



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 (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 (the "**Central Bank**") as the 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 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 6 November 2014.

Upon approval of this Supplement by the Central Bank, 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 14 March 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 26 of the Base Prospectus, immediately before the heading "*The Group's participation in the NAMA Programme gives rise to residual financial risks*", insert the following:

"Proposed LTV/LTI related regulatory restrictions on residential mortgage lending

The Central Bank issued proposals in October 2014 to make regulations under the Central Bank Act 2013 to impose restrictions on Irish residential mortgage lending by lenders which are regulated by the Central Bank (such as the Issuer). The proposed restrictions would impose limits on such lending by reference to LTV and loan-to-income ("**LTI**") ceilings. In relation to LTV restrictions, under these proposals the Issuer would be required (i) in the case of a loan for the purpose of purchasing a principal dwelling home (a "**PDH Loan**"), to restrict lending above 80 per cent. LTV to no more than 15 per cent of the aggregate value of all PDH Loans entered into during the relevant half year period, and (ii) in the case of other loans other than PDH Loans (such as for purchasing buy-to-let properties), to restrict lending above a 70 per cent. LTV to 10 per cent of the aggregate value of all such loans entered into during the relevant half year period. In relation to LTI restrictions and PDH Loans, under these proposals the Issuer would be required to restrict lending above 3.5 times LTI to no more than 20 per cent of the aggregate value of PDH Loans entered into during the relevant half year period.

The above proposals if introduced may adversely affect the business and financial results of the Issuer and the Group and the Issuer's ability to perform its obligations in respect of the Securities."

2. At page 25 of the Base Prospectus, delete the second, third and fourth paragraphs on that page.

3. At page 26 of the Base Prospectus, replace the second paragraph on that page with the following:

"The CRD IV, the EU's implementation of the Basel III reforms, were published in the EU Official Journal on 27 June 2013. As a result of these regulations, credit institutions may be required to increase the quantity and quality of their regulatory capital. Full details of requirements in this regard have yet to be confirmed by the competent authorities, and it is possible that the Group's target regulatory capital requirements may ultimately increase as a result."

4. On page 31 of the Base Prospectus, replace the second paragraph of the section heading '*Increases in Overcollateralisation Percentage may be reversed*' with the following:

"The Conditions contemplate that the Overcollateralisation Percentage may be increased by the Issuer from time to time. However, any such increase may be reversed by the Issuer in whole or part at any time subject to the provisions of Condition 11(c). Such a reversal may occur where the increased Overcollateralisation Percentage is no longer required (i) to support the then credit rating of the Securities by any credit rating agency then appointed by the Issuer in respect of the Securities or (ii) for the Securities to meet the requirements of level 1 assets or level 2 assets for the purposes of the LCR Commission Regulation (as defined under *Characteristics of the Pool/Overcollateralisation – Overcollateralisation*). However, such a reversal is not permitted under the Conditions if to do so would result in any credit rating then applying to the Securities by any credit rating agency appointed by the Issuer in respect of the Securities being reduced, removed, suspended or placed on credit watch."

5. At page 111 of the Base Prospectus, at the end of that page after the seventh paragraph on that page, insert the following:

"Recent Stress Tests by Regulators

The Central Bank concluded a balance sheet assessment of the three credit institutions covered under the Credit Institutions (Eligible Liability Guarantee Scheme) 2009, including AIB, in the fourth quarter of 2013 ("**BSA**"). This review included an assessment of asset quality, risk weighted assets and point in time capital adequacy as at 30 June 2013. AIB did not have to raise additional capital to meet ongoing regulatory capital requirements of 10.5% core tier one capital ratio as a result of this process.

The Group's own assessment of the impairment charge for 2013 was substantially consistent with all of the BSA mean provision findings.

The ECB has undertaken a comprehensive assessment of the banking system significant banks in the Eurozone (including the Group) and announced the results on 26 October 2014 ("**ECB CA**"). The ECB CA exercise entailed a supervisory risk assessment, an asset quality review and a stress test in order to provide a forward-looking view of

banks' shock absorption capacity under stress. The results of the ECB CA confirmed that the Group has capital buffers comfortably above minimum requirements under all stress test assessment scenarios. The Group therefore does not require any additional capital as a result of the ECB CA process."

6. At page 133 of the Base Prospectus, immediately before the heading "Personal Insolvency Act", insert the following:

"Proposed LTV/LTI related regulatory restrictions on residential mortgage lending

The Central Bank issued proposals in October 2014 to make regulations under the Central Bank Act 2013 to impose restrictions on Irish residential mortgage lending by lenders which are regulated by the Central Bank (such as the Issuer). The proposed restrictions would impose limits on such lending by reference to LTV and LTI ceilings. In relation to LTV restrictions, under these proposals the Issuer would be required (i) in the case of a loan for the purpose of purchasing a PDH Loan, to restrict lending above 80 per cent. LTV to no more than 15 per cent of the aggregate value of all PDH Loans entered into during the relevant half year period, and (ii) in the case of other loans other than PDH Loans (such as for purchasing buy-to-let properties), to restrict lending above a 70 per cent. LTV to 10 per cent of the aggregate value of all such loans entered into during the relevant half year period. In relation to LTI restrictions and PDH Loans, under these proposals the Issuer would be required to restrict lending above 3.5 times LTI to no more than 20 per cent of the aggregate value of PDH Loans entered into during the relevant half year period."

7. At page 149 of the Base Prospectus, immediately before the heading "*Surplus Cover Assets need not meet certain requirements of the ACS Acts*", insert the following:

"For the purposes of the LCR Commission Regulation (as defined below), the Issuer will ensure that, in accordance with the principles set out in section 32(17) of the ACS Act, the prudent market value (determined in accordance with the ACS Act) of mortgage credit assets and substitution assets comprised at any time in the Pool (maintained by the Issuer and on which Securities will be secured under the ACS Act) expressed as a percentage of the total nominal or principal amounts of the Mortgage Covered Securities in issue and secured under the ACS Act on that Pool at the relevant time, will not be less than the applicable LCR Overcollateralisation Percentage after taking into account the effect of any cover assets hedge contract comprised in that Pool. The commitment of the Issuer set out in this paragraph (including the definitions set out below) may at the Issuer's sole initiative be amended, varied or replaced at any time to take account of any amendment to, or variation or replacement of, the provisions of the CRR or the LCR Commission Regulation applicable to level 1 assets or level 2A assets for the purposes of the LCR Commission Regulation or any amendment thereof or replacement thereto. Any such amendment to or variation or replacement of, such commitment will

be published in a supplement to this Base Prospectus or in another prospectus in respect of the Programme.

For the above purposes:

"LCR Commission Regulation" means Commission Delegated Regulation (EU) of 10 October 2014 (reference number to be allocated upon publication in the Official Journal of the EU) to supplement Regulation (EU) 575/2013 with regard to liquidity coverage requirement for Credit Institutions;

"LCR Overcollateralisation Percentage" means, subject to any higher percentage specified in section 32(17) of the ACS Act:

- (a) for so long as Mortgage Covered Securities issued under the Programme have a credit quality step 2 for the purposes of article 129(4) of the CRR (or the equivalent credit quality step in the event of a short term credit commitment), 107 per cent.; or
- (b) if Mortgage Covered Securities issued under the Programme have a credit quality step 1 for the purposes of article 129(4) of the CRR (or the equivalent credit quality step in the event of a short term assessment), 102 per cent."

8. 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 and 6 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."