bill 2011 (the **2011 Bill**) provides for enhanced powers of the Central Bank for the supervision of regulated financial service providers and for the enforcement of financial services legislation. This includes provision for the power of the Central Bank to give directions to a regulated financial service provider or a related undertaking, including directions to refrain (for up to twelve months) from certain activities such as providing a financial service, making payments of a specified kind and acquiring or disposing of assets. The 2011 Bill also grants to the Central Bank the power to require regulated financial services providers or related undertakings to provide a report to it.

Accounts

Every Irish licensed bank (including the Issuer) is obliged to draw up and publish its annual accounts in accordance with the European Communities (Credit Institutions: Accounts) Regulations 1992 and the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005, each as amended, including by the European Communities (Directive 2006/46/EC) Regulations 2009.

Anti-Money Laundering

Every credit institution in Ireland (including the Issuer) is obliged to take the necessary measures to effectively counteract money laundering and terrorist financing. The third anti-money laundering directive (Directive 2005/60/EC) repeals and replaces the previous anti-money laundering directives and introduces additional requirements and safeguards in line with the Forty Recommendations of the OECD based Financial Action Task Force. An Act known as the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (the **AML Act**) has been made in Ireland. The AML Act transposes Directive 2005/60/EC and the associated implementing Directive 2006/70/EC into Irish law and consolidates existing anti-money laundering legislation into a single statute. The AML Act contains requirements on the part of designated bodies covered by the proposed legislation (including credit institutions such as the Issuer) to identify customers, to report suspicious transactions to An Garda Síochána and the Revenue Commissioners and to have specific procedures in place to provide for the prevention of money laundering and terrorist financing.

Data Protection Acts

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

Central Bank Regulatory Codes and Requirements

Consumer Protection Code

In July 2006, the Central Bank issued the Consumer Protection Code 2006, which is designed to protect the interests of customers of financial institutions and is applicable (in part) to the Issuer's activities with its customers generally and (in whole) to its dealings with those of its customers who are consumers within the meaning of the Code. The Consumer Protection Code 2006 is to be updated with effect from 1 January 2012. See further, *Regulation of the Irish Residential Mortgage Market – Consumer Protection Code*.

Minimum Competency Requirements

The Central Bank applies minimum competency requirements (the **Minimum Competency Requirements**) to individuals who in their own right or on behalf of a regulated firm, arrange or offer to arrange retail financial products for consumers (as defined in the Consumer Protection Code 2006 above) and/or advise on same. The Issuer is a regulated firm and is obliged to comply with these requirements to the extent that they apply to its business.

Fitness and Probity

Directors and other senior personnel of a regulated firm (including the Issuer) are required to be approved by the Central Bank which exercises its oversight by requiring the completion of a detailed individual questionnaire by

each proposed appointee. The Central Bank's fitness and probity assessment seeks to ensure that directors and other senior personnel have the necessary skills to run the entity and also have the necessary personal qualities such as honesty, integrity, diligence, independent-mindedness and fairness to ensure that the entity is run ethically, in compliance with relevant legislation and in a manner that treats its customers fairly.

On 1 September 2011, the Central Bank published regulations and standards of fitness and probity under Part 3 of the Central Bank Reform Act 2010. The Central Bank Reform Act 2010 gave the Central Bank wide ranging powers across the financial services industry to, amongst other things, (i) approve or veto the appointment of people to certain positions; (ii) investigate and where appropriate remove or prohibit certain position holders; and (iii) set statutory standards of fitness and probity across the financial services industry.

The Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011 (S.I. 437 of 2011) (the **CBRA Regulations 2011**) were made by the Central Bank and prescribe the groups of staff to which the new fitness and probity regime applies: 'controlled functions' and 'pre-approval controlled functions'. The CBRA Regulations 2011 identify 42 senior positions as 'pre-approval controlled functions' which require the Central Bank's approval before people can take up those positions. The CBRA Regulations 2011 also prescribe specific categories of staff as 'controlled functions', which are positions from which individuals can be temporarily or permanently removed or prohibited from taking up in the future. The Central Bank has narrowed the scope of controlled functions relating to customer facing activities by specifying categories of staff who interact with customers, which is in turn aligned with those activities currently covered by the Minimum Competency Requirements.

The Fitness and Probity Standards Code 2011 (the **Fitness and Probity Standards Code**) was issued by the Central Bank under section 50 of the Central Bank Reform Act 2010 and sets out conditions that staff must satisfy to perform the function assigned to them. These include the obligation to be competent and capable to carry out the controlled function, to act honestly, ethically and with integrity and to be financially sound.

A regulated financial service provider may not permit a person to perform a controlled function unless satisfied that the person complies with the Fitness and Probity Standards Code and the person has agreed to comply with that Code. Failure to do so may expose that regulated financial service provider and/or a person concerned in its management to financial penalties and other sanctions under the Central Bank's administrative sanctions regime.

The Central Bank also published on 1 September 2011 draft guidance for industry which, among other things, indicates the type of due diligence that regulated financial service providers should carry out in relation to persons proposed for or holding pre-approval controlled functions or controlled functions.

The new fitness and probity regime is being introduced on a phased basis to allow institutions adequate time to introduce the necessary internal controls and procedures to comply with the CBRA Regulations 2011 and the Fitness and Probity Standards. From 1 December 2011, the regime will apply to existing and new staff in senior positions (i.e. pre-approval controlled functions). From 1 March 2012, the regime will apply to new appointments to less senior positions (i.e. controlled functions) and from 1 December 2012, the regime will apply to all staff in existing controlled functions.

Corporate Governance Code for Credit Institutions and Insurance Undertaking

The Central Bank's Corporate Governance Code for Credit Institutions and Insurance Undertakings applies to existing directors and boards of credit institutions (including the Issuer) with effect from 1 January 2011, subject to a transitional period to 30 June 2011 to allow for changes to systems and structures and to an extended transitional period to 31 December 2011 where changes to the board of directors are necessary. The Code includes provisions on the membership of the board of directors, the role and responsibilities of the chairman and other directors and the operation of various board committees.

Code of Practice on Lending to Related Parties

This Code prescribes requirements in respect of lending by a bank or a building society to a related party (a director, senior manager or significant shareholder of the credit institution or an entity in which the credit institution has a significant shareholding, as well as a connected person of any of these). Such lending is required to be on an arm's length basis and must be subject to appropriate management oversight and limits. The Code applies to every loan to related parties whether granted in Ireland or outside Ireland, including a loan that is outstanding and a lending commitment entered into prior to that date. Where a loan that is outstanding or a lending commitment entered into prior to 1 January 2011 is not consistent with the Code, a credit institution is required to take all steps possible to modify the loan or lending commitment so that it is consistent with the Code. The Central Bank has stated that it will require related party exposures to be disclosed to it on a quarterly basis. In addition, where there is an error of conduct in respect of the Code, the Central Bank must be informed of proposals to correct such errors within five business days.

See below, under *Regulation of the Irish Residential Mortgage Market - Code of Conduct on Mortgage Arrears*.

Financial Services Ombudsman

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

Deposit Guarantee Scheme and Investor Compensation Scheme

Under the European Communities (Deposit Guarantee Schemes) Regulations 1995 (as amended), which implement in Ireland the Deposit Guarantee Schemes Directive (Directive 94/19/EC), the Central Bank operates a statutory depositor protection scheme under which every licensed bank (including the Issuer) must contribute to the deposit protection account held by the Central Bank. The Financial Services (Deposit Guarantee Scheme) Act 2009 gives legal effect to the changes to the Irish deposit guarantee scheme announced by the Irish government on 20 September 2008, which increased the coverage provided by the deposit protection scheme in Ireland to €100,000 per depositor per institution. The cover applies to 100 per cent. of each individual's deposit. The follow-on regulations, the European Communities (Deposit Guarantee Schemes) (Amendment) Regulations 2009, amend the European Communities (Deposit Guarantee Schemes) Regulations 1995 and transpose the Deposit Guarantee Schemes Directive (Directive 2009/14/EC), which provides that Member States shall ensure by 30 June 2009 that coverage is set at a minimum of €50,000; and at a minimum of €100,000 by 31 December 2010. Holders of the Securities will not qualify under the deposit protection scheme. Currently, the level of contribution required by a licensed bank is the greater of €50,000 or 0.2 per cent. of deposits (in whatever currency) held at all branches of the bank in the EEA, including deposits on current accounts but excluding interbank deposits and deposits represented by certificates of deposit.

The Investor Compensation Act 1998 provided for the establishment of the Investor Compensation Company Limited (the **ICCL**) to administer and supervise investor compensation schemes. The Investor Compensation Act 1998 requires authorised investment firms (including the Issuer) to pay the ICCL such contribution to the fund maintained by the ICCL as the ICCL may from time to time specify. ICCL is given discretion to specify different rates or amounts of contributions or different bases for the calculation of contributions of different classes or categories of investment firms. The maximum level of compensation payable to any one investor is 90 per cent. of net loss or €20,000 whichever is the lower.

Companies Acts 1963 to 2009

As a company incorporated under the Companies Acts 1963 to 2009, the Issuer must comply with the provisions of such legislation. The Director of Corporate Enforcement, an Irish independent statutory officer, is responsible for encouraging compliance with, and for the enforcement of, the Companies Acts 1963 to 2009.

ACS Acts

In relation to regulation of the Issuer under the ACS Acts, see *Restrictions on the Activities of an Institution to Registration of Institutions/Revocation of Registration* (inclusive) below.

Credit Institutions (Financial Support) Act 2008

The Financial Support Act permits, amongst other matters, the Minister for Finance to provide financial support in respect of the borrowings, liabilities and obligations of any credit institution or subsidiary which the Minister for Finance may specify by order. The Issuer was a covered institution for the purposes of the Minister for Finance's guarantee under the CIFS Scheme (which has now expired) but is not a participating institution for the purposes of the Minister for Finance's guarantee under the ELG Scheme. In accordance with the Financial Support Act and the CIFS Scheme, the Minister for Finance may impose conditions on the Issuer to regulate its commercial conduct.

At the date of this Base Prospectus, such conditions have not been imposed with respect to the Issuer.

Credit Institutions (Stabilisation) Act 2010

The Stabilisation Act provides the legislative basis for the reorganisation and restructuring of the Irish retail banking system as agreed in the joint EU-IMF Programme for Ireland. It confers strong powers on the Minister

for Finance, generally to be exercised after consulting the Governor of the Central Bank, to direct the affairs of and restructure certain credit institutions and their assets and liabilities.

The Stabilisation Act provides that nothing in the Stabilisation Act affects the operation of the ACS Acts.

The powers under the Stabilisation Act are subject to Ireland's obligations under the European Union and European Central Bank treaties and, in important respects, are not subject to Irish competition law (although EU competition law continues to apply fully). The Stabilisation Act applies by default to "relevant institutions", which would include EBS (as a body which was a building society on the date on which the Stabilisation Act came into operation) and AIB and the Issuer (as Irish banks to which financial support has been given by the Minister for Finance). The Minister for Finance may, subject to conditions, also designate a person as a relevant institution.

The Stabilisation Act will cease to have effect on 31 December 2012, although this date may be extended by the Oireachtas. The cessation of the Stabilisation Act will not affect any order or requirement made under it. The Stabilisation Act provides that any order made under the Stabilisation Act that is declared to have been made with the intention of preserving or restoring the financial position of a credit institution is intended to have effect in accordance with the Credit Institutions (Winding-Up) Directive (2001/24/EC). This means that those measures, taken in Ireland, will be fully effective in every Member State in accordance with that Directive.

The Stabilisation Act empowers the Minister for Finance, in each case after consulting with the Governor of the Central Bank, to propose and to petition the High Court to make any of the following orders:

- (a) direction order: The Minister for Finance may propose a "direction order" in respect of a relevant institution to achieve a specified objective for any of the purposes of the Stabilisation Act (including to preserve or restore its financial position). In such an order, the Minister for Finance may direct the credit institution to do or refrain from taking any action;
- (b) special management order: The Minister for Finance may propose a "special management order" in respect of a relevant institution for any of the purposes of the Stabilisation Act (including to preserve or restore its financial position). In such an order, the Minister for Finance may appoint (for a period of six months, which is extendible) an appropriately qualified and experienced special manager to the institution to take over the management of its business and to carry on that business as a going concern with a view to preserving and restoring the financial position of the whole or of any part of its business;
- (c) subordinated liabilities order: In respect of a relevant institution to which the Minister for Finance has provided or intends to provide financial support, the Stabilisation Act empowers the Minister for Finance to propose a "subordinated liabilities order" in respect of that relevant institution to provide for any of a number of matters in respect of those liabilities. The specified matters may include modifying rights to interest and the repayment of principal, events of default, timing of obligations, etc and may facilitate a debt for equity swap; and/or
- (d) transfer order: The Minister for Finance may propose a "transfer order" in respect of the assets and/or liabilities of a relevant institution for any of the purposes of the Stabilisation Act (including to preserve or restore its financial position). In such an order, the Minister for Finance may, despite any contrary law, agreement etc, transfer to another person (including another institution) such assets and liabilities of a relevant institution as are specified in the order, on the terms and conditions set out in the order. Special rules will apply in the case of certain foreign assets and liabilities that are subject to a law other than that of Ireland.

In relation to each of the foregoing, such orders proposed by the Minister for Finance will be given effect by an order of the High Court if it considers that the requirements of the Stabilisation Act have been complied with and the opinion of the Minister to propose the relevant order was reasonable and was not vitiated by any error of law.

The Stabilisation Act also authorises the Minister for Finance to impose certain requirements on a relevant institution by notice in writing and without having applied to the High Court for an order but only in circumstances that would not otherwise require the making of a direction order by the High Court.

Other important changes to the law and commercial agreements are also contained in the Stabilisation Act:

- (a) suspension of rights: The Stabilisation Act suspends or qualifies a range of rights and entitlements (statutory, contractual and otherwise) of persons with a relationship with the relevant institution while certain of the relevant orders described above are in force in respect of a relevant institution. These suspended or qualified rights and entitlements include (in respect of a relevant institution that is the subject of a subordinated liabilities order) certain enforcement rights under subordinated securities and

(in respect of a relevant institution that is under special management) the entitlement to petition for the winding up of or appoint a receiver to that relevant institution.

- (b) events of default: Subject to variation of the position by order of the Minister for Finance, the Stabilisation Act regulates the occurrence of certain events of default under agreements relating to a relevant institution. It states that none of a range of specified consequences (such as the suspension or extinction of a right or liability or the creation of an obligation or a liability) is or has been triggered by, amongst other things, (i) the publication of the Credit Institutions (Stabilisation) Bill 2010 or by its enactment (as the Stabilisation Act) or by the making of any statement by the Minister for Finance or the Governor of the Central Bank in relation to them or (ii) the making of, or acts taken in compliance with, any order or requirement under the Stabilisation Act.
- (c) compliance and registration: The Stabilisation Act overrides certain Irish legal, regulatory, procedural and registration requirements (including under the Companies Acts 1963 to 2009) when key powers under the Stabilisation Act are being exercised in respect of a relevant institution.
- (d) duties of a director: The Stabilisation Act modifies the duties of a director of a relevant institution (which includes the Issuer) in a fundamental way, so that such a director owes a number of new duties to the Minister of Finance on behalf of the Irish State – in priority to every other of his or her duties – including to have regard to the need to protect the interests of taxpayers, to facilitate the availability of credit in the economy of the State and to restore confidence in the banking sector. The modified duties apply by default, i.e. whether or not any order under the Stabilisation Act is made in respect of a particular institution. The Minister for Finance is expected to issue guidelines to directors regarding their compliance with this obligation.
- (e) judicial review and appeals: The Stabilisation Act limits the entitlements of a person both to seek judicial review of a decision under the Stabilisation Act and to appeal any ruling on such a judicial review.

Resolution Act

An Act providing for the establishment of a special resolution regime for credit institutions in Ireland was enacted on 20 October 2011 and brought into force on 28 October 2011 entitled the 'Central Bank and Credit Institutions (Resolution) Act 2011' (the **Resolution Act**). The Resolution Act provides the Central Bank with additional powers to achieve an effective and efficient resolution regime for credit institutions (including building societies and credit unions) that are failing or likely to fail and that is effective in protecting the exchequer and the stability of the financial system and the economy. The Resolution Act provides that its application to "relevant institutions" within the meaning of the Stabilisation Act (which would include EBS, the Issuer and AIB, see - *Credit Institutions (Stabilisation) Act 2010* above) (for so long as the relevant entity concerned is a relevant institution for the purposes of the Stabilisation Act) is restricted to certain matters relating to winding-up of relevant institutions while the Stabilisation Act is in operation (i.e. up to 31 December 2012 unless this date is extended by the Oireachtas). The Resolution Act provides that nothing in the Resolution Act affects the operation of the ACS Acts.

Material Legal Aspects of the Irish Residential Loans and the Related Security

General

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.

Registered Title

The registration of title system was established in Ireland by the Local Registration of Title (Ireland) Act 1891. This system of title registration is now governed by the Property Registration Authority established under the provisions of the Registration of Deeds and Title Act 2006. The Land Registry (which is under the control of the Property Registration Authority) provides for the registration of the ownership of land. The register is divided into individual administrative counties and allocates properties in that county a unique title number known as a folio. The basic principle is that the register is conclusive evidence of the title of the owner to the land as it appears on the register.

Each individual folio consists of three parts: the property register, which provides details of the property including location and description as either freehold or leasehold; the ownership register which details the owners and quality of title and, finally; the burdens register, which contains details of all burdens attaching to the property

including charges and other security interests. The property is also identified by a map retained at the Land Registry indicating the location of the related land (the **Plan**). However, the Plan is not conclusive as to matters such as the location of the boundaries.

Title to freehold land can be described as either absolute, qualified or possessory title. Leasehold land can be either absolute, qualified, possessory or good leasehold title. Compulsory land registration applies to 24 counties in Ireland (all counties except Dublin and Cork). This means that any conveyance of freehold unregistered land or any grant of a lease (or subsequent assignment or surrender of such a lease) in respect of unregistered land in one of those counties (save for the grant of a lease for a term of under 21 years or the subsequent assignment or surrender of such a lease) makes registration of the title to the land in the Land Registry compulsory.

Unregistered Title

Where the title to land is not registered in the Land Registry, deeds relating to the land may be filed in the Registry of Deeds, now under the control of the Property Registration Authority. The registration of deeds system was introduced in Ireland by the Registration of Deeds Act (Ireland) 1707. Whereas a Land Registry folio is conclusive evidence of title to a property, the primary function of the Registry of Deeds is to provide a system of recording the existence of deeds and conveyances affecting unregistered property. Title to unregistered land is proved by establishing a chain of documentary evidence to title going back at least 15 years (reduced from 20 years by the LCLRA 2009 referred to below). Where details of the grantor are known, a search in the Registry of Deeds will establish the existence of any documents relating to the property, while the effect of the documents can only be discovered by examining them in detail. There is generally no requirement to register documents relating to unregistered land; however, priority of mortgages and charges affecting the property can be adversely affected if relevant documents are not registered and thus it is standard conveyancing practice to register all documents dealing with unregistered land (save for leases with a term of under 21 years which are not ordinarily registrable in the Registry of Deeds).

Taking Security over Land - Land and Conveyancing Law Reform Act 2009

The Land and Conveyancing Law Reform Act 2009 (the **LCLRA 2009**) comprehensively reforms Irish land law and conveyancing practice and also introduces some fundamental changes to the law of mortgages. All of the provisions of the LCLRA 2009 (other than section 132 relating to rent reviews for leases of commercial property, which was commenced on 28 February 2010) were commenced with effect from 1 December 2009. The LCLRA 2009 makes significant changes to the law regarding the creation of mortgages and the powers and rights of holders of mortgage security.

The traditional method of creating a mortgage by transfer of ownership of unregistered land (conveyance or demise) is 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 it is created in respect of unregistered land, and its priority is protected by registration in the Registry of Deeds. Once registered, the charge secures priority over any subsequent legal charges which may be registered but will rank lower in priority to those already registered against the property. 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. In the case of an order for sale, 28 days notice must be given to the mortgagor prior to the exercise of the mortgagee's rights and powers. 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 now 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 consolidate and put on a statutory footing existing 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.

In *Start Mortgages v Gunn* [2011] IEHC 275, the High Court held that an order for possession in respect of many (typically residential) mortgages on registered land that (i) were created prior to 1 December 2009 and (ii) where

the demand for repayment of the mortgage loan was not made before 1 December 2009, may not be obtained by the summary procedure under the Registration of Title Act 1964. The court ruled that the procedural anomaly arises from the drafting of the LCRA 2009. However, notwithstanding the unavailability of that summary procedure for such mortgages, a mortgagee may nonetheless obtain an order for possession by way of a plenary procedure.

Regulation of the Irish Residential Mortgage Market

Overview

While the provision of mortgage credit to consumers is a regulated activity in Ireland (see *Consumer Credit Act 1995 (as amended)* below), it is not necessary to hold a banking licence or to be an authorised credit institution to carry on such activity.

The primary regulatory requirements in Ireland applicable to mortgage loans are applied by the Consumer Credit Act 1995 (as amended) (the **CCA**). In addition, mortgage loans are subject to the terms of the European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 to 2000 (the **UTCCR**). Any entity regulated by the Central Bank (which includes the Issuer) is also obliged to comply with the Consumer Protection Code 2006, which became fully operational on 1 July 2007 and this Code applies to mortgage loans. In addition, the Issuer is also obliged to comply with certain European Union consumer legislation including the Distance Marketing of Financial Services Directive (Directive 2002/65/EC of 22 September 2002) as implemented into Irish law. Certain activities such as retail lending and the provision of home reversion loans are also regulated in Ireland although, as a credit institution, the Issuer would not require separate authorisation to carry on such activities (see *Authorisation as a "Retail Credit Firm" under the Central Bank Act 1997* below).

There are also a number of proposed changes in the regulation of the Irish residential mortgage market, in connection with mortgage arrears and interest rates, which may impact on the Issuer. See *Risk Factors – Value and Realisation of Security over Residential Property – Initiatives to deal with mortgage arrears and Changes in the regulation of setting of interest rates*.

Consumer Credit Act 1995 (as amended)

The making of housing loans in Ireland is principally regulated by the CCA, which imposes a range of obligations and restrictions on mortgage lenders and mortgage intermediaries. The relevant part of the CCA applicable to housing loans (Part IX) applies to loans made by mortgage lenders only, which includes the Issuer. At the date of this Base Prospectus, documentation for all mortgage loans in the Pool complies with the CCA.

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

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

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

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

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

Unfair Terms in Consumer Contracts Regulations

The UTCCR apply in relation to mortgage loans taken out by consumers (natural persons acting for purposes outside their business) and their related security. A borrower may challenge a term in an agreement on the basis that it is 'unfair' within the meaning of the UTCCR and therefore not enforceable against the borrower. In addition, the National Consumer Agency or a consumer organisation (as defined in the UTCCR) may seek an injunction preventing the use of specific terms that are unfair.

This will not generally affect 'core terms' which set out the main subject of the contract, such as the 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).

Authorisation as a "Retail Credit Firm" under the Central Bank Act 1997

Under the Central Bank Act 1997, a person who wishes to carry on a regulated business can apply to the Central Bank for an authorisation to carry on such a business. Regulated business is defined to include, inter alia, a retail credit firm. A retail credit firm is in turn defined as, inter alia, any person who holds itself out as carrying on a business of, and whose business consists wholly or partly of, providing credit directly to certain natural persons, but does not include, inter alia, (i) a person who is a regulated financial service provider (which is defined to include entities (such as the Issuer) which carry on a business of providing one or more financial services and which are subject to regulation by the Central Bank) and (ii) in relation to credit that was originally provided by another person, a person to whom all or any part of that person's interest in the credit is directly or indirectly assigned or otherwise disposed of.

Consumer Protection Code

The Consumer Protection Code 2006, which has been issued by the Central Bank under statutory powers and which applies to the Issuer, contains provisions that cover all aspects of a regulated entity's relationship with a consumer. These range from advertising and marketing, to knowing the consumer and offering suitable products, to ensuring that consumers are treated fairly. The general principles of the Consumer Protection Code 2006 apply to all customers of the Issuer.

Relevant obligations of the Consumer Protection Code 2006 include: a requirement to supply a written suitability statement before providing certain services or products; a strict time period for complaint handling; for consolidation mortgages, an obligation to supply a written comparison detailing the total cost of the consolidated facility on offer versus the cost of maintaining existing loans; and a requirement to advise customers how to mitigate/avoid fees and penalties in respect of the chosen product.

On 19 October 2011, the Central Bank published the Consumer Protection Code 2012, which replaces the Consumer Protection Code 2006 and is effective from 1 January 2012. Amongst other things, in the case of all mortgage products provided to personal consumers (other than those where the interest rate is fixed for a period of five years or more) the Consumer Protection Code 2012 will require that a lender test the consumer's ability to repay the instalments on the basis of a 2 per cent. interest rate increase above the interest rate offered. Other relevant changes include more rigorous suitability requirements, an extension of disclosure requirements, enhanced requirements in connection with complaints resolution and a further restriction of the circumstances in which unsolicited contact can be made with consumers.

New rules have also been introduced in the Consumer Protection Code 2012 setting 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 Consumer Protection Code 2012, the regulated entity will be 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 will be required to notify the personal consumer of the potential for legal proceedings and proceedings for repossession of the property, and will not be permitted to initiate more than three unsolicited communications to a personal consumer in respect of the arrears. The provisions of the Consumer Protection Code 2012 in relation to arrears do not apply to the extent that the loan is a mortgage loan to which the Mortgage Arrears Code applies.

Code of Conduct on Mortgage Arrears

The Code of Conduct on Mortgage Arrears (as amended) (the **Mortgage Arrears Code**), which has been issued by the Central Bank under statutory powers and is to be read as one with the Consumer Protection Code 2006,

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

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

- (a) the residential property which the borrower occupies as his/her primary residence in Ireland; or
- (b) a residential property in Ireland which is the only residential property owned by the borrower.

In addition to applying to borrowers actually in arrears, the Mortgage Arrears Code 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).

Lenders are required to establish a Mortgage Arrears Resolution Process (**MARP**) as a framework for handling arrears and pre-arrears cases and where alternative repayment arrangements expire or are breached by the borrower. The MARP must incorporate the requirements of the Mortgage Arrears Code regarding:

- (a) communication with, and provision of information to, a borrower;
- (b) the collection and assessment of financial information from a borrower; and
- (c) resolution of cases by exploring alternative repayment arrangements.

Lenders also have to establish a centralised and dedicated Arrears Support Unit (**ASU**), which must be adequately staffed, to manage cases under the MARP. Each branch office must have at least one person with specific responsibility for dealing with arrears and pre-arrears cases and for liaising with the ASU in respect of these cases. Finally, lenders must prepare and implement procedures for dealing with arrears and pre-arrears cases that fall under the MARP.

Where a borrower co-operates with a lender, the lender must wait at least 12 months from the date the borrower is classified as a case suitable for resolution in accordance with the lender's MARP before applying to the courts to commence legal action for repossession of a borrower's primary residence. The 12 month period does not include any time period during which:

- (a) the borrower is complying with the terms of any alternative repayment arrangement agreed with the lender;
- (b) the borrower can consider whether or not to appeal a decision of the ASU to the lender's appeals board;
- (c) an appeal by the borrower to the lender's appeals board is being processed; or
- (d) a complaint is being processed by the Financial Services Ombudsman's office.

The Mortgage Arrears Code permits a lender to enforce the mortgage in circumstances where application of the Mortgage Arrears Code would not be appropriate such as (but not limited to) in the case of fraud or breach of contract other than the existence of arrears. In addition, the Mortgage Arrears Code does not relieve the borrower of his/her contractual duties, except where agreed by the lender. Where a borrower is in mortgage arrears, a lender is permitted to commence legal action for repossession of the property within the 12 month period in the following circumstances:

- (a) where the borrower does not co-operate with the lender;
- (b) in the case of a fraud perpetrated on the lender by the borrower; or
- (c) in the case of a breach of contract by the borrower other than the existence of arrears.

Lenders are restricted from imposing charges and/or surcharge interest on arrears arising on a mortgage account in arrears to which the Mortgage Arrears Code applies and in respect of which a borrower is cooperating reasonably and honestly with the lender under the MARP.

The Consumer Protection Act 2007, as amended (the **Consumer Protection Act**) applies the Directive on Unfair Commercial Practices (Directive 2005/29/EC) in Ireland and prohibits business-to-consumer commercial practices that are unfair, misleading, aggressive or which otherwise are prohibited by the Consumer Protection Act. Principally, the Consumer Protection Act (a) empowers a consumer who is aggrieved by any of those proscribed varieties of commercial practice, and the National Consumer Agency, to apply to court for an order prohibiting the continued use of the proscribed practice, and (b) confers on every consumer who is aggrieved by a proscribed commercial practice a right of action to claim damages (including exemplary damages) against the person who has provided the relevant good or service. For this purpose, a consumer would include certain borrowers of residential loans and a relevant service would include residential lending.

EU Legislation

Distance Marketing Regulations

With effect from 15 February 2005, the Distance Marketing of Financial Services Directive (Directive 2002/65/EC of 23 September 2002) has been implemented in Ireland by way of the European Communities (Distance Marketing of Consumer Financial Services) Regulations 2004 as amended (the **DM Regulations**). The DM Regulations apply to, inter alia, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

The DM Regulations require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions and whether or not there is a right of cancellation.

Unlike certain other distance contracts for the supply of financial services, a consumer does not have the right under the DM Regulations to cancel a housing loan (within the meaning of the CCA) within the 14 day cooling off period introduced by the DM Regulations, if originated by an Irish lender from an establishment in Ireland. However failure by the supplier to comply with certain obligations under the DM Regulations may result in the distance contract being unenforceable against the consumer. The relevant obligations include (i) the provision of the prescribed pre-contractual information to the consumer (ii) keeping a copy of all information provided to a consumer in relation to a distance contract in durable and tamper-proof form, (iii) upon a request from the consumer, providing a hard paper copy of the distance contract, or (iv) changing the means of distance communication pursuant to a consumer request (unless to do so would be inconsistent with the contract or nature of the service). Failure to comply with such obligations may result in the distance contract being unenforceable against the consumer. The discretion as to enforceability, lies with the courts, who if satisfied that the supplier's non compliance was not deliberate, the consumer has not been prejudiced by such non compliance, and it is just and equitable to dispense with the relevant obligation, may decide that the contract is enforceable, subject to any conditions that the court sees fit to impose.

Proposals on Mortgage Credit

On 31 March 2011, the European Commission published a proposal for a directive of the European Parliament and of the Council on credit agreements relating to residential property. The proposal focuses on mortgage credit to consumers and on certain prudential and supervisory requirements for creditors and credit intermediaries. Amongst other things, the proposed directive introduces an obligation for creditors, and where applicable credit intermediaries, to provide personalised information to the consumer on the basis of a "European Standardised Information Sheet". At the date of this Base Prospectus, the proposal for a directive has not yet been adopted by the European Commission or the Council.

CHARACTERISTICS OF THE POOL/OVERCOLLATERALISATION

Introduction

The Pool contains on the date of this Base Prospectus mortgage credit assets, substitution assets and cover assets hedge contracts subject to the limitations provided for in the ACS Acts. The ACS Acts permit the composition of the Pool to be dynamic and do not require it to be static. See *Cover Assets Pool*. 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 Acts. 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 Acts. 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 2007 Amendment 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 Acts, the Pool may include CMBS and RMBS and mortgage credit assets the related loans under which are secured over commercial property. The Pool on the date of this Base Prospectus comprises mortgage credit assets, the related residential properties under which are all situated in Ireland. The ACS Acts permit the inclusion in the Pool of mortgage credit assets and substitution assets which are located for the purposes of the ACS Acts outside of Ireland. See *Cover Assets Pool* and *Risk Factors*. As regards the asset/liability requirements of the ACS Acts in respect of the Pool and Mortgage Covered Securities, see *Cover Assets Pool - Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*. In relation to overcollateralisation of the Pool with respect to the Securities, see - *Overcollateralisation* below. The Issuer does not intend to include in the Pool either (i) mortgage credit assets the related loans under which have their primary security over commercial property, (ii) mortgage credit assets or substitution assets which are located for the purposes of the ACS Acts outside Ireland or (iii) mortgage credit assets the related loans under which are not denominated in euro or (iv) CMBS.

The Issuer is required to maintain a Pool in relation to any Mortgage Covered Securities issued under the ACS Acts. The Issuer has established and maintains a register of mortgage covered business and a Pool for the purposes of the ACS Acts and to enable it to issue Mortgage Covered Securities. See *Cover Assets Pool*.

The Issuer plans to issue 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 Acts, as to which see below.

The ACS Acts provide that any mortgage credit asset or substitution asset located for the purposes of the ACS Acts within an EEA country (and under the 2007 Amendment Act, also Australia, Canada, Japan, New Zealand, Switzerland and the United States of America) may be included in a Pool maintained by an Institution. The Issuer at the date of this Base Prospectus has included and intends to include in the Pool mortgage credit assets which are located in Ireland and secured primarily on residential property for the purposes of the ACS Acts. Subject to further regulatory and legal approvals, consents and provisions of the ACS Acts the Issuer may include mortgage credit assets or substitution assets located for the purposes of the ACS Acts in other jurisdictions permitted by the ACS Acts, RMBS, CMBS or mortgage credit assets secured on commercial property for the purposes of the ACS Acts, in each case to the extent permitted by the ACS Acts (see *Risk Factors, Restrictions on the Activities of an Institution and Cover Assets Pool - Location of assets that may be included in a Pool*).

The ACS Acts provide that an Institution may not include a mortgage credit asset or substitution asset in a Pool under certain circumstances such as where the mortgage credit asset or substitution asset is currently included in a different Pool (this would only apply where the Institution is also registered as a different designated credit institution to an Institution under the ACS Acts), the mortgage credit asset or substitution asset is non-performing or the Issuer is insolvent. See *Cover Assets Pool*.

Substitution Assets

An Institution is permitted to deal in and hold substitution assets. Substitution assets are defined in the ACS Acts as the following assets (other than such assets that comprise any Pool Hedge Collateral):

- (a) deposits with an eligible financial institution; and
- (b) any assets designated as a substitution asset in an order made by the Minister for Finance under the 2001 Act.

The ACS Acts provide that regulations made by the Central Bank must provide for a financial institution or a class of financial institutions to be designated as an eligible financial institution for the purposes of (a) above, see *Restrictions on the Activities of an Institution – Permitted business activities – (b) dealing in and holding substitution assets*.

Under the ACS Acts, any assets of the type referred to at (b) above must be an exposure to a credit or investment institution within the meaning of Article 4(6) of the CRD.

Under the ACS Acts, the total prudent market value of all substitution assets then comprised in the Pool may not in general exceed 15 per cent. of the total nominal or principal amount of all outstanding Mortgage Covered Securities secured on the Pool. The relevant percentage requirement referred to above may be suspended by the Central Bank if it is satisfied that to do so would facilitate the discharge of claims secured by the ACS Acts on the Pool.

In addition, under the ACS Acts, 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 eligible financial institutions. The Asset Covered Securities Act 2001 Regulatory Notice (Section 35(9B)) 2010 (the **Substitution Asset Pool Eligibility Notice**) made by the Central Bank (which came into operation on 4 February 2011) 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 eligible external credit assessment institution (**ECAI**):

- (a) a credit quality assessment of Credit Quality Step 1 (within the meaning of the Irish CRD Code); 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 the Irish CRD Code).

The Substitution Asset Pool Eligibility Notice repeals the Asset Covered Securities Act 2001 Regulatory Notice (Section 35(9B)) 2007 made by the Central Bank.

The Pool maintained by the Issuer contains substitution assets. See *Restrictions on the Activities of an Institution - Permitted business activities in which an Institution may engage - (b) dealing in and holding substitution assets*, *Cover Assets Pool - Restrictions on inclusion of substitution assets in a Pool and Risk Factors - Substitution Assets and Cover Assets Hedge Contracts with EBS*.

Issuer's intention in relation to level of substitution assets comprised in the Pool

It is the Issuer's intention to agree with EBS in an amendment and/or supplement to the Managed Services Agreement that, so long as each of Moody's or, as applicable, Fitch is appointed by the Issuer to rate its mortgage covered securities, and if it is necessary in order to maintain its prevailing rating by Moody's or, as applicable, Fitch of those mortgage covered securities, it will maintain deposits in its substitution asset account(s) comprised in its cover assets pool at a level so that the aggregate amount deposited in such accounts at any given date (the **relevant date**) will be at least the sum of all interest payments which are payable at any time during the next 180 days (from and including the relevant date) on all outstanding mortgage covered securities issued by the Issuer plus the Yield Reserve Required Amount (defined below).

For the purposes of the above, in the case of a rating of mortgage covered securities by Fitch only (and, for the avoidance of doubt, not by Moody's), a substitution asset account is an account with an eligible financial institution which is rated a minimum of F1 (short term) by Fitch on the relevant date provided that such rating is necessary in order to maintain the prevailing rating by Fitch of the Issuer's mortgage covered securities.

For the purposes of the above, the **Yield Reserve Required Amount** is:

- (i) if the Pool Hedge Counterparty (defined below) has the Hedge Ratings, zero; or
- (ii) if the Pool Hedge Counterparty (defined below) does not have the Hedge Ratings, the amount to be calculated in accordance with the Managed Services Agreement (when amended and/or supplemented) equal to the potential negative carry arising from the fixed-to-floating interest rate basis assuming interest rates increase to a stressed interest rate, as will be set out in the amendment/supplement to the Managed Services Agreement. Such potential negative carry could arise if the interest rate payable on floating rate mortgage covered securities issued by the Issuer, after taking into account any hedging arrangements referencing those mortgage covered securities, were to be greater than the rate of interest accrued on the fixed rate mortgage credit assets comprised in the Pool.

For the purposes of the above, a **Pool Hedge Counterparty** is a counterparty to a cover assets hedge contract and the **Hedge Ratings** are as follows:

- (i) a short-term unsecured, unsubordinated and unguaranteed debt rating not lower than P-2 in the case of Moody's and F3 in the case of Fitch; and
- (ii) a long-term unsecured, unsubordinated and unguaranteed debt rating not lower than A3 in the case of Moody's and BBB- in the case of Fitch.

Loan-to-value restrictions

If the principal amount of a mortgage credit asset included 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 disregarded for the purposes of the principal matching requirements applicable to Cover Assets and Mortgage Covered Securities. See - *Financial Matching Criteria below and Cover Assets Pool - Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*. The relevant loan-to-value (**LTV**) percentage for mortgage credit assets secured on residential property (other than RMBS) for the purposes of the ACS Acts to be included in the Pool is 75 per cent. The relevant loan to value percentage for mortgage credit assets secured on any commercial property (other than CMBS) for the purposes of the ACS Acts which may be included in the Pool is 60 per cent.

Under the 2007 Amendment Act, RMBS and CMBS may be included in the Pool subject to certain restrictions which do not include the above LTV limits. However, under the CRD, 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. See *Cover Assets Pool - Restrictions on Inclusion of securitised mortgage credit assets in the Pool*.

The prudent market value requirements for securitised mortgage credit assets under the 2007 Amendment Act reflect the above valuation limits under the CRD for securitised mortgage credit which collateralises covered bonds. Under the 2007 Amendment 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 held by an Institution and the seniority of such securitised mortgage credit.

Under the 2007 Amendment Act the prudent market value of a property asset, which relates to a mortgage credit asset (where relevant), is required to be calculated at such time as the Central Bank specifies, having regard to the valuation requirements applicable to covered bonds under the CRD, by regulatory notice. See *Cover Assets Pool - Valuation of assets by an Institution*.

Restrictions on including in the Pool mortgage credit assets secured on commercial property

The inclusion in the Pool of mortgage credit assets secured on commercial property (which include CMBS) is restricted to 10 per cent. of the prudent market value of all mortgage credit assets and substitution assets comprised in the Pool at any time.

Circumstances in which an asset may not be included in the Pool

The Issuer will be prohibited by the ACS Acts from including mortgage credit assets or substitution assets in the Pool in certain circumstances. See *Cover Assets Pool - Circumstances in which an asset may not be included in a Pool, - Restrictions on replacement of underlying assets included in a Pool*.

Weighted Average Term to Maturity

The ACS Acts set out certain criteria, including matching and weighted average term to maturity which are required to be met by the Issuer in respect of its Pool. Under this criterion, the Pool maintained by the Issuer will have a duration (as defined by the ACS Acts and set out below) of not less than that of the Mortgage Covered Securities that relate to the Pool. Under the ACS Acts **duration** means, in relation to a Pool or Mortgage Covered Securities, 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 relevant cover assets hedge contract entered into by the Institution in relation to the Pool or those securities, or both, as the case may be. In this regard the Central Bank has made the Asset Covered

Securities Act 2001 Regulatory Notice (Sections 32(10) and 47(10)) 2007 (the **Duration Regulatory Notice**) (which came into operation on 31 August 2007) which sets out the formulae and criteria for the purpose of the definition of "duration" contained in the ACS Acts. See *Cover Assets Pool - Financial Matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*.

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 and Fitch (in each case for as long as such rating agency is appointed by the Issuer to rate the Securities) 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.

Development Property

An Institution may not include in the Pool a mortgage credit asset if a building related to that asset is being or is to be constructed unless the mortgage credit asset is attributed a nil value for the purposes of:

- (a) the Pool and Mortgage Covered Securities financial matching and Regulatory Overcollateralisation requirements under the ACS Acts; and
- (b) any contractual undertakings in respect of Contractual Overcollateralisation.

Under the ACS Acts, the above restriction ceases to apply immediately upon the building being ready for occupation as a commercial or residential property.

Valuation of Cover Assets

The ACS Acts set out certain criteria, including prudent market valuation, which are required to be met by the Issuer in respect of its Pool. The ACS Acts require that the prudent market value (see below) of the Pool must be greater than the total of the principal amounts of the Mortgage Covered Securities secured on that Pool.

For the purposes of calculating prudent market value, the Central Bank published under the ACS Acts the MCA Valuation Notice which lays down requirements in relation to the valuation basis and methodology, time of valuation and other matters related to determining the prudent market value of:

- (a) a property asset which is residential property situated in Ireland and which secures a mortgage credit asset (other than a securitised mortgage credit asset) held by an Institution (an **Irish Residential Property Asset**);
- (b) a mortgage credit asset (other than a securitised mortgage credit asset) which is secured on an Irish Residential Property Asset (an **Irish Residential Loan**); and
- (c) a securitised mortgage credit asset the related property assets of which indirectly comprise (in whole or in part) residential property (whether or not located in Ireland) (a **Relevant Securitised Mortgage Credit Asset**)

and also specifies requirements and criteria with respect to certain matters required when determining the prudent market value of Relevant Securitised Mortgage Credit Assets.

The MCA Valuation notice repealed and replaced the Former Irish Residential Loan/Property Valuation Notice with effect from 31 August 2007.

In relation to the valuation of Irish Residential Property Assets, Irish Residential Loans and Relevant Securitised Mortgage Credit Assets under the MCA Valuation Notice, see *Cover Assets Pool - Valuation of Irish Residential Property Assets*.

Valuations of substitution assets, credit transaction assets and total assets

The Asset Covered Securities Act 2001 Regulatory Notice (Section 41(3) and (5)) 2007 (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 eligible financial institutions, 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 eligible financial institution. Under the Section 41(3)/(5) Valuation Notice, the prudent market value of substitution assets is no longer limited to the date on which the substitution asset is included in the Business Register (as to which see *Cover Assets Pool - Register of mortgage covered securities business*) as it was under the former regulatory notice referred to above.

In relation to credit transaction assets and total assets, the Section 41(3)/(5) Valuation Notice provides that the value of credit transaction assets and total assets is to be determined in accordance with accounting standards generally accepted in Ireland (**Irish GAAP**) as applied to banks. See also *Cover Assets Pool - Valuation of assets held by an Institution*.

Financial Matching Criteria

The ACS Acts set out financial matching criteria in addition to that referred to at *Weighted Average Term to Maturity* above, which are required to be met by the Issuer in respect of its Pool and Mortgage Covered Securities issued by the Issuer, including that:

- (a) the prudent market value of the Pool is greater than the total of the principal amounts of those Mortgage Covered Securities;
- (b) 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
- (c) the currency in which each mortgage credit asset and each substitution asset comprised 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 of the effect of any cover assets hedge contract (see *Cover Assets Hedge Contracts* below) 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 (a) above, certain loan to value restrictions.

See also - Loan to value restrictions and *Overcollateralisation and Cover Assets Pool - Financial matching criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*.

Restrictions on replacement of underlying assets included in a Pool

The ACS Acts require the Issuer to replace an underlying asset with a mortgage credit asset or substitution asset if the underlying asset contravenes or fails to comply with a provision of the ACS Acts, the regulations made by the Central Bank under the ACS Acts or a requirement of the Central Bank or the Monitor made under the ACS Acts.

A mortgage credit asset or substitution asset replaces an underlying asset (defined in relation to a Pool as a mortgage credit asset or substitution asset that is then comprised in a Pool) only if the replacement has been approved by the Monitor.

Use of realised proceeds of Cover Assets

The ACS Acts provide that money received by the Issuer 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 Acts (see further *Insolvency of Institutions - Effect under the ACS Acts 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 Acts.

Cover assets hedge contracts

The ACS Acts provide 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 the Pool maintained by that Institution.

The ACS Acts provide 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 2001 Act, and that 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.

Each of the Pool Hedge and the JPMS Hedge is a cover assets hedge contract for the purposes of the ACS Acts. The Balance Sheet Hedge is not a cover assets hedge contract for the purposes of the ACS Acts. See *Risk Management at the Issuer – Non-trading interest rate risk (market risk)*.

If the Issuer includes in the Pool mortgage credit assets, located for the purposes of the ACS Acts 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 Acts, or mortgage credit assets which are not denominated in euro or issues Mortgage Covered Securities which are not denominated in euro, the Pool Hedge and the JPMS Hedge referred to above would 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*). An independent entity, Mazars (the Monitor appointed in respect of the Issuer) has agreed in the Cover-Assets Monitor Agreement to monitor compliance by the Issuer with its undertaking regarding the level of Contractual Overcollateralisation. See *The Cover-Assets Monitor – Monitor to the Issuer*. The Monitor is also required by regulations made by the Central Bank under the ACS Acts to have regard to contractually agreed levels of Contractual Overcollateralisation in relation to the Securities and to monitor the relevant Institution's observance of those levels.

In this context, **Contractual Overcollateralisation** of the Pool with respect to Mortgage Covered Securities means the proportion (expressed as a percentage) of the prudent market value of the Pool (see *Cover Assets Pool – Valuation of Assets Held by an Institution*) to the total principal amount outstanding of Mortgage Covered Securities issued by the Issuer which are secured on the Pool. See *Cover Assets Pool – Financial matching criteria for a Pool and Mortgage Covered Securities*.

Since the Monitor must have regard to contractual undertakings with respect to Contractual Overcollateralisation when performing its functions under the ACS Acts, 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*.

Under the 2007 Amendment Act, an Institution is required to maintain a minimum level of Regulatory Overcollateralisation of its Pool with respect to Mortgage Covered Securities secured on the Pool. For this purpose, **Regulatory Overcollateralisation** means that the prudent market value of the mortgage credit assets and substitution assets comprised in the Pool expressed as a percentage of the total nominal or principal amounts of the Mortgage Covered Securities in issue is a minimum of 103 per cent. after taking into account the effect of any cover assets hedge contract comprised in the Pool. The 2007 Amendment Act confirms that the Regulatory Overcollateralisation requirement does not affect undertakings made by an Institution in respect of Contractual Overcollateralisation requiring higher levels of overcollateralisation to be maintained.

The Issuer may from time to time maintain a higher level of overcollateralisation in the Pool in excess of the minimum levels required to satisfy the Issuer's obligations in respect of Regulatory Overcollateralisation or Contractual Overcollateralisation. In determining the level of any such overcollateralisation at the relevant time, the Issuer may, in particular, have regard to the criteria of the rating agencies and the level of overcollateralisation necessary to ensure that the outstanding Mortgage Covered Securities maintain the current ratings then assigned to them by each of Fitch and Moody's (in each case, for so long as such rating agency is appointed by the Issuer to rate the Mortgage Covered Securities).

Surplus Cover Assets need not meet certain requirements of the ACS Acts

Under the 2007 Amendment Act, for as long as:

- (a) the Pool is comprised in part of Cover Assets which meet (i) the financial matching requirements for the Pool (See *Cover Assets Pool - Financial Matching Criteria for a Pool and related Mortgage Covered Securities/Regulatory Overcollateralisation*), (ii) the Regulatory Overcollateralisation requirement and (iii) the requirements of any contractual undertaking made by the Institution in respect of Contractual Overcollateralisation; and
- (b) those Cover Assets meet the other provisions of the relevant part of the ACS Acts,

then any provision of the relevant part of the ACS Acts 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 excess Cover Assets comprised or to be comprised from time to time in the Pool.

RESTRICTIONS ON THE ACTIVITIES OF AN INSTITUTION

The ACS Acts provide 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 Acts. 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 Acts define **mortgage credit** as any kind of financial obligation in respect of money borrowed or raised that is secured by a mortgage, charge or other security on residential property (see below) or commercial property (see below), but only if the property is located in:

- (a) Ireland;
- (b) any EEA country;
- (c) Australia, Canada, Japan, New Zealand, the Swiss Confederation, the United States of America or a country specified in an order made by the Minister for Finance; or
- (d) a country, other than a country to which paragraph (a), (b) or (c) relates, that is a full member of the Organisation for Economic Co-operation and Development, but only if it has not rescheduled its external debt during the immediately preceding 5 years.

The 2007 Amendment Act provides that mortgage credit also includes mortgage credit in securitised form (as the term 'securitisation' is used in the CRD). The 2007 Amendment 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 Acts, mortgage credit also includes any kind of credit for the time being designated by an order of the Minister for Finance under the ACS Acts. The ACS Acts authorise 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 Acts 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 Acts as secured only on commercial property.

A **mortgage credit asset** is defined in the ACS Acts 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 2007 Amendment Act **group mortgage trust services** are, with respect to Institutions, services provided by an Institution to one or more of its other corporate group members:

- (a) which involve the Institution holding mortgage security or if applicable, collateral security on trust for one or more of such members, and
- (b) where, under that trust, the Institution holds an interest in that security for one or more such members and for its own behalf.

Mortgage security means a mortgage, charge or other security (for the purposes of the definition of mortgage credit) which secure assets that comprise one or more mortgage credits and collateral security means any security, guarantee, indemnity or insurance which secures, in addition to mortgage security, assets that comprise mortgage credit.

Where an Institution holds mortgage security and, if applicable, collateral security subject to a trust as a consequence of providing group mortgage trust services to other corporate group members under the 2007 Amendment 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 2001 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 Acts define substitution assets as:

- (a) deposits with an eligible financial institution;
- (b) any asset designated a substitution asset in an order made by the Minister for Finance under the 2001 Act

The 2007 Amendment 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 Article 4(6) of the CRD. The Minister for Finance under the ACS Acts may by order designate a specified kind of property to be a substitution asset for the purposes of the ACS Acts 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 2007 Amendment Act also provides that substitution assets will not comprise Pool Hedge Collateral.

The ACS Acts provide that regulations made by the Central Bank must provide for a financial institution or a class of financial institutions to be designated as an eligible financial institution for the purposes of (a) above.

The Asset Covered Securities Act, 2001 (Section 6(2)) Regulations 2007 (S.I. No. 603 of 2007) (the **Substitution Asset Deposit Regulations**) made by the Central Bank (which came into effect on 31 August 2007) provide that an eligible financial institution 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 the Irish CRD Code).

The Substitution Asset Deposit Regulations repeal the Asset Covered Securities Act 2001 (Section 6(2)) Regulations (S.I. No. 387 of 2002).

The Substitution Asset Pool Eligibility Notice 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 eligible external credit assessment institution (**ECAI**):

- (a) a credit quality assessment of Credit Quality Step 1 (within the meaning of the Irish CRD Code); 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 the Irish CRD Code).

Permitted business activities - (d) dealing in and holding credit transaction assets

The ACS Acts define 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 Acts 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 Acts.

A **financial asset** for the purposes of (b) above is defined in section 3 of the ACS Acts by reference to section 496 of the Taxes Consolidation Act, 1997 and includes shares, gilts, bonds derivatives and debt portfolios.

The Asset Covered Securities Act 2001 (Section 27(4)) Regulations, 2007 (S.I. No 601 of 2007) (the **CTA Eligible Financial Institution Regulations**) made by the Central Bank which came into operation on 31 August

2007) designate the type of eligible financial institutions deposits with which qualify as credit transaction assets. Eligible financial institutions for this purpose are the same as those that apply in respect of deposits comprising substitution assets under the Substitution Asset Deposit Regulations, (see *Restrictions on the Activities of an Institution - Permitted business activities in which an Institution may engage - (b) dealing in and holding substitution assets above*) save that such financial institutions are required under the CTA Eligible Financial Institution Regulations to have a credit quality assessment of Credit Quality Step 3 (as opposed to a minimum Credit Quality Step 2) (both having the meaning given to them in the Irish CRD Code). The CTA Eligible Financial Institution Regulations repeals the Asset Covered Securities Act, 2001 (Section 27(4)) Regulation 2004 (S.I. No. 417 of 2004).

Permitted business activities - (e) engaging in activities connected with financing or refinancing of assets and other activities referred to in (a) to (g)

The ACS Acts provide 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 Acts provide that an Institution may issue Mortgage Covered Securities but only in accordance with the ACS Acts.

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 Acts.

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 Acts make 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 Acts 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 Acts as **cover assets hedge contracts**. As to the provisions of the ACS Acts relating to cover assets hedge contracts see *Cover Assets Pool - Cover assets hedge contracts and Insolvency of Institutions - Effect under the ACS Acts of insolvency, potential insolvency or insolvency process with respect to an Institution*. For a description of the Hedging Contracts entered into by the Issuer at the date of this Base Prospectus with respect to interest rate exposure relating to the Issuer's Irish residential lending denominated in euro, see Risk Management at the Issuer - Issuer Risk Management - Non-trading interest rate risk.

In relation to Pool Hedge Collateral, see *Cover Assets Pool - Pool Hedge Collateral and related Register*.

Location of assets for the purposes of the ACS Acts

For the purposes of the ACS Acts:

- (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 the CRD (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 Acts 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 80 per cent. (or such other percentage as may be prescribed by regulations made by the Central Bank). Under the 2007 Amendment Act, securitised mortgage credit assets are not subject to the above restriction. For a description of the method of determination under the ACS Acts 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 Acts specify limitations on the level of mortgage credit assets or substitution assets held by an Institution in the course of its general business activities which may be located in category B countries (for the definition of "category B countries" under the ACS Acts, see *Cover Assets Pool - Location of assets that may be included in a Pool*). The total prudent market value of mortgage credit assets or substitution assets located in category B countries held by the Institution expressed as a percentage of the total prudent market value of all the mortgage credit assets and substitution assets held by the Institution, may not exceed 10 per cent (or such other percentage as may be specified by an order of the Minister for Finance) of the total prudent market value of all of the mortgage credit assets and substitution assets held by the Institution. For a description of the method of determination under the ACS Acts 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 Acts provide 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 Acts of the value of credit transaction assets held by an Institution see *Cover Assets Pool - Valuation of assets held by an Institution*.

The ACS Acts empower 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 Acts.

After an Institution is registered under the ACS Acts, 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 Acts (for a description of the provisions of the ACS Acts 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 Acts 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 Acts 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 2007 Amendment 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 Acts, replace the asset in accordance with the ACS Acts. 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 Acts provide that an Institution, when issuing Mortgage Covered Securities, may not include a mortgage credit asset or substitution asset in a Pool if:

- (a) the mortgage credit asset or substitution asset is currently included in a different Pool maintained by the Institution;
- (b) the mortgage credit asset or substitution asset is non-performing;
- (c) the Institution is insolvent (for a description of the meaning of "insolvent" for the purposes of the ACS Acts, see *Insolvency of Institutions - Meaning of 'insolvent', 'potentially insolvent' and 'insolvency process' for the purposes of the ACS Acts* below);
- (d) the Central Bank has given the Institution a direction under certain provisions of legislation relevant to financial institutions, the effect of which is to prohibit the asset from being recorded in the Institution's register of mortgage covered securities business;
- (e) the Central Bank has given the Institution a notice under the ACS Acts 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 a designated mortgage credit 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 Acts, 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 2001 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 2001 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 Acts provide that an Institution may not, without the consent of the Central Bank, include a mortgage credit asset or substitution asset in a Pool maintained by the Institution if:

- (a) the Institution is potentially insolvent (for a description of the meaning of "potentially insolvent" for the purposes of the ACS Acts, see *Insolvency of Institutions - Meaning of 'insolvent', 'potentially insolvent' and 'insolvency process' for the purposes of the ACS Acts*); or
- (b) there is currently no Monitor appointed in respect of the Institution.

The Central Bank has under the Substitution Asset Pool Eligibility Notice imposed creditworthiness standards and criteria in respect of substitution assets which may be comprised in the Pool. The Substitution Asset Pool Eligibility Notice distinguishes between substitution assets which have a maximum maturity of 100 days and those which do not. See *Cover Assets Pool - Restrictions on inclusion of substitution assets in the Pool*.

The Central Bank has under the Asset Covered Securities Act 2001 Regulatory Notice (Section 41A(4), (5) and (7)) 2007 imposed creditworthiness standards and criteria in respect of securitised mortgage credit assets which may be comprised in the Pool. See *Cover Assets Pool - Restrictions on inclusion of securitised mortgage credit assets in the Pool*.

An Institution must, as soon as practicable after becoming aware that it has contravened the provisions of the ACS Acts 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 Acts provide 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 Acts, see *Restrictions on the activities of an Institution — Location of assets for the purposes of the ACS Acts*. 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 Acts.

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 Acts 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 Acts, 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 2007 Amendment 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 Acts.

An Institution must, as soon as practicable after becoming aware that it has contravened the provisions of the ACS Acts 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 2007 Amendment 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 the CRD. 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 Acts, replace the relevant asset.

The Asset Covered Securities Act 2001 Regulatory Notice (Section 41A(4), (5) and (7)) 2007 made by the Central Bank (which came into operation on 31 August 2007) 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 the CRD. For the above purposes, Credit Quality Step 1 has the meaning given to it in the Irish CRD Code;
- (b) the applicable percentage for the purposes of the provisions of the ACS Acts 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 20 per cent. of the principal or nominal amount outstanding of the Mortgage Covered Securities issued by the Institution;
- (c) prior to 31 December 2010, the restriction referred to at (b) above does not apply where the securitised mortgage credit assets representing the amount greater than the 20 per cent referred to in (b) above have a credit quality assessment by a nominated eligible ECAI which is the most favourable category of credit assessment made by the eligible ECAI in respect of covered bonds;
- (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 the Irish CRD Code), based on the long-term or, as applicable, short-term rating from an eligible ECAI and the ratings mapping process as set out in the CRD.

CRD III (Directive 2010/76/EU) makes a number of changes to the criteria applicable to the use of securitised mortgage credit to collateralise covered bonds. At the date of this Base Prospectus, the Central Bank has not amended or replaced the Asset Covered Securities Act 2001 Regulatory Notice (section 41A(4), (5) and (7)) 2007 to reflect the new criteria. However, the Issuer expects that the Central Bank will do so.

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 Acts. Those requirements reflect valuation criteria with respect to securitised mortgage credit asset collateral for covered bonds under the CRD 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 Acts set out certain financial matching criteria which are required to be met by an Institution in respect of its Pool and Mortgage Covered Securities. These criteria are that:

- (a) the Pool maintained by an Institution has a duration (see below) of not less than that of the Mortgage Covered Securities that relate to the Pool;
- (b) the prudent market value (see below) of the Pool is greater than the total of the principal amounts of those Mortgage Covered Securities;
- (c) the total amount of interest payable in a given period of 12 months in respect of the Pool is during that 12 month period not less than the total amount of interest payable in respect of that period on those Mortgage Covered Securities; and
- (d) the currency in which each mortgage credit asset and each substitution asset included in the Pool is denominated is the same as the currency in which those Mortgage Covered Securities are denominated,

in each case, after taking into account, in the case of paragraphs (b), (c) and (d) above the effect of any cover assets hedge contract that the Institution has entered into in relation to the Pool and those Mortgage Covered Securities (but disregarding for these purposes the effect of any Pool Hedge Collateral) and in the case of (b) above, certain loan to value restrictions.

In relation to paragraph (a) above and the meaning of "duration" under the ACS Acts see below - *Meaning of "duration" of a Pool or Mortgage Covered Securities*. In relation to paragraph (b) above and the meaning of "prudent market value" under the ACS Acts, see - *Loan-to-value restrictions on the valuation of mortgage credit assets and related property assets and Valuation of assets held by an Institution*.

Under the 2007 Amendment 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 2007 Amendment 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.

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 Acts 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 Acts 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 Duration Regulatory Notice sets out the formulae and criteria for the purpose of the definition of “duration” contained in ACS Acts. 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 2007 Amendment Act, the LTV rules referred to above do not apply in the case of securitised mortgage credit assets. However, under the CRD, 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 2007 Amendment Act reflect the above valuation limits under the CRD for securitised mortgage credit assets which collateralises covered bonds. Under the 2007 Amendment 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 2007 Amendment 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 the CRD. See *Valuation of assets held by an Institution- Valuation of Relevant Securitised Mortgage Credit Assets*.

Valuation of assets held by an Institution

The ACS Acts empower 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 Acts. The ACS Acts also empower 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 31 August 2007 and lays down requirements in relation to the valuation basis and methodology, time of valuation and other matters related to determining the prudent market value of:

- (a) a property asset which is residential property situated in Ireland and which secures a mortgage credit asset (other than a securitised mortgage credit asset) held by an Institution (an **Irish Residential Property Asset**);
- (b) a mortgage credit asset (other than a securitised mortgage credit asset) which is secured on an Irish Residential Property Asset (an **Irish Residential Loan**); and

- (c) a securitised mortgage credit asset the related property assets of which indirectly comprise (in whole or in part) residential property (whether or not located in Ireland) (a **Relevant Securitised Mortgage Credit Asset**)

and also specifies requirements and criteria with respect to certain matters required when determining the prudent market value of Relevant Securitised Mortgage Credit Assets.

The MCA Valuation notice repealed and replaced the Former Irish Residential Loan/Property Valuation Notice with effect from 31 August 2007.

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 Acts and secured on commercial property or of mortgage credit assets (whether secured on residential property or commercial property) which are located outside Ireland for the purposes of the ACS Acts. See *Risk Factors*.

Prudent Market Discount

The Prudent Market Discount for the purposes of certain calculations which are to be made by Institutions in respect of Irish Residential Property Assets and Irish Residential Loans under the MCA Valuation Notice is that published by the Institution and monitored by the Monitor in accordance with the Asset Covered Securities Act, 2001 (Sections 61(1), 61(2) and 61(3)) [Prudent Market Discount] Regulation 2004 (S.I. No. 420 of 2004) (the **Prudent Market Discount Regulation**) (see *The Cover Assets Monitor - Continuing duties of a Monitor*). The Prudent Market Discount Regulation prescribes that a Monitor appointed in respect of any Institution when performing its responsibilities under the ACS Acts 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 has adopted and has published on the Group's website (www.ebs.ie), a Prudent Market Discount of 0.150 (or in percentage terms, 15 per cent.).

Valuation of Irish Residential Property Assets

Under the MCA Valuation Notice, in order to value an Irish Residential Property Asset, an Institution is first required to determine the Origination Market Value (defined below) of that Irish Residential Property Asset. In general, an Irish Residential Property Asset for the purposes of the MCA Valuation Notice has a market value at the time of origination of the mortgage credit asset secured on that Irish Residential Property Asset (the **Origination Market Value** of that Irish Residential Property Asset) equal to the amount determined or accepted by the originator of that mortgage credit asset to have been the market value of that Irish Residential Property Asset at or about that time. Under the MCA Valuation Notice an Institution is required to calculate the prudent market value of each Irish Residential Property Asset:

- (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 the CRD 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 2001 Act and, if not so specified, then at intervals not exceeding 12 months.

See also, *Risk Factors – Risk relating to the Securities - Valuation of Irish residential property assets, Irish residential loans and relevant securitised mortgage credit assets/Prudent Market Discount*.

Valuation of Irish Residential Loans

The MCA Valuation Notice also contains requirements for determining the prudent market value of mortgage credit assets secured on Irish Residential Property Assets.

For the purposes of the principal matching requirements in respect of a Pool and Mortgage Covered Securities under the ACS Acts (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 Acts) 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 Acts and the Asset Covered Securities Act, 2001 (Sections 61(1), 61(2) and 61(3)) [Overcollateralisation] Regulation 2004 (as amended) (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*).

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. References to the Overcollateralisation Regulation in this Base Prospectus are to the regulation as amended.

Valuation of Relevant Securitised Mortgage Credit Assets

The MCA Valuation Notice provides that the prudent market value of Relevant Securitised Mortgage Credit Assets is an amount equal to the lesser of the three amounts which are summarised below:

- (i) the principal or nominal amount of the Relevant Securitised Mortgage Credit Assets,
- (ii) the principal or nominal amount of the underlying liens (or loans) less any liens secured on the relevant property assets and which rank senior to that held by the securitisation entity which has issued the Relevant Securitised Mortgage Credit Assets,
- (iii) a maximum LTV of 80 per cent with respect to the loans underlying the Relevant Securitised Mortgage Credit Assets,

in the case of (ii) and (iii) above:

- (I) determined on an aggregate basis having regard to the proportion which the nominal or principal amount of the Relevant Securitised Mortgage Credit Assets bear to the nominal or principal amount of the securitisation securities issued by the securitisation entity and secured on the same property assets as the Relevant Securitised Mortgage Credit Assets;
- (II) the ranking in terms of seniority of the Relevant Securitised Mortgage Credit Assets as against all such securitisation securities;
- (III) regard may be had to contracts, to which such securitisation entity is a party, the effect or purpose of which is to reduce the exposure of that securitisation entity in respect of the Relevant Securitised Mortgage Assets to fluctuations in the values of currencies concerned.

Under the MCA Valuation Notice, when determining the prudent market value of a Relevant Securitised Mortgage Credit Asset:

- (A) the amount referred to at (i) above is the principal or nominal amount outstanding of the Relevant Securitised Mortgage Credit Assets concerned on the date such prudent market value is determined or to be determined under the MCA Valuation Notice;
- (B) the amounts referred to at (ii) and (iii) above are to be determined by reference to the most recent information available to the Institution provided by or on behalf of the securitisation entity which is the issuer of the Relevant Securitised Mortgage Credit Asset and the most recent publicly available information relating to certain relevant matters.

An Institution is required under the MCA Valuation Notice to calculate the prudent market value of each Relevant Securitised Mortgage Credit Asset and the other relevant amounts for that purpose referred to at (i) to (iii) above at such intervals as may be specified by the Monitor from time to time so as to ensure that the Institution can demonstrate to the satisfaction of the Monitor compliance with the principal matching requirements with respect to the Pool and Mortgage Covered Securities, Regulatory Overcollateralisation requirements under the ACS Acts 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*).

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 the CRD 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 eligible financial institutions, 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 eligible financial institution.

In relation to credit transaction assets and total assets, the Section 41(3)/(5) Valuation Notice provides that the value of such credit transaction assets and total assets shall be determined in accordance with Irish GAAP as applied to banks.

Restrictions on replacement of underlying assets included in a Pool

A mortgage credit asset or substitution asset replaces an **underlying asset** (defined in relation to a Pool as a mortgage credit asset or substitution asset that is then comprised in a Pool) only if such replacement has been approved by the Monitor. The Monitor is required to monitor an Institution's compliance with this requirement

The ACS Acts require 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 Acts, the regulations made by the Central Bank under the ACS Acts or a requirement of the Central Bank or the Monitor made under the ACS Acts.

The ACS Acts permit 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 Acts, the regulations made by the Central Bank under the ACS Acts or a requirement of the Central Bank or the Monitor made under the ACS Acts.

The ACS Acts provide 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 Acts 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 Acts that prevents the replacement from being made.

In relation to the meaning of “**non-performing**” for the purposes of (b) above, see – *Circumstances in which an asset may not be included in a Pool*.

An Institution may not, without the consent of the Central Bank, replace an underlying asset with a mortgage credit asset or a substitution asset if:

- (a) the Institution is potentially insolvent; or
- (b) there is currently no Monitor appointed in respect of the Institution.

Restrictions on inclusion of substitution assets in a Pool

The ACS Acts prescribe 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 the CRD 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:

- (i) a credit quality assessment of Credit Quality Step 1 (within the meaning of the Irish CRD Code); or
- (ii) 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 the Irish CRD Code).

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 Acts, any Contractual Overcollateralisation undertaking and all other requirements of Part 4 of the 2001 Act.

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 Acts 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 Acts, 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 2001 Act - see further *Insolvency of Institutions - Effect of insolvency, potential insolvency or insolvency process with respect to an Institution*) against the Institution.

The Monitor must monitor compliance by the Institution with the above requirements and take reasonable steps to verify that the Institution will not be in contravention of the above requirements before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

The ACS Acts empower the Central Bank to make regulations for or with respect to any matter that by the ACS Acts 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 Acts. The ACS Acts provide 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 Acts provide 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 Acts (see further *Insolvency of Institutions - Effect under the ACS Acts 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 Acts 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 Acts provide that for the purposes of the ACS Acts an asset is, except as described under - Use of realised proceedings of Cover Assets, included in, or removed from, a Pool when the appropriate particulars are recorded in the register of mortgage covered securities business (**Business Register**) maintained by the Institution.

An Institution is required to establish and keep a Business Register in respect of:

- (a) the Mortgage Covered Securities it has issued;
- (b) the cover assets hedge contracts that it has entered into; and
- (c) the mortgage credit assets and substitution assets that it holds as security for those Mortgage Covered Securities and contracts.

The Monitor must monitor compliance by the Institution with the above requirement and take reasonable steps to verify that the Institution will not be in contravention of the above requirement before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract. The Central Bank may make regulations specifying other particulars which must be recorded by an Institution in its Business Register. As at the date of this Base Prospectus, no such regulations have been made by the Central Bank.

An Institution may make, delete or amend an entry in the Business Register only with the consent of the Monitor or the Central Bank, unless regulations made by the Central Bank provide otherwise (as at the date of this Base Prospectus, no regulations made by the Central Bank provide otherwise). The Monitor must monitor compliance by the Institution with the above requirement and take reasonable steps to verify that the Institution will not be in contravention of the above requirement before the Institution issues Mortgage Covered Securities or enters into a cover assets hedge contract.

An Institution is required to keep the Business Register in such place as may be prescribed by the regulations made by the Central Bank. In the Asset Covered Securities Act, 2001 (Sections 38(6 and 53(6)) Regulations, 2002 (S.I. No. 382 of 2002), the Central Bank prescribed the registered or head office of the Institution, or such other office as may be notified in writing to the Central Bank for such purposes, and which in each case must be in Ireland, as the place at which such Institution's Business Register must be kept.

The ACS Acts, provide that an Institution is required to at all times to 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 Acts provide 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 Acts provide 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 2001 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 Acts provide 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 2007 Amendment 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 2001 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 2007 Amendment Act to establish and maintain a register in respect of any Pool Hedge Collateral that it holds from time to time, called the register of pool hedge collateral (the **Collateral Register**), which is to be kept separate from the Business Register. An Institution is required to include in the Collateral Register, among other things, particulars of the Pool Hedge Collateral it holds from each counterparty to a cover assets hedge contract and particulars of the cover assets hedge contracts that relate to the Pool Hedge Collateral. Unless the Central Bank otherwise requires (whether generally in respect of all Institutions or individually in respect of any given Institution) or the Institution is potentially insolvent or insolvent, the consent of the Monitor is not required for an Institution to make, amend or delete an entry in its Collateral Register.

The Central Bank may, by regulatory notice, specify requirements in relation to:

- (a) the type of assets or property that qualify as Pool Hedge Collateral;
- (b) the maintenance and operation of the Collateral Register;
- (c) particulars that an Institution shall include in its Collateral Register; 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 Acts provide 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 Acts) 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 2007 Amendment 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 Acts 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 Acts

Under the 2007 Amendment 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 Acts 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 2001 Act,

then any provision of Part 4 of the 2001 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.

THE COVER ASSETS MONITOR

Appointment of a cover-assets monitor

The ACS Acts require every Institution to appoint a qualified person to be a cover-assets monitor (a **Monitor**) in respect of the Institution. The ACS Acts provide 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 Acts provide 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 Acts, 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 the Base Prospectus is Mazars. The Central Bank has approved the appointment of Mazars as Monitor in respect of the Issuer. The terms on which Mazars has been appointed and acts as Monitor in respect of the Issuer are set out in an agreement entered into on 28 November 2008 between Mazars and the Issuer (the **Cover-Assets Monitor Agreement**). The Cover-Assets Monitor Agreement reflects the requirements of the ACS Acts 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 *Characteristics of the Pool/Overcollateralisation - Overcollateralisation*), Prudent Market Discount (see *Cover Assets Pool - Valuation of assets held by an Institution - Prudent Market Discount*), the payment of fees and expenses by the Issuer to Mazars, the resignation of Mazars as Monitor to the Issuer (see *Resignation of a Monitor*) and the replacement by the Issuer of Mazars as its Monitor.

Mazars is a single integrated international partnership, with offices across 61 countries, a total headcount of 13,000 employees and a consolidated turnover from the integrated partnership of €884 million. Moreover, via the International Praxity Alliance, of which Mazars is a founding member, the Group can access the skills and expertise of 28,000 professionals in 82 countries. Mazars also has correspondents and joint ventures in an additional 21 countries. Mazars Ireland is a full member of the Mazars International Association with over 30 years experience in the provision of professional services to local and international clients in the financial services, institutional and corporate sectors. Its professional services include audit, corporate finance, insolvency, consulting and corporate recovery. The firm has two offices in Ireland employing approximately 200 staff. Mazars audits over 200 listed clients across Europe while, globally, Mazars audits over 230 companies on 16 different stock exchanges.

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 Acts provide 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 2001 Act on 12 November 2002. In this regulatory notice, the Central Bank stated that the qualifications for an appointment as a Monitor in respect of an Institution are:

- (a) a Monitor must be a body corporate or partnership, comprising personnel and partners respectively who are members of a professional representative body. The Monitor must demonstrate to the satisfaction of the Central Bank that it is experienced and competent in the following areas:
 - (i) financial risk management techniques;

- (ii) regulatory compliance reporting; and
- (iii) capital markets, derivatives and mortgage credit business as applicable;
- (b) a Monitor must demonstrate that it has sufficient resources at its disposal, and its personnel or partners must have sufficient academic or professional qualifications and experience in the financial services industry to satisfy firstly the designated credit institution 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 Acts 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 Acts, the regulations and any regulatory notices or orders made under the ACS Acts, 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 Acts provide 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 Acts 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 Acts restricting the location of assets that may be included in the Pool (see *Cover Assets Pool - Location of assets that may be included in a Pool - Restrictions on inclusion of certain types of mortgage credit assets in a Pool*) and the level of substitution assets that may be included in the Pool (see *Cover Assets Pool - Restrictions on inclusion of substitution assets in a Pool*) as a result of issuing the Mortgage Covered Securities or entering into the cover asset hedge contract;
- (b) that the Institution will not be in contravention of certain provisions of the ACS Acts 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 Acts 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 *Characteristics of the Pool/Overcollateralisation - 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 Acts 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 Former Irish Residential Loan/Property 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 Acts provide that the Monitor appointed in respect of an Institution is responsible for monitoring the Institution's compliance with the following provisions of the ACS Acts:

- (i) the matching requirements of the ACS Acts 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 Acts restricting the location of assets that may be included in the Pool (see *Cover Assets Pool - Location of assets that may be included in a Pool and Restriction on inclusion of certain types of mortgage credit assets in a Pool*);
- (ii) the requirement that, except in certain cases specified in the ACS Acts, 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*);
- (iii) restrictions under the ACS Acts 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*);
- (iv) the application by an Institution of realisations of mortgage credit assets or substitution assets comprised in a Pool under certain provisions of the ACS Acts (see *Cover Assets Pool - Use of realised proceeds of Cover Assets and - Release of underlying assets from a Pool*);
- (v) certain provisions of the ACS Acts relevant to the maintenance by the Institution of its Business Register (see *Cover Assets Pool - Register of mortgage covered securities business*);
- (vi) the 3 per cent. Regulatory Overcollateralisation requirement in respect of the Pool and Mortgage Covered Securities imposed under the 2007 Amendment Act (see *Characteristics of the Pool Overcollateralisation - Overcollateralisation*);
- (vii) the requirements under the 2007 Amendment 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
- (viii) 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 Acts to include certain particulars in the Collateral Register.

The ACS Acts provide that the Monitor is also responsible for performing such other responsibilities (if any) as are prescribed by regulations made by the Central Bank. The Central Bank has made, on 2 July 2004, the Asset Covered Securities Act 2001 (Section 61(3)) [Interest Rate Sensitivity] Regulation 2004 (S.I. No. 415 of 2004) pursuant to which a Monitor appointed in respect of an Institution is made responsible for monitoring the Institution's compliance with the Asset Covered Securities Act, 2001 (Section 91(1)) (Sensitivity to Interest Rate Changes) Regulation, 2004 (S.I. No. 416 of 2004) as amended by the Asset Covered Securities Act 2001 (Section 91(1)) (Sensitivity to Interest Rate Changes – Mortgage Credit) (Amendment) Regulations 2007 (S.I. No. 612 of 2007) (which came into operation on 31 August 2007) (together, the **Sensitivity to Interest Rate Changes Regulation**). The Sensitivity to Interest Rate Changes Regulation provides that the net present value changes arising from any of the scenarios set forth in the regulation must not exceed 10 per cent of an Institution's total own funds at any time. The scenarios set forth in the regulation are:

- (a) one hundred basis point upward shift in the yield curve;

- (b) one hundred basis point downward shift in the yield curve; and
- (c) one hundred basis point twist in the yield curve.

All calculations of sensitivity to interest rate changes are to be carried out in accordance with formulae set out in the schedule to the Sensitivity to Interest Rate Changes Regulation. See further *Risk Management at the Issuer - Issuer Risk Management - Non-trading interest rate risk*.

The Central Bank has made, on 2 July 2004, the Asset Covered Securities Act, 2001 (Section 61(3)) [Irish Residential Property Loan/Valuation] Regulation 2004 (S.I. No. 418 of 2004). That regulation provides that the Monitor appointed in respect of an Institution is responsible for monitoring that Institution's compliance with the MCA Valuation Notice. The MCA Valuation Notice makes provision for the prudent market valuation, valuation methodology and timing of valuation of Irish Residential Loans, Irish Residential Property Assets and Relevant Securitised Mortgage Credit Assets (together with related amounts) (see *Cover Assets Pool - Valuation of assets held by an Institution*). On 2 July 2004 the Central Bank also made the Prudent Market Discount Regulation. The Prudent Market Discount Regulation provides that the Monitor when performing its responsibilities under the ACS Acts 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 Acts 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 *Characteristics of the Pool/Overcollateralisation - Contractual 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 Acts (which includes regulations made by the Central Bank under the ACS Acts) 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 Acts that relate to the responsibilities of the Monitor; and
- (b) if in the Monitor's opinion the Institution is not fully complying with any of those provisions, the extent of non-compliance.

Additional duties which may be imposed on a Monitor by the Central Bank

The Central Bank may, by notice in writing to the Monitor appointed in respect of an Institution, confer on that Monitor such additional responsibilities as it considers appropriate for the effective management of the affairs of the Institution if the relevant Institution:

- (a) has become subject to an insolvency process (for a description of the meaning of "insolvency process" for the purposes of the ACS Acts, see *Insolvency of Institutions - Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Acts*);
- (b) is a formerly designated credit institution (for a description of when an Institution may cease to be designated for the purposes of the ACS Acts, 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 Acts has given a direction under the ACS Acts 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 Acts (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 Acts provide 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 2007 Amendment Act makes provision for the holding by a security trustee of security (other than under the ACS Acts) over assets comprised in the Pool which are located outside of Ireland in order to augment the security provided for under the ACS Acts (see *Insolvency of Institutions -Security Interests on the Pool*). The Monitor may under the 2007 Amendment Act enter into arrangements with the security trustee in connection with:

- (a) their respective functions under the ACS Acts and operations relating to Cover Assets which are also subject to such additional security arrangements; and
- (b) their respective functions under the ACS Acts 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 Acts and the performance by the relevant Institution of its obligations under the ACS Acts 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 Acts provide 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 cover assets 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 2007 Amendment 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 2007 Amendment Act a Pool security trustee) that has been appointed to the Institution, constitute "**super-preferred**" creditors of the Institution. The ACS Acts provide that the claims of super-preferred creditors rank ahead of those of any other preferred creditors, including the holders of Mortgage Covered Securities. For a description of the priority afforded to the claims of preferred creditors of an Institution on the insolvency of such Institution, see *Insolvency of Institutions - Effect of insolvency potential insolvency or insolvency process with respect to an Institution*.

Termination of appointment of a Monitor

An Institution may terminate the appointment of its Monitor only with the written consent of the Central Bank. The Central Bank may direct an Institution to terminate the appointment of its Monitor and to appoint another qualified person in place of that Monitor. The notice issued by the Central Bank making that direction must specify the Central Bank's reasons.

Resignation of a Monitor

A Monitor may resign by giving at least 30 days' notice in writing to the Central Bank (unless the Central Bank agrees to a shorter notice period) and must include in such notice a statement of the reasons for its resignation. In the Cover-Assets Monitor Agreement, Mazars has agreed that it will not resign as Monitor in respect of the Issuer unless another entity has agreed to act as Monitor in respect of the Issuer and the Central Bank has approved the appointment of such other entity as Monitor in respect of the Issuer in place of Mazars; provided that if a replacement Monitor has not been appointed within six months of Mazars having given notice of its intention to resign as Monitor, then Mazars will be entitled to resign as Monitor notwithstanding that no replacement Monitor has been appointed.

Effect of the insolvency of an Institution on the appointment of its Monitor

The fact that an Institution, or its parent entity or any company related to the Institution, has become insolvent or potentially insolvent does not affect the appointment of the Monitor appointed in respect of it and the claims and rights of the Monitor in so far as those claims or rights relate to the appointment or arise under the ACS Acts. For a description of the circumstances in which an Institution is regarded as insolvent or potentially insolvent for the purposes of the ACS Acts, see *Insolvency of Institutions - Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Acts*.

The ACS Acts provide 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 Acts, (see *Insolvency of Institutions - Meanings of "insolvent", "potentially insolvent" and "insolvency process" for the purposes of the ACS Acts*).

Powers of the Central Bank in relation to a Monitor

Section 70 of the 2001 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 Acts.

The Central Bank (Enforcement and Supervision) Bill 2011 (the **2011 Bill**) proposes to repeal section 70 of the 2001 Act. However, section 24 of the 2011 Bill provides for a general power for an authorised officer (as defined in the 2011 Bill) 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 2011 Bill 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 2011 Bill applies are kept.

Part 3 of the 2011 Bill 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). Accordingly, notwithstanding the repeal of section 70 of the 2001 Act, under the 2011 Bill, if enacted in its current form, the Central Bank would appear to retain under this general provision the power to enter a premises at which a Monitor carries on its business.

Section 25 of the 2011 Bill, if enacted in its form current at the date of this Base Prospectus, would empower 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 Acts provide 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 Acts if the act was done, or was omitted, in good faith for the purposes of the ACS Acts.

INSOLVENCY OF INSTITUTIONS

Effect under the ACS Acts of insolvency, potential insolvency or insolvency process with respect to an Institution.

Part 7 of the 2001 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 2007 Amendment Act, a reference in Part 7 of the 2001 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 2007 Amendment Act, any reference in Part 7 of the 2001 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 2001 Act disapplies with respect to Institutions, the Companies Acts 1963 to 2009, the Bankruptcy Acts, 1988 and 2001, the Taxes Acts (as defined in section 811(1) (a) of the Taxes Consolidation Act, 1997), legislation relating to the regulation of credit institutions in Ireland and any other enactments or rules of law relating to an insolvency process, except insofar as they are specified in relation to laws relevant to fraud and misrepresentation. Certain insolvency provisions relating to fraud continue to have effect with respect to Part 7 of the 2001 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 Acts provide that the fact that an Institution or its parent entity or any company related to the Institution has become insolvent (as to which see the definition under the next heading below) or potentially insolvent (as to which see the definition under the next heading below) does not affect:

- (a) the claims and rights of holders of Mortgage Covered Securities issued by the Institution;
- (b) the claims and rights of a person (other than the holder of a Mortgage Covered Security issued by the Institution) who has rights under or in respect of any such Mortgage Covered Security by virtue of any legal relationship with the holder;
- (c) the claims and rights that the other contracting party has under any cover assets hedge contract entered into by the Institution;
- (d) the appointment of a Monitor and the relevant claims and rights of such Monitor in so far as those claims and rights relate to the appointment or arise under the ACS Acts (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 Acts (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 National Treasury Management Agency under Part 6 of the 2001 Act and the relevant claims and rights of the National Treasury Management Agency in so far as those claims and rights relate to those functions (for a description of the role of the National Treasury Management Agency under Part 6 of the 2001 Act, see *Supervision and Regulation of Institutions/Managers*).

Where an Institution, or its parent entity or any company related to the Institution becomes subject to an insolvency process (as to which see the definition under the next heading below), preferred creditors (see below) are, for the purpose of satisfying their claims and rights under Part 7 of the 2001 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 Acts 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 a super-preferred creditors rank ahead of those of the other preferred creditors. **Super-preferred creditors** are defined in the 2001 Act in respect of an Institution as a Monitor or manager appointed in respect of that Institution.

Under the 2007 Amendment Act, super preferred creditors are extended to 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 Acts) over assets outside Ireland in order to augment the security under the ACS Acts.

The ACS Acts provide 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 2001 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 National Treasury Management Agency under Part 6 of the 2001 Act.

The ACS Acts, provide 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 National Treasury Management Agency 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 2001 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 Acts expressly exclude 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 2001 Act are fully discharged.

The ACS Acts provide 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 2001 Act remain unsatisfied.

The ACS Acts provide 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 of Ireland 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 2001 Act, adversely affect the priority conferred by Part 7 of the 2001 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 Acts provide that, if a cover asset included in a Pool is subject to a security interest which would contravene the above provisions of the ACS Acts, the relevant Institution is required to replace such cover asset in accordance with the relevant provisions of the ACS Acts.

The ACS Acts permit 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 2001 Act.

Under the 2007 Amendment 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 Acts

The ACS Acts provide that an Institution becomes insolvent for the purposes of the ACS Acts in any of the following circumstances:

- (a) if the appointment of an examiner in respect of the Institution under the Companies (Amendment) Act, 1990, is not terminated or stayed within 30 days after the date of the appointment;
- (b) if the appointment of a liquidator in respect of the Institution is not terminated or stayed within 30 days after the date of the appointment;
- (c) if the appointment of a receiver over any part of the property or undertaking of the Institution is not terminated or stayed within 30 days after the date of the appointment;
- (d) if the Institution is a company and the company is deemed to be unable to pay its debts as provided by relevant provisions of the Companies Acts 1963 to 2009;
- (e) if the Institution is a building society and the High Court of Ireland makes an order under the Building Societies Act, 1989, directing the society to be wound up on the ground that it is unable to pay its debts;
- (f) if the Institution is the holder of a banking licence issued under section 9 of the Central Bank Act, 1971 and:
 - (i) the Institution is deemed to be unable to meet its obligations under that Act, or
 - (ii) the Institution is deemed to have committed an act of bankruptcy or to be unable to pay its debts under that Act;

or

- (g) if the Institution has, in relation to a Mortgage Covered Security that it has issued, failed to pay an amount payable in respect of the Mortgage Covered Security within 30 days after the amount fell due (unless the failure is attributable to administrative difficulties arising from circumstances that are outside the control of the Institution).

The ACS Acts provide that an Institution becomes **potentially insolvent** for the purposes of the ACS Acts in any of the following circumstances:

- (a) if a petition for the appointment of an examiner is presented in relation to the Institution under the Companies (Amendment) Act, 1990;
- (b) if a petition is presented, or an effective resolution is passed, for the appointment of a liquidator in relation to the Institution;
- (c) if a receiver over any assets of the Institution is appointed; or
- (d) if the Institution has, in relation to a Mortgage Covered Security that it has issued, failed to pay an amount payable in respect of the Mortgage Covered Security within 10 days after the amount fell due (unless the failure is attributable to administrative difficulties arising from circumstances that are outside the control of the Institution).

The ACS Acts define 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

Directive 2001/24/EC of the European Parliament and the Council of 4 April, 2001 on the reorganisation and winding up of credit institutions (the **CIWUD Directive**) was required to be implemented into the national law of the Member States on 5 May 2004. It was first implemented in Ireland by the European Communities (Reorganisation and Winding-up of Credit Institutions) Regulations 2004 (the **2004 Regulations**) with effect from 5 May 2004. With effect from 4 February 2011, the 2004 Regulations were revoked by the European Communities (Reorganisation and Winding-Up of Credit Institutions) Regulations 2011 (the **2011 Regulations**) which are now the implementing regulations for the CIWUD Directive in Ireland.

The purpose of the CIWUD Directive is to create unified proceedings for EU credit institutions that are subject to the imposition of reorganisation measures or the commencement of winding-up proceedings (as such terms are defined in the CIWUD Directive and the 2011 Regulations). The CIWUD Directive provides that, with some exceptions and exclusions, the application of reorganisation measures to, or the winding-up of, a credit institution (including in respect of its branches in other Member States) will be effected in accordance with the national law of its “home” Member State (the Member State in which it has been authorised as a credit institution). It also provides that only the administrative or judicial authorities in that home Member State can authorise the implementation of reorganisation measures or the opening of winding up proceedings in respect of the credit institution, including branches in other Member States.

To this end, the 2011 Regulations provide, among other things, that the “relevant applicable enactment” applies to and in relation to a reorganisation measure imposed, or to be imposed, in respect of an “authorised credit institution” (except as otherwise provided by the 2011 Regulations) and also applies to proceedings to wind up an “authorised credit institution”.

An “authorised credit institution” is defined in the 2011 Regulations as including the holder of a licence under section 9 of the Irish Central Bank Act 1971, as amended, which would include an Institution. The term “relevant applicable enactment” would in the context of an Institution include the ACS Acts. Therefore, the 2011 Regulations confirm, subject as described below, that the ACS Acts 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 Acts of set-off against Cover Assets comprised in the Pool maintained by an Institution, see - *Effect under the ACS Acts 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 2004 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 Acts 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.

Consequences of Issuer's Status as Unlimited Company

The Issuer is an unlimited company. Under the Companies Acts 1963 to 2009, there is no limit on the liability of a then-current member (the registered shareholder of record) of an unlimited company to contribute to that company in an insolvent liquidation of the company to the extent that the company's assets are insufficient to meet its liabilities. In that event, the liquidator of the unlimited company or the court seeks the contributions from each of the members. A company's unlimited status does not confer on the creditors of the company the right to seek payment of the company's liabilities from the company's members or to seek contributions for the company from the members in the event of the unlimited company becoming insolvent or otherwise. This right rests with the liquidator or the court on an insolvent winding-up. If the persons who are the members of an unlimited company at the date of commencement of the winding-up cannot contribute sufficiently to the assets of the company, the liquidator or court may have recourse to persons who were members within one year before the winding up commenced, although these former members will only be liable to contribute in respect of liabilities contracted by the company while they were members.

At the date of this Base Prospectus, EBS is a member of the Issuer and the other members are all direct wholly owned subsidiaries of EBS. EBS beneficially owns the entire issued share capital of the Issuer. The Issuer is thus a wholly-owned subsidiary of EBS. 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.

Neither EBS nor 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 Acts appoint the National Treasury Management Agency (the **NTMA**) or a person recommended by the NTMA as manager of an Institution.

In addition, each Institution is required by the ACS Acts 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 Acts

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 Code in addition to regulation under the ACS Acts in respect of the activities regulated thereby (see further *Regulation of Banks and Residential Lending in Ireland*).

As regards the relationship between the Central Bank's powers and functions under the Irish Banking Code and those under the ACS Acts, the ACS Acts provide that the Central Bank has, in relation to Institutions and other persons to whom the ACS Acts relate, 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 Acts 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 Acts.

General functions of the Central Bank under the ACS Acts

The ACS Acts provide that the functions of the Central Bank are as follows:

- (a) to designate credit institutions for the purposes of the ACS Acts;
- (b) to administer the system of supervision and regulation of designated credit institutions in accordance with the ACS Acts 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 Acts.

The ACS Acts provide 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 Acts 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 Acts 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 Acts. In addition, the ACS Acts confer on the Central Bank a general power to make regulations, not inconsistent with the ACS Acts, for or with respect to any matter that by the ACS Acts 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 Acts.

Under the 2007 Amendment Act, where the Central Bank makes an order, regulation, regulatory notice or other notice under the ACS Acts, 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 designated credit institutions (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 designated credit institutions 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 designated credit institutions;
- (e) the need for proper and proportionate regulation of one or more types of designated credit institutions; and
- (f) the CRD 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 Acts set 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 Acts.

The ACS Acts provide 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 Acts, see *Insolvency of Institutions - Meanings of "insolvent", "potentially insolvent" and insolvency process" for the purposes of the ACS Acts*);
- (b) if as a result of becoming aware of information provided to the Central Bank it is of the opinion that a manager should be appointed in respect of the Institution in order to safeguard the interests of:
 - (i) holders of Mortgage Covered Securities issued by the Institution; or
 - (ii) persons who have rights under cover assets hedge contracts entered into by the Institution (for a general description of the circumstances in which an Institution may enter into cover assets hedge contracts and the rights and obligations attaching thereto see Permitted Business activities ~ (f) entering into certain hedging contracts for the purposes of hedging risks associated with the foregoing activities/dealing in and holding Pool Hedge Collateral); or
 - (iii) other creditors of the Institution; or
- (c) if the registration of the Institution as a designated credit institution is revoked under the ACS Acts or the Institution is subject to a direction given under sections of the ACS Acts (for a description of the relevant provisions see Registration of Institutions/Revocation of Registration - Revocation of registration as an Institution and - Direction of the Central Bank requiring an Institution to suspend its business).

The ACS Acts define **asset covered securities business activities** in relation to an Institution or former Institution for the purposes of Part 6 of the 2001 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 Acts 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 2007 Amendment 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 2007 Amendment 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 Acts outside Ireland and those assets or property are relevant to the manager's functions under the ACS Acts, under the 2007 Amendment 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 Acts and the claims of any such agent are deemed to be claims of the manager for the purposes of the ACS Acts.

The ACS Acts also contain 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 Acts provide 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 Acts provide 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 Acts provide 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 Acts provide 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 Acts provide that the provisions set out in schedule 1 to the 2001 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 Acts provide 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 Acts if the act was done, or was omitted, in good faith for the purposes of the ACS Acts.

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 Acts if the act was done, or was omitted, in good faith for the purposes of the ACS Acts.

The powers of managers with respect to security trustees

The 2007 Amendment Act makes provisions for the holding by a security trustee of security (other than under the ACS Acts) over assets comprised in the Pool which are located outside of Ireland in order to augment the security provided for under the ACS Acts (see *Insolvency of Institutions - Security interests on the Pool*). A manager may under the 2007 Amendment Act enter into arrangements with the security trustee in connection with:

- (a) their respective functions under the ACS Acts and operations relating to Cover Assets which are also subject to such additional security arrangements; and
- (b) their respective functions under the ACS Acts 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 ACTS INVOLVING AN INSTITUTION

Transfer to be effected by means of a statutory scheme

The ACS Acts contain 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 Acts 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 Acts provide 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 Acts provide that a transfer of a business or assets under the ACS Acts 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 Acts:

- (a) the transferee credit institution has the same rights (including priorities) and obligations in respect of that business or those assets as the transferor credit institution had immediately before the transfer took effect; and
- (b) the transferor ceases to have those rights and obligations.

The ACS Acts exempt a transfer of an asset under the ACS Acts, whether specifically or as part of a transfer of a business, from any requirement to be registered under the Registration of Deeds Act, 1707 (which has been repealed and replaced by the Registration of Deeds and Title Act 2006), the Bills of Sale (Ireland) Acts, 1879 and 1883, the Companies Act, 1963, the Registration of Title Act, 1964, and any other Act that provides for the registration of assets or details of them. If legal proceedings are pending immediately before the time when a

transfer under the ACS Acts 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 Acts, 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 Acts (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 Acts, 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. The transfers were effected pursuant to the statutory transfer mechanism provided for in the ACS Acts described above. This statutory mechanism involved the putting in place of a scheme in accordance with the ACS Acts 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 on 28 November 2008 as required by the ACS Acts. The scheme permits further transfers from EBS to the Issuer or from the Issuer to EBS.

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 Acts unless the person is registered as an Institution in accordance the ACS Acts.

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 Acts 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 Acts to include the holder of a banking licence under section 9 of the Central Bank Act, 1971.

The ACS Acts provide 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 Acts 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 Acts.

The ACS Acts provide 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 Acts provide for the recording of the particulars of successful applicants for registration in the register of designated mortgage credit institutions as an Institution (see further below) and the issuance of certificates of registration to registered Institutions.

Registration authorises the Institution named in the certificate to carry on the business of an Institution. An Institution is required to comply with the conditions contained in its certificate of registration or in any document issued with the certificate. A registration of an Institution remains in force until it is revoked.

The Central Bank may from time to time vary a condition of an Institution's registration or impose on the Institution a new condition, but only after giving to the Institution concerned notice in writing of its intention to do so and after giving the Institution an opportunity to make written representations to the Central Bank in relation to the proposed variation or proposed new condition.

Register of Institutions maintained by the Central Bank

The Central Bank is required to establish and maintain a register of designated mortgage credit institutions (the **Register of Institutions**). The Register of Institutions must contain the name and address of the principal place of business of each Institution and such other information as the Central Bank determines. The Issuer is registered in the Register of Institutions on the date of this Base Prospectus as an Institution.

Members of the public are entitled, without charge, to inspect the Register of Institutions during the ordinary business hours of the Central Bank. The Central Bank must, not less frequently than once every 12 months, publish a list of Institutions. If regulations made by the Central Bank so require, the list must contain such other particulars as are prescribed by such regulations. As at the date of this Base Prospectus, no such regulations have been made by the Central Bank.

Revocation of Registration

The ACS Acts provide 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 2001 Act (see *Insolvency of Institutions - Effect under the ACS Acts 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 Acts 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 Acts, see *Insolvency of Institutions – Meaning of ‘insolvent’, ‘potentially insolvent’ and ‘insolvency process’ for the purposes of the ACS Acts*);
- (f) the Institution no longer has sufficient “own funds” (as referred to in the Capital Requirements Directive);
- (g) the Cover Assets comprised in a Pool maintained by the Institution do not comply with any provision of Part 4 of the 2001 Act (for a description of the provisions of the ACS Acts 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 Acts or under any other enactment prescribed by regulations made by the Central Bank for the purpose of section 19 of the 2001 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 Acts, 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 2001 Act (see *Insolvency of Institutions – Effect of insolvency, potential insolvency or insolvency process with respect to an Institution below*) until all those obligations have been fully discharged to the satisfaction of the Central Bank. In relation to such an Institution which is being wound up and the position of the liquidator under the ACS Acts, see *Position of a Liquidator below*.

Direction of the Central Bank requiring an Institution to suspend its business

The ACS Acts provide that if the Central Bank reasonably believes that there may be grounds for revoking the registration of an Institution under the ACS Acts, it may, subject to Part 7 of the 2001 Act (see *Insolvency of Institutions – Effect under the ACS Acts 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 of Ireland has been obtained.

The ACS Acts also confer 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 Acts 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 Acts and that (being a company or a building society) is being wound up, the ACS Acts provide that, except as otherwise provided by the ACS Acts, the liquidator of the Institution has a duty to ensure that the Institution performs the obligations of an Institution under the ACS Acts. The Central Bank may, by notice in writing given to the liquidator, substitute the liquidator's obligations referred to above with other obligations referred to above of a similar nature as specified in that notice.

TAXATION

The following summary of the anticipated tax treatment in Ireland in relation to the payments on the Securities is based on Irish taxation law and the practices of the Revenue Commissioners of Ireland in force at the date of this Base Prospectus. It does not constitute tax or legal advice and it does not purport to be, and is not, a complete description of all of the tax considerations that may be relevant to a decision to subscribe for, buy, hold, sell, redeem or dispose of the Securities. The summary relates only to the position of persons who are the absolute beneficial owners of the Securities and the interest payable on them (in this Taxation section referred to as **Security Holders**). Particular rules not discussed below may apply to certain classes of taxpayers holding Securities, such as dealers in securities, investment funds etc. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Securities and the receipt of interest or discount on the Securities under the laws of the jurisdictions in which they may be liable to taxation.

Withholding Tax on Interest

In general, withholding tax at the standard rate of income tax (currently 20 per cent.) must be deducted from Irish source yearly interest payments made by an Irish company (the **General Withholding Tax on Interest**). However, no withholding for or on account of Irish income tax is required to be made from yearly interest in the circumstances set out below.

The General Withholding Tax on Interest does not apply to interest payments made by a company in the ordinary course of an Irish banking business (the **Ordinary Course of Irish Banking Business Exemption**). The Revenue Commissioners of Ireland (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, the Ordinary Course of Irish Banking Business Exemption would cease to apply if the Issuer at any time ceased to be the holder of a banking licence under section 9 of the Central Bank Act 1971 (as amended), to be a designated credit institution under the ACS Acts, or to carry on business in Ireland.

Separately, section 64 of the Taxes Consolidation Act 1997, as amended (the **TCA, Section 64**) provides for the payment of interest on a quoted Eurobond (as defined by that section) without the deduction of tax in certain circumstances. If the Ordinary Course of Irish Banking Business Exemption ceased to apply, exemption from the General Withholding Tax on Interest may still be available under Section 64.

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 General Withholding Tax on Interest.

Deposit Interest Retention Tax (DIRT)

A relevant deposit taker (as defined by section 256 of the TCA) such as the Issuer is obliged to withhold tax currently at a rate of 27 per cent. (or where the interest, discount or premium, as the case may be, is not paid annually or more frequently and cannot be determined until the date of payment of such interest at a rate of 30 per cent.) from certain interest payments or other returns on a relevant deposit. The term 'deposit' is widely defined and would include a Security. There are a number of exemptions to the requirement to withhold this tax, of which the most relevant to the Securities are set out below:

- (a) The interest or discount is paid on a debt on a security (which would include a Security) which is listed on a stock exchange (which includes the Irish Stock Exchange).
- (b) The interest or discount is paid on a Wholesale Debt Instrument (as defined in section 246A of the TCA) and either:
 - (I) the Wholesale Debt Instrument has a minimum denomination of €500,000, or US\$500,000 or if denominated in a currency other than euro or United States dollars, the equivalent of €500,000 at the date that programme was first publicised, and is held in Euroclear or Clearstream, Luxembourg or any other clearing system recognised from time to time by the Revenue Commissioners; or
 - (II) (A) the person by whom the payment is made; or

- (B) the person through whom the payment is made,
is resident in Ireland for the purposes of Irish tax (**Irish Resident**) or the payment is made either by or through, a branch or agency in Ireland of a company that is not Irish Resident;
and
 - (i) the person who is beneficially entitled to the interest is Irish 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 Resident and has made a declaration to that effect in the prescribed form.
- (c) The person beneficially entitled to interest on the Securities is not Irish Resident and a declaration to that effect has been made to the Issuer by the payee of interest in the form prescribed by the Revenue Commissioners for this purpose.
- (d) The person beneficially entitled to interest on the Securities is a company or a pension scheme that is Irish Resident and has 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 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 Irish Stock Exchange 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 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 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 Irish Resident and domiciled in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not Irish Resident or ordinarily resident in Ireland for the purposes of Irish tax (**Ordinarily Resident in Ireland**) 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.

A person becomes Ordinarily Resident in Ireland upon the commencement of the fourth consecutive tax year in which that person is Irish Resident. A person ceases to be Ordinarily Resident in Ireland upon the cessation of the third consecutive tax year in which that person is not Irish Resident.

Where a Security Holder is a company that is not Irish 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 41 per cent.) and Pay Related Social Insurance 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 levies if an

individual recipient) in respect of such interest payments or discount, as the case may be, unless an exemption applies. There is an exemption from Irish income tax on interest or discount, as the case may be, under section 198 of the TCA that applies in certain circumstances.

These circumstances include:

- (a) where interest is paid by the Issuer to a person that is not Irish 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, and that interest is paid on an asset covered security within the meaning of section 3 of the 2001 Act (which includes the Securities); or
- (b) where discount arises on Securities to a person that is not Irish 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 the universal social charge on such interest.

Capital Gains Tax

Where the Securities are listed on a stock exchange (which would include the Irish Stock Exchange), or do not derive the greater part of their value directly or indirectly from Irish land or certain Irish mineral rights, a Security Holder will not be subject to Irish tax on capital gains in respect of the Securities unless that Security Holder is either Irish Resident or Ordinarily Resident in Ireland or that Security Holder has an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency, or a permanent establishment, to which or to whom the Securities are attributable.

The rate of capital gains tax is currently 25 per cent.

Capital Acquisitions Tax

If the Securities are comprised in a gift or inheritance taken from a disponer that is Irish Resident or Ordinarily Resident in Ireland or, in the case of certain settlements, an Irish domiciled disponer, or if the recipient is Irish Resident or Ordinarily Resident in Ireland, 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.

For the purposes of capital acquisitions tax, a non-Irish domiciled person will not be treated as Irish Resident or Ordinarily Resident in Ireland except where the person is Irish Resident or Ordinarily Resident in Ireland and has been Irish Resident for the 5 consecutive tax years immediately preceding the tax year in which the date of the gift or inheritance falls.

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, Irish Resident or Ordinarily Resident in Ireland, 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 25 per cent.

Stamp Duty

No Irish stamp duty is payable on the issue or transfer of the Securities.

European Union Taxation of Savings Income Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income (the **EU Savings Tax Directive**) under which EU Member States and certain other territories including Switzerland (see *Risk Factors – EU Savings Directive*) are required to provide to the tax

authorities of another EU Member State or those other territories, details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other EU Member State or territory. This is subject to the exception that, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate withholding tax in relation to such payments. From 1 January 2010, Belgium has replaced the withholding tax system with an information exchange system.

The EU Savings Tax Directive has been enacted into Irish legislation. Since 1 January 2004, where any person in the course of a business or profession carried on in Ireland makes an interest payment to, or secures an interest payment for the immediate benefit of, the beneficial owner of that interest, where that beneficial owner is an individual, that person must, in accordance with the methods prescribed in the legislation, establish the identity and residence of that beneficial owner. Where such a person makes such a payment to a 'residual entity' then that interest payment is a 'deemed interest payment' of the 'residual entity' for the purpose of this legislation. A 'residual entity', in relation to 'deemed interest payments', must, in accordance with the methods prescribed in the legislation, establish the identity and residence of the beneficial owners of the interest payments received that are comprised in the 'deemed interest payments'.

Residual entity means a person or undertaking established in Ireland or in another EU Member State or in an 'associated territory' to which an interest payment is made for the benefit of a beneficial owner that is an individual, unless that person or undertaking is within the charge to corporation tax or a tax corresponding to corporation tax, or it has, in the prescribed format for the purposes of this legislation, elected to be treated in the same manner as an undertaking for collective investment in transferable securities within the meaning of the UCITS Directive 85/611/EEC, or it is such an entity or it is an equivalent entity established in an 'associated territory', or it is a legal person (not being an individual) other than certain Finnish or Swedish legal persons that are excluded from the exemption from this definition in the EU Savings Tax Directive.

associated territory means Andorra, Liechtenstein, Monaco, San Marino, the Swiss Confederation, Aruba, Netherlands Antilles, Jersey, Gibraltar, Guernsey, Isle of Man, Anguilla, British Virgin Islands, Cayman Islands, Montserrat and the Turks and Caicos Islands.

Procedures relating to the reporting of details of payments of interest (or similar income) made by any person in the course of a business or profession carried on in Ireland, to beneficial owners that are individuals or to residual entities resident in another EU Member State or an 'associated territory' and procedures relating to the reporting of details of deemed interest payments made by residual entities where the beneficial owner is an individual resident in another EU Member State or an 'associated territory', apply to payment of interest on the Securities.

The Issuer and its agents shall be entitled to require a Security Holder to provide any information regarding their identity, status and residency required by the Issuer or its agents in order to satisfy the disclosure requirements of the EU Savings Tax Directive and a Security Holder will be deemed by their subscription for Securities to have authorised the disclosure of such information by the Issuer and its agents to the relevant tax authorities.

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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 23 November 2011, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Securities. Any such agreement will extend to those matters stated under *Form of the Securities, Issue Procedures and Clearing Systems and Terms and Conditions of the Securities*. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Securities under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Issuer may pay the Dealers commission from time to time in connection with the sale of Securities. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with any future update of the Programme and the issue of Securities under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Securities under the Programme Agreement in certain circumstances prior to payment to the Issuer.

The names and address of the initial Dealers are set out at the end of this Base Prospectus. The description of each of the initial Dealers is a financial institution. The name, address and description of any additional Dealer or Manager, as the case may be, appointed after the date of this Base Prospectus will be disclosed in the applicable Final Terms and notified to the Irish Stock Exchange/ 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 US 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 or sold 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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed (and each further Dealer named in a Final Terms will be required to agree) that it will not offer or sell 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) 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.

European Economic Area

In relation to each member state of the European Economic Area 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) if the Final Terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a Non-exempt Offer), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (d) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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;

- (e) 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 (b) to (e) 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; or
- (f) at any time of the denomination per Security being offered amounts to at least €100,000.

For the purposes of this provision, 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed under the Programme Agreement that:

- (i) 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 United Kingdom (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
- (ii) 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 United Kingdom.

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, as amended) (the **Financial Instruments and Exchange Law**) and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, under the Programme Agreement 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 or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to other for re-offering or resale, directly or indirectly, in Japan or to a 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 guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. As used in this paragraph, **resident of Japan** means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Republic of Italy

Each Dealer has represented and agreed that it has not made and will not make an offer of the Securities which are the subject of any offering contemplated by the Base Prospectus to the public in the Republic of Italy (**Italy**) other than:

- (a) to professional investors (investitori qualificati) as defined pursuant to Article 100, paragraph 1 (a), of Legislative Decree No 58, 24 February 1998 (the **Financial Services Act**) as amended and restated from time to time; or
- (b) in any other circumstances provided under Article 100, paragraph 1, of the Financial Services Act and under Article 33, paragraph 1, of CONSOB Regulation No 11971, 14 May 1999, as amended, where exemptions from the requirement to publish a prospectus pursuant to Article 94 of the Financial Services Act are provided.

For the purposes of this provision, the expression “offer of Securities to the public” in Italy 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, including the placement through authorised intermediaries.

Any investor purchasing the Securities is solely responsible for ensuring that any offer or resale of the Securities by such investor occurs in compliance with applicable Italian laws and regulations. The Securities and the information contained in the Base Prospectus are intended only for the use of its recipient.

No person resident or located in Italy other than the original recipients of the Base Prospectus may rely on it or its content.

Moreover, and subject to the foregoing, each Dealer has acknowledged that any offer, sale or delivery of the Securities or distribution of copies of this document or any other document relating to the Securities in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the so-called “Banking Act”), CONSOB regulation No. 11522, 1 July 1998, all as amended;
- (ii) in compliance with the so-called subsequent notification to the Bank of Italy, pursuant to Article 129 of the Banking Act, if applicable, and
- (iii) in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB.

Ireland

Each Dealer has agreed and represented in the Programme Agreement that:

- (i) it will not underwrite or place any Securities in or involving Ireland otherwise than in conformity with the provisions of the Irish Companies Acts 1963 to 2009 and the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) including, without limitation, Regulations 7 and 152 thereof and any codes of conduct issued in connection therewith and the provisions of the Investor Compensation Act 1998;
- (ii) 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;
- (iii) 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
- (iv) it will not underwrite or place any Securities in or involving Ireland other than in compliance with the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any Market Abuse Rules made by the Central Bank thereunder.

General

No action has been or will be taken in any jurisdiction by the Issuer or any Dealer that would or is intended to, permit a public offering of the Securities, or possession or distribution of this Base Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Base Prospectus comes are required by the Issuer and each of the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or have in their possession, distribute or publish this Base Prospectus or any other offering material relating to the Securities in all cases at their own expense.

No Dealer 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. Relevant Dealers will be required to comply with such other restrictions as the Issuer and such Dealers shall agree as a term of the issue and purchase of the Securities 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 21 November 2011.
2. For so long as Securities are capable of being issued under the Programme, copies of the following document(s) may be inspected physically at the registered office of the Issuer during business hours:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the audited financial statements of the Issuer for the 14 month period from the Issuer's incorporation date of 30 October 2008 to 31 December 2009, including the auditor's report dated 15 April 2010 by KPMG thereon;
 - (c) the audited financial statements of the Issuer for the financial year ended 31 December 2010, including the auditor's report dated 29 June 2011 by KPMG thereon;
 - (d) terms and conditions of the Securities as contained in the base prospectus dated 4 December 2008 in respect of the Programme; and
 - (e) terms and conditions of the Securities as contained in the base prospectus dated 15 December 2010 in respect of the Programme.
3. No governmental, legal or arbitration proceedings which may have or have had a significant effect on the Issuers financial position have been held against the Issuer in the 12 months preceding the date of this Base Prospectus and the Issuer is not aware of any such proceedings which are pending or threatened.

4. Agency Agreement/Deed of Covenant

The following provides a brief description of the contents of each of the Agency Agreement and the Deed of Covenant. A description of the contents of the Programme Agreement is set out in the first paragraph under *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements* above. A description of the hedging contractual arrangements entered into by the Issuer are set out at *Risk Management at the Issuer – Non-trading interest rate risk (market risk)* above.

(i) Agency Agreement

In the amended and restated agency agreement dated 23 November 2011 and made between the Issuer and The Bank of New York Mellon (the **Agency Agreement**) the Issuer has agreed the terms of the appointment of the principal paying agent, registrar and the other agents specified therein. In particular, the Agency Agreement sets out terms governing the issue of Securities, the duties of the agents, provisions relating to the payment of the agents' commissions and expenses, an indemnity from the Issuer in favour of the agents and provisions governing changes to the identity of the agents. The Agency Agreement also contains in a number of schedules, the forms of the Securities and the form of the Deed of Covenant.

(ii) Deed of Covenant

Under a deed of covenant dated 23 November 2011 (the **Deed of Covenant**) the Issuer has agreed, subject to the terms thereof, to grant certain direct contractual rights to Relevant Account Holders (as defined in the Deed of Covenant) in respect of Securities that are issued initially in global form and where a Global Security becomes void in accordance with its terms provides for such contractual rights to arise.

5. Save as otherwise disclosed in this Base Prospectus, there has been no significant change in the financial or trading position and no material adverse change in the prospects of the Issuer since 31 December 2010, 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.
8. With effect from 29 May 2009, KPMG replaced Ernst & Young as auditors of the Issuer. KPMG are a member of the Institute of Chartered Accountants in Ireland.
9. The language of this Base Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Base Prospectus.
10. 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.
11. Credit ratings included or referred to in this Base Prospectus have been or, as applicable, may be, issued by Fitch and Moody's, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

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REGISTERED OFFICE OF THE ISSUER

EBS Mortgage Finance

EBS Building
2 Burlington Road
Dublin 4
Ireland

COVER-ASSETS MONITOR

Mazars

Harcourt Centre
Block 3
Harcourt Road
Dublin 2
Ireland

ARRANGER

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
United Kingdom

DEALERS

BNP PARIBAS

10 Harewood Avenue
London NW1 6AA
United Kingdom

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
United Kingdom

Credit Suisse Securities (Europe) Limited

One Cabot Square
London, E14 4QJ
United Kingdom

Société Générale

29 boulevard Haussmann
75009 Paris
France

**DZ BANK AG Deutsche Zentral-
Genossenschaftsbank,
Frankfurt am Main,**
Platz der Republik,
60265 Frankfurt am Main,
Germany

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

EBS Limited

The EBS Building
2 Burlington Road
Dublin 4
Ireland

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
United Kingdom

**PRINCIPAL PAYING AGENT, ISSUING AGENT (IF APPLICABLE), CALCULATION AGENT, TRANSFER
AGENT AND REGISTRAR**

The Bank of New York Mellon

One Canada Square
London E14 5AL
United Kingdom

IRISH LISTING AGENT

McCann FitzGerald Listing Services Limited

Riverside One
Sir John Rogerson's Quay
Dublin 2
Ireland

LEGAL ADVISERS TO THE ISSUER

As to Irish Law

McCann FitzGerald

Riverside One
Sir John Rogerson's Quay
Dublin 2
Ireland

**LEGAL ADVISERS TO THE ARRANGER
AND THE DEALERS**

As to Irish Law

Arthur Cox

Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

AUDITORS TO THE ISSUER

KPMG

1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland