



Bank of Ireland Mortgage Bank

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

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

This supplement (the **Supplement**) is supplemental to and should be read in conjunction with the base prospectus of Bank of Ireland Mortgage Bank (the **Issuer**) dated 18 August 2011 (the **Base Prospectus**) relating to the Issuer's €15,000,000,000 Mortgage Covered Securities Programme (the **Programme**). Words and expressions defined in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement constitutes a base prospectus supplement for the purposes of Directive 2003/71/EC (the **Prospectus Directive**) and is issued in accordance with Article 16 thereof (which includes the amendments made by Directive 2010/73/EC) and relevant Irish laws. This Supplement 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 Supplement 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 Limited (the **Irish Stock Exchange**) or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

The Issuer accepts responsibility for the information contained in this Supplement. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge and belief, in accordance with the facts and does not omit anything likely to affect its import. This declaration is included in this Supplement in compliance with item 1.2 of annex XI to Commission Regulation (EC) 809/2004.

SUPPLEMENTAL RISK FACTORS

The factor set out below is a material factor for the purpose of assessing risks associated with the Group and which may affect the Issuer and its ability to fulfil its obligations under the Securities issued under the Programme. This factor is supplemental to, and should be read in conjunction with the Risk Factors set out in the Base Prospectus.

The Issuer does not represent that this factor and the Risk Factors set out in the Base Prospectus are an exhaustive or complete list of the risks applicable to holding any Securities. Prospective investors should also read the detailed information set out elsewhere in this Supplement and the Base Prospectus including any document incorporated by reference, and reach their own view prior to making any investment decision.

Certain Mover Product Features may result in increased LTV for individual loans

The Issuer may from time to time make available to eligible residential mortgage loan borrowers of the Group in negative equity the Mover Product Features (as defined below) as enhancements to the terms and conditions of their existing mortgage loans. Loans to which Mover Product Features have been applied may be included in the Pool. The Trade Down Product Feature and the Trade Down Forbearance Option (each as defined below) will result in an eligible borrower decreasing the amount of his or her mortgage debt but increasing the LTV. Inclusion in the Pool of a significant number of loans applying the Trade Down Product Feature or the Trade Down Forbearance Option could result in an increase of the overall LTV of the Pool.

AMENDMENTS TO THE BASE PROSPECTUS

At page 97, paragraphs (b) and (d) under the sub-heading “Residential loan amount to related property value ratio (LTV)” are deleted in their entirety and replaced with the following paragraphs respectively:

“(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).”

“(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 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 strict criteria.”

At page 98, paragraph (f) under the sub-heading “Income” is deleted in its entirety and replaced with the following paragraph:

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 & interest repayments.

RECENT DEVELOPMENTS

Mover Product Features

The Issuer, with the approval of the Central Bank, intends to make available from April 2012 three new mortgage product features (the **Mover Product Features**) as enhancements to the terms and conditions of existing mortgage loans, which will be available subject to meeting certain criteria to owner occupier borrowers of the Group.

The Mover Product Features will comprise the following:

(a) *Trade Up Product Feature*

Eligible borrowers of the Issuer may use this product feature to trade up from their existing residential properties by carrying forward negative equity from their existing mortgage loans and increasing their new mortgage balances up to a maximum LTV of 175 per cent. (the **Trade Up Product Feature**).

(b) *Trade Down Product Feature*

This product feature will allow eligible borrowers of the Issuer to reduce the size of their current mortgage loans by trading down to less expensive properties and carrying forward negative equity from their existing mortgage loans to their new mortgage loans up to a maximum LTV of 175 per cent. (the **Trade Down Product Feature**).

(c) *Trade Down Forbearance Option*

Borrowers of the Issuer who are currently participating in the Mortgage Arrears Resolution Process (**MARP**) introduced by the Code of Conduct on Mortgage Arrears, may be eligible for the trade down forbearance option (the **Trade Down Forbearance Option**). This option will enable eligible borrowers who have experienced a permanent downward adjustment in income but who are in permanent employment to trade down to less expensive properties and reduce their mortgage loans to affordable and sustainable levels. They may carry forward negative equity (if any) to their new mortgage loans. The Trade Down Forbearance Option is intended to reduce the risk of default by borrowers who are engaging in the MARP.

The Issuer expects that a limited number of eligible borrowers will seek to avail of the Mover Product Features. The Mover Product Features are subject to a combined lending cap of €200,000,000.

The Central Bank has stated that negative equity mortgages recognise the important distinction between negative equity and affordability. It is intended that the Mover Product Features will result in viable mortgage obligations for eligible borrowers.

Additional Lending Criteria

Save as varied below, the Lending Criteria set out on pages 96 to 98 of the Base Prospectus will apply to Mover Product Features. In addition, the following further lending criteria will apply:

(a) to all Mover Product Features:

- (i) The borrower must be the owner-occupier of the property to be sold (the **Original Property**).
- (ii) A valuation is required in respect of the property to be purchased (the **New Property**), such valuation to be performed by a valuer, being a valuer at the time of valuation listed in Bank of Ireland's or the Issuer's panel of valuers.
- (iii) A borrower intending to carry forward negative equity must provide written confirmation that independent legal advice has been obtained.

(b) to the Trade Up Product Feature:

- (i) The borrower's existing mortgage must be with the Group.
- (ii) The maximum LTV of a loan advanced at the date of advance by the Issuer to the borrower cannot exceed 175 per cent.
- (iii) The maximum amount of a loan that may be advanced is €550,000.
- (iv) A borrower must provide a deposit equal to at least 10 per cent. of the purchase price of the New Property.
- (v) A loan may not be drawn down to purchase a New Property until the sale of the borrower's Original Property has completed.
- (vi) The monetary value of the negative equity attaching to a New Property purchased by a borrower cannot exceed the monetary value of the negative equity which attached to the borrower's Original Property.
- (vii) The maximum term of a loan made cannot exceed 30 years, subject to that 30 year term expiring prior to the borrower's reaching 70 years of age.
- (viii) A sole borrower must have a minimum gross annual income of €50,000 and joint borrowers must have a minimum gross annual income of €60,000.
- (ix) A maximum debt service ratio (total debt repayments to net income) of 45 per cent. will apply.
- (x) A borrower must have a satisfactory credit history and track record in relation to the loan for his or her Original Property and such loan must have been drawn down for a minimum period of 24 months.

(c) to the Trade Down Product Feature:

- (i) The borrower's existing mortgage must be with the Group.
- (ii) The maximum LTV of a loan advanced at the date of advance by the Issuer to the borrower cannot exceed 175 per cent.
- (iii) The maximum amount of a loan that may be advanced is €550,000.

- (iv) The maximum loan advanced will be up to 100 per cent. of the purchase price of a borrower's New Property plus the balance of the negative equity on such borrower's Original Property.
- (v) The monetary value of the negative equity attaching to a New Property purchased by a borrower cannot exceed the monetary value of the negative equity which attached to the borrower's Original Property.
- (vi) A loan may not be drawn down to purchase a New Property until the sale of the Original Property has completed.
- (vii) The maximum term of a loan made under a Trade Down Product Feature cannot exceed 30 years, subject to that 30 year term expiring prior to the borrower's reaching 70 years of age.
- (viii) A sole borrower must have a minimum gross annual income of €50,000 and joint borrowers must have a minimum gross annual income of €60,000.
- (ix) A maximum debt service ratio (total debt repayments to net income) of 45 per cent. will apply.
- (x) A borrower must have a satisfactory credit history and track record in relation to the loan for his or her Original Property and such loan must have been drawn down for a minimum period of 24 months.

(d) to the Trade Down Forbearance Option:

- (i) The borrower's existing mortgage must be with the Issuer.
- (ii) Maximum LTV limits are not specified. The Issuer will assess each borrower on a case by case basis, subject to a long term reasonable and sustainable repayment plan being identified for such borrower.
- (iii) The maximum term of a Trade Down Forbearance Option cannot exceed 35 years, subject to that 35 year term expiring prior to the borrower's reaching 70 years of age.
- (iv) The Issuer may include any costs associated with a borrower's availing of the Trade Down Forbearance Option, including without limitation stamp or other taxes, auctioneer's fees and legal costs.

GENERAL

To the extent that there is any inconsistency between any statement in this Supplement and any statement in, or incorporated by reference into, the Base Prospectus, the statement contained in this Supplement will prevail.

There has been no significant change in the information contained in the Base Prospectus and no significant new matter has arisen since 18 August 2011, the date of the approval of the Base Prospectus.

For as long as the Programme remains in effect or any Security is outstanding, copies of the current Base Prospectus in relation to the Programme, together with any amendments or supplements thereto (including this Supplement) may be inspected physically at the head office of the Issuer.