



Date of Release: November 18, 2010

DBRS Downgrades the Bank of Ireland; Senior at A (high)

Industry: Fin.Svc.--Banks & Trusts

DBRS today has downgraded the Non-Guaranteed ratings, including the Non-Guaranteed Long-Term Deposits and Non-Guaranteed Long-Term Debt ratings of The Governor and Company of the Bank of Ireland (Bank of Ireland or the Bank) to A (high) from AA (low). The R-1 (middle) Non-Guaranteed Short-Term Deposits and Non-Guaranteed Short-Term Debt ratings are not affected by today's action. The trend on all senior ratings is now Stable. This rating action places Bank of Ireland's Non-Guaranteed Long-Term Deposits and Non-Guaranteed Long-Term Debt ratings at the floor rating for Critically Important Banking organisations (CIBs) operating in the Republic of Ireland (Ireland), which is positioned one notch above the Bank's intrinsic rating of 'A'.

Today's rating action considers DBRS's view that the challenging environment in Ireland will further constrain earnings generation ability, prolonging the Bank's earnings recovery period beyond that previously anticipated by DBRS. As discussed in the Bank of Ireland's interim management statement issued on 12 November 2010, the Bank's earnings are being pressured by slowed business activity, the increased cost of deposits and wholesale funding, and the higher cost of the Eligible Liabilities Guarantee Scheme (ELG). As a result, the Bank expects to report underlying operating profits before impairment charges some 35-40% lower than the EUR 1.5 billion generated for the 12 months to 31 December 2009. Importantly, DBRS expects the aforementioned pressures to continue into 2011 limiting profitability.

Furthermore, the funding situation in Ireland is difficult. Given the Group's limited access to non-central bank funding, the Bank of Ireland has become increasingly more reliant on monetary authorities for funding. While this funding helps support net interest margin (NIM), it weakens the overall funding profile and reduces flexibility given the Group's utilisation of contingent collateral to obtain this funding. With total wholesale funding of approximately EUR 58 billion, of which approximately EUR 22 billion matures in over one year, the Bank faces noteworthy refinancing requirements. While DBRS sees the recent extension of the government guarantee scheme as providing some incremental relief, the prolongation of the Scheme will ultimately increase usage and thereby increase the quantum of guaranteed funding, further pressuring future earnings.

On a positive note, DBRS recognises the progress the Bank has achieved in shoring up capitalisation, managing costs, reducing credit risk through the NAMA transfers, and maintaining asset quality



measures in the non-NAMA portfolio. However, external forces are creating significant headwinds, which may reduce the impact of many of these accomplishments.

The trend is Stable. As discussed above, the ratings are now at the floor for CIBs operating in Ireland. DBRS maintains a floor rating of A (high) for Long-Term Debt and Deposits and R-1 (middle) for Short-Term Debt and Deposits for CIBs operating in Ireland. The level of the floor reflects DBRS's expectation that the Irish Government will provide support, if necessary, to prevent any CIB from weakening below this rating level. DBRS views A (high)/R-1 (middle) as the level of creditworthiness that market participants demand for CIBs to be viewed as essential counterparties, as CIBs need to be perceived as reliable partners in undertaking a wide range of financial transactions. DBRS views the floor as the level of support at which the Irish Government will sustain CIBs to ensure that its financial system continues to be fully functioning.

The ratings of all non-guaranteed, non-senior debt instruments of the Bank of Ireland remain on Under Review with Negative Implications, where they were placed on 1 October 2010. Further, the long-term ratings of the Irish Government Guaranteed instruments issued by the Bank also remain unchanged at AA, Under Review with Negative Implications, where they were placed on 5 October 2010.

Notes:

All figures are in EUR unless otherwise noted.

The applicable methodologies are Global Methodology for Rating Banks and Banking Organisations and Enhanced Methodology for Bank Ratings – Intrinsic and Support Assessments, which can be found on our website under Methodologies.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Governor and Company of the Bank of Ireland, The	Non-Guaranteed Long-Term Deposits	Downgraded	A (high)	Stb	Nov 18, 2010
Governor and Company of the Bank of Ireland, The	Non-Guaranteed Long-Term Debt	Downgraded	A (high)	Stb	Nov 18, 2010
Governor and Company of the Bank of Ireland, The	Non-Guaranteed Short-Term Deposits	Confirmed	R-1 (middle)	Stb	Nov 18, 2010
Governor and Company of the Bank of Ireland, The	Non-Guaranteed Short-Term Debt	Confirmed	R-1 (middle)	Stb	Nov 18, 2010
Governor and Company of the Bank of Ireland, The	Issuer Rating	Downgraded	A (high)	Stb	Nov 18, 2010

Copyright © 2010, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be accurate and reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.



Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Governor and Company of the Bank of Ireland, The	Dated Subordinated Debt maturing after 29 September 2010	Downgraded	A	--	Nov 18, 2010
Governor and Company of the Bank of Ireland, The	Dated Subordinated Debt maturing after 29 September 2010	Under Review - Negative	A	--	Nov 18, 2010
Governor and Company of the Bank of Ireland, The	Primary Capital Notes	Downgraded	A (low)	--	Nov 18, 2010
Governor and Company of the Bank of Ireland, The	Primary Capital Notes	Under Review - Negative	A (low)	--	Nov 18, 2010
Bank of Ireland UK Holdings plc	Perpetual Preferred Securities	Downgraded	A (low)	--	Nov 18, 2010
Bank of Ireland UK Holdings plc	Perpetual Preferred Securities	Under Review - Negative	A (low)	--	Nov 18, 2010
BOI Capital Funding (No 1) LP	Perpetual Preferred Securities	Downgraded	B (low)	--	Nov 18, 2010
BOI Capital Funding (No 1) LP	Perpetual Preferred Securities	Under Review - Negative	B (low)	--	Nov 18, 2010
BOI Capital Funding (No 2) LP	Perpetual Preferred Securities	Downgraded	B (low)	--	Nov 18, 2010
BOI Capital Funding (No 2) LP	Perpetual Preferred Securities	Under Review - Negative	B (low)	--	Nov 18, 2010
BOI Capital Funding (No 3) LP	Perpetual Preferred Securities	Downgraded	B (low)	--	Nov 18, 2010
BOI Capital Funding (No 3) LP	Perpetual Preferred Securities	Under Review - Negative	B (low)	--	Nov 18, 2010
BOI Capital Funding (No 4) LP	Perpetual Preferred Securities	Downgraded	B (low)	--	Nov 18, 2010
BOI Capital Funding (No 4) LP	Perpetual Preferred Securities	Under Review - Negative	B (low)	--	Nov 18, 2010

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Steven Picarillo
Senior Vice President - Financial Institutions Group
+1 212 806 3238
spicarillo@dbrs.com

David Laterza, CPA
Vice President - Financial Institutions Group
+1 212 806 3270
dlaterza@dbrs.com

Copyright © 2010, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be accurate and reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.



Alan G. Reid
Managing Director – Financial Institutions and Sovereign Group
+1 212 806 3232
areid@dbrs.com

ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE [DISCLAIMERS AND LIMITATIONS](#). ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON WWW.DBRS.COM.

Copyright © 2010, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be accurate and reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.