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## Bank of Ireland Mortgage Bank

(a public unlimited company incorporated under the laws of Ireland with registration number 386415)

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### €15,000,000,000 Mortgage Covered Securities Programme

Bank of Ireland Mortgage Bank (the **Issuer**) is a designated mortgage credit institution for the purposes of the Asset Covered Securities Acts 2001 and 2007 of Ireland (as amended, the **ACS Acts**). The Securities will constitute mortgage covered securities for the purposes, and with the benefit, of the ACS Acts.

Under this €15,000,000,000 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).

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 €15,000,000,000 (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 below and any additional Dealer appointed under the Programme from time to time by the Issuer (each a Dealer and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Securities being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Securities.

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

This document (the **Base Prospectus**) constitutes (i) in respect of all Securities other than Exempt Securities (as defined below) issued under the Programme, a base prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended (the **Prospectus Directive**) and relevant Irish laws for giving information with regard to the issue of Securities of the Issuer under the Programme during the period of 12 months after the date of this Base Prospectus, and (ii) in respect of Exempt Securities (defined below) issued under the Programme, a listing particulars (for the purposes of the admission of the Exempt Securities to the Official List of the Irish Stock Exchange plc (the **Irish Stock Exchange**) and to trading on the Global Exchange Market of the Irish Stock Exchange and for such purposes, does not constitute a "prospectus" for the purposes of the Prospectus Directive. References in this Base Prospectus to "Exempt Securities" are to Securities for which no prospectus is required to be published under the Prospectus Directive.

This 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 European Union (**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 or other regulated markets for the purposes of Directive 2004/39/EC (**MiFID**) or which are to be offered to the public in any Member State of the European Economic Area (the **EEA**). The Central Bank has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Securities, including the form of the Pricing Supplement in respect of Exempt Securities.

This Base Prospectus has been approved by the Irish Stock Exchange as listing particulars for the purposes of the "*Listing and Admission to Trading Rules of the Global Exchange Market*" of the Irish Stock Exchange. Such approval relates only to the Exempt Securities which are to be admitted to trading on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of MiFID.

Application has been made to the Irish Stock Exchange (i) for the Securities that are not Exempt Securities to be admitted to the Official List and trading on its regulated market and (ii) for the Exempt Securities to be admitted to the Official List and trading on the Global Exchange Market of the Irish Stock Exchange (the **Global Exchange Market**). The Programme provides that Securities may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Securities and/or Securities not admitted to trading on any market.

*Arrangers*

<b>Bank of Ireland</b>		<b>Barclays</b>		
<i>Dealers</i>				
<b>Bank of Ireland</b>	<b>Barclays</b>	<b>BNP PARIBAS</b>	<b>BofA Merrill Lynch</b>	<b>Citigroup</b>
<b>Commerzbank</b>	<b>Credit Suisse</b>	<b>Danske Bank</b>	<b>Deutsche Bank</b>	<b>DZ BANK AG</b>
<b>Goldman Sachs International</b>	<b>HSBC</b>	<b>J.P. Morgan Cazenove</b>	<b>Landesbank Baden-Württemberg</b>	<b>Lloyds Bank</b>
<b>Morgan Stanley</b>	<b>Natixis</b>	<b>Nomura</b>	<b>Société Générale Corporate &amp; Investment Banking</b>	<b>The Royal Bank of Scotland</b>
<b>UBS Investment Bank</b>	<b>UniCredit Bank</b>			

The date of this Base Prospectus is 2 June 2016

## Persons Responsible

For the purposes of Part 6 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) (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.

For the purposes of Part 6 of the Irish Prospectus Regulations, Bank of Ireland accepts responsibility for the information contained or incorporated by reference in this Base Prospectus relating to Bank of Ireland and the Group (but excluding information specifically relating to the Issuer and the Securities). To the best of the knowledge of Bank of Ireland (having taken all reasonable care to ensure that such is the case), such information (other than as aforesaid) is accurately reproduced, in accordance with the facts and does not omit anything likely to affect the import of such information or render such information inaccurate or misleading.

Neither the Issuer nor any of the Arrangers or the Dealers has authorised the making of any offer of securities to the public (as defined in the Prospectus Directive) that is not within an exemption from the requirement to publish a prospectus under the Prospectus Directive by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with such offer of Securities. Any such offers are not made on behalf of the Issuer or by any of the Arrangers or the Dealers and none of the Issuer or any of the Arrangers or the Dealers has any responsibility or liability for the actions of any person making such offers.

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 Arrangers or the Dealers to give any information or to make any representation other than those contained in this Base Prospectus or which are incorporated by reference in this Base Prospectus and referred to below under *Documents Incorporated by Reference* and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers or any of the Dealers.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers or the Dealers or any of them as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or Bank of Ireland in connection with the Programme, any Securities or the distribution of any Securities. No Dealer or Arranger accepts liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or Bank of Ireland in connection with the Programme.

Securities issued under the Programme will be liabilities only of the Issuer and not of any other person, including the Dealers and the Arrangers. The Securities will not be guaranteed by Bank of Ireland, the Dealers, the Arrangers or any other person.

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 (other than in the case of Exempt 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, will be delivered to the Irish Stock Exchange. In the case of Exempt Securities, notice of the aggregate nominal amount of Exempt Securities, interest (if any) payable in respect of Exempt Securities, the issue price of Exempt Securities and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

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, 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 Limited (**Moody's**) and by DBRS Ratings Limited (**DBRS**). Moody's and DBRS are both established in the EU and are both registered under Regulation (EC) No 1060/2009 (as amended) (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. The rating of certain Series of Securities to be issued under the Programme may be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Securities).

This Base Prospectus may only be used for the purposes for which it has been published. This Base Prospectus supersedes the base prospectus dated 3 June 2015 issued by the Issuer in connection with the Programme.

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Securities shall in any circumstances imply that the information contained herein concerning the Issuer and/or Bank of Ireland is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Arrangers expressly do not undertake to review the financial condition or affairs of the Issuer or Bank of Ireland 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 or Pricing Supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities other than Securities or an offer to sell or a solicitation of any offer to buy any Securities in any circumstances in which such offer or solicitation is not authorised or is unlawful. The distribution of this Base Prospectus and the offer or sale of Securities may be restricted by law in certain jurisdictions. The Issuer, the Arrangers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, save as indicated in the next sentence, no action has been taken by the Issuer, the Arrangers or the Dealers which would permit a public

offering of any Securities outside the EEA or distribution of this document in any jurisdiction where action for that purpose is required.

This Base Prospectus has been approved by 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 or other regulated markets for the purposes of MiFID or which are to be offered to the public in any Member State of the EEA. 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, Italy, and Ireland. See *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*.

None of the Dealers, the Arrangers, the Issuer or Bank of Ireland 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.

Exempt Securities issued under the Programme to be admitted to the Irish Stock Exchange's Official List and trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

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.

In this Base Prospectus, references to **€** or **EUR** 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 **US\$** or **US dollars** are to United States dollars, the lawful currency of the United States of America.

Unless the context otherwise requires, references in this Base Prospectus to **Bank of Ireland** are to The Governor and Company of Bank of Ireland and to the **Group** are to Bank of Ireland together with its consolidated subsidiaries, including the Issuer.

Unless the context otherwise requires, in this Base Prospectus references to **Ireland** and **Irish** exclude Northern Ireland and Northern Irish, respectively.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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**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 or Pricing Supplement may over-allot Securities 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 actions. 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 calendar days after the issue date of the relevant Tranche of Securities and 60 calendar days after the date of the allotment of the relevant Tranche of Securities. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.**

## Overview

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

*This overview is not a summary for the purposes of the Prospectus Directive, the Irish Prospectus Regulations or Regulation (EC) No 809/2004 of 29 April 2004, as amended (the **EU Prospectus Regulation**).*

**Issuer:** Bank of Ireland Mortgage Bank (the **Issuer**) was incorporated in Ireland on 21 May 2004 as a public limited company under the name Bank of Ireland Mortgage Bank Public Limited Company with registration number 386415. It was subsequently re-registered as a public unlimited company under the name Bank of Ireland Mortgage Bank on 23 June 2004. The Issuer, on 19 February 2016, adopted a new constitution in accordance with the Companies Act 2014 (the **Companies Act**). 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 Asset Covered Securities Act, 2001 (the **2001 Act**) on 1 July 2004.

As an Irish licensed bank and a designated mortgage credit institution, the Issuer operates under, and is regulated by the Central Bank pursuant to the Central Bank Acts 1942 to 2014 (as may be amended from time to time) and the Asset Covered Securities Acts 2001 and 2007 (as amended, the **ACS Acts**) and by the European Central Bank (the **ECB**) pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**).

The Issuer's principal executive and registered offices are located at New Century House, Mayor Street Lower, I.F.S.C, Dublin 1, Ireland.

The Issuer's principal purpose is to carry out, in accordance with the ACS Acts, the activities designated as permitted business activities under Section 27(1) of the 2001 Act, including the issue of asset covered securities under and in accordance with the ACS Acts, for the purpose of financing loans secured on residential property. Such loans may be made directly by the Issuer or may be purchased from Bank of Ireland and other members of the Group or third parties.

**Bank of Ireland/Group:** The Issuer is a wholly-owned subsidiary of Bank of Ireland and a member of the Group. Bank of Ireland was established as a chartered corporation by an Act of the Irish Parliament of 1781/2 and by a Royal Charter of King George III in 1783. The Group provides an extensive range of banking and other financial services. The address of the registered office of Bank of Ireland is 40 Mespil Road, Dublin 4, Ireland.

**The Issuer's dependence on the Group:** The Issuer is an integral member of the Group and is dependent to a large extent on Bank of Ireland (and through it other members of the Group) in relation to origination and servicing of Irish residential loans, administration and accounting services, treasury services, hedging arrangements, funding other than asset covered securities, equity capital and services relating to the issuance of asset covered securities.

**ACS Acts:** The ACS Acts set out the statutory framework for the issuance of asset



covered securities in Ireland. Asset covered securities issued by designated mortgage credit institutions under and in accordance with the ACS Acts are called **Mortgage Covered Securities**. Such Mortgage Covered Securities may only be issued by Irish credit institutions, such as the Issuer, that are registered under the ACS Acts and that 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 ACS Acts restrict and regulate the activities that Institutions such as the Issuer may engage in. Permitted activities for an Institution under the ACS Acts consist principally of:

- (a) providing mortgage credit and dealing in and holding mortgage credit assets (primarily loans secured on residential property, or, within strict limits, commercial property) including, within limits, securitised mortgage credit assets;
- (b) dealing in and holding substitution assets (certain bank deposits meeting minimum credit rating criteria);
- (c) dealing in and holding credit transaction assets (bank deposits and similar financial assets meeting minimum credit rating criteria below those for substitution assets), provided that such credit transaction assets do not exceed 10 per cent. of the Institution's total assets; and
- (d) financing and refinancing its activities by, among other things, issuing Mortgage Covered Securities and taking deposits and other repayable funds from the public.

The Issuer does not hold mortgage credit assets based on commercial property, nor any securitised mortgage credit assets.

The Issuer does not currently engage in taking deposits and other repayable funds from the general public.

#### *Cover Assets*

Under the ACS Acts, Securities issued by the Issuer are secured by a statutory preference over a pool of prescribed assets (**Cover Assets**) known as a cover assets pool (the **Pool**), which the Issuer is required to maintain in accordance with the ACS Acts.

The Issuer's Pool consists of the following Cover Assets:

- (a) mortgage credit assets (being loans secured on residential property situated in Ireland);
- (b) substitution assets (cash deposits with Bank of Ireland meeting certain minimum credit rating criteria); and
- (c) cover asset hedge contracts (described further below).

Cover assets hedge contracts are hedging contracts that relate only to Mortgage Covered Securities and/or mortgage credit assets and/or substitution assets. The Issuer has entered into cover assets hedge contracts with Bank of Ireland. In accordance with the ACS Acts, the Issuer maintains a register of its cover asset hedge contracts and of collateral posted with the Issuer under such cover assets hedge contracts (**Pool Hedge Collateral**).

### *Restrictions on the Pool*

In addition, the Issuer is required to maintain the Pool in compliance with requirements under the ACS Acts as to duration (weighted average term to maturity), value, interest coverage and overcollateralisation. The ACS Acts prescribe a minimum statutory overcollateralisation of the Pool with respect to the Securities of 103 per cent., and also provide that an Institution may contractually undertake to maintain a higher level of overcollateralisation. The Issuer has contractually committed to maintaining a minimum level of overcollateralisation of 105 per cent. For the purposes of the overcollateralisation calculation, substitution assets included in the Pool may not comprise more than 15 per cent. of the total nominal or principal amount outstanding of the Securities.

### *Cover Assets Monitor*

The ACS Acts provide for the appointment of the Issuer, an independent entity, as cover assets monitor (the **Monitor**). The responsibilities of the Monitor include monitoring the Issuer's Pool to ensure that it complies with certain provisions of the ACS Acts, including statutory and contractual overcollateralisation.

### *Manager and certain provisions as to insolvency*

The ACS Acts provide for the appointment of a manager in respect of the Issuer in certain circumstances, which include: the Issuer becoming insolvent; the Central Bank forming the opinion that such appointment is necessary in order to protect the interests of holders of Securities or other creditors of the Issuer; or the Issuer becoming subject to a direction by the Central Bank, or having its registration as a designated mortgage credit institution revoked.

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 replace these provisions with a special insolvency regime applicable to Institutions.

If the Issuer or Bank of Ireland or another member of the Group becomes subject to an insolvency process, preferred creditors of the Issuer are entitled to have recourse to the Cover Assets in the Pool ahead of members of, and contributories to, the Issuer and all other creditors of the Issuer or of the Group.

The preferred creditors of the Issuer are the Monitor and any manager appointed in respect of the Issuer; the holders of Securities and any person having a legal relationship with a holder of Securities; and any person that is a counterparty of the Issuer to a cover asset hedge contract, provided that person is in compliance with its financial obligations under the cover assets hedge contract.

The Monitor and any manager appointed in respect of the Issuer are super-preferred creditors. In addition, 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 of the Issuer outside Ireland in order to augment the security under the ACS Acts also have super preferred creditor status. The claims of super-preferred creditors of the Issuer rank ahead of the claims of any other preferred creditors (including the holders of Securities) but if those claims cannot be fully satisfied

they will abate in proportion to the amounts of those claims. The claims of the other preferred creditors of the Issuer (including the holders of Securities) will rank equally among themselves but if those claims cannot be fully satisfied they will abate in proportion to the amounts of those claims.

Holders of Securities will have no right to accelerate the obligations of the Issuer under the Securities. There are no events of default under the Securities, no negative pledge and no cross default.

<b>Programme Description:</b>	Mortgage Covered Securities Programme.
<b>Risk factors:</b>	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 <i>Risk Factors</i> .
<b>Arrangers:</b>	Bank of Ireland and Barclays Bank PLC.
<b>Dealers:</b>	Bank of Ireland, Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Danske Bank A/S, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Landesbank Baden-Württemberg, Lloyds Bank plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited, UniCredit Bank AG and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	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 <i>Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements</i> ).
<b>Principal Paying Agent:</b>	Citibank, N.A., London.
<b>Irish Paying Agent/ Transfer Agent:</b>	Citibank International Limited, Dublin.
<b>Registrar:</b>	Citibank, N.A., London.
<b>Cover Asset Monitor:</b>	Mazars, Dublin.
<b>Irish Listing Agent:</b>	A&L Listing Limited.
<b>Programme Size:</b>	Up to €15,000,000,000 (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.
<b>Distribution:</b>	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 ( <b>Regulation S</b> ) (see <i>Subscription and Sale, Transfer and Selling Restrictions and</i>

*Secondary Market Arrangements*).

- Currencies:** Euro, Sterling, US dollars, Japanese Yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms, or, in respect of Exempt Securities, the applicable Pricing Supplement).
- Redenomination:** The applicable Final Terms or, in the case of Exempt Securities, the applicable Pricing Supplement, may provide that certain Securities not denominated in euro on issue may be redenominated in euro.
- Maturities:** Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, or, in the case of Exempt Securities, the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. See also *Extended Maturity Date*.
- Issue Price:** Securities other than Exempt 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 at a premium over, par.
- Exempt Securities may be issued on a partly paid and instalment payment basis as set out in the applicable Pricing Supplement,
- Form of Securities, Issue Procedures and Clearing Systems:** The Securities will be issued in bearer or registered form as described in *Form of the Securities, Issue Procedures and Clearing Systems*. Registered Securities will not be exchangeable for Bearer Securities and vice versa.
- Fixed Rate Securities:** Securities that bear a fixed rate of interest are **Fixed Rate Securities**. Each Fixed Rate Security bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date specified in the applicable Final Terms or Pricing Supplement at the rate(s) per annum equal to the Rate(s) of Interest specified in the applicable Final Terms or Pricing Supplement. Subject as provided in Condition 4(e), interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms in each year up to (and including) the Maturity Date.
- Floating Rate Securities:** Securities that bear a floating rate of interest are **Floating Rate Securities**. 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) Specified Interest Payment Date(s) in each year specified in the applicable Final Terms or Pricing Supplement; or
  - (b) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms or Pricing Supplement, 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 or Pricing Supplement 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 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).

Floating Rate Securities will bear interest at a rate determined:

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

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

**Instalment Securities:** Securities that are redeemable in more than one instalment are **Instalment Securities**. Instalment Securities will be redeemed in the Instalment Amounts and on the Instalment Dates set out in the applicable Final Terms or Pricing Supplement.

**Zero Coupon Securities:** Securities may be zero coupon securities (**Zero Coupon Securities**).

**Exempt Securities:** Securities may be issued with such terms as to interest, currency and redemption as may be agreed between the Issuer and the relevant Dealers and set out in the applicable Pricing Supplement (**Exempt Securities**). In particular, in addition to being Fixed Rate Securities, Floating Rate Securities, Zero Coupon Securities, or Instalment Securities, Exempt Securities may be issued with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). The Issuer may issue Exempt Securities: with principal or interest payable in one or more currencies which may be different from the currency in which the Exempt Securities are denominated (**Dual Currency Securities**); on a partly paid basis (**Partly Paid Securities**); as securities in respect of which the amounts payable are calculated by reference to an index or formula (**Index Linked Securities**) or which have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR (**Inverse Floating Rate Securities**).

Where an Exempt Security is also a Floating Rate Security and where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, and if the Reference Rate is specified as being other than LIBOR or EURIBOR, such Exempt Security bears interest at the rate as provided for in the applicable Pricing Supplement.

In the case of Partly Paid Securities (other than Partly Paid Securities which are Zero Coupon Securities), interest will accrue on the paid-up nominal amount.

**Redemption:**

The applicable Final Terms or Pricing Supplement relating to each Tranche of Securities will indicate either that the relevant Securities cannot be redeemed prior to their stated maturity or that such Securities will be redeemable at the option of the Issuer and/or the holders of the Securities upon giving notice to the holders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) save that a Final Terms or Pricing Supplement may not provide that Securities, if not listed on a stock exchange or not admitted to trading on a regulated market, may be redeemed above par. The applicable Final Terms or Pricing Supplement 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 or Pricing Supplement.

**Extended Maturity Date:**

Unless the rating agency appointed by the Issuer at the relevant time in respect of the Programme agrees otherwise, the applicable Final Terms or Pricing Supplement will also provide that an Extended Maturity Date applies to each Series of the Securities. In such case, 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 or Pricing Supplement. 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 or Pricing Supplement.

Where Extended Maturity Date applies, the Securities will bear interest 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 such interest will be payable in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms or Pricing Supplement on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Final Terms or Pricing Supplement.

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 Rate Securities, Zero Coupon Securities, Floating Rate Securities or, in the case of Exempt Securities, issued on other interest terms as set out in the applicable Pricing Supplement, in respect of the period from the Issue Date to (and including) the Maturity Date; and
- (b) Fixed Rate 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 or Pricing Supplement.

In the case of Securities which are Zero Coupon Securities, or, in the case of Exempt Securities, which are not Fixed Rate Securities or Floating Rate 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.

**Representation of holders of Securities:**

There is no provision for representation of holders of Securities.

**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 will be €100,000 (or other currency equivalent) 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 must 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 as at the date on which the Programme was first publicised.

**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, see *Taxation*.

**Guarantor:**

None.

**Events of Default:**

None.

**Negative Pledge:**

None.

**Cross Default:**

None.

**Status of the Securities:**

The Securities will constitute direct, unconditional and senior obligations of the Issuer and will rank *pari passu* among themselves. The Securities will be Mortgage Covered Securities issued in accordance with the ACS Acts, will be secured on the Issuer's Cover Asset Pool, 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.

**Listing and Admission To Trading:**

Application has been made to the Irish Stock Exchange (i) for the Securities that are not Exempt Securities to be admitted to the Official List and trading on its regulated market and (ii) for the Exempt Securities to be admitted to the Official List and trading on the Global Exchange Market. 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 and disclosed in the Final Terms or Pricing Supplement for such 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 or Pricing Supplement 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).

**Estimated total expenses related to admission to trading:**

Approximately €5,000.

**Ratings:**

Securities issued under the Programme are expected on issue to be rated by Moody's and DBRS, such rating(s) to be disclosed in the Final Terms or Pricing Supplement for such 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.

**Governing Law:**

The Securities will be governed by, and construed in accordance with, the laws of Ireland.

**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*.

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 will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

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.

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 the Clearing Systems, in each case to the extent applicable. In addition, prior to the expiry of the distribution compliance period (as defined under the Terms and Conditions of the Securities) 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 US 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 (see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements*).



**Use of Proceeds:**

Proceeds from the issue of the Securities will be for the purpose of financing the business of the Issuer permitted by the ACS Acts.

## Risk Factors

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*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 of 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.*

### **Factors which are material for the purpose of assessing risks associated with the Issuer**

*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 Bank of Ireland or any other person. See *Certain Aspects of regulation of Banks and Residential Lending in Ireland – Government Guarantee Schemes*.

#### *Competition*

The Issuer faces competition within its market from local and international financial institutions. While the Issuer 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 Issuer in the market in which it operates.

*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 credit risk, operational risk and market risk (including liquidity risk, interest rate change risk, foreign currency rate change risk and asset price change risk). In order to minimise these risks, the Issuer has (in conjunction with the Group — see further *Risk Management at the Group and 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 or where reasonable contingency measures prove to be inadequate. 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. Circumstances may arise that the Issuer did not identify or anticipate in developing its models. Furthermore, the Issuer's quantifications do not take all risks into account. If unidentified or unanticipated circumstances arise, or if the Issuer's measures to assess and mitigate risk prove insufficient, the Issuer may experience material unexpected losses.

#### *Irish Mortgage Covered Securities Legislation Untested*

The 2001 Act came into effect on 22 March 2002. The provisions of the Asset Covered Securities (Amendment) Act 2007 (the **2007 Amendment Act**) (other than section 30 which relates to the issue of asset covered securities by designated commercial mortgage credit institutions) came into operation on 31 August 2007 and section 30 came into operation on 6 May 2008. The Issuer made the first issue of Mortgage Covered Securities under the 2001 Act in September 2004 and is at the date of this Base

Prospectus one of only 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 only on the ACS Acts. The operation of the ACS Acts with respect to the Issuer and other Institutions has not been tested, including in relation to the insolvency of a designated mortgage credit institution.

#### *The Issuer's dependence on the Group*

The Issuer, as an integral member of the Group, is dependent to a large extent on Bank of Ireland (and through it, other members of the Group) in relation to the origination and servicing of Irish residential loans, administration and accounting services, treasury services, hedging arrangements, liquidity and debt financing (other than Mortgage Covered Securities), equity and regulatory capital and services relating to the issue of Mortgage Covered Securities.

The key risk factors which could impact the Group's future results and financial position in the next 12 months are set out under *Factors which are material for the purpose of assessing risks associated with the Group and which may affect the Issuer* below. Those factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties because there may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant but which in the future may become significant.

Given the challenging conditions that remain in financial markets, heightened concerns over sovereign debt levels and the continuing weakness of the economies in which the Group operates, the precise nature of all the risks and uncertainties that it faces cannot be predicted and many of these risks are outside the Group's control.

#### **Factors which are material for the purpose of assessing the market risks associated the Programme and the Securities**

##### *Secondary Market for Mortgage Covered Securities*

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

Although application may be made to list the Securities on the Official List of the Irish Stock Exchange and to admit the Securities to trading on, in the case of Securities that are not Exempt Securities, the regulated market, and in the case of Exempt Securities, the Global Exchange 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.

In addition, investors should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Securities. The Issuer cannot predict when these circumstances will change or, if and when they do, whether conditions of general market liquidity for the Securities and instruments similar to the Securities will return in the future. As a result there exist significant additional risks to the Issuer and investors in the Securities which may affect the returns on the Securities to investors.

##### *Obligations under the Securities*

The Securities will not represent an obligation or be the responsibility of any of the Arrangers or the Dealers or any person other than the Issuer. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Securities and such obligations will not be the obligations of its officers, members, directors, employees, agents, security holders or incorporators. Although the Issuer is an unlimited company and Bank of Ireland is a member of the Issuer, Bank of Ireland is not a guarantor in

respect of the Securities and Security holders will have no right of recourse against Bank of Ireland. Only the liquidator of the Issuer, or the courts, may proceed against Bank of Ireland to require it as a member of an unlimited company to make a contribution on the winding-up of the Issuer (see *Insolvency of Institutions – Consequences of Issuers Status as Unlimited Company*).

#### *Extended Maturity of the Securities*

Unless the rating agencies then appointed by the Issuer to provide credit ratings in respect of the Securities agree otherwise, an Extended Maturity Date will apply to each Series of Securities issued under the Programme. If an Extended Maturity Date is specified in the applicable Final Terms or Pricing Supplement 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 or Pricing Supplement. 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 or Pricing Supplement. In that event also, the interest payable on the principal amount outstanding of those Securities will change as provided in the applicable Final Terms or Pricing Supplement 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 completed by the applicable Final Terms or Pricing Supplement.

#### *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 any 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 such 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 and Requirements under the ACS Acts*.

#### *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 and 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 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*. Notwithstanding the foregoing, the Issuer will not include in the Pool in any circumstance any asset-backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the Guideline on the implementation of the Eurosystem monetary policy framework (recast) (ECB/2014/60).

#### *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 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 and requirements under the ACS Acts*) and any applicable rating agency requirements.

#### *Substitution assets/cover assets hedge contracts with Bank of Ireland*

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. At the date of this Base Prospectus, the substitution assets comprised in the Pool are deposits with Bank of Ireland in Dublin. The cover assets hedge contracts comprised in the Pool (the **Pool Hedge**) have been entered into by the Issuer with Bank of Ireland. The Issuer expects that position to continue. However, that position may change and substitution assets or cover assets hedge contracts may be made by the Issuer with counterparties other than Bank of Ireland, subject to the restrictions in the ACS Acts and any applicable rating agency requirements. See *Restrictions on the Activities of an Institution and Cover Assets Pool and requirements under the ACS Acts*.

#### *Cover assets hedge contracts*

The Pool Hedge at the date of this Base Prospectus 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 with respect to 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, the Pool Hedge does not hedge any interest rate risk and/or, as applicable, currency risk, associated with those assets or, as applicable, Mortgage Covered Securities unless further hedging transactions are entered into under the Pool Hedge. 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. The difficulties in the Irish economy had a negative effect on the market for residential property, with property prices remaining off their peak albeit with property prices showing signs of stabilisation and growth. In addition, the increased level of unemployment resulting from the Irish and global economic downturn has had an adverse impact on borrowers' ability to repay loans. However, with falling unemployment levels and improving macro-economic conditions, the level of default in residential mortgage loans has continued to reduce.

If, following a default of a borrower, the Issuer enforces security for a residential loan included in the Pool, the Issuer may incur a loss if the net recovery proceeds on such enforcement are insufficient to redeem the outstanding loan. 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. In that event, the Pool could deteriorate to the extent, as noted above, that the Issuer would not be able to make payments in full or on a timely basis on the Securities. Such non-payment would not constitute an event of default, nor give a holder of the Securities or any other person the right to accelerate the Securities. (See *Risk Factors - No event of default on or acceleration of the Securities*).

#### *No event of default on or acceleration of the Securities*

The Terms and Conditions of the Securities do not contain any event of default, nor do they give the holders of the Securities or any other person the right to accelerate the obligations of the Issuer under the Securities.

Further, Part 7 of the 2001 Act provides, among other things, that, in the event that an Institution or its parent entity or related company becomes subject to an insolvency process, 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. (See *Insolvency of Institutions - Effect under the ACS Acts of insolvency, potential insolvency or insolvency process with respect to an institution*).

#### *Collection of residential loans*

The Cover Assets that secure the Securities comprise and will continue to comprise to a large extent loans secured on residential property. 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 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.

#### *No due diligence*

Neither the Arrangers 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 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. In particular, the downturn in the global and Irish economy had a negative effect on the Irish housing market resulting in a significant fall in property prices though property price stabilisation and growth has been evident more recently. A continued downturn may impact on the business of the Issuer. However, the lending criteria applied by the Issuer require that each Loan is secured by a first fixed mortgage or charge (see *Irish Residential Loan & Origination Servicing – Lending Criteria*).

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 the 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.

#### *Code of Conduct on Mortgage Arrears and Consumer Protection Code*

The Code of Conduct on Mortgage Arrears (**CCMA**) is a statutory code of practice relevant to the enforcement of residential mortgages by mortgage lenders (including the Issuer) - see *Certain Aspects of Regulation of Banks and Residential Lending in Ireland – Code of Conduct on Mortgage Arrears*. The current CCMA came into force on 1 July 2013 and applies to the mortgage lending activities of lenders (such as the Issuer) to consumers in respect of their primary residence. A primary residence is either a residential property occupied by the borrower as primary residence, or any other residential property if it is the only residential property in the State owned by the borrower. The CCMA applies to the activities of the Issuer and to Bank of Ireland as Mortgage Servicer (as defined in *Irish Residential Loan Origination and Servicing – Mortgage Servicing* below). Under the CCMA, lenders are required to establish a Mortgage Arrears Resolution Process (**MARP**) as a framework for handling mortgage arrears and pre-arrears and provides for a timeline that lenders must keep to before resorting to legal action. The CCMA affects the timeline and the procedure for the Issuer's enforcement of its security over a borrower's primary residence. A lender may only commence legal action for repossession at the later of (i) 8 months from the first date of arrears or (ii) 3 months from the date of a letter from the lender to the borrower advising the borrower that forbearance has been declined or that the borrower has failed to enter into an offered alternative repayment arrangement.

Legal proceedings may commence for repossession of a borrower's primary residence immediately if the borrower is in arrears and has perpetrated a fraud, breached a term of contract (other than a breach resulting in arrears) or the lender has classified the borrower as not co-operating and has notified the borrower thereof.

In addition, lenders are restricted from imposing charges and/or surcharge interest on arrears arising on a mortgage account in arrears to which the CCMA applies and in respect of which a borrower is co-operating reasonably and honestly with the lender under the MARP.

The Consumer Protection Code (the **CPC 2012** - see *Certain Aspects of Regulation of Banks and Residential Lending in Ireland – Consumer Protection Code*, sets out how lending institutions must deal with and treat personal consumers who are in arrears, on a range of loans, including residential investment loans. However, the Consumer Protection Code does not apply to the extent that the loan is a mortgage loan to which the CCMA applies.

#### *Mortgage Arrears Resolution Targets*

The Central Bank Mortgage Arrears Resolution Targets (**MART**) framework, published on 13 March 2013, outlines public targets for resolution of mortgage cases in arrears greater than 90 days, against which Specified Credit Institutions (as defined therein, and including the Issuer and Bank of Ireland) must measure themselves.

Within this MART framework document, the Central Bank noted that in order for the Specified Credit Institutions to convey their risk profile comprehensively to market participants, Specified Credit Institutions shall publicly disclose the level of compliance with these targets. The mechanism for disclosure identified is the 2013 Pillar 3 disclosures.

The Central Bank described the initiative, within the MART framework document, as ensuring Specified Credit Institutions offer and conclude sustainable solutions for their customers in arrears by setting specific performance targets.

The quarterly target for the number of terms being met by customers in respect of forbearance, restructures and Personal Insolvency Arrangements (**PIAs**) as set by the CBI are 75% of the loans in forbearance / restructures and PIAs at previous quarter end.

The Central Bank will consider regulatory actions, including the imposition of additional capital requirements, for Irish banks that fail to meet its targets or which demonstrate poor resolution strategies or poor execution of their strategies. In the context of the aforementioned public target, at 31 December 2015, complying with the calculations stipulated by the CBI, the Group has reported terms being met of 96% of the loans in forbearance / restructures and PIAs.

Further interventions may occur in the event that the regulatory or other State authorities deem these to be necessary. Any such interventions could have an adverse impact on the Group's financial results, conditions or prospects.

*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)) 2011 (the **MCA Valuation Notice**) made by the Central Bank (which came into operation on 9 December 2011) 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 not, at the date of this Base Prospectus, published valuation requirements under the ACS Acts, applicable to designated mortgage credit institutions, in respect of other types of mortgage credit assets (and related property assets) permitted by the ACS Acts.

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 (section 61(1), 61(2), 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 and Requirements under the ACS Acts — Valuation of Assets held by an Institution*.

*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 in certain circumstances to the payment by the borrower of compensation related to the fixed interest rate. In addition, loans comprised in mortgage credit assets which are included in the Pool will generally have interest payable on a monthly basis. Payments of principal on mortgage credit assets as set out above results in the Issuer requiring to include further mortgage credit assets and/or substitution assets in the Pool on a regular and ongoing basis in order for the Issuer to comply with the financial matching and regulatory overcollateralisation requirements under the ACS Acts and with contractual undertakings in respect of overcollateralisation (see *Cover Assets Pool and Requirements under the ACS Acts*).

*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;
- (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; and
- (vi) understand that a wide range of Securities may be issued under the Programme and consider the terms of Securities before investing.

#### *Risks applicable to certain types of Exempt Securities*

There are particular risks associated with an investment in certain types of Exempt Securities, such as securities in respect of which the amounts payable are calculated by reference to an index or formula (**Index Linked Securities**) or securities which are subject to exchange rate risk (**Dual Currency Securities**). In particular, an investor might receive less interest than expected or no interest in respect of such Exempt Securities and may lose some or all of the principal amount invested by it.

The Issuer may issue Exempt Securities with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Exempt Securities with principal or interest payable in one or more currencies which may be different from the currency in which the Exempt Securities are denominated. Potential investors should be aware that:

- (i) the market price of such Exempt Securities may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Exempt Securities in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Exempt Securities. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Exempt Securities linked to a Relevant Factor and the suitability of such Securities in light of its particular circumstances.

*Where Exempt Securities are issued on a partly paid basis (**Partly Paid Securities**), an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.*

The Issuer may issue Exempt Securities where the issue price is payable in more than one instalment. Any failure by any investor to pay any subsequent instalment of the issue price in respect of his Exempt Securities could result in such investor losing all of his investment.

*Exempt Securities which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.*

Exempt Securities with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Securities will have more volatile market values than conventional Floating Rate Securities.*

Inverse floating rate Securities have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR (**Inverse Floating Rate Securities**). The market values of those Securities typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Securities are more volatile because an increase in the reference rate not only decreases the interest rate of the Securities, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Securities.

#### *Foreign Account Tax Compliance Act*

Under the US Foreign Account Tax Compliance Act (**FATCA**) a 30 per cent. withholding tax may be imposed on certain payments to certain non-US financial institutions (**FFIs**, as defined by FATCA) that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. To avoid becoming subject to the 30 per cent. withholding tax on payments to them, FFIs may be required to report information to the US Internal Revenue Service (**IRS**) regarding the Security holders and, in the case of Security holders who (i) fail to provide the relevant information, (ii) are FFIs who have not agreed to comply with these information reporting requirements, or (iii) hold Securities directly or indirectly through such non-compliant FFIs, withhold on a portion of the amounts paid with respect to the Securities. However, the Issuer expects that withholding on "passthru" payments should not apply to payments made before 1 January 2019, if such withholding will be required at all.

The United States and Ireland have entered into an intergovernmental agreement (the **US-Irish IGA**), pursuant to which Irish reporting FFIs are required to report information on United States accountholders to the Irish tax authorities, which then report that information onward to the US Internal Revenue Service. The Issuer intends to comply with the US-Irish IGA. Compliance with the US-Irish IGA should reduce the risk that the Issuer would be withheld upon under FATCA or would have to withhold under FATCA.

If an amount in respect of FATCA is to be deducted or withheld either from amounts due to the Issuer or from payments made in respect of the Securities, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive smaller distributions than expected.

**FATCA is particularly complex. The above description is based in part on regulations, official guidance and the US-Irish IGA, some of which may be subject to change at a future time. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Securities.**

#### *Organisation for Economic Co-operation and Development (OECD) Common Reporting Standard*

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard (**CRS**) to address the issue of offshore tax evasion on a global basis. Aimed at maximising efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with the tax authorities in partner jurisdictions on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information

exchanges are expected to begin in 2017. Ireland has committed to implement the CRS. As a result, the Issuer may be required to comply with the CRS due diligence and reporting requirements, as adopted by Ireland. Security Holders may be required to provide additional information to the Issuer to enable the Issuer to satisfy its obligations under the CRS.

#### *Change of Law*

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. No assurance can be given as to the impact of any possible judicial decision or change to Irish law (including the ACS Acts or any legislation relating to the regulation of mortgage pricing) or administrative practice after the date of this Base Prospectus.

#### *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.

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies will assign credit ratings to the Securities. These ratings may not reflect the potential impact of all risks related to structure, market, the additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A rating agency may lower or withdraw its rating of the Securities and that action may reduce the market value of the 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 advisors to determine whether and to what extent (i) Securities are legal investments for it, him or her, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

*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.*

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, as common safekeeper, for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) (together, 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.

#### *Trading in the Clearing Systems*

In relation to any issue of Securities issued in global form which have a minimum denomination and are tradable in the Clearing Systems in amounts above that minimum denomination, but those tradable 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 or Pricing Supplement.

### *Interests of the Dealers*

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.

### *New Global Note Form Securities*

Though the New Global Note form (for bearer notes) and the New Safekeeping Structure (for registered notes) 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 monetary policy of the central banking system for Eurosystem and intra-day 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.

### *Other 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).

The implementation of the capital adequacy framework adopted by the Basel Committee on Banking Supervision may affect the risk-weighting of the Securities for investors who are or may become subject to capital adequacy requirements that follow the framework. Prospective investors in the Securities should consult their own advisors as to the consequences for them of the potential application to them of the Basel framework.

## **Factors which are material for the purpose of assessing risks associated with the Group and which may affect the Issuer**

### *Geopolitical risk*

An intensification of geopolitical risks, such as those associated with unrest in the Middle East and tensions in relation to Russia and the Ukraine, could have an impact on the markets in which the Group operates, and thus could impact the Group's results, financial condition and prospects.

### *Macro-prudential policy for, and conduct of, residential mortgage lending*

The Central Bank's 2015 regulations introduced limits on higher Loan to Value (**LTV**) and on higher Loan to Income (**LTI**) for new mortgage lending. Additionally, the level of mortgage rates and implementation of mortgage rate changes are subject to heightened scrutiny. The first review of the mortgage macro-prudential rules is scheduled for later this year and the Central Bank has recently sought written public submissions that provide evidence-based analysis of the impact of these rules, indicating that while the rules are intended to be permanent, the calibration of the rules may be adjusted following assessment. The Issuer remains committed to carrying on its mortgage lending activities in full compliance with these requirements.

### *Concerns regarding European sovereign debt*

Residual concerns regarding the creditworthiness of European sovereign debt, reflected in, among other factors, sovereign credit spreads, continued to diminish in 2015. However in 2016, concerns regarding European sovereign debt have emerged specifically related to the EU membership referendum in the UK, banking sector reforms in Italy and the political instability in Spain following the December 2015 general election. An increase in speculation about these matters could impact on sentiment towards other Eurozone bond markets and broader international debt markets.

International debt markets could also be impacted by more general concerns over levels of fiscal deficits, requirement for support of the banking system, evolving sovereign debt levels of EU Member States, speculation about the stability of the Eurozone and the potential impact of these factors on the individual EU Member State economies.

A material and unexpected escalation of market concern towards Ireland could lead to speculation or concern about the applicability of policy choices that might be applied to resolve those concerns which could ultimately have an adverse impact on the Group's results, financial condition or prospects.

### *Inherent risks arising from macroeconomic conditions in the Group's main markets, namely Ireland and the UK*

The Group's businesses are subject to inherent risks arising from general and sector specific economic conditions in countries to which the Group has an exposure, particularly in Ireland and the UK. Dampened growth prospects of Ireland's trading partners could weaken the recovery in the Irish economy, which could adversely impact the Group's results, financial condition and prospects. A material deterioration in the business environment combined with the high level of private sector debt could depress demand for financial products and credit facilities and increase the Group's impaired loans and impairment provisions. Reduced or muted demand for credit, whether as a result of macroeconomic conditions or other factors, has the potential to impact the Group's financial position by constraining loan volume growth.

*The Group is subject to a number of risks associated with the Irish banking system, EU regulatory obligations and the regulatory environment in the jurisdictions in which it carries out its principal activities, primarily in Ireland and the UK. Regulatory obligations and any breaches thereof could have a material adverse impact on the Group's results, financial condition and prospects.*

### *European Union Referendum*

On 20 February 2016, the UK government announced its intention to hold a referendum on 23 June 2016 on continued UK membership of the EU. Uncertainty relating to the outcome of this referendum and the manner of any exit could impact the environment in which the Group operates and consequently the Group's performance.

### *Regulatory obligations*

The Group is subject to extensive regulation and oversight. Regulatory obligations including anti-money laundering and financial sanctions requirements, conduct of business obligations and governance requirements have increased and continue to increase and the number of regulatory sanctions and fines are increasing globally. Where breaches occur, a sanction or fine requiring public disclosure may be imposed by a regulator, which could adversely impact market sentiment and consequently adversely impact the Group's results, financial condition, prospects and reputation.

### *Irish and UK banking systems*

The exercise of powers under existing legislation, in particular (in Ireland) the Central Bank (Supervision and Enforcement) Act 2013 (the **Supervision Act**), the introduction of new government policies or the amendment of existing policies in Ireland or the UK (including supervision, regulation, capital levels and structure), or the introduction of new regulatory obligations by the Group's regulators, could have an adverse impact on the Group's results, financial condition and prospects.

### *The Single Supervisory Mechanism*

The Single Supervisory Mechanism (the **SSM**) is a system of financial supervision comprising the ECB and the national competent authorities of participating EU countries, including the Central Bank in Ireland. Historically the Central Bank has had overall responsibility for the authorisation and supervision of credit institutions operating in Ireland. From 4 November 2014 a number of supervisory responsibilities and decision making powers moved to the ECB pursuant to the SSM Regulation. The Central Bank retains responsibility for the supervision of non-core activities (including, for example anti-money laundering and consumer protection). The ECB is responsible for all core supervisory responsibilities described in the SSM Regulation. For institutions considered "significant" by the ECB (of which the Issuer is one) a Joint Supervisory Team (**JST**), led by the ECB and consisting of both ECB and Central Bank supervisors directly supervises these firms. Should this result in a material increase in the level of regulatory obligations and/or more stringent enforcement thereof, this could adversely impact the Group's results, financial condition and prospects.

### *BRRD and SRM*

The Bank Recovery and Resolution Directive, Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (the **BRRD**) introduced a new framework in the European Union for the recovery and resolution of banks and other financial institutions. The BRRD was transposed in Ireland by the European Union (Bank Recovery and Resolution) Regulations 2015. Under the BRRD, competent authorities and resolution authorities are given power to, among other things:

- (a) require banks to prepare recovery plans and cooperate with competent authorities in the preparation of resolution plans;
- (b) take early intervention measures to prevent a bank's financial position from deteriorating, including replacing management or installing a temporary administrator in place of existing management;
- (c) appoint a special manager in place of existing management; and
- (d) implement resolution tools to manage the orderly resolution of a failing institution, including:
  - (i) selling the institution or all or part of the business of the institution (the sale of business tool);
  - (ii) transferring the institution or all or part of the business of the institution to a bridge institution (the bridge institution tool);
  - (iii) transferring assets and liabilities of an institution to one or more asset management vehicles (the asset separation tool); and
  - (iv) writing down capital instruments of an institution and writing down or converting to equity certain liabilities of an institution (the bail-in tool).

EU regulatory authorities, including the Central Bank, have required the production of recovery plans on an annual basis. The Group submitted its recovery plans as required in 2013 and 2014 and is engaged in the production of the third iteration of its recovery plan.

The BRRD provides that resolution authorities may not bail-in liabilities in the form of covered bonds (such as the Securities) or pool hedges, and requires, in addition, that all secured assets relating to a covered bond cover pool should remain unaffected by the bail-in tool, segregated and with enough funding. However, neither this requirement, nor the restriction on bailing-in covered bonds and pool hedges, prevents resolution authorities from writing down that part of a secured liability that exceeds the value of the collateral on which it is secured.

The BRRD is complemented by Regulation (EU) No 806/2014 of the European Parliament

and of the Council of 15 July 2014 (the **SRM Regulation**), which established the Single Resolution Mechanism (the **SRM**). The SRM Regulation is designed to ensure the uniform application of the BRRD resolution rules to failing banks subject to the SSM and prevent systemic contagion. It is based on close cooperation between the national resolution authorities of participating Member States, and a new centralised European resolution authority, the Single Resolution Board (the **SRB**). The SRB has the authority to exercise specific resolution powers pursuant to the SRM Regulation similar to those of the competent authorities under the BRRD, including in relation to resolution planning and the assessment of resolvability. The Group continues to engage with the national resolution authority for the Group, the Central Bank, the UK resolution authority for Bank of Ireland (UK) plc and the SRB in respect of understanding the implications of the new resolution regime for the Group and addressing in the Group's resolution plan any impediments identified by the SRB, whether structural or otherwise, to the Group's resolvability.

The exercise of the resolution tools created by the SRB and the BRRD could result in changes to the structure of the Group. Further, the changes to be implemented in respect of the SRM Regulation and the BRRD may have an effect on the Group's business, financial condition or prospects. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Group's operations, structure, costs and/or capital requirements.

#### *UK reform measures*

Bank of Ireland (UK) plc is the Group's licensed banking subsidiary in the UK. It comprises the Group's financial services relationship with the UK Post Office and the AA, its branch business in Northern Ireland, certain assets from its former intermediary sourced mortgage business, together with more recently issued intermediary mortgages and parts of its UK business banking operations. Bank of Ireland (UK) plc is authorised by the Prudential Regulation Authority and regulated by both the Prudential Regulation Authority and the Financial Conduct Authority. Bank of Ireland (UK) plc could be subject to future structural and non-structural reforms currently under consideration by the UK Government and regulators to promote financial stability and competition and to protect UK retail depositors. Further, Bank of Ireland (UK) plc could be subject to special resolution regime powers under the UK Banking Act 2009 or its implementation of BRRD.

#### *Other*

The Irish Government, through the Ireland Strategic Investment Fund (the **ISIF**), holds a circa 14 per cent. discretionary shareholding in Bank of Ireland, and through the Relationship Framework dated 30 March 2012, could exert a significant level of influence over the Group. The ISIF could exercise its voting rights in respect of its holding of ordinary stock in Bank of Ireland in a manner which is not aligned with the interests of the Group or its other stockholders. Bank of Ireland has also given certain undertakings to the Minister for Finance (the **Undertakings**) in respect of its lending, corporate governance and remuneration. Actions on foot of the ISIF investment and the Undertakings could require Bank of Ireland to implement operational policies that could adversely affect the Group's results, financial condition and prospects.

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

As at the date of this Base Prospectus, the long-term/short term sovereign credit ratings for Ireland are:

A+ (Stable) / A-1 from Standard & Poor's Rating Credit Market Services Europe Limited (**Standard & Poor's**); A3 (Positive) / P-2 from Moody's; A (Stable) / F1 from Fitch Ratings Limited (**Fitch**); A (High) (Stable) / R-1 (Middle) from DBRS, Inc. and A- (Positive) / a-1 from Rating and Investment Information, Inc. (**R&I**) (Source: National Treasury Management Agency (**NTMA**) website).

As at the date of this Base Prospectus, the long-term/short term senior unsecured credit ratings for the Group are BBB- (Positive)/ A-3 from Standard & Poor's; Baa2 (Positive) (Deposit Rating: Baa2 (Positive)) / P-2 from Moody's; BBB- (Positive) / F3 from Fitch; and BBB (High) (Positive) / R-1 (low)(Stable) from DBRS.

Each of Standard & Poor's, Moody's, Fitch and DBRS is established in the EU and is

registered under the CRA Regulation. DBRS, Inc. and R&I are not established in the EU and are not registered under the CRA Regulation. In general, European regulated investors may use credit ratings for regulatory purposes only if they are issued by a credit rating agency established in the European Union and registered in accordance with the CRA Regulation (or are endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation).

Downgrades of the Irish sovereign credit ratings could negatively impact access to market funding for the State and may impact the Group's access to private sector funding, trigger additional collateral requirements and weaken the financial position of the Group. Downgrades could also adversely impact the funding received from Irish government bonds used as collateral for the purposes of accessing the liquidity provision operations offered by monetary authorities (**Monetary Authorities**) or secured borrowing from wholesale markets and the value of Irish government bonds held by the Group's life assurance business to meet its liabilities.

Downgrades in the credit ratings of the Group could have a negative impact on the volume and pricing of its private sector funding and its financial position, restrict the Group's access to the capital and funding markets, trigger material collateral requirements or associated obligations in other secured funding arrangements or derivative contracts, make ineligible or lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets.

The availability of deposits is often dependent on credit ratings and downgrades for the Group could lead to withdrawals of corporate and/or retail deposits which could result in deterioration in the Group's funding and liquidity position.

#### *Lack of liquidity to fund the Group's business activities*

The Group seeks to maintain a stable funding base with core loan portfolios substantially funded by customer deposits and term wholesale funding.

A sudden and significant withdrawal of customer deposits, disruption to the access of funding from wholesale markets, or a deterioration in either the Group's or the Irish sovereign credit ratings could adversely impact the Group's funding and liquidity position.

Loss of customer confidence in the Group's business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's results, financial condition and prospects. Liquidity risk can be heightened by an over-reliance on a particular kind of funding and may be exacerbated by any restrictions on the flow of liquidity between jurisdictions and legal entities.

The Group at times sources funding from Monetary Authorities and any disruption to access could increase the Group's funding and liquidity risks.

The Group must comply with the regulatory liquidity requirements of the SSM and the requirements of local regulators in those jurisdictions where such requirements apply to the Group.

SSM requirements include compliance with the CRD IV legislation (as defined under **Banking Regulation** below) and the supplementary Delegated Act which are a comprehensive set of measures to strengthen the regulation, supervision and risk management of the banking sector.

These regulations introduce minimum liquidity requirements for regulated entities including the Liquidity Coverage Ratio (**LCR**) which requires banks to have sufficient high-quality liquid assets to withstand a 30-day stressed funding scenario.

Additionally it is proposed that the Net Stability Funding Ratio (**NSFR**) which requires banks to have sufficient quantities of funding from stable sources will come into effect from January 2018.

Relevant supervisory authorities may determine additional Pillar II liquidity requirements for the Group. Compliance with these requirements can be impacted by a range of factors, including the stability of customer deposits, the split between unsecured and secured funding, the mix of liquidity facilities provided by Monetary Authorities and the concentration of wholesale funding maturity, and may be subject to change in the future. Failure to comply with these requirements could result in regulatory sanctions and adversely impact the Group's reputation and prospects.



*Deterioration in the credit quality of the Group's borrowers and counterparties, as well as increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties, could result in significant increases in the Group's impaired loans and impairment provisions*

Exposures originated and managed in Ireland and the UK represent the substantial majority of the Group's credit risk. The Group has exposures to residential mortgages, SME and corporate customers in different sectors and investors in commercial property and residential property. Economic conditions may deteriorate in the Group's main markets, which may lead to, amongst other things, declines in values of collateral (including residential and commercial property values) and investments, increases in unemployment levels, weak consumer and corporate spending, declining corporate profitability, declining equity markets and bond markets and an increase in corporate insolvencies. This may give rise to deterioration in the credit quality of the Group's borrowers and counterparties and increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties, resulting in significant increases in the Group's impaired loans and impairment provisions.

Renewed uncertainty in the global and Eurozone economies could result in downgrades and deterioration in the credit quality of the Group's sovereign and banking exposures.

### *Change of Law and Regulation*

#### *Banking Regulation*

As a result of the current environment and market events, the minimum regulatory requirements imposed on the Group, the manner in which the existing regulatory capital and capital requirements are calculated, the instruments that qualify as regulatory capital and the capital tier to which those instruments are allocated, could be subject to change in the future. A number of regulatory initiatives have recently been proposed or enacted, which may significantly alter the Group's capital requirements.

Basel III has been implemented in part into EU law via the Capital Requirements Regulation (**CRR**) and CRD IV, both of which were published in June 2013. The legislation requires the European Banking Authority (**EBA**) to prepare technical standards setting out requirements around the implementation of certain aspects of the legislation.

The CRR came into force on 1 January 2014 and is directly applicable in Ireland. CRD IV has been implemented in Ireland by the European Union (Capital Requirements) Regulations 2014 and the European Union (Capital Requirements) (No.2) Regulations 2014 (together the **CRD Regulations**), which were signed into Irish law on 31 March 2014. The CRR and the CRD Regulations (together the **CRD IV Legislation**) introduce new regulatory requirements for regulated institutions such as the Group and its licensed subsidiaries. CRR and CRD IV also include requirements for regulatory and technical standards to be published by the EBA. While some of these have not yet been published, it is not anticipated that there would be a material incremental impact on the Group's capital ratios. The CRD IV Legislation is being implemented on a phased basis from 1 January 2014, with implementation for the majority of its provisions by 1 January 2019. The ECB has undertaken a review of national discretions and options contained in the CRD IV with a view to harmonising the current treatments across its jurisdictions. As a result of this review the ECB has now published a Regulation and a Guide, with the Regulation to be largely implemented from 1 October 2016. There are a number of changes contained in the Regulation which may have a net negative impact on the Group's transitional capital ratios such as increasing the phase in of the Deferred Tax Assets (**DTA**) deduction (although partially offset by the removal of the Available-for-Sale (**AFS**) sovereign filter).

The Basel III / CRD IV transition rules result in a number of new deductions from Common Equity Tier 1 capital being introduced on a phased basis typically with a 20 per cent. impact in 2014, 40 per cent. in 2015 and so on until 2018.

The liquidity provisions under Basel III / CRD IV introduced additional minimum liquidity requirements for the Group and its licensed subsidiaries including:

- Liquidity coverage ratio—The LCR will require banks to have sufficient high-quality liquid assets

to withstand a 30-day stressed funding scenario. The requirement is being introduced on a phased basis. The Group LCR regulatory requirement of 70 per cent took effect from 1 October 2015, increasing on a graduated basis to 100 per cent by 1 January 2018.

- Net stable funding ratio—The NSFR requires banks to have sufficient quantities of funding from stable sources. The ratio is proposed to come into effect from January 2018 with a minimum requirement of 100 per cent.

The SRB has signalled that it will, over the course of 2016, determine the Minimum Requirement for Own Funds and Eligible Liabilities (**MREL**) for major banking groups established in EU Member States subject to the SSM and the SRM, with the Group being identified within this grouping.

The MREL requirement will be determined on a case-by case basis taking into account (i) resolvability; (ii) capital adequacy; (iii) sufficiency of eligible liabilities; (iv) Deposit Guarantee Scheme; (v) business risks (business model, funding, risk profile); and (vi) systemic risk (interconnectedness).

### *Insurance Regulation*

Directive 2009/138/EC, adopted by the European Parliament on 22 April 2009 and endorsed by the Council of Ministers on 5 May 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (**Solvency II**) is a fundamental review of the capital adequacy regime for the European insurance industry. As part of the implementation of Solvency II, the capital structure and overall governance of the Group's life assurance business will alter significantly and this may have an impact on the capital structure of the Group. Solvency II became effective from 1 January 2016.

### *The Central Bank (Supervision and Enforcement) Act 2013*

The Supervision Act, with the exception of section 72 (which came into operation on 1 September 2013), came into operation on 1 August 2013. The Supervision Act further strengthens the regulatory framework for Irish financial services providers by clarifying and enhancing the powers of the Central Bank to allow it to monitor, supervise, query and investigate the conduct and activities of financial services providers and to impose sanctions as appropriate.

The Supervision Act applies to all regulated financial services providers and in many cases extends to any related undertakings including group companies and partnerships of which a regulated financial services provider is a member and which themselves may not have previously been subject to financial services regulation legislation.

The main provisions of the Supervision Act include:

- (i) the provision by a regulated financial services provider of an independent expert report;
- (ii) information gathering powers for the Central Bank;
- (iii) an enhanced authorised officer regime;
- (iv) the requirement to provide assurances from auditors;
- (v) protection for persons reporting breaches;
- (vi) empowering the Central Bank to give directions and make regulations;
- (vii) enhanced consumer protection; and
- (viii) increase in monetary penalties.

### *Personal Insolvency Legislation*

The Personal Insolvency Act 2012 created a regime for voluntary negotiated debt resolution options as alternatives to bankruptcy and reduced the timescale for discharge from bankruptcy from

twelve years to three years. The bankruptcy term was further reduced from three years to one year under the Bankruptcy (Amendment) Act 2015. The Personal Insolvency (Amendment) Act 2015 gave new powers to the Courts, in certain circumstances, to review and, where appropriate, approve insolvency proposals that have been rejected by a mortgage lender in relation to a principal private residence. There is a risk that borrowers' behaviours may change regarding payment obligations which could have an adverse impact on the Group's results, financial condition or reputation.

*The Group is exposed to market risks such as changes in interest rates, interest rate spreads (or bases) and foreign exchange rates*

Market risk is the risk of loss arising from movements in interest rates, foreign exchange rates or other market prices. Market risk arises naturally through customer lending and deposit-taking, the servicing of customer foreign exchange and other customer risk management needs, wholesale funding and investment in securities for liquid asset purposes. It is Group policy to minimise exposure to market risk, subject to a relatively conservative permission to take discretionary risk. Nonetheless, certain structural market risks remain and, in some cases, are difficult to eliminate fully. These structural risks arise *inter alia* from the presence of non-interest related assets and liabilities on the balance sheet, the multiplicity of pricing conventions for variable rate assets, liabilities and derivatives, the multi-currency mix of assets and liabilities and the requirement in the Group's case to fund sterling assets out of euro. While the Group employs a range of hedging and risk mitigation methods, the Group remains potentially exposed to adverse movements in interest rates, interest rate bases (the differential between variable interest rates), cross currency bases (primarily the cost of borrowing in euro to fund assets in sterling) and exchange rates.

The persistence of exceptionally low interest rates for an extended period into the future or a material reduction in interest rates could adversely affect the Group's financial condition and prospects through, among other things, the systemic mis-pricing of risk by financial markets, the compression of net interest margin, the low absolute level of yields at which certain liabilities are invested, together with the rate at which pension liabilities are discounted. In particular, such conditions may have a material adverse impact on the Group's Common Equity Tier 1 Ratios.

Fundamental changes have been underway in derivatives markets, in particular the mandatory clearing of most forms of interest rate swap and other standardised derivatives. The Group will access clearing through a number of appointed clearing brokers. The move to clearing brings with it concentration risks for many banks, including the Group, arising from the fact that access to clearing through central exchanges will be controlled by a relatively small number of counterparties. This compares with the bilateral OTC markets where no such concentration exists. The deterioration in the credit standing of the Group or credit appetite of one or more clearing brokers could impact on the Group's ability to execute new, or to clear existing, derivatives.

*Reputation risk is inherent in the Group's business*

Negative public or industry opinion can result from the actual or perceived manner in which the Group conducts its business, actual or perceived practices in the banking industry or from issues arising in the external environment. Such activities could, potentially, include necessary commercial decisions that impact on customers, the availability of credit, the treatment of customers in difficulties, the occurrence of cybercrime or other fraudulent activity, allegations of overcharging and mis-selling or mispricing of financial products, non-compliance with legal or regulatory requirements (including obligations associated with money laundering) inadequate or failed internal processes or systems or issues arising from human error or remuneration practices.

Negative publicity may adversely impact the Group's ability to have a positive relationship with key stakeholders, including regulatory authorities, and/or to keep and attract customers, the loss of which may adversely impact the Group's business, financial condition and prospects.

*Adverse changes to tax rates, bank levies, legislation and practice in the various jurisdictions in which the Group operates*

In accordance with applicable accounting rules, the Group has recognised deferred tax assets on losses available to relieve future profits to the extent that it is probable that such losses will be utilised. Failure to demonstrate convincing evidence of the availability of future taxable profits, or changes in tax legislation or government policy may reduce the recoverable amount of the deferred

tax assets currently recognised in the financial statements, and result in a material adverse impact on the Group's results, financial condition and prospects.

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice. There is a risk that the final taxation outcome could be different to the amounts currently recorded.

Other changes in tax rates, bank levies, legislation and regulatory practice could also adversely impact the results, financial condition and prospects of the Group.

*Pension risk is the risk in the Group's defined benefit pension schemes that the assets are inadequate or fail to generate returns that are sufficient to meet the schemes' liabilities.*

The Group sponsors a number of defined benefit pension schemes for past and current employees. Pension risk crystallises for the sponsor when a deficit emerges of a size which implies a material probability that the liabilities will not be met. Defined benefit pension funds are subject to market fluctuations, and interest rate and inflation risks, thus a level of volatility is associated with defined benefit pension funding. These market fluctuations can impact the value of the schemes' asset portfolios and returns and / or result in a greater than expected increase in the value of the schemes' liabilities. The level of volatility associated with pension funding can have a negative impact on the financial condition and prospects of the Group.

Legislative changes were made to the Irish Pensions Act 1990 in June 2012, introducing a revised statutory funding standard for Republic of Ireland schemes. The introduction of these requirements could have an adverse impact on the Group's financial condition and prospects due to the introduction of additional Risk Reserve requirements from 1 January 2016.

*Failure in the Group's processes, operational systems, technology or infrastructure, or those of third parties*

The Group is exposed to a broad range of operational risks as a direct and indirect consequence of performing its day-to-day business activities. These risks are an inherent part of the execution of its business processes, the functioning and resilience of its technologies, the implementation of new products and processes, and the management of its assets, including the capture, retention and disposal of customer and Group data.

Operational risks may materialise as a result of a broad range of factors, including weaknesses or failures in the Group's internal or customer facing processes, such as account-opening, payments processing, financial reporting and risk monitoring processes. Such risks may materialise due to information technology or equipment failures, the malfunction or deficiency of external systems and controls (including those of the Group's suppliers or counterparties), or from people-related or external events, such as cyber-crime, fraud, unauthorised trading and errors or from natural disasters and social or political events. Cyber-crime risk represents a persistent and ever-evolving threat to which the Group is exposed, and for which a broad range of measures are implemented in order to detect possible vulnerabilities and to protect the Group from the potential impact of attacks. The Group is also exposed to the risk of information leakage, loss or theft as part of the various activities performed by its employees, contractors and by third party suppliers on its behalf.

The Group faces various risks associated with operational disruption, breakdown or constraints, including in the provision of products and services by third party suppliers that are integral to the Group's day-to-day delivery of products and services. If one or more of these risks were to materialise, the confidentiality, integrity and availability of the Group's business processes, computer systems and networks may be compromised, or otherwise cause interruptions or malfunctions in the Group's, as well as its clients' or third parties', operations.

As part of its day-to-day operations, the Group processes a large volume of transactions, some of which are highly complex, across a diverse range of products and services, in various markets and currencies and subject to several legal and regulatory regimes. The Group faces the

risk that due to errors, control failures or criminal acts, the Group's execution and provision of these transactions and services may be negatively impacted. The Group is required to implement and adhere to a significant body of existing and new regulatory and legal requirements. The implementation of these requirements and the ongoing adherence to their associated obligations, pose various risks, including the potential for non-compliance and direct operational impacts on existing processes and systems and on the continuity of services provided to customers.

The occurrence of one or more of the above, or any weakness in the Group's internal control structures and procedures, could result in a material adverse impact on the Group's results, financial condition and prospects, as well as reputational damage which could exacerbate such adverse impact, and could give rise to regulatory penalties and litigation.

*The Group's success depends in part on the availability of skilled people and the continued services of key members of its management team, both at its head office and at each of its business units*

If the Group fails to attract and appropriately train, motivate and retain skilled and qualified people, its businesses may be negatively impacted. Restrictions imposed on remuneration by Government, tax or regulatory authorities or other factors outside the Group's control in relation to the retention and recruitment of skilled and qualified people may adversely impact on the Group's ability to attract and retain such staff.

*Capital adequacy and its effective management, which is critical to the Group's ability to operate its businesses and to pursue its strategy*

The Group's business and financial condition would be affected if the Group was insufficiently capitalised. This could be caused by a materially worse than expected financial performance (including, for example, reductions in earnings as a result of impairment charges, or an unexpected change in interest rates, or unexpected increases in risk weighted assets).

The minimum regulatory requirements imposed on the Group, the manner in which the existing regulatory capital and its capital requirements are calculated, the instruments that qualify as regulatory capital and the capital tier to which those instruments are allocated, are the subject of extensive analysis and debate in the media and by regulatory authorities and could be subject to change in the future. A number of regulatory initiatives have recently been proposed or enacted which have the potential to impact the Group's capital requirements. These initiatives include Capital Requirements Directives (CRD II, III and IV), CRR, BRRD and Solvency II and the transfer of supervisory powers to the SSM in November 2014, and, together with further regulatory reforms and clarifications under consideration, have the potential to impact the Group's capital requirements.

In February 2016, the EBA launched an EU-wide stress test which will assess the ability of EU banks to meet relevant supervisory capital ratios during an adverse economic shock. The Group has participated in the stress test and the results are expected to be published in Q3 2016.

#### *Litigation and regulatory proceedings and examination*

Disputes, legal proceedings and regulatory investigations and examinations in which the Group may be involved are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. In 2015, the Central Bank of Ireland announced that it would conduct a Tracker Mortgage Examination with all lenders in Ireland. This means that all lenders – including the Issuer – have been asked to examine customer tracker mortgages. This examination is underway, and the Issuer is co-operating fully with it. Adverse judgments in litigation, or regulatory proceedings or examinations involving the Group or other financial institutions could result in restrictions or limitations on the Group's operations or result in a material adverse impact on the Group's results, financial condition and prospects, together with its reputation.

#### *Technology*

Rapidly shifting consumer behaviours and the proliferation of internet, social and device (mobile, tablet, wearable) technologies are changing the way customers research, purchase and maintain the products and services they consume in their day to day lives, and this is reflected in the evolving banking models for consumers and businesses, both in Ireland and internationally. This not only affects the manner in which customers manage their financial affairs and core products (from

operating accounts to deposits to credit facilities and wealth management instruments), but money transmission is also expected to evolve in the coming years with numerous new players entering the payments environment, facilitated by regulatory and market forces such as Directive (EU) 2015/2366 on Payment Services in the Internal Market (PSD2) and Immediate Payments thus changing the payment services available. Analytically driven and customer focussed new entrants are changing the way financial services companies are approaching their routes to market, service and fulfilment value chains, operating models and core competencies so that they remain relevant and compete in the newly consumerised and digital arena.

An inability of the Group to respond to external developments in a timely manner or any rigidity in the Group's operating model preventing an appropriate response could lead to a deterioration in the Group's results, financial conditions and prospects.

## General Description of the Programme

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Under the Programme, the Issuer may from time to time issue Securities denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Securities appears under *Overview* above. 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 incorporated by reference into the Securities as completed by the applicable Final Terms (or Pricing Supplement, in the case of Exempt Securities) attached to, or endorsed on, such Securities, as more fully described under *Form of the Securities* below.

This Base Prospectus will only be valid for listing Securities that:

- (a) in the case of Securities that are not Exempt Securities, are to be admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of MiFID or to be offered to the public in any Member State of the EEA; and
- (b) in the case of Exempt Securities, are to be admitted on the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange,

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 €15,000,000,000 (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 or, in the case of Exempt Securities, in the applicable Pricing Supplement) 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;
- (b) the euro equivalent of Dual Currency Securities, Index Linked Securities and Partly Paid Securities shall be calculated in the manner specified above by reference to the original nominal amount on issue of those Securities (in the case of Partly Paid Securities regardless of the amount of the subscription price paid); and
- (c) the euro equivalent of Zero Coupon Securities (as specified in the applicable Final Terms in relation to the Securities or, in the case of Exempt Securities, in the applicable *Pricing Supplement*) and any 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.

## Documents Incorporated by Reference

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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 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 period 1 January 2015 to 31 December 2015 and the auditor's report dated 19 February 2016, by PricewaterhouseCoopers thereon;
- (b) the audited financial statements of the Issuer for the period 1 January 2014 to 31 December 2014 and the auditor's report dated 26 February 2015, by PricewaterhouseCoopers thereon;
- (c) the terms and conditions of the Securities as contained in pages 72 to 95 of the base prospectus dated 3 June 2015 in respect of the Programme, available on the website of the Irish Stock Exchange at:

[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_c93c307a-d71e-4f7c-ba55-85cbb112de1b.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_c93c307a-d71e-4f7c-ba55-85cbb112de1b.pdf);

- (d) the terms and conditions of the Securities as contained in pages 72 to 95 of the base prospectus dated 4 June 2014 in respect of the Programme, available on the website of the Irish Stock Exchange at:

[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_1406293c-66e3-4ff7-acae-ff30b770eb7e.PDF?v=1442015](http://www.ise.ie/debt_documents/Base%20Prospectus_1406293c-66e3-4ff7-acae-ff30b770eb7e.PDF?v=1442015); and

- (e) the terms and conditions of the Securities as contained in pages 65 to 86 of the base prospectus dated 27 August 2013 in respect of the Programme, available on the website of the Irish Stock Exchange at:

[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_c5c7a289-2a5b-42e9-ab37-6a5f2365587c.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_c5c7a289-2a5b-42e9-ab37-6a5f2365587c.pdf)

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

The audited financial statements of the Issuer and the auditor's report thereon referred to at (a) and (b) above and deemed to be incorporated herein by reference are also available at:

<https://investorrelations.bankofireland.com/results-centre/>



## **Supplement to this Base Prospectus**

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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 or shall publish an updated Base Prospectus.

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 an amendment or supplement to this Base Prospectus or prepare a replacement prospectus for use in connection with any subsequent offering of the Securities.

## Form of the Securities, Issue Procedures and Clearing Systems

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Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

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 (as 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 and Clearstream, Luxembourg; and
- (b) if the Bearer Securities are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) 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 US persons or persons who have purchased for resale to any US person, as required by US Treasury regulations, have been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

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

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

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

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 to permanently 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, as the case may be, 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 US 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:

- (a) if the Registered Global Securities are intended to be issued into the New Safekeeping Structure (**NSS**), as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of the Common Safekeeper; and
- (b) if the Registered Global Securities are not intended to be issued into the NSS, as stated in the applicable Final Terms, be deposited with a common depositary for, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg.

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

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

maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

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

### **Transfer of Interests in Global Securities**

Interests in a Global Security may, subject to compliance with all applicable restrictions and requirements, be transferred to a person who wishes to hold such interest in a Global Security. No beneficial owner of an interest in a Global Security will be able to transfer such interest, except in accordance with the applicable procedures of the Clearing Systems, 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 — Trading in the Clearing Systems*.

### **Clearing Systems**

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Arrangers or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arrangers or any of the Dealers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, interests in the Securities held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such interests.*

Euroclear and Clearstream, Luxembourg each holds securities for its participants and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective participants. The Clearing Systems provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. The Clearing Systems also deal with domestic securities markets in several countries through established depositary and custodial relationships. The Clearing Systems 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 the Clearing Systems 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 Citibank, N.A. of 21 Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, 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. The Common Safekeeper for Securities, issued under the Programme in NGN form is Euroclear.

## 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 the Clearing Systems will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of interests in Global Securities among participants and accountholders of the Clearing Systems. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Arrangers or any Dealer will be responsible for any performance by Euroclear and Clearstream, Luxembourg 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**) number 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

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Set out below is the form of Final Terms which will be completed for each Tranche of Securities which are not Exempt Securities issued under the Programme.

### BANK OF IRELAND MORTGAGE BANK

Issue of [Aggregate Nominal Amount of Tranche] [● per cent./Floating Rate/Zero Coupon] Mortgage Covered Securities due ● under the €15,000,000,000 Mortgage Covered Securities Programme

THE SECURITIES (AS DESCRIBED HEREIN) ARE MORTGAGE COVERED SECURITIES ISSUED IN ACCORDANCE WITH THE ASSET COVERED SECURITIES ACT, 2001 OF IRELAND (AS AMENDED, THE "ACT"). THE ISSUER HAS BEEN REGISTERED BY THE CENTRAL BANK OF IRELAND 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 for the purposes of Article 5.4 of the Prospectus Directive.

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 the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### 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 2 June 2016 (the **Base Prospectus**) [and the supplemental base prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive and relevant Irish laws. This document (the **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].<sup>1</sup> 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, [and the supplemental base prospectus].<sup>2</sup>

The Base Prospectus, [and the supplemental base prospectus dated [●]] [has] [have] been published on the website of the Central Bank of Ireland and on www.bankofireland.com and copies may be obtained from New Century House, Mayor Street Lower, I.F.S.C., Dublin 1, Ireland.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the **Conditions**) set forth in the base prospectus dated [original date]. This document (the **Final Terms**) constitutes the final terms of the Securities described herein for the purposes of article 5.4 of the Prospectus Directive) and relevant Irish laws and must be read in conjunction with the base prospectus dated [●] June 2016 (the **Base Prospectus**) [and the supplemental base prospectus dated [●],<sup>3</sup> which [together] constitute[s] a base prospectus for the

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1

Delete unless Base Prospectus has been supplemented by a Prospectus in which the Terms and Conditions of the Securities have been amended for the purposes of all future issues under the Programme.

2

Delete unless Base Prospectus has been supplemented by a Prospectus in which the Terms and Conditions of the Securities have been amended for the purposes of all future issues under the Programme.

3

Delete unless Base Prospectus has been supplemented by a Prospectus in which the Terms and Conditions of the

purposes of the Prospectus Directive and relevant Irish laws, save in respect of the Conditions which are extracted from the base prospectus dated [*original date*]. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms, the Conditions, the Base Prospectus [and the supplemental base prospectus dated [●]. The Base Prospectus, [and the supplemental base prospectus dated [●] [has] [have] been published on the website of the Central Bank of Ireland and on <http://www.bankofireland.com/about-bank-of-ireland/investor-relations/debt-investors/prospectus/> and copies may be obtained from New Century House, Mayor Street Lower, I.F.S.C., Dublin 1, Ireland.]

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

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

- |    |   |  |
|----|---|--|
| 1. | Issuer:   | Bank of Ireland Mortgage Bank  |
| 2. | (a) Series Number:  | [●]  |
|    | (b) Tranche Number:   | [●]  |
|    |   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Securities become fungible)</i>   |
|    | (c) Date on which the Securities become fungible:                   | [Not Applicable]/[The Securities shall be consolidated, form a single series and be interchangeable for trading purposes with the (insert description of the Series) on [insert date/the Issue Date/exchange of the Temporary Global Security for interests in the Permanent Global Security, as referred to in paragraph 21 below [which is expected to occur on or about [insert date]]].] |
| 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 ( <i>Required only for listed issues</i> ):        | [●]  |
|    | (c) Specify whether expenses or taxes will be charged to investors: | [Yes – if so specify which expenses/taxes/No]  |

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*Securities have been amended for the purposes of all future issues under the Programme.*

6. Specified Denominations: **[•]**  
*(In the case of Registered Securities, this means the minimum integral amount in which transfers can be made)* [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].] [NB – Minimum €100,000 or equivalent]
7. Issue Date: **[•]**
8. Maturity Date: *[Fixed Rate/Zero Coupon — specify date/ Floating Rate — Interest Payment Date falling in or nearest to [specify month and year]]*
9. Extended Maturity Date: **[Applicable/Not Applicable]**  
 (See Conditions 4(e) and 6(i)) **[The Extended Maturity Date is [•].]**  
*[Extended Maturity Date must be Applicable to all issues of Securities, unless the rating agencies which at the relevant time provide credit ratings for the Programme agree that Extended Maturity Date may be Not Applicable]<sup>4</sup>*
10. Interest Commencement Date:
- (i) Period to Maturity Date: **[•]**
- (ii) Period from Maturity Date up to Extended Maturity Date: **[Not Applicable]<sup>5</sup>**  
**[Maturity Date]**
11. Interest Basis:
- (i) Period to Maturity Date: **[[•] per cent. Fixed Rate]**  
**[[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate]**  
**[Zero Coupon]**  
 (further particulars specified at 14(i), 14(a)(i), 15(i), 15(d)(i) and 16 below)
- (ii) Period from Maturity Date up to Extended Maturity Date: **[Not Applicable] [[•] per cent. Fixed Rate]**  
**[[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate]**  
 (further particulars specified at 14(ii), 14(a)(ii), 15(ii) and 15(d)(ii))<sup>6</sup>

<sup>4</sup> *If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert "Not Applicable".*

<sup>5</sup> *If Extended Maturity Date is not applicable, insert "Not Applicable".*

<sup>6</sup> *Insert "Not Applicable" only if Extended Maturity Date does not apply.*



12. Redemption Basis: [Redemption at par]  
 [Instalment]<sup>7</sup>  
 [Redemption at premium]<sup>8</sup>
13. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified at 17 and 18 below)]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Security Provisions:
- (i) To Maturity Date: [Applicable/Not Applicable]<sup>9</sup>  
*(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)*
- (a) Rate(s) of Interest:
- (i) To Maturity Date: [●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]  
*(If payable other than annually a supplement to the Base Prospectus will be required pursuant to Article 16 of the Prospectus Directive)*
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●] per cent. per annum.  
 [payable [annually/semi-annually/quarterly] in arrear]  
*(If payable other than annually a supplement to the Base Prospectus will be required pursuant to Article 16 of the Prospectus Directive)*<sup>10</sup>
- (b) Interest Payment Date(s):
- (i) To Maturity Date: [[●] in each year up to and including the Maturity Date]  
*(NB — this will need to be amended in the case of long or short coupons)*

<sup>7</sup> Securities which are not listed on a stock exchange or admitted to trading on a regulated market cannot be redeemed above par under the Programme

<sup>8</sup> Securities which are not listed on a stock exchange or admitted to trading on a regulated market cannot be redeemed above par under the Programme

<sup>9</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.

<sup>10</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Fixed Rate Securities after the Maturity Date.

- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]<sup>11</sup> [[•] in each month up to and including the Extended Maturity Date]
- (If payable other than monthly a supplement to the Base Prospectus will be required pursuant to Article 16 of the Prospectus Directive )*
- (c) Fixed Coupon Amount(s):
- (i) To Maturity Date: [•] per [•] in nominal amount
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]<sup>12</sup> [•] per [•] in nominal amount
- (d) Broken Amount(s):
- (i) To Maturity Date: [[•] per [•] in nominal amount payable on the Interest Payment Date falling [in/on] [ ]]/ [Not applicable]. *[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]<sup>13</sup> [[•] per [•] in nominal amount payable on the Interest Payment Date falling [in/on] [ ]]/ [Not applicable] *[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)]/[30/360]/[Actual/365 (Fixed)]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]/[Actual/Actual (ICMA)]/[30/360]/[Actual/365 (Fixed)]<sup>14</sup>
- (f) Determination Date(s): [•] in each year
- (i) To Maturity Date: *[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*

11

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

12

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

13

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

14

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

*Fraction is Actual/Actual (ICMA)]*

- (ii) From Maturity Date up to Extended Maturity Date: <sup>15</sup> [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)]*

15. Floating Rate Security Provisions:

- (i) To Maturity Date: [Applicable/Not Applicable] *(If not applicable, state "Not Applicable" in the relevant subparagraphs below of this paragraph)*
- (ii) From Maturity Date up to Extended Maturity Date: <sup>16</sup> [Applicable/Not Applicable] *(If sub-paragraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)*
- (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: <sup>17</sup> [Not Applicable] [Interest Periods: [•] Specified Interest Payment Dates: [•]]
- (b) Business Day Convention:
- (i) To Maturity Date: [Not Applicable] [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] <sup>18</sup>
- (c) Additional Business Centre(s):
- (i) To Maturity Date: [•]

<sup>15</sup> *State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.*

<sup>16</sup> *State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.*

<sup>17</sup> *State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.*

<sup>18</sup> *State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.*

- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [●]<sup>19</sup>
- (d) Manner in which the Rate(s) of Interest and Interest Amount(s) is to be determined:
- (i) To Maturity Date: [Screen Rate Determination/ISDA Determination]
- (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [Screen Rate Determination/ ISDA Determination]<sup>20</sup>
- (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] [●]<sup>21</sup>
- (f) Screen Rate Determination:
- (i) To Maturity Date:
- Reference Rate: [●] (either LIBOR or EURIBOR. If other, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive, and fallback provisions required for 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 TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
  - Relevant Page: Screen [●] (In the case of EURIBOR, if not Reuters EURIBOR1 or Telerate page 248 ensure it is a page which shows a composite rate. If it is not such a page, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive)
- (ii) From Maturity Date up to [Not Applicable]<sup>22</sup>

<sup>19</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

<sup>20</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

<sup>21</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

<sup>22</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after

Extended Maturity Date:

- Reference Rate: [•] (either LIBOR or EURIBOR. If other, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive, and fallback provisions required for 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 TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: [•] (In the case of EURIBOR, if not Reuters EURIBOR1 or Telerate page 248 ensure it is a page which shows a composite rate. If it is not such a page, a supplement to the Base Prospectus is required pursuant to Article 16 of the Prospectus Directive)

(g) ISDA Determination:

(i) To Maturity Date:

- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]

(ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]<sup>23</sup>

- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]

(h) Linear Interpolation:

[Not Applicable]/[Applicable – the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

(i) Margin(s):

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

(ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]<sup>24</sup> [+/-][•] per cent. per annum

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*the Maturity Date.*

<sup>23</sup>

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

<sup>24</sup>

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

- (j) Minimum Rate of Interest:
- (i) To Maturity Date: [+/-][●] per cent. per annum
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]<sup>25</sup> [+/-][●] per cent. per annum
- (k) Maximum Rate of Interest:
- (i) To Maturity Date: [+/-][●] per cent. per annum
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]<sup>26</sup> [+/-][●] per cent. per annum
- (l) Day Count Fraction:
- (i) To Maturity Date: [Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360]  
(as set out in Condition 4)
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]<sup>27</sup>  
[Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360]  
(as set out in Condition 4)
16. 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: [●]

#### PROVISIONS RELATING TO REDEMPTION

17. Issuer Call:  
(as referred to in Condition 6 (b)):
- [Applicable/Not Applicable]  
(if not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [●]

<sup>25</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

<sup>26</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

<sup>27</sup> State 'Not Applicable' unless Extended Maturity Date applies and the Securities are Floating Rate Securities after the Maturity Date.

(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: [•]

18. Investor Put: [Applicable/Not Applicable]  
(as referred to in Condition 6 (c)) *(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

19. Final Redemption Amount of each Security: [•] per Security of [•] Specified Denomination

#### GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

20. 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 which is exchangeable for Definitive Bearer Securities only upon an Exchange Event]

[Registered Securities:

[Registered Global Security ([•] nominal amount) registered in the name of a nominee for a [common depositary] [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)*

21. [New Global Note] [New Safekeeping Structure]: [Yes/No]

22. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details] *(note that this item relates to the place of payment and not Interest Period end dates to which item 19(c) relates)*

23. Talons for future Coupons or Receipts to be attached to definitive Bearer Securities (and dates on which such Talons mature): [No/Yes. As the Securities have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
24. Details relating to Instalment Securities:
- (i) Instalment Amount(s): [Not Applicable/give details]
  - (ii) Instalment Date(s): [Not Applicable/give details]
25. Whether Condition 5(i) applies: [Condition 5(i) applicable/Condition 5(i) not applicable] (*Condition 5(i) relates to Registered Securities in definitive form only*)

## 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:

By: \_\_\_\_\_  
Duly authorised]



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [specify relevant regulated market and, if relevant, listing on an official list] of the Irish Stock Exchange with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [specify relevant regulated market and, if relevant, listing on an official list] of the Irish Stock Exchange with effect from [•].]
- (ii) 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 €15,000,000,000 Mortgage Covered Securities Programme generally:]

[Moody's: [•]]

[DBRS: [•]]

[Other: [•] which is established in the EU and is registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)

[which is not established in the EU and not registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)] [and its ratings will be endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation].

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)

*(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. If not included in the Base Prospectus, include a statement as to whether or not the relevant credit rating agency is established in the EU and whether it is registered under Regulation (EC) 1060/2009)*

### 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.]]

### 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. YIELD**

(Fixed Rate Securities 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.

**6. OPERATIONAL INFORMATION**

- (i) ISIN: [●]
- (ii) Common Code: [●]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [●]
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No].

[Note that the designation "yes" simply means that the Securities will be deposited upon issue with one of the ICSDs as common safe-keeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper *(include this text for registered securities)*] and does not necessarily mean that the Securities will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem's eligibility criteria.]

*(Include this text if Yes selected in which case Bearer Securities must be issued in NGN form and Registered Securities must be issued in accordance with the New Safekeeping Structure.)*

[Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Securities are capable of meeting them, the Securities may then be deposited with one of the ICSDs as common safekeeper [(and registered in

the name of a nominee of one of the ICSDs acting as common safekeeper (*include this text for registered securities*). Note that this does not necessarily mean that the Securities will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

*(Include this text if No selected)*

## 7. DISTRIBUTION

- (i) Method of Distribution: [Syndicated/Non-Syndicated]
- (ii) If syndicated, names of Lead Manager[s] and 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)]
- (iii) Stabilising Dealer (if any): [Not Applicable/give name]
- (iv) If non-syndicated, names of relevant Dealer: [•] (*if relevant Dealer is not also a permanent Dealer under the Programme, include its address and description*)
- (v) [Commission Payable/Selling Concession: [•]]
- (vi) US Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/ TEFRA not applicable]

## Pricing Supplement

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### EXEMPT SECURITIES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Securities, whatever the denomination of those Securities, issued under the Programme.

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF THE EXEMPT SECURITIES DESCRIBED BELOW.**

#### BANK OF IRELAND MORTGAGE BANK

**Issue of [Aggregate Nominal Amount of Tranche] [• per cent./Floating Rate/Zero Coupon] Mortgage Covered Securities due • under the €15,000,000,000 Mortgage Covered Securities Programme**

#### PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Securities may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Securities described herein. This document must be read in conjunction with the listing particulars dated [•] June 2016 (the **Base Prospectus**) [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] "Listing Particulars" for the purposes of the admission of the Securities to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s]] [is] [are] available for viewing [at <http://www.bankofireland.com/about-bank-of-ireland/investor-relations/debt-investors/prospectus> and copies may be obtained during normal business hours from New Century House, Mayor Street Lower, I.F.S.C., Dublin 1, Ireland and from the specified office of the Paying Agent.]

*[The following language is to be included only if the first tranche of an issue which is being increased was issued under a Listing Particulars with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the listing particulars dated [original date] which are incorporated by reference in the Base Prospectus.]

*[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 sub-paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.]*

1. Issuer: Bank of Ireland Mortgage Bank
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)*  
(c) Date on which the Securities become fungible: The Securities will be consolidated and form a single Series with [•] on [the Issue Date/exchange of the Temporary Global Security for interests in the Permanent Global Security, as referred to in paragraph 21 below, which is expected to occur on

- or about [date]] / [Not Applicable]
- (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: [•]
- (i) Tranche: [•]
- (ii) Series: [•]
- (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. (a) Specified Denominations: [•]
- (in the case of Registered Securities, this means the minimum integral amount in which transfers can be made)* [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].] (NB – Minimum €100,000 or equivalent)
- (b) Calculation Amount: [•]
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. Issue Date: [•]
8. Maturity Date: [Fixed rate – [•]]
- [Floating rate – Interest Payment Date falling in or nearest to [specify month]]
9. Extended Maturity Date: [Applicable/Not Applicable]
- (See Conditions 4(e) and 6(i)) [The Extended Maturity Date is [•].
- [Extended Maturity Date must be Applicable to all issues of Securities, unless the rating agencies which at the relevant time provide credit ratings for the Programme agree that Extended Maturity Date may be Not Applicable]*
10. Interest Commencement Date:

- (a) To Maturity Date: [●]
- (b) From Maturity Date up to Extended Maturity Date: [Not applicable]  
[Maturity Date]
11. Interest Basis:
- (a) To Maturity Date: [[●] per cent. Fixed Rate]  
[[*specify Reference Rate*] +/- [●] per cent. Floating Rate]  
[[●] per cent. Fixed Rate until [●], then calculated in accordance with paragraph 16 below]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[CMS Linked Interest]  
[Inflation Linked Interest]  
[*specify other*]  
(further particulars specified below)
- (b) From Maturity Date to Extended Maturity Date: [Not Applicable] [[●] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [●] per cent. Floating Rate]  
(further particulars specified at 17(ii), 17(a)(ii), 18(ii) and 18(d)(ii))
12. Redemption Basis:
- [Redemption at par]  
[Redemption at premium]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[CMS Linked Redemption]  
[Inflation Linked Redemption]  
[Partly Paid]  
[Instalment]  
[*specify other*]
13. Change of Interest Basis or Redemption Basis: [*Specify details of any provision for change of Securities into another Interest Basis or Redemption/Payment Basis/Not Applicable*]
14. Put/Call Options:
- [Investor Put]  
[Issuer Call]  
[Not Applicable]  
[(further particulars specified below)]
15. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Security Provisions:

- (i) To Maturity Date: [Applicable/Not Applicable]  
*(If subparagraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)*
- (ii) From Maturity Date to Extended Maturity Date: [Applicable/Not Applicable]  
*(If not applicable, state "Not applicable" in the relevant subparagraphs below of this paragraph)*
- (a) Rate(s) of Interest:
  - (i) To Maturity Date: [•] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable/ [•] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (b) Interest Payment Date(s):
  - (i) To Maturity Date: [[•] in each year up to and including the Maturity Date] *(NB This will need to be amended in the case of long or short coupons)*
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [[•] in each month up to and including the Extended Maturity Date]
- (c) Fixed Coupon Amount(s):
  - (i) To Maturity Date: [•] per [•] in nominal amount
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [•] per [•] in nominal amount
- (d) Broken Amount(s):
  - (i) To Maturity Date: [[•] per [•] in nominal amount payable on the Interest Payment Date falling [in/on] [ ]]/ [Not applicable]*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupons Amount(s)]*
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [[•] per [•] in nominal amount payable on the Interest Payment Date falling [in/on] [ ]]/ [Not applicable]*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupons Amount(s)]*
- (e) Day Count Fraction:
  - (i) To Maturity Date: [Actual/Actual (ICMA)] / [30/360] / [Actual/365(Fixed)]
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [Actual/Actual (ICMA)] / [30/360]/[Actual/365(Fixed)]
- (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 [Not Applicable] (insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last Coupon (NB: only relevant where Day Count Fraction is Actual/Actual (ICMA)))  
Extended Maturity Date:

17. Floating Rate Security Provisions:

(i) From Maturity Date: [Applicable/Not Applicable] (if not applicable, state "Not Applicable" in the relevant subparagraphs of this paragraph)

(ii) From Maturity Date up to [Applicable/Not Applicable] (if subparagraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)  
Extended Maturity Date:

(a) Interest Period(s)/Specified Interest Payment Dates:

(i) From Maturity Date: [Interest Periods: [•]]  
[Specified Interest Payment Dates: [•]]

(ii) From Maturity Date up to [Not Applicable]  
Extended Maturity Date: [Interest Periods: [•]]  
[Specified Interest Payment Dates: [•]]

(b) Business Day Convention:

(i) From Maturity Date: [Not Applicable]  
[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(ii) From Maturity Date up to [Not Applicable]  
Extended Maturity Date: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(c) Additional Business Centre(s):

(i) To Maturity Date: [•]  
(ii) To Maturity Date up to Extended Maturity Date: [Not Applicable] [•]

(d) Manner in which the Rate(s) of Interest and Interest Amount(s) is to be determined:

(i) To Maturity Date: [Screen Rate Determination/ISDA Determination]  
(ii) From Maturity Date up to [Not Applicable] [Screen Rate Determination/ ISDA Determination]  
Extended Maturity Date:

(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 [Not Applicable] [•]  
Extended Maturity Date:

(f) Screen Rate Determination:



(i) To Maturity Date:

- Reference Rate and Financial Centre(s): [•] month [LIBOR/EURIBOR/specify other Reference Rate]. (Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions.)  
Relevant Financial Centre: [•]
- Interest Determination Date(s): (Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 system is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall back provisions appropriately)

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

- Reference Rate and Financial Centre(s): [•] month [LIBOR/EURIBOR/specify other Reference Rate]. (Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions.)  
Relevant Financial Centre: [•]
- Interest Determination Date(s): (Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 system is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall back 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]

- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]

- (h) Linear Interpolation: [Not Applicable]/[Applicable – the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s):
- (i) To Maturity Date: [+/-][●] per cent. per annum
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [+/-][●] per cent. per annum
- (j) Minimum Rate of Interest:
- (i) To Maturity Date: [+/-][●] per cent. per annum
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [+/-][●] per cent. per annum
- (k) Maximum Rate of Interest:
- (i) To Maturity Date: [+/-][●] per cent. per annum
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [+/-][●] per cent. per annum
- (l) Day Count Fraction:
- (i) To Maturity Date: [Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360]  
(as set out in Condition 4)
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable]  
[Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360]  
(as set out in Condition 4)
18. Zero Coupon Security Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [●] per cent. per annum
  - (ii) Reference Price: [●]
  - (iii) Any other formula/basis of determining amount payable for Zero Coupon Securities which [●]

are Exempt Securities:

- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 5(e) and 5(j) *apply*]  
[30/360]  
[Actual/360]  
[Actual/365]  
[specify other]  
*(Consider applicable day count fraction if not U.S. dollar denominated)*

19. Index Linked Interest Securities:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Index/Formula:

[Give or annex details]

*[Index Linked Interest Securities may include (without limitation) Securities linked to Constant Maturity Swap rates or Securities linked to a rate of inflation]*

*[Where the Index/Formula is a basket of underlyings, include 'Disclosure of the relevant weightings of each underlying in the basket']*

*[Include 'Final Reference Date' and 'Exercise Price' if required]*

(ii) Calculation Agent:

[give name]

(iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):

[•]

(iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:

*[need to include a description of market disruption or settlement disruption events and adjustment provisions]*

(v) Specified Period(s)/Specified Interest Payment Dates:

[•]

(vi) Business Day Convention:

[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]

(vii) Additional Business Centre(s):

[•]

(viii) Minimum Rate of Interest:

[•] per cent. per annum

(ix) Maximum Rate of Interest:

[•] per cent. per annum

(x) Day Count Fraction:

[•]

20. Dual Currency Interest Security Provisions:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Rate of Exchange/method of calculating Rate of Exchange:

[give or annex details]

(ii) Party, if any, responsible for

[•]

calculating the principal and/or interest due (if not the Agent):

- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: *[•]*

#### PROVISIONS RELATING TO REDEMPTION

- 21. (i) Issuer Call: *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (ii) Optional Redemption Date(s): *[•]*
- (iii) Optional Redemption Amount and method, if any, of calculation of such amount(s): *[[•] per Calculation Amount/specify other/see Appendix]*
- (iv) If redeemable in part:
  - (a) Minimum Redemption Amount: *[•]*
  - (b) Maximum Redemption Amount: *[•]*
- 22. Investor Put: *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): *[•]*
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): *[[•] per Calculation Amount/specify other/see Appendix]*
- 23. Final Redemption Amount: *[[•] per Calculation Amount/specify other/see Appendix]*
- 24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5(f)): *[[•] per Calculation Amount/specify other/see Appendix]*

#### GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

- 25. (i) 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 which is exchangeable for Definitive Bearer Securities only upon an Exchange Event]*

- [Registered Securities:  
 [Registered Global Security ([•] nominal amount) registered in the name of a nominee for a [common depositary] [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*)  
 (ii) New Global Note: [Yes][No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/[•]]  
*(Note that this paragraph relates to the date of payment and not Interest Period end dates)*
27. Talons for future Coupons or Receipts to be attached to definitive Bearer Securities (and dates on which such Talons mature): [No/Yes. As the Securities have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
28. Details relating to Partly Paid Securities: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Securities and interest due on late payment: [Not Applicable/give details. N.B. A new form of Temporary Global Security and/or Permanent Global Security may be required for Partly Paid issues]
29. Details relating to Instalment Securities: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*  
 (i) Instalment Amount(s): *[give details]*  
 (ii) Instalment Date(s): *[give details]*
30. Settlement procedures of the Securities: *[give details]*
31. Return on the Securities: *[give details of how return takes place, payment/delivery date, calculation method]*
32. Other terms or special conditions: [Not Applicable/give details]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [Relevant third party information] has been extracted from [specify source]. [The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer.

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Securities to be listed on *[specify market - note this should not be a regulated market]* with effect from [•] / [Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: [•] / [Not Applicable]

### 2. RATINGS

The Securities to be issued have been rated: [The following ratings reflect the ratings allocated to Securities of this type issued under the €15,000,000,000 Mortgage Covered Securities Programme generally:]

[Moody's: [•]]

[DBRS: [•]]

[Other: [•] which is established in the EU and is registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)] [which is not established in the EU and not registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)] [and its ratings will be endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation].

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)

(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. If not included in the Base Prospectus, include a statement as to whether or not the relevant credit rating agency is established in the EU and whether it is registered under Regulation (EC) 1060/2009)

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Securities has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business].

### 4. OPERATIONAL INFORMATION

ISIN: [•]

Common Code:	[•]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Name and addresses of initial Paying Agent(s) (if any):	[•] / [Not Applicable]
Names and addresses of additional Paying Agent(s) (if any):	[•]
Intended to be held in a manner which would allow Eurosystem eligibility:	<p>[Yes. 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 (<i>include this text for registered securities</i>) 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]</p> <p>[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Securities are capable of meeting them the Securities may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper (<i>include this text for registered securities</i>)]. Note that this does not necessarily mean that the Securities will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]</p>

**5. DISTRIBUTION**

(a) If syndicated, names of Lead Managers[s] and Dealers:	[Not Applicable/[•]]
Stabilising Manager(s) (if any):	[Not Applicable/[•]]
If non-syndicated, name and address of relevant Dealer:	[Not Applicable/[•]]
U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
Additional selling restrictions:	[Not Applicable/ <i>give details</i> ]
	<i>(Additional selling restrictions are only likely to be relevant for certain structured Securities, such as commodity-linked Securities)</i>

**6. NAME OF INDEX, DESCRIPTION OF INDEX, PERFORMANCE OF INDEX/FORMULA,**



**EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

- (i) [Description of the settlement procedure of derivative securities]
- (ii) [Description of how any return on derivative securities takes place, the payment or delivery date and the way it is calculated]
- (iii) [Where Securities are index related, name of the index and a description of the index if composed by the issuer, or if not, where information about the index can be obtained]
- (iv) *[If there is a derivative component in the interest or the Securities are derivative securities, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

**7. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

- (i) [Description of the settlement procedure of the Derivative Securities]
- (ii) [Description of how any return on derivative securities takes place, the payment or delivery date and the way it is calculated]
- (iii) *[If there is a derivative component in the interest or the Securities are derivative securities, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

**8. POST ISSUANCE INFORMATION**

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

**[APPENDIX TO THE PRICING SUPPLEMENT]**

*[Insert additional terms and conditions for Exempt Securities if needed. Index Linked Interest Securities may include (without limitation) Securities linked to Constant Maturity Swap rates or Securities linked to a rate of inflation]*

## Terms and Conditions of the Securities

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*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 Pricing Supplement in relation to any Tranche of Exempt 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 Exempt Securities. 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. Reference should be made to "Applicable Final Terms" 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 OF IRELAND (AS AMENDED, THE "ACT"). THE ISSUER (AS DEFINED IN THESE TERMS AND CONDITIONS) HAS BEEN REGISTERED BY THE CENTRAL BANK OF IRELAND 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 Bank of Ireland Mortgage Bank (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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 (as specified in the applicable Final Terms in relation to the Securities);
- (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 2 June 2016 and made between the Issuer, Citibank, N.A., London as issuing and principal paying agent, transfer agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor) and Citibank International Limited, Dublin as paying and transfer agent (together with the Principal Paying Agent, the **Paying Agents** and the **Transfer Agents**, respectively, which expressions shall include any additional or successor paying and transfer agents) and Citibank, N.A., London as registrar (the **Registrar**, which expression shall include any successor).

Interest bearing definitive Bearer Securities have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) 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) are set out in Part A of the Final Terms attached to or endorsed on this Security and complete these Terms and Conditions and, in the case of a Security which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Security**), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions, replace or modify the Terms and Conditions for the purposes of the Exempt Security. Any references in the Terms and Conditions to “applicable Final Terms” shall be deemed to include a reference to “applicable Pricing Supplement” where relevant.

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 **Receipholders** 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 and/or Issue Prices.

The Security holders, the Receipholders and the Couponholders are entitled to the benefit of the Deed of Covenant dated 19 October 2007 and made by the Issuer (the **Deed of Covenant**). 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 or an Exempt Security, the applicable Final Terms will only be obtainable by a Security holder holding one or more unlisted Securities or Exempt 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 Receipholders 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 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 specified in the applicable Final Terms. 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.

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 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.

A 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, and the appropriate provisions of these Terms and Conditions will apply accordingly.

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

In addition, if the Security is an Exempt Security it may be an index linked interest security (an **Index Linked Interest Security**), a dual currency interest security (a **Dual Currency Interest Security**), a combination of any of the foregoing, or a security with another type of Interest Basis (including but not limited to, interest linked to constant maturity swap (**CMS**) rates or inflation), depending upon the Interest Basis shown in the applicable Pricing Supplement, and the appropriate provisions of these Terms and Conditions will apply accordingly.

If the Security is an Exempt Security, the Security may also be an index linked redemption security (an **Index Linked Redemption Security**), a dual currency redemption security (a **Dual Currency Redemption Security**), an Instalment Security, a Partly Paid Security, a combination of any of the foregoing, or a security with another type of Redemption/Payment Basis (including but not limited to, redemption linked to CMS rates or inflation), depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement, and the appropriate provisions of these Terms and Conditions will apply accordingly.

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Securities, those Securities may be, (i) in respect of the period from the Issue Date to and including the Maturity Date, Fixed Rate Securities, Floating Rate Securities or Zero Coupon Securities or, in the case of Exempt Securities only, Index Linked Securities or Dual Currency Securities and (ii) in respect of the period from the Maturity Date up to and including the Extended Maturity Date, Fixed Rate Securities or Floating Rate Securities, subject as specified 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 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 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 US 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);

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

**Regulation S** means Regulation S under the Securities Act; 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 of Ireland, as amended (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**

The applicable Final Terms will indicate whether the Securities are Fixed Rate Securities, Floating Rate Securities or Zero Coupon Securities or, in the case of Exempt Securities, whether a different interest basis applies.



(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(e), interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

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

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

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

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

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
  - (a) in the case of Securities where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (iii) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the relevant period divided by 365.

**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.

**Yield** for a particular issue of Fixed Rate Securities will be shown in the applicable Final Terms and represents the percentage rate of return paid if the security is held to its maturity date. The yield calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the Security is reinvested at the same rate.

(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) 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 TARGET2 system is open.

In these Terms and Conditions, "**TARGET2 system**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (**TARGET2**) system.

(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.

(A) *Screen Rate Determination for Floating Rate Securities*

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time,

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

If the Relevant Screen Page is not available or if, in the case of (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 Specified Time, the Principal Paying Agent will request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

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

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

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

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

Minimum Rate of Interest.

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

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

The Principal Paying Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

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

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

- (A) if **Actual/365** or **Actual/Actual** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) 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;
- (D) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) 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 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Designated Maturity**” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) *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.

(vii) *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) *Exempt Securities*

In the case of Exempt Securities which are also Floating Rate Securities where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Securities will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Exempt Securities which are not also Fixed Rate Securities or Floating Securities shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Securities are Index Linked Interest Securities the provisions of Condition 3(b) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Securities and to the Agent were references to Index Linked Interest Securities and the Calculation

Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Securities (other than Partly Paid Securities which are Zero Coupon Securities), interest will accrue as aforesaid on the paid-up nominal amount of such Securities and otherwise as specified in the applicable Pricing Supplement.

(d) *Accrual of interest*

Subject as provided in Condition 4(b), 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:

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

(e) *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(i), 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(d). In that event, interest shall be payable on those Securities at the rate determined in accordance with Condition 4(e)(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(i), 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(e) 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(e) 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(i).

## 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 only 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 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**) (x) in the case of a Registered Global Security, as at the close of the business day (in the ICSDs) prior to the relevant due date or (y) in the case of a Registered Security in definitive form, 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) prior to 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 €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 will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Registered Security appearing in the Register (x) in the case of a Registered Global Security, as at the close of the business day (in the ICSDs) prior to the relevant due date or (y) in the case of a Registered Security in definitive form, on the close of business on the fifteenth day (whether or not such fifteenth day is a business day) prior to the relevant due date (in each case, the **Record Date**) at his address shown in the Register on the Record Date and at his risk. 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) *Specific provisions in relation to payments in respect of certain types of Exempt Securities*

Payments of instalments of principal (if any) in respect of definitive Securities, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5(a) above only 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 Condition 5(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Security in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Security to which it appertains. Receipts presented without the definitive Security to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive 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.

Upon the date on which any Dual Currency Security or Index Linked Security in definitive 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.

(f) *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.

(g) *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) in:
  - (A) in the case only of Securities in definitive form, the relevant place of presentation; or
  - (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 system is open.

(h) *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 (as specified in the applicable Final Terms) of the Securities;
- (ii) the Optional Redemption Amount(s) (if any, as specified in the applicable Final Terms) of the Securities;
- (iii) in relation to Securities and Exempt 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.

(i) *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(i) 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 guaranteed assets (*Sicherungsvermögen*) within the meaning of § 125 of the German Act Concerning the Supervision of Insurance Companies of 01 April 2015 (as amended) (*Gesetz über die Beaufsichtigung der Versicherungsunternehmen* – the **VAG**) and/or to assets which are subject to the investment principles set out in [sect] 124 and/or [sect] 215 (also in connection with [sect] 219 or [sect] 234, as applicable) of the VAG and/or to assets which are subject to the German Regulation Concerning the Investment of the Restricted Assets of Pension Funds, Burial Funds and Small Insurance Companies (*Verordnung über die Anlage des Sicherungsvermögens von Pensionskassen, Sterbekassen*

und kleinen Versicherungsunternehmen) of 18 April 2016 (as amended) or belong to funds covering debt securities (*Deckungsmasse für Schuldverschreibungen*) established pursuant to German law.

## 6. Redemption and Purchase

### (a) *Redemption at maturity*

Subject to Condition 6(i), unless previously redeemed or purchased 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 (c) 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 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 service provider, for them to the Principal Paying Agent 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 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 (each as specified in the applicable Final Terms or Pricing Supplement).

(e) *Specific redemption provisions applicable to certain types of Exempt Securities*

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Securities and Dual Currency Redemption Securities may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. Index Linked Interest Securities and Dual Currency Interest Securities may be redeemed only on an Interest Payment Date.

Partly Paid Securities will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(f) *Purchases*

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

(g) *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 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 and cannot be reissued or resold.

(h) *Late payment and Early Redemption Amount on Zero Coupon Securities*

The Early Redemption Amount of a Zero Coupon Security, and, if the amount payable in respect of any Zero Coupon Security, 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.

(i) *Extension of Maturity up to Extended Maturity Date*

- (i) An Extended Maturity Date shall be specified in the applicable Final Terms as applying to each Series of Securities unless the rating agencies appointed at the relevant time by the Issuer to provide credit ratings in respect of the relevant Series of Securities agree that an Extended Maturity Date will not apply to such 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.
- (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(i) 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(i) shall be irrevocable. Where this Condition 6(i) applies, any failure to redeem the Securities on the Maturity Date or any extension of the maturity of Securities under this Condition 6(i) 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(i), 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.
- (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(i), subject to as 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(i) 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 EU 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 26-27 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.

### (c) *Overcollateralisation Percentage*



For the purposes of this Condition 11, the **Overcollateralisation Percentage** means 105.00 per cent. 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 105.00 per cent.; 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 if to do so would result in any credit rating then applying to the Securities by any credit rating agency appointed by the Issuer in respect of the Securities being reduced, removed, suspended or placed on credit watch.

(d) *Prudent Market Discount*

For the purposes of the Asset Covered Securities Act, 2001 Regulatory Notice sections 41(1) and 41A(7)) 2011 and the Asset Covered Securities Act, 2001 section 61(1), 61(2), 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 the Bearer Securities will be deemed to be validly given if filed with the Companies Announcements Office of the Irish Stock Exchange. 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 form 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 form 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 relative Security or Securities, with the Principal Paying Agent (in the case of Bearer Securities) or the Registrar (in the case of Registered Securities). Whilst any of the Securities are represented by a Global Security, such notice may be given by any holder of a Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Security holders, the Receiptholders or the Couponholders to create and issue further mortgage covered securities in accordance with the Act having terms and conditions the same as the Securities or the same in all respects save for the Issue Date, nominal amount, Interest Commencement Date, date of the first payment of interest thereon and/or Issue Price, and so that the same shall be 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

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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 and the Group

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### The Issuer

#### *Bank of Ireland Mortgage Bank*

The Issuer was duly incorporated in Ireland on 21 May 2004 as a public limited company under the name Bank of Ireland Mortgage Bank Public Limited Company. It was subsequently re-registered as a public unlimited company under the name Bank of Ireland Mortgage Bank on 23 June 2004. The Issuer on 19 February 2016 adopted a new constitution in accordance with the Companies Act. 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 1 July 2004. The Issuer is a wholly-owned subsidiary of Bank of Ireland. At the date of this Base Prospectus, the Issuer is operating in accordance with its constitution.

The Issuer's purpose is to carry on the permitted activities of a designated mortgage credit institution as provided for in the ACS Acts, including issuing 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 Bank of Ireland and other members of the Group or third parties. Under the ACS Acts, the Issuer may also hold (and issue Mortgage Covered Securities secured on) RMBS or CMBS. The Issuer does not hold RMBS or CMBS and has no current plans to do so. The Issuer's principal executive and registered offices are located at New Century House, Mayor Street Lower, I.F.S.C., Dublin 1, Ireland. The telephone number of the Issuer is +353 1 6113333.

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 738,375,000 ordinary shares of €1 each have been issued and are fully paid up as at the date of this Base Prospectus.

#### *Issuer Credit Rating*

As at the date of this Base Prospectus, the long-term / short term credit ratings for the Issuer are Fitch BBB- (Positive) / F3.

#### *Group Credit Rating*

As at the date of this Base Prospectus, the long-term/short term credit ratings for the Group are BBB- (Positive) / A-3 from Standard & Poor's; Baa2 (Positive) (Deposit Rating: Baa2 (Positive)) P - 2 from Moody's; BBB- (Positive) / F3 from Fitch; and BBB (High) (Positive) / R-1 (low) (Stable) from DBRS.

#### *Ownership/Control*

The Issuer is a 100 per cent. owned subsidiary and as such is under the control of Bank of Ireland. 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 Base Prospectus result in a change in control of the Issuer. The Issuer does not have any subsidiaries.

The formal governance framework currently in place for the Issuer includes measures which have been put in place to ensure that Bank of Ireland's control of the Issuer is not abused. In addition, the Issuer and Bank of Ireland are both regulated and supervised by the Central Bank under the Irish Banking Code (see *General Supervision and Regulation of Banks in Ireland*). The Central Bank's Corporate Governance Code for Credit Institutions (as amended) applies to existing directors and boards of credit institutions (including the Issuer). It 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.

In addition, four of the Issuer's directors are not at the date of this Base Prospectus employees of any member of the Group although two such directors were formerly employees of Group members (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 members for the time being (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. Bank of Ireland 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. Bank of Ireland is not guarantor of, or otherwise liable for, the Securities. See further *Insolvency of Institutions — Consequences of Issuer's Status as an Unlimited Company*.

### *Financial Year of the Issuer*

The financial year end of the Issuer is 31 December.

### *Business of the Issuer*

The Issuer is an Institution, whose business activities are restricted to dealing in and holding mortgage credit assets, which under the ACS Acts 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. However, the Issuer will not include in the Pool in any circumstance any asset-backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the Guideline on the implementation of the Eurosystem monetary policy framework (recast) (ECB/2014/60). The objects of the Issuer are set out in paragraph 3 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*.

### *Transfer of Bank of Ireland's Irish Residential Loan Book and Business to the Issuer*

On 5 July 2004, Bank of Ireland transferred substantially all of the Irish residential loans and related securities held by it and of its Irish residential loan business to the Issuer. The aggregate principal amount outstanding of and accrued but unpaid interest on the Irish residential loans transferred by Bank of Ireland to the Issuer on 5 July 2004 was €9.1 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 Bank of Ireland and the Issuer on 2 July 2004 which permits the transfer of Irish residential loans and related security and/or Irish residential loan business between Bank of Ireland and the Issuer. Transfers under that scheme were approved on 2 July 2004 by order of the Irish Financial Services Regulatory Authority (IFSRA, the responsible authority at the time) as required by the ACS Acts. The scheme permits further transfers from Bank of Ireland to the Issuer or from the Issuer to Bank of Ireland in the future. On 6 February 2006 in accordance with the scheme, the Issuer transferred to Bank of Ireland certain Irish residential loans (including the mortgages and other securities for those loans) pursuant to section 58 of the 2001 Act and with the approval of IFSRA (as the competent authority at that date). The aggregate principal amount of loans re-transferred from the Issuer to Bank of Ireland amounted to approximately 2 per cent. of the Issuer's then total loan book of approximately €13 billion.

### *Irish Housing / Residential Loan Market*

2013 marked a turning point for the Irish residential property market, with price stabilisation and the first year-on-year increase (Q2 2013) in the national index since it peaked (Q1 2007). Residential property prices began to stabilise during 2015, with overall growth of 10.6 per cent., with an increase of 10.2 per cent. in Dublin and 10.5 per cent. outside of the capital. This is down somewhat from 2014 where annual growth was 13 per cent. Looking at property prices in detail, prices in Dublin moderated considerably during 2015 with an annual growth rate of 10.2 per cent. versus 21 per cent in 2014. While price trajectory slowed down in Dublin, prices began to rise outside of the capital with prices up 10.5 per cent. versus 5.9 per cent in 2014. At a national level, house prices by the end of 2015 were still 34.2 lower than their peak in 2007. Dublin residential property prices are 36.3 per cent. lower than their highest level while outside of Dublin, prices are still 35.4 per cent. lower than their peak. National inflation is currently largely driven by areas outside Dublin, with urban

centres such as Cork, Galway and Limerick City showing strong annual growth. The momentum in price increases in Dublin is moderating after three years of sustained growth. (Source: Central Statistics Office, Residential Property Price Index, December 2015).

- Data from the Residential Property Price Register shows continued momentum in the residential property market. The total number of transactions continues to grow, albeit at a slower pace, with transaction volumes at approximately 48,000 to end 2015, up approximately 11 per cent. year-on-year. Transaction volumes have been focused on Dublin and other cities (55 per cent. of volume; 69 per cent. of value). However annual stock turnover at approximately 2.4 per cent. of total housing stock annually lags normalised market levels at 4 per cent. The average asking price nationwide at the end of Q1 2016, stood at €210,023, compared to €188,148 at the end of 2014, and €378,000 at the peak in Q1 2007. The comparable figure for Dublin stands at circa €311,686, reflecting regional disparity of house price trends. (Source: Daft.ie, Sale Report Q1 - 2016).
- As house price inflation slowed in 2015, the number of houses on the market also reduced with approximately 25,000 homes for sale at the beginning of December 2015 (down 14 per cent. on 2014) according to Daft, the lowest level since 2006. A key enabler of strong growth continues to be the scale and speed of the development of new housing supply in key areas where demand continues to outstrip supply. Strong demand continues to outstrip supply in sought after areas, particularly in Dublin. Housing Completions for 2015 totalled 12,666 units, with 2,891 units located within Dublin. This is slightly up on 2014 – 11,016 units but down in Dublin (3,268 units). This still significantly lags the estimated requirement of 20,000 – 25,000 annually. Completions lead indicators of planning permissions and commencements are trending upwards (up 15 per cent.), but off a very low base. (Source: Department of the Environment, Housing, Statistics Data, January 2016).
- According to industry data, total new mortgage lending at a market level for 2015 stood at €4,864 million, up 26 per cent. on 2014. Growth in demand continues to be underpinned by improved economic conditions generally in Ireland. First Time Buyers and Movers continued to dominate the market in 2015, representing 88 per cent. of the market. The Buy to Let and Switcher segments have declined from a combined peak of almost 50 per cent. of the market to 9 per cent. in 2015, up 109 per cent. year-on-year, albeit from a low base. (Source: BPF Mortgage Market Profile Q4 2015).
- Transactions started to slow in the first quarter of 2016 - both Dublin and the rest of the country recorded year-on-year decline in the order of 9 per cent. and 12 per cent. respectively. (Source: Residential Property Price Register, May 2016). The annual increase in property prices at a national level were up 7.4 per cent. in March 2016 from 6.6 per cent. at end-2015, with prices outside of Dublin having their first monthly decline (0.2 per cent.) since January 2015, while Dublin increased 0.9 per cent. after a four month run of declines. (Source: Central Statistics Office, Residential Property Price Index, March 2016).
- The Macro-prudential policy regulations for residential mortgage lending which were introduced in February 2015 by the Central Bank of Ireland, appear to have resulted in income levels now influencing asking prices. While price growth has reduced to stable levels, continued supply issues are likely to lead to continued growth in the medium term. New lending rules also appear to have caused a displacement of demand with house hunters widening their search to commuter counties. (Source: Daft, House Price Report, Q1 2016; Central Statistics Office, Residential Property Price Index, March 2016). The Issuer expects to see increased growth in new mortgage lending over the coming years.

### *The Mortgage Business in Ireland*

Bank of Ireland entered the Irish residential loan market in a meaningful way in the early 1990s. Prior to this, participation in this market was through ICS Building Society (**ICS**) which was acquired by the Group in 1985. In 1997, ICS took over from Bank of Ireland in the servicing of Bank of Ireland's mortgages (Bank of Ireland's Irish residential loan book) and in 2011, following a strategic review of operations, responsibility for the servicing of the Group's residential mortgages moved to Bank of Ireland Group.

Bank of Ireland Mortgages forms part of Customer, Products & Propositions, a business unit

of Bank of Ireland Retail Ireland. Customer, Products & Propositions coordinates the products lines of Mortgages, Retail Deposits, Personal Current Accounts and Overdrafts, Credit and Debit Cards, Unsecured Personal Loans, General Insurance, and Customer Experience.

On 5 July 2004, Bank of Ireland transferred substantially all of its Irish residential mortgage book and related security held by Bank of Ireland to the Issuer.

The Issuer primarily originates residential loans through Bank of Ireland. As at December 2015 Bank of Ireland operated circa 250 full-time bank service branches in Ireland, populated with qualified mortgage advisers, to assist customers through each step of the mortgage application process, and supported by a Mobile Mortgage Manager service offering customers a time and location that is convenient to them to meet.

On 1 September 2014, the Group exited from the origination of new mortgages through its intermediary channel, including the sale of the ICS' distribution platform as part of the 2013 amendments to its EU Restructuring Plan. All ICS mortgage and savings accounts were transferred from ICS to Bank of Ireland on 1 September 2014 by way of a statutory transfer scheme, the legislation for which has been enacted by the Irish Government. Thereafter, a pool of circa €223 million mortgage assets only was sold and transferred by Bank of Ireland to Dilosk Limited. Dilosk Limited also acquired the ICS brand and the ICS distribution platform.

### *The Irish Competitive Landscape*

There are five main mortgage providers operating in the mortgage market in Ireland: Bank of Ireland, Ulster Bank Ireland Limited, KBC Bank Ireland plc, Permanent TSB and Allied Irish Bank/EBS Limited. Competition continues to intensify as the property market grows and related activities increase in addition to potential new entrants.

## **Description of Bank of Ireland/the Group**

### *General*

Bank of Ireland is the parent of a group of subsidiary companies (together with Bank of Ireland, the **Group**) operating in the financial services sector.

Bank of Ireland was established as a chartered corporation by an Act of the Irish Parliament of 1781/2 and by a Royal Charter of King George III in 1783. The Group is one of the largest financial services groups in Ireland with total assets of €131 billion at 31 December 2015. The address of the registered office of Bank of Ireland is 40 Mespil Road, Dublin 4, Ireland and the telephone number of its registered address is +353 1 661 5933.

The Group provides a broad range of banking and other financial services. These services include: current account and deposit services, overdrafts, term loans, mortgages, business and corporate lending, international asset financing, leasing, instalment credit, invoice discounting, foreign exchange facilities, interest and exchange rate hedging instruments, life assurance, pension and protection products. All of these services are provided by the Group in Ireland with selected services being offered in the UK and internationally. The Group generates the majority of its revenue from traditional lending and deposit taking activities as well as fees for a range of banking and transaction services. The Group operates an extensive distribution network of 244 branches and over 1,200 ATMs in the Republic of Ireland and access to approximately 11,600 branches and over 2,500 ATMs in the UK via the Group's relationship as financial services partner with the UK Post Office. The Group also has access to distribution in the UK via its partnership with the AA and also through a number of strategic intermediary relationships.

The Group is organised into four trading divisions to effectively service its customers as follows: Retail Ireland, Bank of Ireland Life, Retail UK and Corporate & Treasury.

The Group's central functions, through Group Centre, establish and oversee policies and provide and manage certain processes and delivery platforms for divisions. These Group central functions comprise Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk and Group Human Resources.

## **Operating Segments**

The Group has five reportable operating segments which reflect the internal financial and management reporting structure and are organised as follows:

#### *Retail Ireland*

Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including the Issuer), Business Banking (including Bank of Ireland Finance) and Customer and Wealth Management.

#### *Bank of Ireland Life*

Bank of Ireland Life (which includes the Group's life assurance subsidiary New Ireland Assurance Company plc) distributes protection, investment and pension products to the Irish market, through independent brokers, its financial advisors (direct sales force) and the Group's branch network.

#### *Retail UK*

The Retail UK Division incorporates the financial services relationship and foreign exchange joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group's branch network in Northern Ireland (NI) and the Group's business banking business in NI. The Group also has a business banking business in Great Britain (GB) which is being run-down, in accordance with the EU Restructuring Plan. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licensed banking subsidiary and NIIB Group, a car and asset finance and consumer lending group.

#### *Corporate and Treasury*

The Corporate and Treasury Division comprises Corporate Banking, Global Markets and IBI Corporate Finance. It also includes the Group's euro liquid asset bond portfolio.

#### *Group Centre*

Group Centre comprises capital and other management activities, unallocated Group support costs and the cost associated with schemes such as the Credit Institutions (Eligible Liability Guarantee) Scheme 2009, the Bank and Investment Firm Resolution fund, the Irish bank levy and the UK Financial Services Compensation Scheme.

### **Recent Developments**

#### *Redemption of 2009 Preference Stock*

On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining 2009 Preference Stock with a nominal value of €1.3 billion at par, at the earliest possible date, on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock and pay the final dividend of €116 million. The Group completed the redemption of the 2009 Preference Stock on 4 January 2016.

#### *Financial Services Partnership with AA plc*

On 15 July 2015, the Group, through its wholly owned subsidiary BOIUK plc, agreed terms with AA plc and AA Financial Services Ltd to enter a new financial services distribution agreement in the UK for a minimum of 10 years across a product portfolio of credit cards, unsecured personal loans, savings and mortgages.



## **Board of Directors and Management and Administration of the Issuer**

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### **Board of Directors**

As of the date of this Base Prospectus, there are 9 members of the Board of Directors of the Issuer. 6 of the 9 members of the Board of Directors of the Issuer are Group directors of which 1 is currently not an employee and the remaining 3 members of the Board of Directors are independent non-executive directors. This close tie between the Group and the directors of the Issuer is aimed at maintaining the Group's expertise and business franchise in residential lending at the Issuer. 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.

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

<b>Members</b>	<b>Principal Outside Activities</b>
John Clifford (chairman, Group non-executive director) New Century House, Mayor Street Lower, I.F.S.C., Dublin 1	Company director (non-executive director of a number of companies) Former executive, Bank of Ireland, retired in 2009
Danny Buckley (executive director) New Century House, Mayor Street Lower, I.F.S.C., Dublin 1	Head of Finance, Customer, Product & Proposition, Bank of Ireland BOI Group Private Equity Governance Committee
Stephen Mason (Group non-executive director) New Century House, Mayor Street Lower, I.F.S.C., Dublin 1	Director, Business Supports Retail Ireland, Bank of Ireland BOI Group Mortgage Arrears Strategy Committee ( <b>MASC</b> )
Brian McConnell (independent non-executive Director) New Century House, Mayor Street Lower, I.F.S.C., Dublin 1	Company director
Liam McLoughlin (Group non-executive Director) Bank of Ireland, 40 Mespil Road, Dublin 4	Chief Executive, Retail Ireland, Bank of Ireland, Director of Group Subsidiaries BOI Group Risk Policy Committee BOI Group Credit Committee BOI Group Risk Measurement Committee BOI Group Portfolio Review Committee BOI Group Private Equity Governance Committee
Richard Milliken (independent non-executive director) New Century House, Mayor Street Lower, I.F.S.C., Dublin 1	Company director (non-executive director of a number of companies) Former executive, Investment Bank of Ireland, resigned in 1990
Sean Crowe (Group non-executive director) Bank of Ireland, 40 Mespil Road, Dublin 4	Group Treasurer, Bank of Ireland Director of Group Subsidiaries BOI Group ALCO BOI Group Risk Policy Committee BOI Group Portfolio Review Committee BOI Group Credit Committee
Gavin Kelly (managing director) New Century House, Mayor Street Lower, I.F.S.C., Dublin 1	Director, Distribution Channels, Bank of Ireland Director of Group Subsidiaries

Harry Lorton (Independent non-executive director)  
New Century House, Mayor Street Lower,  
IFSC, Dublin 1

Company Director (non-executive director of a number of companies)

Hill Wilson Secretarial Limited (with its registered address at 40 Mespil Road, Dublin 4, Ireland) is Secretary of the Issuer. Hill Wilson Secretarial Limited is Corporate Secretary to a number of Group subsidiaries.

As far as is known to the Issuer, other than as may arise from an individual director's principal outside activities listed in each case above or, in the case of current or former employees of the Group, other roles within the Group, no potential conflicts of interest exist between any duties to the Issuer or the Board of Directors of the Issuer and their private interests or other duties in respect of their management roles.

### **Servicing and Agency arrangements with Bank of Ireland**

Under the Servicing and Agency Agreement dated 2 July 2004 between Bank of Ireland and the Issuer (the **Servicing and Agency Agreement**), Bank of Ireland 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 security, sales and marketing in relation to the Issuer's business, treasury, funding and deposit taking activities, custody of documentation, administration of customer accounts, customer relations, product development, legal and company secretarial matters, employee related matters, purchase function and IT services. Bank of Ireland may sub-contract or delegate its powers under the Servicing and Agency Agreement to other members of the Group but any such subcontracting or delegation will not abrogate or relieve Bank of Ireland of any of its obligations under the Servicing and Agency Agreement. See also *Irish Residential Loan Origination and Servicing — Mortgage Servicing*.

The Servicing and Agency Agreement has been supplemented by a Master Services Agreement dated December 2011 between Bank of Ireland and the Issuer (the **MSA**) under which Bank of Ireland provides a broad range of shared services, specified in Service Level Agreements (SLAs), to the Issuer in connection with its business and operations (e.g. IT, Distribution Sales and Service, Treasury Services, Governance Risk etc.). The SLAs are subject to a dynamic review on an annual basis. Bank of Ireland may sub-contract or delegate its obligations under the MSA but any such sub-contracting or delegation will not abrogate or relieve Bank of Ireland of its obligations under the MSA.

### Risk Management and Control

#### *Risk Management Framework (the Risk Management Framework)*

The Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into consideration and that the Group's overall business strategy practices are aligned with its risk and capital management strategies. This integrated approach is set out in the Group Risk Framework, which is approved by the Court of Directors of Bank of Ireland (the **Court**) following consideration and recommendation by the Court Risk Committee (**CRC**). It identifies the Group's formal governance process around risk, the framework for setting Risk Appetite and the approach to risk identification, assessment, measurement, management and reporting.

#### *Risk Management Structure & Organisation*

##### *Risk Strategy*

The Group's risk strategy is to address its target markets with confidence, protect its balance sheet and deliver sustainable profitability. The Group seeks to accomplish this by:

- defining Risk Identity and Risk Appetite as the boundary condition for the Group's Strategic Plan and annual Operating Plan / Budget;
- defining the risk principles upon which risks may be accepted;
- ensuring that all material risks are correctly identified, assessed, measured, managed and reported;
- ensuring that capital and funding considerations shape the approach to risk selection / management in the Group;
- allocating clear roles and responsibilities / accountability for the control of risk within the Group;
- avoiding undue risk concentrations;
- engendering a prudent and balanced risk management culture;
- ensuring that the basis of remuneration for key decision makers is consistent with EBA guidelines, as appropriate; and
- ensuring that the Group's risk management structures remain appropriate to its risk profile and take account of lessons learnt and emerging internal and external factors.

Risk in the Group is controlled within the Risk Governance Framework which incorporates both the court risk committees appointed by the Court of Directors (e.g. Court Risk Committee, Group Audit Committee), and also the Group Risk Policy Committee and its appointed committees (e.g. Group Credit Committee, Asset & Liability Committee etc.).

The Risk Governance Framework is supported by the Group's management body, with risk responsibilities extending throughout the organisation based on a three lines of defence approach.

**First line of defence:** Primary responsibility and accountability for risk management lies with line management in individual businesses and relevant Group functions. They are responsible for the identification and management of risk at business unit / Group function level including the implementation of appropriate controls and reporting to the Group in respect of all major risk events. Business Units / Group functions are accountable for the risks arising in their businesses / functions, and are the first line of defence for the Group managing them.

**Second line of defence:** Central risk management functions are responsible for maintaining independent risk oversight of the first line of defence and ensuring that a risk control framework is in place. They formulate risk policy and strategy, and provide independent oversight and analysis and centralised risk reporting.

**Third line of defence:** Group Internal Audit (**GIA**) provides independent, reasonable assurance to key stakeholders on the effectiveness of the Group's risk management and internal control framework. GIA carries out risk based assignments covering Group businesses and functions (including outsourcing providers), with ratings assigned as appropriate. Findings are communicated to senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates. Group Credit Review (**GCR**), an independent function within GIA, is responsible for reviewing the quality and management of credit risk assets across the Group.

The organisational structure for risk management is designed to facilitate reporting and escalation of risk concerns from business units, Group functions and Group Internal Audit upwards to Group Risk Policy Committee (**GRPC**), the CRC, the Group Audit Committee (**GAC**) and the Court, and conveying approved risk management policies and decisions to business units.

### **Risk Governance Framework**

The Court is responsible for ensuring that an appropriate system of internal control is maintained and for reviewing its effectiveness. The identification, assessment and reporting of risk in the Group is controlled through risk committees appointed by the Court and also the GRPC (appointed by the CRC) and its appointed committees. Each of the risk committees has detailed terms of reference, approved by the Court or its parent committee, setting out their respective roles and responsibilities. In summary, the following are the key responsibilities of the Group's risk committees:

**The Court**, comprising the Governor, nine non-executive Directors and two executive Directors, is responsible for approving high level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its strategic objectives. It approves the Group Risk Framework which identifies the Group's formal governance process around risk and the approach to risk identification, analysis, measurement, management and reporting. It regularly reviews reports on the size and composition of key risks facing the Group as well as the minutes of direct committees. The Court approves the Group's Risk Appetite Statement (incorporating Risk Identity and high level risk limits and targets), thereby defining the amount and nature of risk the Group is prepared to accept in pursuit of its financial objectives, and forming a boundary condition to strategy. It has reserved authority to review and approve a number of key risk policies. The Court approves the Group's Recovery Plan. The Court also approves the Group ICAAP Report which is a process to ensure that the Court and senior management adequately identify, measure and monitor the Group's risks and that adequate capital is held in relation to the Group's risk profile.

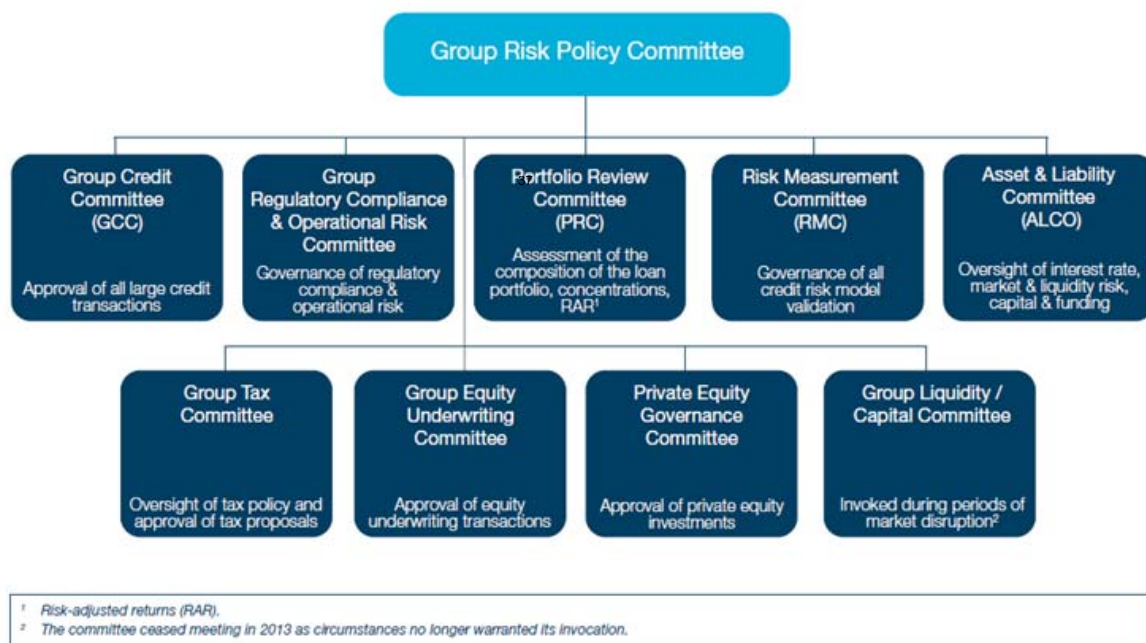
**The CRC** comprises non-executive Directors and its primary responsibilities are to make recommendations to the Court on risk issues where the Court has reserved authority, to maintain oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards, and to approve material risk policies within delegated discretion. It also ensures risks are properly identified and assessed, that risks are properly controlled and managed and that strategy is informed by and aligned with the Group's Risk Appetite. The committee met ten times during 2015.

**The GAC** comprises non-executive Directors. In close liaison with the CRC, it reviews the appropriateness and completeness of the system of internal control, reviews the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems, and thereby maintains an effective system of internal control. It assists the Court in meeting obligations under relevant Stock Exchange Listing Rules, and under applicable laws and regulations, including the Sarbanes Oxley Act, as well as other regulatory requirements, for example, Pillar III Disclosures, and monitors the integrity of the financial statements. The committee met nine times during 2015.

**The GRPC** is the most senior management risk committee and reports to the CRC. It is chaired by the Chief Credit & Market Risk Officer and its membership comprises members of the Group's executive team and Group wide divisional and control function executives. It met twenty four times during 2015. The GRPC is responsible for managing all risk types across the Group, including monitoring and reviewing the Group's risk profile and compliance with the Group's Risk Appetite and

other approved policy limits, approving risk policies and actions within discretion delegated from the CRC. The GRPC reviews and makes recommendations on all risk matters where the Court and the CRC has reserved authority. The CRC oversees the decisions of the GRPC through a review of the GRPC minutes. The GRPC delegates specific responsibility for overseeing the major classes of risk (including credit, market, liquidity, operational, regulatory and tax) to committees that are accountable to it.

The relevant committees are set out in the following diagram.



## Issuer Risk Management

### Introduction

The board of directors of the Issuer (**Board of Directors**) approves policies and limits with respect to credit risk, market risk, liquidity risk, operational risk, business/strategic risk, capital adequacy risk, pension risk, reputation risk and regulation risk. The Issuer has entered into a range of service level agreements with the Group to support its overall risk management and control processes. The Issuer's risk management and control policies comply with the Group's risk management policies, which include reviews on a regular basis. In addition, Group control functions (e.g. Credit, Group Internal Audit, etc.) independently review compliance with Group policies as part of their ongoing work in the Issuer. The general scheme of risk management, financial and operational controls is designed to safeguard the Issuer's assets.

### Funding and Liquidity

The Board of Directors have approved a funding business that permits the following forms of funding:

- (a) issuance of mortgage covered securities under the ACS Acts;
- (b) borrowing from the Group;
- (c) borrowing from the Central Bank under a mortgage-backed promissory note programme which the Issuer has put in place. That programme is designed to provide liquidity to the Issuer, is secured by a floating charge over Irish residential

loans (and related Irish residential property assets) which are not included in the Issuer's Pool;

- (d) deposit taking; and
- (e) capital funding to ensure at a minimum compliance with the capital adequacy requirements of the Central Bank.

Changes to the funding policy require the prior approval of the Board of Directors and the Group's Asset and Liability Committee (**ALCO**).

The Central Bank requires credit institutions to comply with a maturity mismatch approach for the management of their liquidity. This requires credit institutions analysing their cash flows (with behavioural adjustments in some cashflows) under various headings and placing them in predetermined time bands depending on when the cash is received or paid out. The credit institution is required to cover 100 per cent. of cash outflows in the first time band (0 - 8 days) and 90 per cent. of cash outflows in the second time band (9 days - 1 month). The Issuer complies with this requirement as part of the group consolidated reporting permitted by the Central Bank.

Additionally, the Issuer has been granted a full derogation from the application of Part 6 of the Capital Requirements Regulation on an individual (solo) basis, and as such the obligations laid down must be complied with by Bank of Ireland on a consolidated basis. The granting of this derogation is subject to the proviso that all of the conditions specified in Article 8(1) of the Capital Requirements Regulation are complied with on an on-going basis.

The Issuer is also required to comply with the ECB's minimum daily reserve requirement that is based on a percentage of the Issuer's customer deposit base.

The Issuer reports to its parent, Bank of Ireland, all relevant balance sheet and off balance sheet items on a monthly basis to ensure compliance with Group liquidity requirements.

The Issuer's liquidity risk is managed as part of the Group's overall liquidity management.

#### *Market Risk*

The interest rate exposure of the Issuer relating to its Irish residential lending and Mortgage Covered Securities denominated in euro, which are comprised in the Pool, is managed through a combination of matched funding and the use of interest rate swaps (the **Pool Hedge**) with Bank of Ireland.

The Issuer operates a net funding model, primarily utilising Mortgage Covered Securities to fund the mortgages on its own balance sheet. With respect to issued fixed-rate Mortgage Covered Securities, Bank of Ireland pays to the Issuer under the cover assets hedge contracts an amount related to the fixed interest rate payable on the relevant Mortgage Covered Securities on a notional amount equal to the principal amount outstanding of the relevant Mortgage Covered Securities and on a monthly basis the Issuer pays to Bank of Ireland an amount related to the ECB base rate on that notional amount.

With respect to issued floating rate Mortgage Covered Securities, Bank of Ireland pays to the Issuer under the cover assets hedge contracts an amount related to the floating interest rate payable on the relevant Mortgage Covered Securities on a notional amount equal to the principal amount outstanding of the relevant Mortgage Covered Securities and on a monthly basis the Issuer pays to Bank of Ireland an amount related to the ECB base rate on that notional amount.

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 or, as applicable, any hedge contract(s) of the Issuer that are not cover assets hedge contract(s), will not hedge any interest rate 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 Bank of Ireland. See also *Risk Factors – The Group is exposed to market risks such as changes in interest rates, interest rate spreads, (or bases) and foreign exchange rates.*

#### *Cover assets hedge contracts.*

The Issuer's interest rate risk strategy is to eliminate material exposure of earnings or net worth to changes in interest rates. The primary measure of interest rate risk is the sensitivity to a 1 per cent. parallel shift in the yield curve. The strategy operates within limits set by the Board of Directors and ALCO. The Issuer's interest rate risk strategy complies with the market risk policies of the Group.

The Issuer uses derivatives, including the interest rate swaps described above, strictly for hedging purposes. Derivatives are not used in trading activities or for speculative purposes.

Under regulations made under the ACS Acts, the Issuer is required to ensure that the sensitivity of its net worth 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. See *The Cover Assets Monitor – Continuing duties of a Monitor.*

In addition, the Issuer complies with restrictions on currency related derivative activities under the ACS Acts. In respect of assets within the Pool, the Issuer complies with the currency matching requirements set out in the ACS Acts and provisions applicable to cover assets hedge contracts. See *Cover Assets Pool and Requirements under the ACS Acts.*

The Issuer uses derivatives within the limitations prescribed under the ACS Acts. See *Cover Assets Pool and Requirements under the ACS Acts – 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.*

#### *Credit Risk*

Credit risk within the Issuer arises primarily from residential mortgage lending. The credit risk policy has been agreed by the Board of Directors and complies fully with overall Group Lending Policy. The policy is reviewed regularly. Clear policies for approval of loans are documented. The quality of all lending is monitored and measured using portfolio grading tools and proactive quality assurance measures. A robust arrears management process ensures that the impact of arrears on the Issuer's performance will be minimised.

The Issuer primarily assesses credit risk on the criteria of repayment capacity, loan to value ratios, income multiples and adequacy of security. The residential mortgage lending book is managed on a portfolio basis. Diversification is achieved through maintenance of an acceptable risk spread in relation to a range of risk parameters including geographical locations, product concentrations, loan to value ratios and interest rates.

Accountability for Credit Risk Management rests within the Group Credit and Market Risk function. Credit activities are independently reviewed by Group Credit Review, a function within Group Internal Audit, which reports to the Chief Governance Risk Officer.

### Introduction

On 5 July 2004, Bank of Ireland transferred €9.1 billion of Irish residential loans and related security held by it to the Issuer. Those Irish residential loans were originated by Bank of Ireland prior to 5 July 2004. They were transferred by Bank of Ireland to the Issuer on 5 July 2004 pursuant to a scheme made under the 2001 Act and the provisions of the 2001 Act (see *Summary of the Programme — Transfer of Bank of Ireland's Irish Residential Loan Book and Business to the Issuer*).

Since 5 July 2004, the Issuer has originated Irish residential loans which, subject to the requirements of the ACS Acts, may be included in the Pool. The Issuer's Irish residential loan book value at 31 December 2015 was €19.5 billion (pre-provisions). The Issuer previously provided finance to purchasers of affordable housing under certain Irish State housing authority affordable housing schemes. Affordable housing is where a housing authority makes a property available to a purchaser at a discount of its actual market value. The purchaser is subject to a clawback which will arise if and when the purchaser resells the property within twenty years and this clawback is registered as a charge on the property. No mortgage credit asset that is secured on an affordable housing property will be included in the Issuer's Pool. See also *Summary of the Programme — Transfer of Bank of Ireland's Irish Residential Loan Book and Business to the Issuer* above.

### Lending Criteria

The following criteria (the **Lending Criteria**) are currently applied in respect of the origination of Irish residential lending by the Issuer:

#### Security

- (a) Each of the Loans is secured by a first fixed mortgage or charge over a property in Ireland, or by a subsequent ranking fixed mortgage or charge only to the extent that every prior ranking mortgage or charge on principal security is also held by the Issuer. Prior ranking charges or mortgages on secondary security may be held by Bank of Ireland or the Issuer.
- (b) The legal title in the property being taken as security is "good marketable title" as determined from time to time by the Law Society of Ireland.
- (c) In all cases a valuation is required to be performed by a valuer, being a valuer at the time of such valuation that is listed on the Bank of Ireland/the Issuer's listing of valuers or is otherwise acceptable to Bank of Ireland/the Issuer, except prior to June 2011 in the case of certain further advances where an existing acceptable valuation report is held.
- (d) Whilst loans are made in circumstances where the property is under construction, such loans are not included in the Pool.
- (e) Home loan borrowers are generally required to effect and maintain a life assurance policy in the amount of the loan for the duration of the term which will repay the loan in the event of death. Such assurance policies are required to be assigned to the Issuer as security for the loan. BTL borrowers are not required to effect life assurance.
- (f) Borrowers are generally required to effect and maintain a property insurance policy in an amount sufficient to recover the reinstatement value of the property and the Issuer is a joint insured or its interest is noted on said policies. The obligations of the borrower may be met if such insurance is effected and maintained by another person with an interest in the relevant property and the Issuer is a joint insured or its interest is noted on such policy.



### *Residential loan amount to related property value ratio (LTV)*

- (a) The LTV is calculated by dividing the loan amount approved at completion of the Irish residential loan (including any completion fees) by the valuation (or in some cases, the purchase price) of the Irish residential property.
- (b) The maximum LTV of each Irish residential loan at the date of the initial advance by the Issuer to the borrower is generally not more than 90.0 per cent. (excluding any mortgage indemnity premium/administration or other fee/product options added).
- (c) Mortgage indemnity insurance is not required for Irish residential loans in respect of which the initial advance was made after 5 April 1999. No mortgage indemnity insurance is applied to BTL business.
- (d) Notwithstanding the general limit of 90.0 per cent. LTV referred to in (b) above, the Issuer also previously made available Irish home loans up to 100 per cent. LTV for first time buyers for a limited period of time and subject to strict criteria. The Issuer no longer offers 100 per cent. residential loans. The Issuer may from time to time make available to a limited number of eligible existing residential mortgage loan borrowers of the Group in negative equity certain Mover Product Features for which the maximum LTV, in the cases of the Trade Up Product Feature and the Trade Down Product Feature, may be up to 175 per cent. and in the case of the Trade Down Forbearance Option, is not specified but will be determined by the Issuer on a case by case basis. The availability of such features is subject to compliance with criteria. See also *Risk Factors – Macro-prudential policy for, and conduct of residential mortgage lending* and *Description of the Issuer and the Group – The Issuer – Irish Housing / Residential Loan Market*.

### *Term*

Each new Irish residential loan has an initial term of no longer than 35 years. Generally, a maximum initial term of 25 years applies in respect of BTLs. Since November 2015, BTLs are subject to a maximum initial term of 30 years.

### *Borrowers*

- (a) The borrowers must have a minimum age of 18.
- (b) Independently of the number of borrowers who are parties to any one home loan, the assessment of the Irish residential home loan is based on the greater income and status of a maximum of two of the borrowers.
- (c) Borrowers' credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) search supplied by the Irish Credit Bureau;
  - (ii) search supplied by another credit reference agency;
  - (iii) copy of the most recent pay slips and/or the most recent P60 (annual Irish income tax statement given by employers to employees);
  - (iv) certified audited accounts;
  - (v) accountant's certificate in the form supplied by the Issuer;
  - (vi) existing lender's statements;
  - (vii) salary reference from current employers; and
  - (viii) satisfactory track record with the Issuer, where applicable.

## *Income*

- (a) Income is determined by reference to the application data and supporting documentation.
- (b) Income is verified in a manner according to the lender's procedures.
- (c) Each borrower must disclose all material liabilities, which are assessed by the Issuer.
- (d) Borrowing limits for home loans are generally assessed by reference to a multiple of a borrower's income and repayment capacity.
- (e) A borrower's capacity to repay a home loan should exceed at the date of the advance a threshold, as determined from time to time by the Issuer, which depends on the borrower's family status. The borrower's capacity to repay is calculated using a stressed mortgage interest rate.
- (f) For BTL borrowers, capacity to repay is calculated by reference to a minimum debt cover ratio i.e. a defined percentage of rental income expressed as a percentage of stressed BTL capital and interest payments.

## *Solicitors*

The firm of solicitors acting on behalf of the borrowers, on the granting of a security over Irish residential property, must have at least one practising solicitor who must hold a current practising certificate issued by the Law Society of Ireland.

## *Further Advances*

Further advances generally are governed by the same criteria as initial advances.

## *Changes to Lending Criteria and Exceptions*

The Issuer has the right to change the Lending Criteria from time to time. The Issuer also has the right to vary or waive the Lending Criteria from time to time and at any time and may have done so in the case of individual Irish residential loans.

## **Enforcement Procedures**

The Issuer/Bank of Ireland has established procedures for managing loans that are in arrears, including early contact with borrowers in order to find a solution, where appropriate, to financial difficulties a borrower may anticipate or be experiencing. These same procedures, as from time to time varied in accordance with industry practice and legal requirements (most recently by the CCMA, see further *Certain Aspects of Regulation of Banks and Residential Lending in Ireland – Regulation of the Irish Residential Mortgage Market – Code of Conduct on Mortgage Arrears* below) will continue to be applied by the Mortgage Servicer (as defined below) under the terms of the Servicing and Agency Agreement in respect of arrears arising on the Issuer's Irish residential mortgage loans.

## **Mortgage Servicing**

### *Introduction*

Bank of Ireland has been appointed agent and servicer (the **Mortgage Servicer**) by the Issuer under the Servicing and Agency Agreement dated 2 July 2004 between the Issuer and Bank of Ireland (as supplemented by a Master Services Agreement dated 1 January 2012, together the **Servicing and Agency Agreement**) to service and administer the Irish residential loans of the Issuer, their related security and certain other related matters. Under the terms of the Servicing and Agency Agreement, the Mortgage Servicer may at its own cost sub-contract or delegate its powers and obligations under the Servicing and Agency Agreement. Any such sub-contracting or delegation will not abrogate or relieve the Mortgage Servicer of any of its obligations under the Servicing and Agency Agreement. The Group currently services and manages all Irish residential loans originated by the Group. In that regard, the Issuer has delegated or sub-contracted its powers under the Servicing and Agency Agreement with respect to Irish residential loan and related security servicing

and related matters to the Group and with respect to certain Irish residential loans and related security.

Bank of Ireland has agreed under the Servicing and Agency Agreement to service the Issuer's Irish residential loans with the same level of skill, care and diligence as it would in managing those Irish residential loans advanced by any Group member.

#### *Mortgage Rates*

The Issuer will set the interest rates on its Irish residential loans. Interest is calculated on the amount owing by a borrower (including, but not limited to, capitalised interest) and is adjusted daily to take account of principal repayments.

#### *Payments from Borrowers*

Payments of principal and interest are usually made monthly in respect of the Issuer's Irish residential loans and are payable in arrears and are credited directly into a collection account held by the Issuer.

#### *Arrears and Default Procedures*

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. In particular the procedures followed by the Mortgage Servicer are under regular review to ensure compliance with the CCMA. See further *Certain Aspects of Regulation of Banks and Residential Lending in Ireland – Regulation of the Irish Residential Mortgage Market – Code of Conduct on Mortgage Arrears* and *Certain Aspects of Regulation of Banks and Residential Lending – Regulation of the Irish Residential Mortgage Market – Consumer Protection Code* below. 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.

The gross proceeds of sale of the property (in certain circumstances net sales proceeds 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 who advised in connection with the advance of the relevant loan. Such claims are in addition to any rights or remedies which the lender may have at law or in equity against a borrower for payment of the outstanding amount of the loan. Where the funds arising from application of the above procedures are insufficient to pay all amounts owing in respect of a loan, such funds will be applied first in paying principal owing and secondly in paying interest and costs in respect of such loan.

#### *Redemption*

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

### Introduction

The Issuer is regulated and supervised by the Central Bank under laws and regulations applicable to banking activities in Ireland (the **Irish Banking Code**) and the ACS Acts in respect of the activities regulated thereby and by the ECB pursuant to the SSM Regulation. Bank of Ireland is also subject to regulation and supervision under the Irish Banking Code and the SSM Regulation. For the relationship between the powers and functions of the supervisory authorities under the Irish Banking Code and those under the ACS Acts see *Supervision and Regulation of Institutions/Managers — Regulation of Institutions under banking legislation other than the ACS Acts* below.

This section outlines certain regulatory requirements applicable to banking activities and residential mortgage lending and security in Ireland which the Issuer considers are directly relevant to its business. It is not intended to be read as a comprehensive description of all applicable regulation but as a general overview of the matters described herein.

### General Supervision and Regulation of Banks in Ireland

#### *Single Supervisory Mechanism*

Historically the Central Bank has had overall responsibility for the authorisation and supervision of credit institutions operating in Ireland. On 4 November 2014, the SSM Regulation established the Single Supervisory Mechanism for credit institutions and investment firms established in the Eurozone and other Member States that opt in to the SSM, transferring to the ECB supervisory responsibility and decision making powers in respect of core activities. An institution categorised as significant (a **Significant Institution**) for the purposes of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17), of which the Issuer is one, is directly supervised by a JST consisting of both ECB and Central Bank supervisors. The Central Bank retains responsibility for the supervision of non-core activities such as anti-money laundering and consumer protection.

#### *Pre-approval controlled functions and the fitness and probity regime*

The Central Bank Reform Act 2010 (the **Reform Act**) requires that the appointment of key office-holders in regulated financial service providers including any appointment to the role of director, be approved in advance by the Central Bank in accordance with the Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act 2010) or, in the case of Significant Institutions, by the ECB in accordance with the European Banking Authority Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2012/06).

#### *Domestic Enforcement Legislation*

The Supervision Act took effect on 1 August 2013. The Supervision Act further strengthens the regulatory framework for Irish financial services providers by clarifying and enhancing the powers of the Central Bank to allow it to monitor, supervise, query and investigate the conduct and activities of financial service providers and to impose sanctions as appropriate.

The Supervision Act applies to all regulated financial services providers and in many cases extends to any related undertakings including group companies and partnerships of which a regulated financial services provider is a member and which themselves may not have previously been subject to financial services regulation legislation.

The main provisions of the Supervision Act include:

- (i) the provision by a regulated financial services provider of an independent expert report;
- (ii) information gathering powers for the Central Bank;
- (iii) an enhanced authorised officer regime;

- (iv) the requirement to provide assurances from auditors;
- (v) protection for persons reporting breaches;
- (vi) empowering the Central Bank to give directions and make regulations;
- (vii) enhanced consumer protection; and
- (viii) increase in monetary penalties.

### *BRRD and SRM*

The BRRD introduced a new framework in the European Union for the recovery and resolution of banks and other financial institutions. The BRRD was transposed in Ireland pursuant to the European Union (Bank Recovery and Resolution) Regulations 2015. Under the BRRD, competent authorities and resolution authorities are given power to, among other things:

- (a) require banks to prepare recovery plans and cooperate with competent authorities in the preparation of resolution plans;
- (b) take early intervention measures to prevent a bank's financial position from deteriorating, including replacing management or installing a temporary administrator in place of existing management;
- (c) appoint a special manager in place of existing management;
- (d) implement resolution tools to manage the orderly resolution of a failing institution, including:
  - (i) selling the institution or all or part of the business of the institution (the sale of business tool);
  - (ii) transferring the institution or all or part of the business of the institution to a bridge institution (the bridge institution tool);
  - (iii) transferring assets and liabilities of an institution to one or more asset management vehicles (the asset separation tool); and
  - (iv) writing down capital instruments of an institution and writing down or converting to equity certain liabilities of an institution (the bail-in tool).

The BRRD provides that resolution authorities may not bail-in liabilities in the form of covered bonds (such as the Securities) or pool hedges, and requires, in addition, that all secured assets relating to a covered bond cover pool should remain unaffected by the bail-in tool, segregated and with enough funding. However, neither this requirement, nor the restriction on bailing-in covered bonds and pool hedges, prevents resolution authorities from writing down that part of a secured liability that exceeds the value of the collateral on which it is secured.

The BRRD is complemented by Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, which established the Single Resolution Mechanism. The SRM Regulation is designed to ensure the uniform application of the BRRD resolution rules to failing banks subject to the SSM. It is based on close cooperation between the national resolution authorities of participating Member States, and a new centralised European resolution authority, the SRB. The SRB will have the authority to exercise specific resolution powers pursuant to the SRM Regulation similar to those of the competent authorities under the BRRD.

### *Irish CRD Code*

The Issuer is subject to the provisions of CRD IV relating to capital adequacy and the monitoring and control of large exposures. The capital framework as set out in CRD IV comprises: the Capital Requirements Regulation; the European Union (Capital Requirements) Regulations 2014 and the European Union (Capital Requirements No. 2) Regulations 2014 (together the **CRD Regulations**), which implement the CRD in Ireland; regulatory technical standards issued by the EBA; and the regulatory guidelines issued by the Central Bank in May 2014, Implementation of Competent Authority Discretions and Options in CRD IV and CRR (the **CRD IV Implementation**

**Notice**). This regulatory package (the **Irish CRD Code**) sets out, among other things, minimum start up and ongoing capital requirements for banks licensed by the Central Bank and requires applicants for a licence to notify the Central Bank of the identity of certain shareholders and the size of their holdings in the applicant.

Under the Irish CRD Code, the Group and Issuer are subject to extensive regulation and regulatory supervision in relation to the levels of capital in their business.

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.

Licensed banks must notify their existing fees and charges and related terms and conditions, and any changes therein from time to time to the Consumer Director of the Central Bank, who can direct that no fees, charges or increases or changes therein be made without his or her approval.

#### *Anti-money laundering requirements*

All credit institutions are obliged to take the necessary measures to counteract effectively money laundering and terrorist financing in accordance with the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 and 2013 (the **CJMLTF Acts**). The CJMLTF Acts transpose Directive 2005/60/EC and Directive 2006/70 into Irish law.

#### *Data Protection*

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

#### *Government Guarantee Schemes*

The Minister for Finance has been given certain functions under the Credit Institutions (Financial Support) Act 2008 in relation to financial support for certain credit institutions and their subsidiaries, including Bank of Ireland. Such financial support included the guarantee by the Minister for Finance of certain liabilities of certain Irish institutions under the Credit Institutions (Financial Support) Scheme 2008, which expired on 29 September 2010, and the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, which closed to new liabilities from midnight on 28 March 2013 (together, the **Government Guarantee Schemes**). The Securities are not and will not be guaranteed by the Minister for Finance under the Government Guarantee Schemes or otherwise.

### **Regulation of the Irish Residential Mortgage Market**

#### *Overview*

The primary regulatory requirements in Ireland applicable to mortgage loans are contained in the Consumer Credit Act 1995, as amended (the **CCA**) and in the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 (the **Mortgage Credit Regulations** or **MCR**). In addition, mortgage loans from credit institutions (including the Issuer) to consumers are subject to general consumer laws, regulations and codes such as the European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 to 2000 (the **UTCCR**); the Consumer Protection Act 2007 (the **CPA**) and the CPC 2012. The CCMA applies to mortgage arrears, where the mortgage loan is served on a primary residence (a sole residential property in Ireland owned by a borrower), in particular.

#### *Consumer Credit Act*

Housing loans offered by credit institutions in Ireland (including the Issuer) are principally regulated by the CCA where the credit agreement was effective prior to 21 March 2016. Where a credit agreement is effective from 21 March 2016 and the borrower borrows as a consumer, then the MCR applies, generally in addition to certain provisions of the CCA.

The CCA imposes a range of obligations and restrictions on mortgage lenders and mortgage intermediaries. The relevant part of the CCA applicable to housing loans is Part IX. At the date of this Base Prospectus, documentation for all housing loans in the Pool complies with the CCA.

Under the CCA, 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 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 such a loan and any loan to a borrower (if a consumer), where that loan is secured by a mortgage and on which a house is or is to be constructed even if the borrower and/or his or her dependents do not intend to live there. As noted above, all housing loans to those borrowing for consumer purposes where the credit agreement comes into effect from 21 March 2016 will be covered by MCR.

Relevant obligations under the CCA for housing loans include rules on advertising; a requirement to furnish the borrower with a valuation report; a requirement for information to be given to a consumer including warnings regarding the potential loss of the person's home; and a requirement to give information about fees and charges. The general rule under the CCA is that the lender must ensure that a borrower obtains mortgage protection insurance (life cover). Restrictions include prohibitions on the imposition of a redemption fee in the case of variable rate housing loans; compelling a borrower to pay the lender's legal costs of investigating title; and the linking of certain products to a housing loan.

A breach of certain obligations or restrictions imposed by the CCA may constitute a criminal offence and may also attract administrative sanctions from the Central Bank, pursuant to its statutory powers, including disqualification orders and monetary penalties to a maximum of €10,000,000.

A housing loan remains enforceable against the borrower even if there is a breach of any provision of Part IX of the CCA.

Housing loans (as defined in the CCA) are given certain protections as regards the enforcement of mortgages under the Land and Conveyancing Law Reform Act 2009 (the **2009 Act**). Mortgage Credit Regulations

The MCR implement the Mortgage Credit Directive (Directive 2014/17/EU) into Irish law and set out a framework concerning loans to consumers secured by a mortgage or residential immovable property or otherwise enabling a consumer obtain (or retain) a residential immovable property or an interest in one.

The MCR provide for, amongst other things:

- requirements to act honestly and professionally taking account of the interest of consumers when devising mortgage products or providing and fulfilling mortgages; and to base actions on information about the circumstances of the consumer and assumptions about risks to the consumer over the term of the mortgage loan;
- requirements to act in the best interests of the customer when providing advisory services on transactions relating to mortgage loans;
- requirements on training and minimum competency for staff and on staff remuneration policies;
- provision of standard information in advertising, and standard pre-contractual information by way of the European Standardised Information Sheet (ESIS);
- adequate explanations to be provided to the borrower on the proposed credit agreement and any ancillary service;
- calculation of the annual percentage rate of charge in accordance with a prescribed formula and using certain assumptions where appropriate (replacing APR as provided for in the CCA for consumer mortgage loans);

- assessment of creditworthiness of the borrower at the pre-contract stage and verification of information on the consumer's income and expenses;
- a framework for the protection of consumers of foreign currency mortgage loans. In this regard, it is noted that:
  - broadly, a mortgage denominated in a currency other than that of the income or asset from which the consumer intends to repay the mortgage loan is a foreign currency loan; if the borrower lives in an EEA country with a national currency different to the currency of the mortgage loan, that will also be a foreign currency loan;
  - lenders are obliged to illustrate the effect of a currency variation of 20% on the consumer's obligations under the mortgage loan; and to warn the consumer if such a variation occurs. The lender must give the consumer the right to convert the loan to his or her national currency or must put in place an alternative arrangement to limit the consumer's risk; the alternative arrangement can be a warning where that is sufficient to limit the exchange rate risk.
- a right of the borrower to make early repayment of the credit agreement (in effect) free of charge where the rate is variable; whilst allowing a lender charge compensation for broken funding on repayment in certain circumstances where interest rates are fixed or capped;
- charges arising from a consumer's default to be no greater than necessary to compensate the lender for costs it incurs as a result of default;
- prudential and supervisory requirements for credit intermediaries and non-bank lenders.

Breaches of certain provisions of the MCR may constitute a criminal offence and may also attract administrative sanctions from the Central Bank, pursuant to its statutory powers, including disqualification orders and monetary penalties to a maximum of €10,000,000. A breach of the MCR does not render a mortgage loan unenforceable.

#### *Unfair Terms in Consumer Contracts Regulations*

The UTCCR apply in relation to the 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 Competition and Consumer Protection Commission or a consumer organisation (as defined in the UTCCR) may seek an injunction preventing the use of specific terms that are unfair.

#### *Consumer Protection Code*

The CPC 2012 sets out how lending institutions (such as the Issuer) must deal with consumers generally and is aimed at increasing and strengthening consumer protection.

The CPC 2012 applies to banks and building societies, insurance undertakings, investment business firms (other than those conducting MiFID services), mortgage intermediaries and credit unions. The CPC 2012 requires regulated entities to know their customers and their suitability for products or services, to prepare terms of business setting out prescribed information for customers. There are also detailed rules on the fairness of advertising, and specific sectoral rules on banking products, loans, insurance services and investment products.

Other relevant obligations under the CPC 2012 include: a requirement to supply a written suitability statement before providing certain services or products; a strict time period for complaint handling; for consolidation mortgages, an obligation to supply a written comparison detailing the total cost of the consolidated facility on offer versus the cost of maintaining existing loans; strict disclosure requirements where a lender seeks the agreement of a borrower to move from a tracker rate of interest; and a requirement to advise customers how to mitigate/avoid fees and penalties in respect of the chosen product. There are also special disclosure requirements where a customer or lender proposes to change interest from a tracker rate to another form of rate.



In addition, all regulated entities must maintain adequate systems and controls to ensure compliance with the CPC 2012. If requested by the Central Bank, a regulated entity must produce records detailing compliance with the CPC 2012.

Breaches of the provisions of the CPC 2012 entitle the Central Bank to impose administrative sanctions pursuant to Part IIIC of the Central Bank Act, 1942. Such sanctions include disqualification orders and monetary penalties to a maximum of €10,000,000.

#### *Code of Conduct on Mortgage Arrears*

The current CCMA came into force on 1 July 2013. The CCMA is a legally binding code published by the Central Bank on the handling of mortgage arrears and pre-arrears. A pre-arrears case arises where (a) a borrower contacts the relevant lender to inform them that he/she is in danger of going into financial difficulties and/or is concerned about going into mortgage arrears or (b) the lender establishes that the borrower is in danger of going into financial difficulties.

The CCMA applies to the mortgage lending activities of lenders (such as the Issuer) to borrowers in respect of their primary residence and accordingly will apply to the activities of the Issuer and to Bank of Ireland as Mortgage Servicer (as defined in Irish Residential Loan Origination and Servicing — Mortgage Servicing below). The CCMA sets out what the lender must do when managing mortgage arrears and pre-arrears and provides for, amongst other things, the actions that a lender is required to take to address mortgage arrears before resorting to repossession of the relevant property. In particular, the CCMA provides that a lender:

- (a) must put in place a MARP which complies with the CCMA;
- (b) must explore, and if appropriate, offer the borrower alternative repayment arrangements which may include full or partial interest only repayment for a specified period, full or partial deferral of the instalment repayment for a specified period, extension of the term, capitalising arrears and interest and any voluntary repayment scheme to which the lender has signed up under the CCMA;
- (c) must not apply to the courts to seek repossession of a borrower's primary residence until every reasonable effort has been made to agree an alternative repayment schedule with the relevant borrower in accordance with the MARP and the moratorium period, as described at (f) below, has expired;
- (d) have a board-approved communications policy that will protect borrowers against unnecessarily frequent contact and harassment, while ensuring that the regulated entity can make the necessary contact to progress resolution of arrears cases;
- (e) not remove borrowers from "tracker-rate" mortgages, unless, as part of a long term affordable and sustainable solution that is consistent with the Central Bank policy on sustainability; and
- (f) must keep to a timeline before resorting to legal action. The effect of the timeline rules is that legal proceedings for repossession may only commence at the later of (i) 8 months from the first date of arrears or (ii) 3 months from the date of a letter from the regulated entity to the borrower advising the borrower that forbearance has been declined or that the borrower has failed to enter into an offered alternative repayment arrangement.

However, under the CCMA a regulated entity may commence legal action for a borrower's primary residence immediately if the borrower is in arrears and has perpetrated a fraud on the lender, breached a term of contract (other than a breach resulting in arrears) or the regulated entity has classified the borrower as not co-operating and has notified the borrower thereof.

#### *Mortgage Arrears Resolution Targets*

Mortgage Arrears Resolution Targets are a range of measures put in place by the Central Bank to address mortgage arrears, including the publication of performance targets for the main Irish banks (which include the Group). The Central Bank will consider regulatory actions, including the imposition of additional capital requirements, for Irish banks that fail to meet its targets or which

demonstrate poor resolution strategies or poor execution of their strategies. The Group has met all the relevant targets to date.

The Central Bank has also set out its revised impairment provisioning and disclosure guidelines 2013. The Group has implemented the requirements arising from these guidelines.

#### *Consumer Protection Act, 2007*

On 11 May 2005, the European Council and European Parliament signed a directive on unfair commercial practices. The CPA came into force on 1 May 2007 which implements the Unfair Commercial Practices Directive in Ireland. Under the CPA, there are four principal heads of offences; (i) unfair commercial practices, (ii) misleading commercial practices, (iii) aggressive commercial practices and (iv) prohibited commercial practices. The CPA applies to all Irish law governed consumer contracts.

#### *Distance Marketing Regulations*

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 mortgage loan agreements concluded 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 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.

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. 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 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) providing a hard paper copy of the distance contract's terms and conditions on a consumer request, 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 they see fit to impose.

#### *The Personal Insolvency Act 2012*

The Personal Insolvency Act 2012 which became effective in 2013 provides for judicial and non-judicial resolution options for consumers deemed under the provisions of the Personal Insolvency Act to have unsustainable indebtedness levels. The Personal Insolvency Act amended existing bankruptcy provisions by reducing the timescale for discharge from bankruptcy from twelve years to three years and also introduced several non-judicial resolution options to debt resolution as an alternative to bankruptcy. The bankruptcy term was further reduced from three years to one year under the Bankruptcy (Amendment) Act 2015.

### **Land Law and Conveyancing**

#### *The Land and Conveyancing Law Reform Act 2013*

On 24 July 2013, the Land and Conveyancing Law Reform Act 2013 (the **LCLRA 2013**) was enacted. The Act provides that particular statutory provisions granting certain powers, rights and remedies to mortgagees (such as the right to summary possession, overreach, appoint a receiver or

sell as mortgagee in possession) continue to apply to mortgages created prior to the commencement of the 2009 Act, notwithstanding the repeal and amendment of those statutory provisions by the 2009 Act on 1 December 2009.

The Act addressed unintended consequences of the 2009 Act and the possible uncertainty in the law following the High Court judgment in *Start Mortgages Ltd & Ors v Gunn & Ors* [2011] IEHC (2011) relating to the exercise by lending institutions of their right to summary possession. The Act provides for the adjournment of possession actions in certain cases relating to the principal private residence of the borrower where it is considered by the court that the matter could be resolved by recourse to a personal insolvency arrangement under the Personal Insolvency Act. The Act provides that the court, where it considers it appropriate or on application by the borrower, in proceedings for possession of a PPR, may in certain circumstances adjourn the proceedings for up to two months to enable the parties to consider whether a personal insolvency arrangement under the Personal Insolvency Act would be a more appropriate course of action than the seeking by the lender of an order for possession. When deciding if to grant an adjournment, the court must, inter alia, consider if the borrower has co-operated under the MARP (see above for an explanation of MARP).

## **Restrictions on the Activities of an Institution**

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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 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.

For the purposes of the definition of mortgage credit, “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. The ACS Acts also provide that mortgage credit includes mortgage credit in securitised form (as the term 'securitisation' is used in the CRD IV).

The ACS Acts also authorise the Minister for Finance to designate by order credit of a specified kind to be mortgage credit for the purposes of the ACS Acts and to declare by order 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 credit constituting mortgage credit.

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 provides that a mortgage credit asset secured on a single property asset that would otherwise constitute commercial property in part and residential property in part 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 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.

**Group mortgage trust services** are 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 (i.e. assets held for regulatory purposes).

**Mortgage security** means a mortgage, charge or other security (for the purposes of the definition of mortgage credit) which secures 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.

The ACS Acts provide that, 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:

- (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,

other than assets that comprise Pool Hedge Collateral.

Any asset of the type referred to at (b) above must be an exposure to a credit or financial institution within the meaning of the Irish CRD Code. Under the ACS Acts the Minister for Finance 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 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:

- (a) is any credit institution which is authorised in Ireland or any EEA member state; or
- (b) is 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
- (c) has, from an eligible external credit assessment institution (**ECAI**), a minimum credit quality assessment of Credit Quality Step 2 (within the meaning of the Irish CRD Code).

The Asset Covered Securities Act 2001 Regulatory Notice (section 35(9B)) 2014 (the **Substitution Asset Pool Eligibility Notice**) made by the Central Bank (which came into operation on 4 July 2014) prescribes the following additional creditworthiness standards and criteria for substitution assets that are included in a Pool:

- (a) a credit quality assessment from an eligible ECAI 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 term or short term credit quality assessment from an eligible ECAI of Credit Quality Step 2 (within the meaning of the Irish CRD Code).

The Central Bank may, after consulting the EBA, allow Credit Quality Step 2 for up to 10 per cent. of the total exposure of the nominal value of outstanding Securities, provided that significant potential concentration problems have been identified in the State due to application of the Credit

Quality Step 1 requirement referred to in paragraph (a) above.

**Permitted business activities — (c) dealing in and holding assets that the Central Bank requires it to hold for regulatory purposes**

The ACS Acts provide that a designated mortgage credit institution may deal in and hold assets of a kind that are required to be held for regulatory purposes, in accordance with a requirement of the Central Bank made under the supervisory enactments.

**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 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 (the **TCA**) 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) provide that an eligible financial institution for the purposes of a deposit comprising a credit transaction asset is:

- (a) any credit institution which is authorised in Ireland or any EEA member state; or
- (b) 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
- (c) which has, from an eligible ECAI, a minimum credit quality assessment of Credit Quality Step 3 (within the meaning of the Irish CRD Code).

**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).

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 and Requirements under the ACS Acts — 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 and Requirements under the ACS Acts — 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 Group and the Issuer — Issuer Risk Management — Market Risk* above.

In relation to Pool Hedge Collateral, see *Cover Assets Pool and Requirements under the ACS Acts — 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 Irish CRD Code (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 100 per cent. (or such other percentage as may be prescribed by regulations made by the Central Bank). Securitised mortgage credit assets are disregarded for the



purposes of this ratio. 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 and Requirements under the ACS Acts — 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 and Requirements under the ACS Acts — 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 and Requirements under the ACS Acts — Valuation of assets held by an Institution*.

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 and Requirements under the ACS Acts — 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.**

### 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* below).

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 Mortgage Covered Securities in accordance with relevant provisions of the ACS Acts.

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. In particular, 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.

### Cover Asset Pool maintained by the Issuer

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. 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.

As described further below, the ACS Acts permit the inclusion in the Pool of:

- (a) mortgage credit assets and substitution assets which are located for the purposes of the ACS Acts outside of Ireland or the United Kingdom;
- (b) mortgage credit assets secured on commercial property; and
- (c) certain CMBS and RMBS,

subject where applicable to certain creditworthiness standards or criteria and limits.

At the date of this Base Prospectus, the mortgage credit assets that the Issuer has included and intends to include in the Pool consist of mortgage credit assets located in Ireland and secured primarily on residential property for the purposes of the ACS Acts. The substitution assets that the Issuer has included and intends to include in the Pool at the date of this Base Prospectus consist of deposits with Bank of Ireland. The Issuer has not, at the date of this Base Prospectus, included CMBS or RMBS in the Pool.

Subject to the provisions of the ACS Acts, including the approvals and consents required under and the limits set out in the ACS Acts, the Issuer may include in the Pool mortgage credit assets or substitution assets located for the purposes of the ACS Acts in the United Kingdom or other jurisdictions permitted by the ACS Acts, mortgage credit assets the related loans under which

are secured over commercial property and CMBS and RMBS, in each case to the extent permitted by the ACS Acts. However, 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, (iii) mortgage credit assets the related loans under which are not denominated in euro or (iv) RMBS or CMBS without, in each case, first obtaining from Moody's and DBRS (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. However, the Issuer will not include in the Pool in any circumstance any asset-backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the Guideline on the implementation of the Eurosystem monetary policy framework (recast) (ECB/2014/60).

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 Issuer's Pool as described above will require the Monitor's approval.

### **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* below); 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 in 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 and Requirements under the ACS Acts — Restrictions on inclusion of substitution assets in the Pool*.

The Central Bank has under the Asset Covered Securities Act 2001 Regulatory Notice (section 41A(4), (5) and (7)) 2011 imposed creditworthiness standards and criteria in respect of securitised mortgage credit assets which may be comprised in the Pool. See *Cover Assets Pool and Requirements under the ACS Acts — 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 the relevant asset from the Pool and, where required, replace it. 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. 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 — *Restriction 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 at the first and second paragraph 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**), unless a nil value is attributed to the relevant mortgage credit asset for the purposes of the financial matching, Regulatory Overcollateralisation and Contractual Overcollateralisation requirements, or the mortgage covered asset concerned is not required to satisfy those requirements because sufficient cover assets are comprised in the Pool which met 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 ACS Acts, 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 of criteria applicable to covered bonds under the Irish CRD Code. 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 41 A(4), (5) and (7)) 2011 made by the Central Bank (which came into operation on 9 December 2011) provides that:

- (a) securitised mortgage credit assets comprised in a Pool 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 10 per cent. of the principal or nominal amount outstanding of the Mortgage Covered Securities issued by the Institution;
- (c) prior to 31 December 2013, the restriction referred to at (b) above does not apply where the securitised mortgage credit assets representing the amount greater than the 10 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 IV.

The Asset Covered Securities Act 2001 Regulatory Notice (section 41A(4), (5) and (7)) 2011 repealed and replaced the Asset Covered Securities Act 2001 Regulatory Notice (section 41A(4), (5) and (7)) 2007.

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 collateral for covered bonds under the Irish CRD Code and may be expanded in a regulatory notice made by the Central Bank under the ACS Acts.

### **Financial matching criteria for a Pool and related Mortgage Covered Securities**

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 (a) above, certain loan to value restrictions.

#### *Meaning of "duration" of a Pool or Mortgage Covered Securities*

For the purposes of paragraph (a) above **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 Asset Covered Securities Act 2001 Regulatory Notice (sections 32(10) and 47(10) 2007 (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) above, if the principal amount of a mortgage credit asset (other than a securitised mortgage credit asset) included in a Pool represents more than the percentage (**LTV**) 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 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 such other percentage has been specified by the Minister for Finance.

As described further under *Valuation of assets held by an Institution — Valuation of Relevant Securitised Mortgage Credit Assets* below, the prudent market value of CMBS or RMBS for the purpose of the financial matching and overcollateralisation requirements is the 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) and (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. These limits reflect the valuation limits under the CRD IV for securitised mortgage credit which collateralises covered bonds.

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, after having regard to the valuation requirements applicable to covered bonds under the Irish CRD Code.

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.

### **Overcollateralisation**

For the purposes of the requirement to ensure that the prudent market value of the Pool is greater than the total of the principal amounts of Mortgage Covered Securities that relate to the Pool, 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. 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 contracts comprised in the Pool.

The Regulatory Overcollateralisation requirement does not affect any Contractual Overcollateralisation undertakings made by an Institution requiring higher levels of overcollateralisation to be maintained. 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 to the total principal amount outstanding of Mortgage Covered Securities issued by the Issuer which are secured on the Pool. Condition 11 of the Securities requires the Issuer to maintain Contractual Overcollateralisation of the Pool with respect to Mortgage Covered Securities in issue at any time for so long as the Securities are outstanding at a minimum level of 105 per cent. (see *Terms and Conditions of the Securities*)

The Monitor 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.

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*.

In addition, having regard to the criteria of the rating agencies, it is the Issuer's intention to maintain Contractual Overcollateralisation of the Pool with respect to Mortgage Covered Securities in issue at any time for so long as the Securities are outstanding.

### **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 or the value of credit transaction assets, or the total assets held by an Institution for the purposes of the ACS Acts.

#### *Prudent Market Valuation of Irish Residential Property Assets, Irish Residential Loans and Relevant Securitised Mortgage Credit Assets*

For the purposes of calculating prudent market value, the Central Bank has made the MCA Valuation Notice which came into operation on 9 December 2011 and lays down requirements in relation to the valuation basis and methodology, time of valuation and other matters related to determining the prudent market value of:

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

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

The 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*.

The MCA Valuation Notice repealed and replaced the Asset Covered Securities Act, 2001 Regulatory Notice (sections 41(1) and 41A(7) 2007).



### *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. 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. On 2 July 2004, the Issuer adopted and published on the Group's website ([www.bankofireland.com](http://www.bankofireland.com)), a Prudent Market Discount for the purposes of the Former Irish Residential Loan/Property Valuation Notice of 0.150 (or in percentage terms, 15 per cent.) and this Prudent Market Discount continues to apply for the purposes of the MCA Valuation Notice (which repealed and replaced the Former Irish Residential Loan/Property Valuation Notice).

### *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 comprises 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 Irish CRD Code 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.

### *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 financial matching requirements in respect of a Pool and Mortgage Covered Securities under the ACS Acts (see *Financial matching criteria for a Pool and related Mortgage Covered Securities* above), 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 and Regulatory Overcollateralisation requirements under the ACS Acts and the Asset Covered Securities Act, 2001 (section 61(1), 61(2), 61(3)) [Overcollateralisation] Regulation 2004 (the **Overcollateralisation Regulation**) (see *Financial matching criteria for a Pool and related Mortgage Covered Securities and Overcollateralisation* above) 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; and
- (iii) a maximum LTV of 60 per cent. in the case of CMBS or 80 per cent. in the case of RMBS in respect of the loans underlying the Relevant Securitised Mortgage Credit Assets,

in the case of (ii) and (iii) above:

- A. 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;
- B. the ranking in terms of seniority of the Relevant Securitised Mortgage Credit Assets as against all such securitisation securities; and
- C. regard may be had to contracts, to which such securitisation entity is a party, the effect or purpose of which is to reduce the exposure of that securitisation entity in respect of the Relevant Securitised Mortgage Assets to fluctuations in the values of currencies concerned.

Under the MCA Valuation Notice, when determining the prudent market value of a Relevant Securitised Mortgage Credit Asset:

- (a) the amount referred to at (i) above is the principal or nominal amount outstanding of the Relevant Securitised Mortgage Credit Assets concerned on the date such prudent market value is determined or to be determined under the MCA Valuation Notice; and
- (b) the amounts referred to at (ii) and (iii) above are to be determined by reference to the most recent information available to the Institution provided by or on behalf of the securitisation entity which is the issuer of the Relevant Securitised Mortgage Credit Asset and the most recent publicly available information relating to certain relevant matters.

An Institution is required under the MCA Valuation Notice to calculate the prudent market value of each Relevant Securitised Mortgage Credit Asset and the other relevant amounts for the 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 and Regulatory Overcollateralisation requirements under the ACS Acts and the Overcollateralisation Regulation (see *Financial matching criteria for a Pool and related Mortgage Covered Securities and Overcollateralisation* above) 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 Irish CRD Code 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 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.

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 shall be determined in accordance with accounting standards generally accepted in Ireland (**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 included 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 a 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* above.

Furthermore, an Institution may not, without the consent of the Central Bank, replace an underlying asset with a mortgage credit asset or substitution asset if:

- (i) the Institution is potentially insolvent; or
- (ii) 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.

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 Covered 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.

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.

### **Cover assets hedge contracts**

The ACS Acts provide that cover assets hedge contracts 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 ACS Acts, 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.

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.

The interest rate exposure of the Issuer relating to its mortgage credit assets located in Ireland and secured over residential property for the purposes of the ACS Acts which are comprised in the Pool is managed through a combination of matched funding and the Pool Hedge. The Pool Hedge is a cover assets hedge contract for the purposes of the ACS Acts.

The Issuer operates a net funding model, primarily utilising Mortgage Covered Securities to fund the mortgages on its own balance sheet. With respect to fixed-rate issued Mortgage Covered Securities, Bank of Ireland pays to the Issuer under the cover assets hedge contracts an amount related to the fixed interest rate payable on the relevant Mortgage Covered Securities on a notional amount equal to the principal amount outstanding of the relevant Mortgage Covered Securities and on a monthly basis the Issuer pays to Bank of Ireland an amount related to the ECB base rate on that notional amount.

With respect to issued floating-rate Mortgage Covered Securities, Bank of Ireland pays under the cover assets hedge contracts an amount related to the floating interest rate payable on the relevant Mortgage Covered Securities on a notional amount equal to the principal amount outstanding of the relevant Mortgage Covered Securities and on a monthly basis the Issuer pays to Bank of Ireland an amount related to the ECB base rate on that notional amount.

Under the terms of the Pool Hedge with Bank of Ireland, in the event that the relevant rating of Bank of Ireland is downgraded by a rating agency appointed by the Issuer in respect of the Securities below the rating(s) specified in the Pool Hedge, Bank of Ireland is required, in accordance with the Pool Hedge, to take certain remedial measures which may include providing collateral for its obligations under the Pool Hedge, arranging for its obligations under the Pool Hedge to be transferred to an entity with the ratings required by the relevant rating agency, procuring another entity with the ratings required by the relevant rating agency to become co-obligor in respect of its obligations under the Pool Hedge, or taking such other action as it may agree with the relevant rating agency. A failure to take such steps allows the Issuer to terminate the Pool Hedge.

If the Issuer includes in the Pool mortgage credit assets, located for the purposes of the ACS 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 assets which are not denominated in euro or issues Mortgage Covered Securities which are not denominated in euro, the Pool Hedge referred to above does not hedge any interest rate 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 Bank of Ireland. See *Risk Factors – Cover Assets Hedge*

*Contracts.*

### **Pool Hedge Collateral and Collateral Register**

Under the ACS Acts Pool Hedge Collateral is a category of asset distinct from mortgage credit assets, substitution assets and other categories of assets 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 give 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 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. An Institution is required to include in the register of pool hedge collateral, among other things, particulars of the Pool Hedge Collateral it holds from each counterparty to a cover assets hedge contract and particulars of the cover assets hedge contracts that relate to the Pool Hedge Collateral. Unless the Central Bank otherwise requires (whether generally in respect of all Institutions or individually in respect of any given Institution) or the Institution is potentially insolvent or insolvent, the consent of the Monitor is not required for an Institution to make, amend or delete an entry in its Collateral Register.

The Central Bank may, by regulatory notice, specify requirements in relation to:

- (a) the type of assets or property that qualify as Pool Hedge Collateral;
- (b) the maintenance and operation of the Collateral Register;
- (c) particulars that an Institution shall include in its Collateral Register;
- (d) the circumstances in which the consent of the Monitor is required for an Institution to make, amend or delete an entry in the Collateral Register.

The Asset Covered Securities Act 2001 Regulatory Notice (section 30(15) and 45(15)) 2007 made by the Central Bank (which came into operation on 31 August 2007) provides that:

- (a) the Collateral Register must contain particulars detailing, in respect of any Pool Hedge Collateral, the cover assets hedge contract(s) for which such Pool Hedge Collateral has been provided; and
- (b) an Institution must maintain the Collateral Register at the registered office or head office of the Institution or at such other office as has been notified to the Central Bank in writing, and in any event must maintain such register at an office located in Ireland.

### **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.

### **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 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.

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 statements 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 shall 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 the Pool that relates to those Mortgage Covered Securities; 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 ACS Acts, for as long as:

- (a) the Pool is comprised in part of Cover Assets which meet, with respect to the Pool and Asset Covered Securities, 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.

### 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 and Requirements under the ACS Acts*). 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 27 August 2004 between Mazars and the Issuer, as amended and restated on 22 October 2007 (the **Cover Assets Monitor Agreement**). The Cover Assets Monitor Agreement reflects the requirements of the ACS Acts in relation to the appointment of a Monitor in respect of an Institution and provides for certain matters such as overcollateralisation (see *Characteristics of the Pool/Overcollateralisation — Overcollateralisation*) and Prudent Market Discount (see *Cover Assets Pool and Requirements under the ACS Acts— Valuation of assets held by an Institution — Prudent Market Discount*), the payment of fees and expenses by the Issuer to Mazars, the resignation of Mazars as Monitor to the Issuer (see *Resignation of a Monitor*) and the replacement by the Issuer of Mazars as its Monitor.

Mazars is a large international integrated partnership, with offices across 77 countries, a total headcount of 17,000 employees and a global turnover of €1.25 billion. The Mazars Group is currently engaged as auditors / advisors to over 15 per cent. of top European companies together with a large number of publicly funded and semi state organisations.

Mazars Ireland is a full member of the Mazars International Association with over 30 years' experience in the provision of professional services to local and international clients in the financial services, institutional and corporate sectors. Its professional services include audit & assurance, tax, corporate finance, insolvency, consulting and corporate recovery. Based in Dublin and Galway, the firm has 21 partners and over 300 staff.

The above information on Mazars has been sourced from Mazars. Such information has been accurately reproduced and so far as the Issuer is aware and is able to ascertain from that information, no facts have been omitted which would render the above information inaccurate or misleading.

### Qualifications of a Monitor

The ACS 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 advisor for the Institution or any affiliate of the Institution. Neither a Monitor nor any of its affiliates may provide any other services to the Institution nor any of its affiliates unless it is first established to the satisfaction of the Central Bank that the provision of such services does not and will not create any conflict of interest with the performance by the Monitor of its duties and responsibilities under the ACS 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 and Requirements under the ACS Acts — Financial matching criteria for a Pool and related Mortgage Covered Securities and 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 and Requirements under the ACS Acts — 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 and Requirements under the ACS Acts — 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 and Requirements under the ACS Acts — Register of mortgage covered securities business*);

- (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 and Requirements under the ACS Acts — 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:

- (a) the matching requirements of the ACS Acts with respect to the Pool and Mortgage Covered Securities (see *Cover Assets Pool and Requirements under the ACS Acts — Financial matching criteria for a Pool and related Mortgage Covered Securities and Overcollateralisation*) and certain provisions of the ACS Acts restricting the location of assets that may be included in the Pool (see *Cover Assets Pool and Requirements under the ACS Acts — Location of assets that may be included in a Pool and Restriction on inclusion of certain types of mortgage credit assets in a Pool*);
- (b) the requirement that, except in certain cases specified in the ACS 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 and Requirements under the ACS Acts — Restrictions on replacement of underlying assets included in a Pool*);
- (c) restrictions under the ACS Acts on the level of substitution assets that may be included in the Pool (see *Cover Assets Pool and Requirements under the ACS Acts — Restrictions on inclusion of substitution assets in a Pool*);
- (d) the application by an Institution of realisations of mortgage credit assets or substitution assets comprised in a Pool under certain provisions of the ACS Acts (see *Cover Assets Pool and Requirements under the ACS Acts — Use of realised proceeds of Cover Assets and — Release of underlying assets from a Pool*);
- (e) certain provisions of the ACS Acts relevant to the maintenance by the Institution of its Business Register (see *Cover Assets Pool and Requirements under the ACS Acts — Register of mortgage covered securities business*);
- (f) the 3 per cent. Regulatory Overcollateralisation requirement in respect of the Pool

and Mortgage Covered Securities (see *Cover Assets Pool and Requirements under the ACS Acts — Overcollateralisation*);

- (g) the requirements in respect of securitised mortgage credit assets that can be included in the Pool (see *Cover Assets Pool and Requirements under the ACS Acts — Restrictions on inclusion of securitised mortgage credit assets in the Pool*); and
- (h) such other matters as may be prescribed by regulations made by the Central Bank.

The Asset Covered Securities Act 2001 (section 61(1)) Regulations 2007 (S.I. No. 605 of 2007) made by the Central Bank (which came into operation on 31 August 2007) provides 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 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 Group and the Issuer — Issuer Risk Management — Market 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 and related Irish Residential Property Assets and Relevant Securitised Mortgage Credit Assets (together with related amounts) (see *Cover Assets Pool and Requirements under the ACS Acts — 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 and Requirements under the ACS Acts — 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 the ACS Acts, has given a direction under of 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*);
- (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 ACS Acts 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 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;
- (a) 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 ACS Acts, 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 any 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 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**

The ACS Acts provide 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.

#### **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

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### 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.

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, 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 Act (and every enactment that is to be construed as one with that Act), the Bankruptcy Acts, 1988 and 2001, the Taxes Acts (as defined in section 811(1)(a) of the TCA), 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 (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 included 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 section 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.

In addition, 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 also have super preferred creditor status.

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 included 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.

Under Part 7 of the 2001 Act the following obligations of an Institution continue 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 excludes Cover Assets that are included in a Pool from forming part of the assets of an Institution, its parent or a related company, for the purposes of any insolvency process until the claims secured by Part 7 of the 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 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.

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 Act, 2014, is not terminated or stayed within 30 days after the date of the appointment;
- (b) if the appointment of a liquidator in respect of the Institution is not terminated or stayed within 30 days after the date of the appointment;
- (c) if the appointment of a receiver over any part of the property or undertaking of the Institution is not terminated or stayed within 30 days after the date of the appointment;
- (d) if the Institution is a company and the company is deemed to be unable to pay its debts as provided by relevant provisions of the Companies Act;
- (e) if the Institution is a building society and the High Court makes an order under the Building Societies Act, 1989, directing the society to be wound up on the ground that it is unable to pay its debts;
- (f) if the Institution is the holder of a banking licence issued under section 9 of the Central Bank Act, 1971 and:
  - (i) the Institution is deemed to be unable to meet its obligations under that Act, or
  - (ii) the Institution is deemed to have committed an act of bankruptcy or to be unable to pay its debts under that Act; or
- (g) if the Institution has, in relation to a Mortgage Covered Security that it has issued, failed to pay an amount payable in respect of the Mortgage Covered Security within 30 days after the amount fell due (unless the failure is attributable to administrative difficulties arising from circumstances that are outside the control of the Institution).

The ACS 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 Act, 2014;
- (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.

## Developments in 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 **CI Insolvency Directive**) was required to be

implemented into the national law of the Member States of the European Community (**Member State**) on 5 May 2004. It was 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. The 2004 Regulations were repealed and replaced by the European Communities (Reorganisation and Winding-up of Credit Institutions) Regulations 2011 (the **2011 Regulations**).

The purpose of the CI Insolvency 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 CI Insolvency Directive and the 2011 Regulations). The CI Insolvency 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 CI Insolvency Directive, the 2011 Regulations recognise that reorganisation measures or winding-up proceedings in respect of an Irish authorised credit institution should not affect certain rights in rem of its creditors to assets of the credit institution located in another Member State when the reorganisation measure is imposed or the winding-up proceedings commenced.

Again reflecting the provisions of the CI Insolvency 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 2011 Regulations, together with that law, may operate to displace provisions of Irish law prohibiting the exercise of a right of set-off by a creditor against the relevant credit institution, including, in the context of Cover Assets comprised in a Pool maintained by an Institution, the provisions of the ACS Acts referred to above.

It should be noted in this regard that neither the 2011 Regulations nor the CI Insolvency Directive provide any guidance on the meaning of the term "the law applicable to the institution's claim" 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. 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, Bank of Ireland is a member of the Issuer and the other members are all direct wholly owned subsidiaries of Bank of Ireland. Bank of Ireland beneficially owns the entire issued share capital of the Issuer. The Issuer is thus a wholly-owned subsidiary of Bank of Ireland. 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.

Bank of Ireland is not a guarantor of the Securities.

### 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 *Certain Aspects of Regulation of Banks and Residential Lending — 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.

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 principals 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;
- (f) the Irish CRD Code 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, 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 and Requirements under the ACS Acts — Register of mortgage covered securities business*); and
- (f) administering and servicing those activities.

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 ACS Acts make 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 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;
- (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

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### 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 *Transfers of a Business or Assets under the ACS Acts involving an Institution — 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* 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 (Ireland) Act, 1707, (which has been repealed and replaced by the Registration of Deeds and Title Act, 2006) the Bills of Sale (Ireland) Acts, 1879 and 1883, the Companies Act, the Registration of Title Act, 1964, and any other Act that provides for the registration of assets or details of them.

If legal proceedings are pending immediately before the time when a transfer under the ACS 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 this section (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 this section, 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 Bank of Ireland's Irish Residential Loan Book and Business to the Issuer**

On 5 July 2004, Bank of Ireland transferred substantially all of the Irish residential loans and related security held by it and of its Irish residential loan business to the Issuer. The aggregate principal amount outstanding of and accrued but unpaid interest on the Irish residential loans transferred by Bank of Ireland to the Issuer on 5 July 2004 was €9.1 billion. The transfer was 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 2001 Act between Bank of Ireland and the Issuer on 2 July 2004 which permits the transfer of Irish residential loans and related security and/or Irish residential loan business between Bank of Ireland and the Issuer. Transfers under that scheme were approved on 2 July 2004 by order of IFSRA, (the responsible authority at the time) as required by the ACS Acts. The scheme permits further transfers from Bank of Ireland to the Issuer or from the Issuer to Bank of Ireland in the future. On 6 February 2006 in accordance with the scheme, the Issuer transferred to Bank of Ireland certain Irish residential loans (including the mortgages and other security for those loans) pursuant to section 58 of the 2001 Act and with the approval of IFSRA (as the competent authority at that date). The aggregate principal amount of loans re-transferred from the Issuer to Bank of Ireland amounted to approximately 2 per cent. of the Issuer's then total loan book of approximately €13 billion.

## **Registration of Institutions/Revocation of Registration**

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### **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 with 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 Institutions 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 Irish CRD Code);
- (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 and Requirements under the ACS Acts*);
- (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 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 of a similar nature as specified in that notice.



## Taxation

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*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 Irish Revenue Commissioners (the Irish tax authorities) as in force at the date of this Base Prospectus. 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 (**Security holders**). 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 on the Securities under the laws of the jurisdictions in which they may be liable to taxation.*

### *Withholding Tax on Interest*

In general, withholding tax at the standard rate of income tax (currently 20 per cent.) must be deducted from Irish source yearly interest payments made by an Irish company. However no withholding for or on account of Irish income tax is required to be made from yearly interest in the circumstances set out below.

Withholding tax on yearly interest does not apply to interest payments made by a company in the ordinary course of an Irish banking business. The Irish Revenue Commissioners regard interest payments made by an Institution on Mortgage Covered Securities issued by that Institution as interest paid by such Institution in the ordinary course of its Irish banking business. In the case of the Issuer and the Securities, this exemption would cease to apply if the Issuer at any time ceased to be the holder of a banking licence under Section 9 or Section 9A 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 TCA provides for the payment of interest on a quoted Eurobond without the deduction of tax in certain circumstances. A **quoted Eurobond** is defined as a Security which:

- (a) is issued by a company;
- (b) is quoted on a recognised stock exchange (this would include the Irish Stock Exchange); and
- (c) carries a right to interest (this excludes Zero Coupon Securities).

In addition, there is no obligation to withhold tax on quoted Eurobonds where:

- (i) the person by or through whom the payment is made is not in Ireland; or
- (ii) the payment is made by or through a person in Ireland; and
  - (A) the quoted Eurobond is held in a recognised clearing system (Euroclear and Clearstream, Luxembourg have been designated as recognised clearing systems for this purpose); or
  - (B) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration in the prescribed format to this effect.

Any requirement to operate Irish withholding tax on interest may be obviated or reduced pursuant to the terms of an applicable double tax treaty.

### *Withholding tax on Discount*

Discounts arising on the Securities will not be subject to Irish withholding tax.

### *Encashment Tax*

A paying agent outside Ireland is not obliged to deduct Irish encashment tax from interest on the Securities. A paying agent in Ireland acting on behalf of the holder of the Securities that obtains payment of or realises interest in respect of a Security where interest on that Security qualifies for exemption from withholding as a quoted Eurobond (see above under *Withholding Tax on Interest*) is 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 Irish Revenue Commissioners, that the person owning the Securities and beneficially entitled to such interest is not resident in Ireland. It is also necessary that such interest is not deemed under the provisions of Irish tax legislation to be income of another person that is resident in Ireland. 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 resident and domiciled in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident or ordinarily resident in Ireland 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 Irish Revenue Commissioners to issue or raise an assessment.

### *Interest earned and discount arising on the Securities is regarded as Irish source income*

Notwithstanding that a Security holder may receive interest payments on the Securities free of withholding tax, the Security holder will technically be liable for Irish tax (and the universal social charge if an individual recipient) unless an exemption applies. There is an exemption from Irish income tax on interest/discounts under section 198 of the TCA in certain circumstances.

These circumstances include:

- (a) where interest is paid by the Issuer to a person that is not a resident of Ireland and that is regarded as being resident in an EU Member State (other than Ireland) or is a resident of a country where arrangements have been made with that country which on completion of required ratification procedures in Ireland (as required under s826(1) of the TCA) will have the force of law or is controlled by a person that is so resident (and is not controlled by a person not so resident) or the principal class of shares of the person or its 75 per cent. parent is substantially and regularly traded on a recognised stock exchange in an EU or Treaty country, and
  - (i) that interest is paid on an asset covered security within the meaning of section 3 of the Asset Covered Securities Act 2001 (which includes the Securities);
  - (ii) the interest is interest exempt from withholding tax because it is paid on a quoted Eurobond (see above under *Withholding Tax on Interest*); or
  - (iii) the interest is a payment to which section 246A TCA applies (which would include interest paid free of deposit interest retention tax (**DIRT**) in accordance with the conditions set out under paragraph (C) of the section below entitled *Deposit Interest Retention Tax*);
- (b) where interest is paid by the Issuer in the ordinary course of its trade or business and the recipient of the interest is a company:
  - (i) resident in an EU Member State (other than Ireland) or in a country where arrangements have been made with that country which on completion of required ratification procedures in Ireland (as required under section 826(1) TCA) will have the force of law and where that country imposes a tax that generally applies to interest receivable in that country by companies from sources outside that country, or

- (ii) where the interest:
  - (A) is exempted from the charge to income tax under arrangements made with the government of a territory outside the State having the force of law under the procedures set out in section 826(1) TCA, or
  - (B) would be exempted from the charge to income tax if arrangements made, on or before the date of payment of the interest with the government of a territory outside the State, that do not have the force of law under the procedures set out in section 826(1) TCA, had the force of law when the interest was paid; or
- (c) where discount arises to a person which is regarded as resident for tax purposes in an EU Member State other than Ireland or is a resident of a country where arrangements have been made with that country which on completion of required ratification procedures in Ireland (as required under section 826(1) TCA) will have the force of law and the person issuing the securities did so in the ordinary course of a trade or business carried on by it.

In addition, no Irish tax liability will arise to the extent that relief is available under an applicable double tax treaty.

Non-Irish companies, where the income is not attributable to a branch or agency of the company in Ireland (an Irish branch or agency of a non-resident company would be liable to Irish corporation tax), are subject to income tax at the standard rate of income tax (currently 20 per cent.). Credit is available for any Irish tax withheld from income on account of the related income tax liability. Therefore, any withholding tax suffered should be equal to and in satisfaction of the full liability.

With respect to an income tax liability arising for a non-Irish resident person who is not regarded as being resident in an EU Member State (other than Ireland) or resident of a country with which Ireland has a double taxation agreement or is controlled by a person that is so resident (and is not controlled by a person not so resident) or the principal class of shares of the person or its 75 per cent. parent is substantially and regularly traded on a recognised stock exchange in an EU or Treaty country, it is understood that there is a practice of the Irish Revenue Commissioners not to seek to collect such liability from such non-resident persons unless the recipient has any other tax connection with Ireland such as the carrying on of business in Ireland through a branch or agency or a permanent establishment to which the Securities are attributable, or a claim for the refund of Irish tax deducted at source. However, this practice does not reflect the adoption of a policy on the part of the Irish Revenue Commissioners not to collect the relevant tax and there is no guarantee that this practice will continue.

#### *Capital Gains Tax*

A holder of Securities will be subject to Irish taxes on capital gains (currently 33 per cent.) on a disposal of such Securities unless such holder is a person neither resident nor ordinarily resident in Ireland who does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Securities are attributable.

#### *Stamp Duty*

No Irish stamp duty is payable on the issue or transfer of the Securities.

#### *Deposit Interest Retention Tax*

A relevant deposit taker (as defined by section 256 of the TCA) such as the Issuer is obliged to withhold tax at 41 per cent. from certain interest payments or other returns on a relevant deposit. The term 'deposit' is widely defined and would include a Security. There are a number of exemptions to the requirement to withhold tax, of which the most relevant to the Securities are set out below:

- A. The interest or discount is paid on a deposit which is a Security issued by a bank (which includes the Issuer) and is listed on a stock exchange (which includes the Irish Stock Exchange); or

B. in cases where the Securities are not listed on a stock exchange, where the person beneficially entitled to the interest, discount or premium thereon is:

- (i) not resident in Ireland; or
- (ii) a company within the charge to corporation tax in Ireland on such interest, discount or premium; or
- (iii) a pension scheme or charity of the kind mentioned in the definition of “relevant deposit” in paragraphs (f) or (h) of section 256(1) of the TCA,

and in each case has provided to Bank of Ireland an appropriate declaration in the case of (i) above, and an appropriate reference number in the case of (ii) and (iii) above, as referred to in section 256 of the TCA; or

C. where the Security is issued in a minimum denomination of €500,000 (or its equivalent in its currency of issue, if it is issued in a currency other than euro or US dollars) or US\$500,000 and the Security is held in a recognised clearing system, including Euroclear or Clearstream, or any other clearing system recognised from time to time by the Irish Revenue Commissioners, and has a maturity of not more than 2 years, and

- (i) either (a) the person by whom the payment is made, or (b) the person through whom the payment is made is not resident in Ireland and the payment is not made either by or through the Irish branch or agency of a non-resident; or
- (ii) either (a) the person by whom the payment is made, or (b) the person through whom the payment is made is resident in Ireland or the payment is made either by or through the Irish branch or agency of a non-resident,

D. pursuant to published practice of the Irish Revenue Commissioners in the case of Securities issued which are of medium term, which includes Securities issued hereunder for a term of 2 years or more (and may include Securities with a term of less than 2 years) which satisfy all of the following conditions:

- (i) the Issuer does not sell or offer the Securities to Irish resident persons;
- (ii) as far as primary sales are concerned, the Dealers comply with their selling commitments and undertake as a matter of contract not to knowingly offer to sell the Securities to an Irish resident person, or to persons whose usual place of abode is Ireland and also undertake as a matter of contract not to knowingly distribute or cause to be distributed in Ireland any offering material in connection with such instruments;
- (iii) the Securities are held in a clearing system recognised by the Irish Revenue Commissioners (which would include Clearstream, Euroclear and other specified clearing systems); and
- (iv) the minimum denomination in which such Securities may be issued is £300,000 Sterling or its equivalent in another currency.

With regard to the representations required from the Dealers in paragraph (D)(ii) above, see *Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements — Selling Restrictions — Ireland* at paragraph (ii)(b).

#### *Reporting Requirements*

In the case of an Irish resident issuing or paying agent paying to an Irish resident, there is a requirement to report to the Irish Revenue Authorities the names and addresses of the person to whom interest was paid or credited, the amount of interest paid or credited and the tax reference number of the person to whom the payment was made. In addition, where an exemption from DIRT referred to at paragraph (B)(ii) and (B)(iii) above under the heading Deposit Interest Retention Tax (**DIRT**) is being claimed, by a company within the charge to Irish Corporation Tax or a pension

scheme or an Irish registered charity, the details reported to the Revenue Commissioners must include the tax reference number of the person beneficially entitled to the interest.

### *Capital Acquisitions Tax*

A gift or inheritance consisting of Securities will generally be within the charge to Irish Capital Acquisitions Tax (currently 33 per cent.) if either:

- the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in the case of gifts/inheritances taken under a discretionary trust, capital acquisitions tax will apply where the donor is resident or ordinarily resident (or in the case of discretionary trusts established before 1 December 1999, domiciled) in Ireland irrespective of the residence or ordinary residence of the donee/successor) on the relevant date; or
- if the Securities are Irish situated property.

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 donor may be liable to Irish capital acquisitions tax, even though neither the donor nor the donee/successor is domiciled, resident or ordinarily resident for tax purposes in Ireland, if the Bearer Securities are physically located in Ireland at the date of the gift or inheritance.

Bearer Securities that are not physically located in Ireland would not be regarded as Irish situate property for Irish capital acquisitions tax purposes.

Registered Securities would be regarded as property situate in Ireland if the principal register of the Securities is maintained in Ireland. At the date of this Base Prospectus, the principal register of Registered Securities is maintained outside of Ireland.

### *Automatic exchange of information*

Irish reporting financial institutions, which may include the Issuer, may have reporting obligations in respect of a Security holder under FATCA as implemented pursuant to the Ireland – US intergovernmental agreement and/or the OECD's Common Reporting Standard (see below).

### *FATCA*

FATCA, may impose a 30 per cent. US withholding tax on certain 'withholdable payments' made on or after 1 July 2014 unless the payee enters into and complies with an agreement with the IRS to collect and provide to the IRS substantial information regarding direct and indirect owners and account holders.

On 21 December 2012 Ireland signed the US-Irish IGA with the United States to Improve International Tax Compliance and to Implement FATCA. Under this agreement Ireland agreed to implement legislation to collect certain information in connection with FATCA and the Irish and U.S. tax authorities have agreed to automatically exchange this information. The US-Irish IGA provides for the annual automatic exchange of information in relation to accounts and investments held by certain U.S. persons in a broad category of Irish financial institutions and vice versa.

Under the US-Irish IGA and the Financial Accounts Reporting (United States of America) Regulations 2014 as amended (which came into operation on 1 July 2014) (the **Irish Regulations**), Irish reporting financial institutions are required to report certain information with respect to U.S. account holders to the Irish Revenue Commissioners. The Irish Revenue Commissioners will automatically provide that information annually to the IRS. To the extent the Issuer is an Irish reporting financial institution, it will need to obtain the necessary information from Security holders required to satisfy the reporting requirements whether under the US-Irish IGA, the Irish Regulations or any other applicable legislation published in connection with FATCA and such information may be sought from each Security holder and beneficial owner of a Security. It should be noted that the Irish

Regulations require the collection of information and filing of returns with the Irish Revenue Commissioners regardless as of whether the Issuer holds any U.S. assets or has any U.S. investors. However to the extent that a Security is listed on a recognised stock exchange and regularly traded (i.e. listed with the intention that the interests may be traded) and held in a recognised clearing system the Issuer may have no reportable accounts in a tax year. In that event the Issuer, if an Irish reporting financial institution, will make a nil return for that year to the Irish Revenue Commissioners. Otherwise the Issuer will need to report annually on its US reportable accounts to the extent it has any.

Security holders should obtain independent tax advice in relation to the potential impact of FATCA before investing.

#### *Common Reporting Standard (CRS)*

The CRS framework was first released by the OECD in February 2014. To date, more than 90 jurisdictions have publically committed to implementation, many of which are early adopter countries, including Ireland. On 21 July 2014, the Standard for Automatic Exchange of Financial Account Information in Tax Matters (the **Standard**) was published, involving the use of two main elements, the Competent Authority Agreement (the **CAA**) and the CRS.

The goal of the Standard is to provide for the annual automatic exchange between governments of financial account information reported to them by local Financial Institutions (**FIs**) relating to account holders tax resident in other participating countries to assist in the efficient collection of tax. The OECD, in developing the CAA and CRS, have used FATCA concepts and as such the Standard is broadly similar to the FATCA requirements, albeit with numerous alterations. It will result in a significantly higher number of reportable persons due to the increased instances of potentially in-scope accounts and the inclusion of multiple jurisdictions to which accounts must be reported.

Ireland is a signatory jurisdiction to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information, which was entered into by Ireland in its capacity as a signatory to the Convention on Mutual Administrative Assistance in Tax Matters and which relates to the automatic exchange of financial account information in respect of CRS, while sections 891F and 891G of the 1997 Act and regulations made thereunder contain measures necessary to implement the CRS internationally and across the European Union, respectively. The Returns of Certain Information by Reporting Financial Institutions Regulations 2015 (the **CRS Regulations**), giving effect to the CRS from 1 January 2016 came into operation on 31 December 2015.

Under the CRS Regulations, reporting financial institutions, which may include the Issuer, are required to collect certain information on accountholders and on certain controlling persons (as defined in the Regulations) in the case of the accountholder being an entity, as defined for CRS purposes, to identify accounts which are reportable to the Irish tax authorities. The Irish tax authorities shall in turn exchange such information with their counterparts in participating jurisdictions. Where a Security is held in a clearing system it is understood that either the clearing system itself or the relevant clearing participants are likely to be considered FIs and accordingly the Issuer should not have reporting obligations in respect of a Security holder holding such a Security. In that event the Issuer will make a nil return for that year to the Irish Revenue Commissioners. Further information in relation to CRS can be found on the Automatic Exchange of Information webpage on [www.revenue.ie](http://www.revenue.ie).

## Subscription and Sale, Transfer and Selling Restrictions and Secondary Market Arrangements

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### Subscription and Sale: Programme Agreement

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 2 June 2016 agreed with the Issuer a basis upon which they 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 the establishment of 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 and Central Bank.

### Transfer Restrictions

Each purchaser of Registered Securities (other than a person purchasing an interest in 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 US 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, US 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 US 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; or (c) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable US 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 US 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 US 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 US 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or Pricing Supplement, in the case of Exempt Securities) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed (and each further Dealer named in a Final Terms will be required to represent and agree) that it will not offer, sell or deliver Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of which such Securities are part, as determined and certified to the Agent- by such Dealer (in the case of a non-syndicated issue) or the relevant lead Dealer (in the case of a syndicated issue) 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 if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

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.

Each issuance of Exempt Securities which are also Index Linked Securities or Dual Currency Securities will be subject to such additional US selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Securities, which additional selling restrictions shall be set out in the applicable Pricing Supplement.



## EEA

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) 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 (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of 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 member state by any measure implementing the Prospectus Directive in that member state, the expression **Prospectus Directive** means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, including by the Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## 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 activities (within the meaning of section 21 of 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 Act of Japan (Act No. 25 of 1948, as amended) (the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan. 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 the offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this document or of any other document relating to the Securities be distributed in the Republic of Italy, other than:

- (i) to qualified investors (investitori qualificati), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Italian Financial Services Act) and Article 34-ter, first paragraph, letter b) of Regulation No.11971 of 14 May 1999, as amended from time to time (Regulation No.11971); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Securities or distribution of copies of this document or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No.16190 of 23 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; or
- (c) in compliance with any other applicable laws and regulations, or requirement imposed by CONSOB or any other Italian authority.

In accordance with Article 100-bis of the Italian Financial Services Act, where no exemption applies under (i) and (ii) above, Securities which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly ("sistematicamente") distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules set out in the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of the Securities being declared null and void and in the liability of the intermediary transferring the Securities for any damages suffered by the investors.

#### *Ireland*

Each Dealer has agreed and represented in the Programme Agreement, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered, sold, underwritten or placed and will not offer, sell, underwrite or place any Securities other than in conformity with the Irish Prospectus Regulations and Irish prospectus law and any rules issued by the Central Bank under section 1363 of the Companies Act; and
- (ii) to the extent applicable it has complied with and will comply with all applicable provisions of (i) the Companies Act; (ii) the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) (as replaced with effect from 3 July 2016 by the Market Abuse Regulation (EU 596/2014)) and any market abuse rules made by the Central Bank under section 1370 of the Companies Act; (iii) the Central Bank Acts 1942 to 2014 (as amended); and (iv) the European Communities (Markets in Financial Instruments) Regulations, 2007 (Nos. 1, 2 and 3) (as amended) including, without limitation, Regulations 7 and 152 and will conduct itself in accordance with any codes of conduct drawn up pursuant thereto and the provisions of the Investor Compensation Act 1998 or, in the case of a credit institution, in conformity with the codes of conduct or practice made under section 117(1) of the Central Bank Act 1989 (as amended) of Ireland, with respect to anything done by

it in relation to the Securities;

- (iii) 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 £300,000 (or its equivalent in another currency; and
  - (d) such Securities will be held in a recognised clearing system;
- (iv) 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, 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 as at the date on which the Programme was first publicised and that such Securities will be held in a recognised clearing system.

#### *General*

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not, directly or indirectly, purchase, offer, sell or deliver any Securities or distribute or publish any offering circular, information memorandum, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all purchases, offers, sales and deliveries of Securities by it will be made on the same terms.

Without prejudice to the generality of the above paragraph, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases, sales or deliveries and it will, to the best of its knowledge and belief, comply with all such laws and regulations.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer(s) shall agree and as shall be set out 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 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

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1. The Board of Directors of the Issuer authorised the establishment of the Programme and the creation and issue of the Securities on 20 May 2005. The update of the Programme and the issue of Securities within a period of 12 months from the date of this Base Prospectus has been duly authorised by resolutions passed on 17 May 2016 by the Board of Directors of the Issuer.
2. For so long as Securities are capable of being issued under the Programme, copies of the following documents may be inspected physically upon request at the registered office of the Issuer during business hours:
  - (a) the Constitution of the Issuer;
  - (b) the audited financial statements of the Issuer for the period 1 January 2015 to 31 December 2015 and the auditor's report dated 19 February 2016, by PricewaterhouseCoopers thereon, each as incorporated by reference in this Base Prospectus; and
  - (c) the audited financial statements of the Issuer for the period 1 January 2014 to 31 December 2014 and the auditor's report dated 26 February 2015, by PricewaterhouseCoopers thereon, each as incorporated by reference in this Base Prospectus.
3. Save as disclosed herein, no governmental, legal or arbitration proceedings which may have or have had a significant effect on the Issuer's 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.

  - (i) *Agency Agreement*

In 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 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 client rights to arise.
5. There has been no significant change in the financial or trading position, and no material adverse change in the prospects, of the Issuer since 31 December 2015.
6. The Issuer is not party to any material contracts that are entered into outside the ordinary

course of the Issuer's business and that could result in any group member being under an obligation or entitlement material to the Issuer's ability to meet its obligations under the Securities.

7. 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 (or Pricing Supplement, in the case of Exempt Securities). If the Securities are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.
8. No website referred to in this Base Prospectus forms part of this Base Prospectus.
9. PricewaterhouseCoopers of One Spencer Dock, North Wall Quay, Dublin 1, Ireland, are the auditors of the Issuer and are registered with Chartered Accountants Ireland.
10. Of the credit rating agencies referred to in this Base Prospectus, Standard & Poor's, Moody's, Fitch and DBRS are established in the EU and are registered under the CRA Regulation. DBRS, Inc. and R&I are not established in the EU and are not registered under the CRA Regulation.

## REGISTERED OFFICE OF THE ISSUER

### Bank of Ireland Mortgage Bank

New Century House  
Mayor Street Lower  
I.F.S.C.  
Dublin 1  
Ireland

## COVER-ASSETS MONITOR

### Mazars

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Dublin 2  
Ireland

## DEALERS

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### Danske Bank A/S

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Copenhagen K  
Denmark

### Deutsche Bank Aktiengesellschaft

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Federal Republic of  
Germany

### DZ BANK AG Deutsche Zentral- Genossenschaftsbank,

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Federal Republic of  
Germany

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### HSBC Bank plc

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United Kingdom

### J.P. Morgan Securities plc

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Canary Wharf  
London E14 5JP  
United Kingdom

### Landesbank Baden- Württemberg

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Federal Republic of  
Germany

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### Merrill Lynch International

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United Kingdom

### Morgan Stanley & Co. International plc

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Canary Wharf  
London E14 4QA  
United Kingdom

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Mendès France  
75013 Paris  
France

**Nomura  
International plc**  
1 Angel Lane  
London EC4R 3AB  
United Kingdom

**Société Générale**  
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Haussmann  
75009 Paris  
France

**The Governor and  
Company of the  
Bank of Ireland**  
BOI Global Markets  
2 Burlington Plaza  
Burlington Road  
Dublin 4  
Ireland

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Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**UniCredit Bank AG**  
Arabellastrasse 12  
81925 Munich  
Germany

**IRISH PAYING AGENT AND TRANSFER AGENT**

**Citibank International Limited**

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Dublin 1  
Ireland

**PRINCIPAL PAYING AGENT AND REGISTRAR**

**Citibank, N.A.**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**IRISH LISTING AGENT**

**A&L Listing Limited**

International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

**LEGAL ADVISORS TO THE ISSUER**

**A&L Goodbody**

International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

**LEGAL ADVISORS TO THE ARRANGERS AND  
THE DEALERS**

**Arthur Cox**

Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland

**AUDITORS TO THE ISSUER**

**PricewaterhouseCoopers**

Chartered Accountants  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

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