



AIB MORTGAGE BANK

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

€20,000,000,000

MORTGAGE COVERED SECURITIES PROGRAMME

This prospectus supplement ("**Supplement**") is supplemental to and should be read in conjunction with the base prospectus dated 20 December 2013 as supplemented by a supplement thereto dated 14 March 2014 and a supplement thereto dated 6 November 2014 (the "**Base Prospectus**"), issued for the purposes of giving information with regard to the issue of mortgage covered securities (the "**Securities**") by AIB Mortgage Bank (the "**Issuer**") under the Issuer's €20,000,000,000 Mortgage Covered Securities Programme (the "**Programme**") during the period of twelve months after the date of the Base Prospectus.

Words and expressions defined in the Base Prospectus shall, unless the context otherwise requires or otherwise defined in this Supplement, have the same meaning when used in this Supplement. Words and expressions defined in this Supplement and also defined in the Base Prospectus shall have the meaning given to them in this Supplement. This document constitutes a supplement to the Base Prospectus for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and is issued in accordance with article 16 thereof and regulation 51 of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended, of Ireland (the "**Irish Prospectus Regulations**"). This Supplement has been approved by the Central Bank of Ireland as the competent authority under the Prospectus Directive. The Central Bank of Ireland 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 issued under the Programme which are to be admitted to trading on a regulated market 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.

For the purposes of part 6 of the Irish Prospectus Regulations, 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 in this Supplement is, to the best of the knowledge of the Issuer, in accordance with the facts, and does not omit anything likely to affect the import of such information. This declaration is included in this Supplement in compliance with item 1.2 of annex IX to Commission Regulation (EC) No. 809/2004, as amended.

The date of this Supplement is 13 November 2014.

Upon approval of this Supplement by the Central Bank of Ireland, this Supplement will be filed with the Registrar of Companies in Ireland in accordance with regulation 38(1)(b) of the Irish Prospectus Regulations.

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

Save as disclosed in this Supplement, there has been no significant change in the information contained in the Base Prospectus and no significant new matter has arisen in relation to the Issuer since 6 November 2014, the date of publication of the previous supplement in respect of the Base Prospectus, relevant to Securities to be issued under the Programme.

The issue of this Supplement was authorised in accordance with resolutions of the Board of Directors of the Issuer on 21 November 2013 and 16 December 2013.

AMENDMENTS TO THE BASE PROSPECTUS

1. At page 6 of the Base Prospectus, delete the fourth bullet point (which commences "*• a reference to the Central Bank...*") and replace it with the following:

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

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

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

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

• a reference to a **"licence"** or a **"banking licence"** for the purposes of section 9 of the Central Bank Act 1971 or the Central Bank Acts or any of them, means:

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

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

and a reference to a **"licence holder"**, a **"holder"** of a licence or a banking licence or to an entity being **"licenced"** or **"licensed"** is to be construed accordingly;"

2. At page 6 of the Base Prospectus, immediately after the seventh bullet point which commences "*• a reference to a Member State...*", insert the following:

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

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

3. At pages 112 to 113 (inclusive) of the Base Prospectus, on page 112 from (and including) the third paragraph to (and including) the first paragraph on page 113, replace the relevant text in the Base Prospectus with the following:

"The Irish Banking Code consists primarily of the Central Bank Acts 1942 to 2014 (the "**Central Bank Acts**"), (including the Central Bank and Financial Services Authority of Ireland Act 2003 (the "**2003 Act**"), the Central Bank and Financial Services Authority of Ireland Act 2004 (the "**2004 Act**"), the Central Bank Reform Act 2010, the Central Bank and Credit Institutions (Resolution) Act 2011, the Central Bank (Supervision and Enforcement) Act 2013, regulations made by the Minister for Finance under the European Communities Act 1972, regulatory notices, regulations and codes of conduct issued by the Central Bank and EU regulations relating to banking regulation. These Ministerial regulations implement EU directives relating to banking regulation, including the CRD IV Directive, and give full effect to such EU regulations, including the SSM Regulation and the CRR Regulation.

The Central Bank Acts provide that banking business may only be carried on in Ireland by the holder of a banking licence (in the case of an entity incorporated in Ireland) or authorisation (in the case of an Irish branch of an entity incorporated outside the EEA) or by an entity incorporated and authorised elsewhere in the EEA which exercises 'passport rights' to carry on business in Ireland (as to which, see further below). The Central Bank may, in its discretion, grant or refuse a licence or authorisation under the Central Bank Acts and may attach conditions to any licences granted. The Central Bank is empowered in specified circumstances (in the case of a licence, after consultation with the Minister for Finance in the case of certain circumstances), to revoke a licence or authorisation granted under the Central Bank Acts. Under the Central Bank Acts, licensed banks must maintain a minimum deposit with the Central Bank. The Issuer holds a banking licence and accordingly is deemed to be authorised by the ECB under the SSM Regulation. The Issuer is also registered as a designated mortgage credit institution under the ACS Act.

CRD IV

CRD IV was implemented in Ireland by the European Communities (Capital Requirements) Regulations 2014 (the "**CRD IV Regulations**"). The CRD IV Regulations permit a credit institution authorised in an EU Member State (its "**Home State**") to do business in any other EU Member State (the "**Host State**") without having to obtain an official authorisation from the relevant regulator in the Host State. The authorisation from the Home State operates effectively as a 'passport' to do business throughout the EU. Other EU Directives which have been implemented in Ireland provide

similar 'passporting' mechanisms for authorised investment firms and authorised life assurance companies.

SSM and SRM

The SSM places the ECB as the central prudential supervisor of financial institutions in the Eurozone, including the Group, and in those non-euro EU countries that choose to join the SSM. On 4 November 2014, the ECB commenced its supervisory role under the SSM, became the direct supervisor of the Issuer and AIB and the banking licence held by the Issuer and AIB became a deemed authorisation by the ECB under the SSM Regulation. The aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe. The EU legislative measures which provide for the SSM are the SSM Regulation and the SSM Framework Regulation. In Ireland the SSM Regulation and the SSM Framework Regulation were from 4 November 2014 given full effect to under the European Union (Single Supervisory Mechanism) Regulations 2014. See *New Role of the ECB under the SSM*.

The European institutions have also agreed to establish the Single Resolution Mechanism (the "**SRM**") under the Single Resolution Mechanism Regulation (EU No. 806/2014). The SRM will apply to banks covered by the SSM. In the cases when banks fail despite stronger supervision, the SRM will allow bank resolution to be managed effectively through a single resolution board and a single resolution fund, financed by bank levies raised at national level.

New Role of the ECB under the SSM

Framework of Supervision

On 4 November 2013 the ECB was appointed as the single supervisory authority for all credit institutions, financial holding companies and mixed financial holding companies in the Eurozone and in those other Member States that participate in the EU banking union ("**Banking Union**"). On 4 November 2014, the ECB commenced its supervisory role under the SSM and under that role, the ECB has become the direct supervisor of the Issuer and the Issuer is deemed to be authorised by the ECB under the SSM Regulation. In Ireland the SSM Regulation and the SSM Framework Regulation were, from 4 November 2014, given full effect under the European Union (Single Supervisory Mechanism) Regulations 2014 which amended the Central Bank Acts and certain other legislation relating to credit institutions so as to give that effect.

Although the ECB has been conferred with the critical task of ensuring financial stability, some functions (as indicated below) remain at national level.

In performing its supervisory functions the ECB is accountable to the Council of the EU and (to a lesser extent) to the European Parliament and to national parliaments.

Under the SSM Framework Regulation the ECB has established a framework for co-operation within the SSM between the ECB and national competent authorities (which includes the Central Bank of Ireland) and

with national designated authorities (together with national competent authorities, "**national supervisory authorities**").

Direct and Indirect Supervision

Under the SSM the ECB supervises any credit institution that satisfies any of the following conditions (each a "**Significant Bank**"):

- the total value of its assets exceeds €30 billion;
- the ratio of the total assets of the credit institution to the gross domestic product of the relevant Member State in which the credit institution is established exceeds 20%, unless the total value of its assets is less than €5 billion;
- the ECB (either on its own initiative or on the recommendation of the relevant national authorities) decides that the credit institution is significant;
- the credit institution is one of the three most significant credit institutions operating in the relevant Member State; or
- the credit institution has received financial support from the European Stability Mechanism or the European Financial Stability Facility.

In Ireland, a Significant Bank for the purposes of the SSM includes the following members of Group: AIB, the Issuer, EBS Limited and EBS Mortgage Finance.

A credit institution that is not a Significant Bank for the purposes of the SSM is referred to below as an "**Other Bank**".

Powers of the ECB

In performing its prudential supervisory role in respect of every credit institution in the Eurozone and in any other Member State that participates in the Banking Union, the ECB has two principal functions:

- to authorise, and withdraw the authorisation of, credit institutions; and
- to assess applications for approval of the acquisition and disposal of qualifying holdings in credit institutions.

In respect of Significant Banks, the ECB is also empowered to (among other functions):

- impose prudential requirements on the Significant Bank, including in respect of own funds, large exposures, liquidity requirements and other prudential regulatory matters;
- assess 'passport' applications by the Significant Bank, i.e. to provide services on a cross-border basis or to establish a branch, in a Member State that is outside the Banking Union;

- carry out supervisory reviews, including stress tests; and
- impose and assess compliance with governance and probity requirements, including 'fit and proper' tests.

The ECB is invested under the SSM Regulation and the SSM Framework Regulation with a range of supervisory and investigatory powers for these purposes, including in respect of on-site inspections. It is also empowered to impose administrative penalties on credit institutions.

The Role of National Supervisory Authorities

Although every credit institution in the Eurozone is subject to the SSM, national supervisory authorities (which include the Central Bank of Ireland) will be responsible for day-to-day supervision of Other Banks; the ECB will in turn monitor the supervision of Other Banks by those national supervisory authorities. The ECB may issue general and specific instructions to national supervisory authorities and a national supervisory authority must notify the ECB of any supervisory decision at national level that has material consequences.

Further, national supervisory authorities retain responsibility for every supervisory function that is not transferred specifically to the ECB. Therefore the national supervisory authorities retain certain functions including those relating to:

- consumer protection;
- the imposition of a sanction for a breach of EU law (other than in respect of an ECB act);
- the supervision of payment services;
- combatting money laundering; and
- the supervision of non-EEA credit institutions that establish a branch in the EEA or provide services into the EEA on a cross-border basis.

Cross-Border Banks

The ECB acts as the host state supervisor for any credit institution that is established in a Member State that is not participating in the Banking Union and which (through a branch or on a cross-border basis) provides banking services in a Member State that is participating in the Banking Union.

Functional Separation within the European Central Bank

To address the same tension that could emerge in many national supervisory authorities with responsibility for both monetary policy and prudential supervision, the ECB will in accordance with the SSM Regulation and the SSM Framework Regulation operate according to a number of organisational principles to ensure that there is a clear separation between its supervisory functions and its monetary policy functions. The internal separation will be both organisational (in terms of governance) and practical.

Role of the European Banking Authority

The role and responsibilities of the European Banking Authority (the “EBA”) will largely be unaffected by the SSM. The EBA will continue to develop the single rulebook that is to apply in all participating Member States and to enhance convergence in supervisory practices in the EU. As a consequence of the SSM, the EBA has also been tasked to develop a single supervisory handbook to complement the single rulebook, in the expectation that this will ensure greater consistency in regulatory practices at national level.”

4. At pages 115 and 116 of the Base Prospectus, on page 115 from (and including) the final paragraph on that page to (and including) the third paragraph on page 116, replace the relevant text in the Base Prospectus with the following:

“The role of the Central Bank of Ireland with respect to the regulation of banking in Ireland is subject to the role of the ECB under the SSM outlined under ‘*New role of the ECB under the SSM*’ above.

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

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

5. At page 232 of the Base Prospectus, at paragraph 5, delete the existing sentence and replace with the following:

“Save as otherwise disclosed in the supplements dated 14 March 2014, 6 November 2014 and 13 November 2014 to this Base Prospectus, there has been no significant adverse change in the financial or trading position and no material adverse change in the prospects of the Issuer since 31 December 2013, the date of the Issuer’s last published audited financial statements.”