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 (the "**Supplement**") is supplemental to and should be read in conjunction with the base prospectus dated 17 July 2015 (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 (the "**Prospectus Directive**") and is issued in accordance with article 16 thereof and regulation 51 of the Prospectus (Directive 2003/71/EC) Regulations 2005 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 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.

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 17 July 2015, the date of publication 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 30 June 2015.

The date of this Supplement is 11 January 2016.

AMENDMENTS TO THE BASE PROSPECTUS

1. At page 17 of the Base Prospectus, under the heading *Downgrades to 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,* the first sentence shall be deleted and replaced with the following:

   "The Group's senior unsecured debt not covered by the Credit Institutions (Eligible Liabilities Guarantees) Scheme (the "**ELG Scheme**") is rated Ba1 by Moody's with a positive outlook and its debt and deposits not covered by the ELG Scheme are rated BB+ with a positive outlook by S&P and BB+ with a positive outlook by Fitch."

2. At page 20 of the Base Prospectus, under the heading *The Issuer and the Group may be adversely affected by further austerity and budget measures introduced by a Government,* the existing language shall be deleted and replaced with the following:

   "The current and future budgetary and taxation policy of Ireland, the UK and other measures adopted by the Irish Government or the UK Government may have an adverse impact on borrowers' ability to repay their loans and, as a result, the Issuer's and the Group's business. Furthermore, some measures may directly impact the financial performance of the Issuer and the Group through the imposition of measures such as the bank levy in Ireland introduced in Budget 2014 and which the Irish Government announced during Budget 2016 would be extended to 2021. The annual levy paid by the Group in 2015 amounted to €60 million. This bank levy may be further extended and increased in the future."

3. At page 21 of the Base Prospectus, replace the risk factor *The Group is subject to increasing regulation and supervision following the introduction of the SSM and the new bank recovery and resolution framework, which may strain its resources* with the following:

   "***The Group may be adversely impacted by the pace and scale of regulatory and supervisory change***

   A significant number of new regulations have been issued by the various regulatory authorities in the recent past. The Eurozone's largest banks, including the Issuer as a member of the Group, came under the direct supervision of, and are deemed to be authorised by, the ECB since the introduction on 4 November 2014 of the SSM.

   The main 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. A Single Resolution Mechanism ("**SRM**") has been introduced including a single resolution board ("**SRB**") and a single fund for the resolution of banks. The requirements of the SRM are set out in the Single Resolution Mechanism Regulation (Regulation (EU) No. 806/2014 of 15 July 2014) (the "**SRM Regulation**") and the Banking Recovery and Resolution Directive (Directive 2014/59/EU) ("**RRD**"). The SRM Regulation, subject to some exceptions, applies from 1 January 2016. The SRB is fully operational from January 2016. The RRD has been implemented in Ireland pursuant to the European Union (Bank Recovery and Resolution) Regulations 2015 (the "**RRD Regulations**"). The RRD Regulations, other than regulations 79 to 94, came into effect on 15 July 2015. Regulations 79 to 94 of the RRD Regulations came into effect on 1 January 2016. The Group is making preparations for the SRM which came into force on 1 January 2016. The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the SSM. The single resolution fund will be financed by bank levies raised at national level. The overarching goal of the new bank recovery and resolution framework established by the RRD/SRM package is to break the linkages between national banking systems and sovereigns. The new framework is intended to enable resolution authorities to resolve failing banks with a lower risk of triggering contagion to the broader financial system, while sharing the costs of resolution with bank shareholders and creditors. Among other provisions, the RRD requires banks to produce a full recovery plan that sets out detailed measures to be taken in different scenarios when the viability of the institution is at risk. Furthermore, one or more of the Group's regulators may require the Group to make changes to the legal structure of the Group pursuant to its implementation of requirements under the SRM Regulation, the RRD or other applicable law or regulation. In relation to the RRD and the SRM Regulation, see also "*The RRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group*".

   The Issuer and the Group will have to meet the cost of all levies that are imposed on it in relation to funding the bank resolution fund established under the SRM or that are imposed on it under other applicable compensation schemes relating to banks or other financial institutions in financial difficulties. In addition, the challenge of meeting this degree of regulatory change will place a strain on the Issuer's and the Group's resources, particularly during a period of significant organisational transformation. The challenge of meeting tight implementation deadlines while balancing competing resource priorities and demands adds to the regulatory risk of the Issuer and the Group. These may also impact significantly on the Issuer's and the Group's future product range, distribution channels, funding sources, capital requirements and consequently, reported results and financing requirements."

4. At page 22 of the Base Prospectus, replace the risk factor *The RRD contains resolution tools that may have a material adverse effect on the Group* with the following:

"***The RRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group***

On 6 May 2014, the EU Council adopted the RRD which establishes a framework for the recovery and resolution of credit institutions and investment firms. The RRD has been implemented in Ireland pursuant to the RRD Regulations so as to come into operation on 15 July 2015, save for the provisions thereof providing for the General Bail-In Tool (as defined below) and certain related provisions, which came into operation on 1 January 2016. The RRD Regulations, other than regulations 79 to 94 (relating to the General Bail-In Tool), came into effect on 15 July 2015. Regulations 79 to 94 of the RRD Regulations came into effect on 1 January 2016. The RRD establishes a European framework dealing with resolution mechanisms, loss absorbency and bail-in rules (with certain exceptions, including for certain covered bonds and certain cover pool swaps). The SRM Regulation, subject to some exceptions, applied from 1 January 2016. The SRB has been established to exercise a centralised power of resolution in the Eurozone and any other participating Member States. From 1 January 2016 the SRB is principally responsible for determining when resolution action may be taken in respect of credit institutions (including the Issuer) established in the Eurozone and other participating Member States and when the Resolution Tools (as defined below) may be applied to such institutions. These new requirements will result in changes in the regulatory framework for capital and debt instruments of credit institutions.

Amongst other provisions, the RRD introduces a statutory write-down and conversion power to write down or to convert into equity such credit institution's capital instruments if certain conditions are met (the "**Write-Down Tool**"). The Write-Down Tool would be applicable in particular if the competent authority determines that unless the Write-Down Tool is applied, the credit institution will no longer be viable or if a decision has been made to provide the credit institution with extraordinary public support without which the credit institution will no longer be viable.

The RRD is designed to provide relevant authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The RRD also equips the resolution authority with the following resolution powers (the "**Resolution Tools**") in circumstances where the credit institution is failing or is likely to fail:

- to transfer to an investor shares, other instruments of ownership and/or all specified assets, rights or liabilities of the credit institution (the "**sale of business tool**"); and/or

- to transfer all or specified assets, rights or liabilities of the credit institution to a bridge institution which is wholly or partially owned by public authorities (the "**bridge institution tool**"); and/or

- to transfer assets, rights or liabilities to a legal entity which is wholly or partially owned by public authorities for the purpose of sale or otherwise ensuring that the business is wound down in an orderly manner, to be applied in conjunction with another resolution tool (the "**asset separation tool**"); and/or

- to write down the claims of unsecured creditors of an institution and convert debt to equity, with, in broad terms, the first losses being taken by shareholders and thereafter by subordinated and then senior creditors, with the objective of recapitalising an institution (the "**General Bail-In Tool**").

The RRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

A credit institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; when its assets are, or are likely in the near future to be, less than its liabilities; when it is, or is likely in the near future to be, unable to pay its debts as they fall due; or when it requires extraordinary public financial support (except in limited circumstances).

The competent authority has pursuant to the Write-Down Tool and with effect from 1 January 2016, has pursuant to the General Bail-In Tool, as applicable, the power, upon certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e. own funds instruments and, in the case of the General Bail-In Tool, other subordinated debt and even senior debt) of a failing credit institution or to convert such eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion. This is subject to exceptions in respect of certain liabilities.

One such exception relates to certain covered bonds (such as the Securities) and certain cover pool swaps (such as those comprised in the Pool maintained by the Issuer). The RRD requires Member States to ensure that secured assets relating to a covered bond pool remain unaffected, segregated, and with enough funding. However, the RRD provides that neither the above requirement nor the exclusion of certain covered bonds and cover pool swaps referred to above prevent resolution authorities, where appropriate, from exercising the relevant powers under the RRD in relation to any part of a secured or collateralised liability that exceeds the value of the assets, pledge, lien or collateral against which it is secured. This is reflected in the RRD Regulations.

Where a credit institution meets the conditions for resolution, the competent regulator and/or authority will be required to apply the Write-Down Tool before applying the Resolution Tools. The write-down or conversion will follow the ordinary allocation of losses and ranking in insolvency. Equity holders will be required to absorb losses in full before any debt claim is subject to write-down. After shares and other similar instruments, the write-down will first, if necessary, impose losses evenly on holders of subordinated debt and then evenly on senior debt-holders which are subject to the write down.

Given that the RRD has only very recently been transposed in Ireland and parts thereof only came into operation on 1 January 2016, it is impossible to predict the financial obligations that may be imposed in relation to the RRD, the effect that the changes will have on the Issuer's and the Group's business, financial condition, result of operations or prospects or to determine conclusively all potential implications of the RRD Regulations on the ACS Code. However, depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Issuer's and the Group's operations, structure, costs and/or capital requirements.

Pursuant to the SRM Regulation, since 1 January 2016 the SRB is responsible for drawing up the Group's resolution plan providing for resolution actions that may be taken if the Group would fail or would be likely to fail. In drawing up the Group's resolution plan, the SRB will identify any material impediments to the Group's resolvability. Where necessary, the SRB may instruct that actions are taken to remove such impediments.

These actions may include (but are not limited to):

- legal restructuring of the Group, which could lead to high transaction costs, or could make the Group's business operations or its funding mix to become less optimally composed or more expensive;

- issuing additional liabilities at various levels within the Group. This may result in higher capital and funding costs for the Group, and as a result adversely affect the Group's profits and its possible ability to pay dividends; and

- reviewing and amending the Group's contracts for the purposes of ensuring continuity of business operations and that such contracts do not cause any impediments to resolvability of the Group. This may result in additional costs and operational complexity for the Group.

If the SRB is of the view that the measures proposed by the Group would not effectively address the impediments to resolvability, the SRB may direct the Group to take alternative measures as outlined in the SRM Regulation.

At the date of the supplement dated 11 January 2016 to this Base Prospectus, the Group is engaging with the Central Bank of Ireland (which has been designated the national resolution authority in Ireland under the European Union (Bank Recovery and Resolution) Regulations 2015) in relation to the resolution planning process and with a view to agreeing any necessary actions to address or remove potential impediments to resolvability.

The changes to be implemented in respect of the SRM Regulation and the RRD 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."

5. At page 23 of the Base Prospectus, the risk factor entitled *The Issuer and the Group are subject to substantial and changing conduct regulations,* shall be deleted and replaced with the following:

"***The Issuer and the Group are subject to conduct risk claims***

The Issuer and the Group are exposed to many forms of conduct risk, which may arise in a number of ways. The Issuer and the Group need to be able to demonstrate how they deliver fair treatment and transparency to, and uphold the best interests of, customers and the evidential standards required by the Issuer's and the Group's regulators in this regard are very high. The Issuer and the Group may be subject to allegations of mis-selling of financial products, including, as a result of having sales practices and/or reward structures in place that are determined to have been inappropriate, and the Issuer and the Group may also be subject to allegations of overcharging and breach of contract and/or regulation. Any of the foregoing may result in adverse regulatory action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, any or all of which could result in the incurrence of significant costs, may require provisions to be recorded in the financial statements and could adversely impact future revenues from affected products. The Central Bank announced in October 2015 that it had commenced a broad examination (the "**Examination**") of tracker mortgage-related issues across Irish banks (including AIB and the Issuer as a subsidiary of AIB). In December 2015 the Central Bank confirmed to the affected banks (including AIB and the Issuer as a subsidiary of AIB), that the objective of the Examination is to identify any cases where customers' contractual rights under the terms of their mortgage agreements were not fully honoured and/or lenders did not fully comply with the various requirements and standards regarding disclosure and transparency for the customer. The Examination will require relevant lenders (including AIB and the Issuer as a subsidiary of AIB) to identify customers who have been negatively impacted and, where there has been any detriment, to provide redress in line with redress principles determined by the Central Bank. While it is not possible at this stage to assess the outcome of the Examination, or any related litigation or regulatory action, or the quantum of any redress required, such matters may result in any of the consequences described above and may materially adversely affect the Issuer and the Group's business, financial condition or prospects."

6. At page 27 of the Base Prospectus, under the heading appearing on page 26 of the Base Prospectus *Irish legislation and regulations in relation to mortgages, as well as judicial procedures for the enforcement of mortgages and custom, practice and interpretation of such legislation, regulations and procedures, may result in higher levels of default by the Group's customers, delays in the Group's recoveries in its mortgage portfolio and increased impairments,* the following sentence shall be inserted at the end of the third paragraph after the words "*On 13 May 2015 the Irish Government announced its intention to amend the Personal Insolvency Act so as to give the courts the power to review and, where appropriate, to approve personal insolvency arrangements ("**PIA**") which have been rejected by banks or other secured creditors.*":

   "The Personal Insolvency (Amendment) Act 2015 has been enacted and, subject to satisfaction of certain conditions, permits such court review and approval of PIAs. That Act came fully into operation on 20 November 2015. In addition, the Bankruptcy (Amendment) Act 2015, which was signed into law on 25 December 2015, provides for several changes to the Irish bankruptcy regime for individuals, which are expected to take effect early in 2016. These changes include a reduction of the period for the automatic discharge from bankruptcy to one year."

7. At page 31 of the Base Prospectus, under the heading appearing on page 30 of the Base Prospectus *The Issuer and the Group may be subject to the risk of having insufficient capital to meet increased minimum regulatory requirements,* the following sentence shall be inserted after the words '*The SSM's assessment of the Group's capital position may also change as a result of any assessment and supervisory review of the Group's capital model.'* at the end of the first paragraph:

   "Changes to regulatory capital models or approaches may be required by the supervisory authorities over the coming years which could result in an increase in risk weighted assets and or expected loss, resulting in an increase in the minimum amount of regulatory capital to be held by the Group."

8. At page 31 of the Base Prospectus, under the heading appearing on page 30 of the Base Prospectus *The Issuer and the Group may be subject to the risk of having insufficient capital to meet increased minimum regulatory requirements,* the final paragraph of the existing risk factor, beginning with the words "*Furthermore, the €3.5 billion…*", shall be deleted.

9. At page 31 of the Base Prospectus, before the heading *The Issuer's and the Group's deferred tax assets depend substantially on the generation of future profits over an extended number of years*, the following should be inserted:

   "***Many aspects of the manner in which CRD IV will be implemented remain uncertain***

   CRD IV is a recently-adopted set of rules and regulations that imposes a series of new requirements, many of which will be phased in over a number of years.

   Although the CRD IV Directive has been implemented into Irish law and CRR is directly applicable in each Member State, a number of important interpretational issues remain to be resolved through binding technical and implementing standards and guidelines and recommendations by the EBA that will be adopted in the future, and leaves certain other matters to the discretion of the competent authority.

   The ECB has assumed primary prudential supervisory responsibilities formerly handled by the Central Bank as of

November 2014. The ECB may interpret CRD IV, or exercise discretion accorded to the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than the Central Bank."

10. At page 38 of the Base Prospectus, under the heading *MART*, the third paragraph shall be deleted and replaced with the following:

    "In March 2015, the Central Bank advised that MART reporting will continue and sustainable solutions should be concluded for the vast majority of distressed borrowers by the end of 2015 and that banks also should continue to meet the "terms being met" target of 75 per cent. to the end of 2015 and beyond. Ongoing targets monitoring and reporting of arrears management processes are currently under consideration in conjunction with the Central Bank".

11. At page 40 of the Base Prospectus, under the heading appearing on page 37 of the Base Prospectus *Mortgage Arrears Regulatory Requirements* the following sentence shall be inserted at the beginning of the second paragraph after the words "Further information in relation to the Personal Insolvency Act is set out below at *Certain Aspects of Regulation of Residential Lending in Ireland - Personal Insolvency Act."*:

    "The Personal Insolvency (Amendment) Act 2015 (which came fully into operation on 20 November 2015) has made a number of significant changes to the Personal Insolvency Act affecting the PIA, including the introduction of a court review and approval process for certain PIAs rejected by creditors. In addition, the Bankruptcy (Amendment) Act 2015, which was signed into law on 25 December 2015, provides for several changes to the Irish bankruptcy regime for individuals, which are expected to take effect early in 2016. These changes include a reduction of the period for the automatic discharge from bankruptcy to one year."

12. At page 43 of the Base Prospectus, under the heading *EU Savings Directive,* the existing language shall be deleted and replaced with the following:

    "EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") required Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident or to (or secured for) certain other types of entity established in that other Member State, except that Austria currently imposes a withholding system instead and this is expected to last for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. A number of non-EU countries and territories have adopted similar measures to the Savings Directive.

    The Council of the European Union, on 10 November 2015, adopted a Directive which repealed the Savings Directive with effect from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements).

    Prior to the repeal of the Savings Directive becoming effective in the case of Austria, if a payment were to be made or collected through Austria and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax.

    The Issuer is required to maintain a Paying Agent with a specified office in a Member State of the EU that is not obliged to withhold or deduct tax pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives. However, investors should be aware that any custodians and intermediaries through which they hold their interest in the Securities may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

    Investors who are in any doubt as to their position should consult their professional advisers."

13. At page 43 of the Base Prospectus under the heading *OECD Common Reporting Standard*, the existing language shall be deleted and replaced with the following:

    "Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU) provides for the implementation of the regime known as the Common Reporting Standard ("**CRS**") proposed by the OECD as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions. A group of over 40 countries, including Ireland, have committed to the early adoption of the CRS from 1 January 2016 with the first data exchanges taking place in September 2017. All Member States, except Austria, will introduce the CRS from 1 January 2016. Austria will introduce CRS from 1 January 2017.

Legislation to implement CRS in Ireland has been enacted. The final regulations were issued on the 17 December 2015. The Issuer will be required to obtain and report to the Revenue Commissioners annually certain financial accounts and other information for all new and existing Security Holders in respect of their Securities. The first return must be submitted on or before 30 June 2017 with respect to the year ended 31 December 2016. This information will include amongst other things, details of the name, address, taxpayer identification number ("**TIN**"), place of residence and, in the case of Security Holders who are individuals, the date and place of birth, together with details relating to payments made to Security Holders and their holdings. This information may be shared with tax authorities in other Member States and jurisdictions which implement the OECD Common Reporting Standard."

14. At page 44 of the Base Prospectus, under the heading *Change of Law and Regulation*, the existing language shall be deleted and replaced with the following:

"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 Act. At the date of this Base Prospectus, the mortgage credit assets comprised in the Issuer's Cover Assets Pool and their related primary security are governed by Irish law. No assurance can be given as to the impact of any possible judicial decision or change to EU or Irish law (including in connection with the ACS Act or affecting the Issuer or the Group), regulation or administrative or regulatory practice after the date of issue of the relevant Notes. Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss absorption tools which may affect the rights of Security Holders."

15. At page 98 of the Base Prospectus, the paragraph under the heading *Funding transactions* shall be deleted and replaced with the following:

"The Group's access to the wholesale funding markets was restricted during the banking crisis, during which the Group relied on funding from monetary authorities. Since 2012, the Group has returned to the public funding markets. In 2012, 2013, 2014 and 2015 the Group completed market issuances of debt instruments amounting to €5.5 billion. These issuances included Mortgage Covered Securities of €3.5 billion from the Issuer, the first credit card securitisation in the Irish market for €0.5 billion and senior unsecured funding of €1.5 billion. In addition the Group also issued €1.25 billion capital instruments in 2015 (€750 million tier 2 subordinated securities and €500 million additional tier 1 securities): see also "*Description of the Group – Recent Developments – Capital Reorganisation*". The Group's funding from monetary authorities continues to reduce substantially and amounted to €3.3 billion as at 30 June 2015."

16. At page 99 of the Base Prospectus, the section entitled *Operating Segments* shall be deleted and replaced with the following:

"**Operating Segments**

Following a review of the organisation's structure, a new operating structure was implemented in early 2015 that focused on the needs of the Group's customers, so as to combine customer groups with similar needs into franchises able to deliver co-ordinated services.

The Group's operations were reported under the following segments:

– Retail & Business Banking ("RBB");

– Corporate & Institutional Banking ("CIB");

– AIB UK; and

– Group.

These segments reflect the internal reporting structure which is used by management to assess performance and allocate resources.

RBB services Irish personal and business customers through AIB and EBS brands with the largest banking distribution in Ireland including c. 200 AIB branches, c. 70 EBS outlets and 10 business centres. This is combined with telephone and Internet banking and a partnership with An Post through which it offers services at over 1,000 post offices.

CIB serves large business, corporate and institutional customers in multiple industry sectors through the provision of an integrated suite of products and services. In addition, CIB is responsible for managing the Group's market-facing treasury and investment activities.

AIB UK comprises retail and commercial banking operations in Great Britain operating under the trading name Allied Irish Bank (GB) and in Northern Ireland operating under the trading name First Trust Bank. AIB UK operates through 30 branches and 5 business centres in Northern Ireland and 16 business centres in mainland UK.

Group includes central control and support functions' costs. It includes operations and technology, risk, audit, finance, general counsel, human resources and corporate affairs and strategy. Certain overheads related to these activities are managed and reported in the Group segment.

Further changes to the organisational structure were announced in November 2015, whereby:

– Corporate Banking, previously in CIB, will now be part of **Retail, Corporate & Business Banking ("RCB")**, formerly RBB; and

– Following the transfer of Corporate Banking to RCB, CIB will be known as **Wholesale & Institutional Banking**.

AIB UK and Group remain unchanged."

17. At page 100 of the Base Prospectus, after the last paragraph (which falls under the heading beginning on page 99, *Operating Segments*), insert the following text:

"**Recent Developments – Capital Reorganisation**

On 26 November 2015, AIB successfully completed the issue of € 750 million fixed rate resetteable subordinated notes ('Tier 2') with a maturity of 10 years, with one call option after 5 years and a coupon fixed at 4.125 per cent.

On 3 December 2015, AIB successfully completed the issue of € 500 million fixed rate resettable AT1 perpetual contingent temporary write-down securities. The coupon for the initial fixed rate period until December 2020 has been fixed at 7.375 per cent.

At an EGM, held on 16 December 2015, the shareholders of AIB approved all resolutions in respect of the capital reorganisation, enabling the implementation of the following actions under the capital reorganisation:

- Partial redemption of the 2009 Preference Shares: 1.36 billion of the 3.5 billion 2009 Preference Shares which resulted in the repayment of € 1.7 billion of capital to the State;

- Conversion of the remainder of the 2009 Preference Shares: 2.14 billion of the 3.5 billion 2009 Preference Shares were converted into ordinary shares of € 0.0025 each resulting in circa 155.1 billion additional existing ordinary shares. The redemption and conversion of the 2009 Preference Shares will result in a net increase in CRD IV fully loaded CET 1 capital of €1.8 billion;

- A dividend of € 166 million, representing the accrued dividend on the 3.5 billion 2009 Preference Shares in respect of the period from 13 May 2015 (the last dividend payment date) to the date of conversion/redemption of the 2009 Preference Shares was paid to the NTMA on 17 December 2015;

- Ordinary share consolidation: on conversion of the 2009 Preference Shares, AIB had circa 678.6 billion existing ordinary shares in issue. On 18 December 2015, consolidation of the existing ordinary shares resulted in shareholders holding one new ordinary share of € 0.625 for every 250 existing ordinary shares. AIB has now circa 2.714 billion new ordinary shares of € 0.625 in issue;

- EBS Promissory Note Redemption: in conjunction with the partial redemption of the 2009 Preference Shares, the EBS Promissory Note was redeemed by way of transfer to the Minister for Finance at its carrying value on 15 December 2015 (€ 225 million) and subsequently cancelled; and

- Potential Warrant issue: potential issue of warrants up to 9.99 per cent. of AIB's issued ordinary share capital to the Minister for Finance at the time of any re-admission of AIB's ordinary shares to a regulated market.

18. At pages 105 and 106 of the Base Prospectus, under the heading *Personal Insolvency Act,* the existing text shall be deleted and replaced with the following:

General

The Personal Insolvency Act provides for three new insolvency processes:

(a) a debt relief notice ("**DRN**") to allow for the write-off of qualifying debts up to €35,000, subject to a three year supervision period;

(b) a debt settlement arrangement ("**DSA**") for the settlement of qualifying unsecured debts over a period of up to 5 years and subject to majority creditor approval;

(c) a PIA.

The DSA and PIA processes involve the issuance of a protective certificate which precludes enforcement and related actions by creditors. The application for a DRN, DSA or PIA and protective certificates ultimately needs to be approved by a court (the Circuit Court for debts below €2.5 million, the High Court for debts above €2.5 million) before it can come into effect.

The Personal Insolvency Act also provides for reforms to the Bankruptcy Act 1988. The Personal Insolvency Act provides that nothing in it affects the operation of the ACS Act.

PIA

The PIA is capable of settling and/or restructuring secured debt, including residential mortgage debt. Subject to certain mandatory requirements and minimum protections for a debtor and his or her secured creditors, the Personal Insolvency Act provides flexibility as to how a PIA treats a secured debt. For example, a PIA may provide for an adjustment of the interest rate, interest basis or maturity of the debt, a capitalisation of arrears, a debt-for-equity swap, or a principal write-down to a specified amount equal to or greater than the value of the security.

The PIA process facilitates the settlement of unsecured debts of any amount and the settlement and/or restructuring of secured debts of up to €3 million (which limit can be waived where all the secured creditors so consent) owed by a debtor meeting certain eligibility criteria over a period of up to 6 years (subject to a possible extension to 7 years). A personal insolvency practitioner formulates a proposal for an arrangement during a protective period of up to 110 days during which creditors cannot take enforcement action against the debtor.

In general, the proposal must be approved by the debtor and creditors representing 65 per cent. of the total amount of the debts, with separate class approvals being required by secured and unsecured creditors representing (in each case) over 50 per cent. of the value of the relevant debts.

Since the coming into operation on 20 November 2015 of relevant provisions of the Personal Insolvency (Amendment) Act 2015, it is possible for a personal insolvency practitioner (where instructed to do so by a debtor) to apply to the appropriate court for an order confirming the coming into effect of a proposed PIA which had been rejected by creditors. Such an application may only be made where the PIA comprises a debt the payment for which is secured by security in or over the debtor's principal private residence and in respect of which the debtor, on 1 January 2015, was in arrears with his or her payments or, before that date, had entered into an alternative repayment arrangement to address arrears.

The appropriate court may make such an order only where satisfied as to a number of matters, as set out in the Personal Insolvency (Amendment) Act 2015. These include:

- at least one class of creditors must have accepted the proposed PIA, by a majority of over 50 per cent. of the value of the debts owed to the class. A class for this purpose can be one creditor, or a number of creditors that the court considers to have interests or claims of a similar nature, in relation to the debtor;

- there must be a reasonable prospect that the proposed PIA will enable the creditors to recover the debts due to them to the extent that the means of the debtor reasonably permit;

- the proposed PIA must be fair and equitable in relation to each class of creditors that has not approved the proposal and whose interests or claims would be impaired by its coming into effect; and

- the proposed PIA must not be unfairly prejudicial to the interests of any interested party.

Upon successful completion of the PIA, the debtor is released from all of his or her qualifying unsecured debts but is not released from his or her secured debts except to the extent provided for under the terms of the PIA.

A PIA is capable of affecting the right of a secured creditor of the debtor to enforce or otherwise deal with his or her security. The Personal Insolvency Act provides that, subject to certain mandatory requirements set out in the

Act, the terms of a PIA may provide for the manner in which the security is to be treated, which may include the sale or any other disposition of the property or asset the subject of the security, the surrender of the security to the debtor or the retention by the secured creditor of the security. In addition, the Personal Insolvency Act provides that the PIA may vary the terms of the secured debt, including variations with respect to interest payments, the term to maturity, capitalisation of arrears or reduction of the principal sum to a specified amount.

The Personal Insolvency Act provides that where a PIA provides for the sale or other disposal of the property which is the subject of the security for a secured debt, and the realised value of that property is less than the amount due in respect of the secured debt, the balance due to the secured creditor will abate in equal proportion to the unsecured debts covered by the PIA and will be discharged with them on completion of the obligations specified in the PIA.

The Personal Insolvency Act provides for certain specific protections for secured creditors, including: (i) where there is a sale or other disposal of the property the subject of the security, the secured creditor is entitled to the sale/disposal proceeds to discharge the debt up to the value of the security; and (ii) where the security is retained by the secured creditor and the principal sum of the secured debt is reduced pursuant to the terms of the PIA, the principal cannot be reduced below the value of the security without the consent of the secured creditor and any such reduction of principal can be 'clawed back' in favour of the secured creditor where the debtor sells or otherwise disposes of the property the subject of the security within twenty years of the PIA coming into effect.

The Personal Insolvency Act also provides for certain specific protections for a debtor, including protection for the debtor's ownership and occupation of his or her PPR subject to certain limits such as where the personal insolvency practitioner forms the opinion that the costs of the debtor continuing to reside in that PPR are disproportionately large.

Bankruptcy

The Personal Insolvency Act significantly reformed the Irish bankruptcy regime under the Bankruptcy Act 1988, including, notably, a reduction of the duration of the period before which a bankruptcy is automatically discharged from 12 years to 3 years. This period will be further reduced to one year when relevant provisions of the Bankruptcy (Amendment) Act 2015, which was signed into law on 25 December 2015, come into operation. Where an individual is adjudicated bankrupt by a court, a creditor does not have any remedy against the property or person of the bankrupt in respect of a relevant debt apart from the creditor's rights under the Bankruptcy Act 1988. This means that the principal remaining remedy for a creditor is to prove the debt in the bankruptcy and claim a dividend from the bankruptcy estate. Significantly however, the Bankruptcy Act 1988 does not affect the power of a secured creditor to realise or otherwise deal with his or her security. This means that a secured creditor can generally enforce security notwithstanding that the debtor has been adjudicated bankrupt and can prove in the bankruptcy process for any balance due after deducting the net amount realised.

19. At page 110 of the Base Prospectus, under the heading Board of Directors and Management and Administration of the Issuer, the existing text preceding the heading Outsourcing Arrangements shall be deleted and replaced with the following:

As of the date of the supplement dated 11 January 2016 to this Base Prospectus, there are five members of the Board of Directors as set out below. Four members of the Board of Directors of the Issuer are currently employees of Group members. One member of the Board of Directors is not at the date of this Base Prospectus and never has been an employee of any Group member but is a non-executive director of other members of the Group. Two of the five members of the Board of Directors of the Issuer are executive directors and the remaining three members of the Board of Directors are non-executive directors of the Issuer. This close tie between the Group and the directors of the Issuer is indicative of the high level of integration of the Issuer's business in the Group. However, the Issuer is independent in its decision-making capability as far as it is appropriate for a wholly-owned subsidiary bank of a banking group. It is expected that at least four board meetings of the Issuer will be held each year.

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

Members	**Principal Outside Activities**
Dave Keenan (Chairperson – Group Non-Executive Director) Bankcentre, Ballsbridge, Dublin 4 , Ireland	Head of HR - Support & Control Functions, AIB
Gerry Gaffney (Executive Director – Finance) Bankcentre, Ballsbridge, Dublin 4, Ireland	Accountant, Finance, AIB

James Murphy (Group Non-Executive Director) Bankcentre, Ballsbridge, Dublin 4, Ireland	Head of Finance Services, AIB
Jim O'Keeffe, (Managing Director) Bankcentre, Ballsbridge, Dublin 4, Ireland	Head of Financial Solutions Group, AIB
Catherine Woods (Independent Non-Executive Director) Bankcentre, Ballsbridge, Dublin 4, Ireland	Non-Executive Director, AIB; Chairperson, EBS Ltd; Non-Executive Director, Beazley plc

The Company Secretary of the Issuer is Louise Cleary.

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.

As a credit institution authorised by the Central Bank of Ireland, the Issuer is subject to the Central Bank's Corporate Governance Requirements for Credit Institutions 2015 (the "**Corporate Governance Requirements**") and, for that purpose, has been designated a 'high impact' credit institution (which is a classification used by the Central Bank's Probability Risk Impact System ('**PRISM**')). The Corporate Governance Requirements apply to credit institutions with effect from 11 January 2016. The Corporate Governance Requirements are similar in nature to the requirements that previously applied to the Issuer under the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2010 (and which came into effect on 1 January 2011). The Corporate Governance Requirements contain the minimum requirements that a credit institution shall meet in the interests of promoting strong and effective governance. The Corporate Governance Requirements are imposed in addition to, and do not affect, any other corporate governance obligations and standards to which a credit institution is otherwise subject (including under conditions and/or requirements set out in the licence or authorisation of credit institutions). Amongst other things, the Corporate Governance Requirements require that a high impact subsidiary credit institution must have at least three independent non-executive directors. However, the Central Bank of Ireland has granted a derogation to the Issuer from this requirement on the basis that the Board of Directors of the Issuer continues to have at least two independent non-executive directors. This is consistent with an authorisation requirement imposed on the Issuer in 2006 that there should be a minimum of two non-executive directors who are independent of the Issuer's parent. As of the date of the supplement dated 11 January 2016 to this Base Prospectus and following the resignation of Eileen Kelliher (formerly an independent non-executive director of the Issuer) with effect from 31 December 2015, the Issuer has only one independent non-executive director (Catherine Woods). The Issuer has notified the Central Bank of Ireland of Eileen Kelliher's resignation and action to address the composition of the Issuer's Board of Directors is under review.

20. At page 174 of the Base Prospectus, under the heading *EU Taxation of Savings Income Directive*, the existing language shall be deleted and replaced with the following:

"The Savings Directive required Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident or to (or secured for) certain other types of entity established in that other Member State, except that Austria currently imposes a withholding system instead and this is expected to last for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. A number of non-EU countries and territories have adopted similar measures to the Savings Directive.

The Council of the European Union adopted a Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended), discussed below.

The Council of the European Union has also adopted Directive 2014/107/EU (the "**Amending Cooperation Directive**"), amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

Investors who are in any doubt as to their position should consult their professional advisers."

21. At page 175 of the Base Prospectus the following should be included under the new heading "*The Common Reporting Standard*":

"Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU) provides for the implementation of the regime known as the CRS proposed by the OECD as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions. A group of over 40 countries, including Ireland, have committed to the early adoption of the CRS from 1 January 2016 with the first data exchanges taking place in September 2017. All Member States, except Austria, will introduce the CRS from 1 January 2016, Austria will introduce CRS from 1 January 2017.

Legislation to implement CRS in Ireland has been enacted. The final regulations were issued on the 17 December 2015. The Issuer will be required to obtain and report to the Revenue Commissioners annually certain financial accounts and other information for all new and existing Security Holders in respect of their Securities. The first return must be submitted on or before 30 June 2017 with respect to the year ended 31 December 2016. This information will include amongst other things, details of the name, address, TIN, place of residence and, in the case of Security Holders who are individuals, the date and place of birth, together with details relating to payments made to Security Holders and their holdings. This information may be shared with tax authorities in other Member States and jurisdictions which implement the OECD Common Reporting Standard."