FITCH DOWNGRADES 5 IRISH BANKS; UPGRADES SUPPORT RATINGS; AFFIRMS COVERED BONDS

Fitch Ratings-London-15 January 2009: Fitch Ratings-London-15 January 2009: Fitch Ratings has today downgraded the Long-term Issuer Default Ratings (IDRs) and Individual Ratings of Allied Irish Banks (AIB), Anglo Irish Bank Corporation (Anglo), Bank of Ireland (BoI) and Irish Nationwide Building Society (INBS) and the Individual rating of Irish Life & Permanent (ILP). The agency has placed EBS Building Society's (EBS) Long-term IDR of 'A-' (A minus) and Individual rating of 'B/C' on Rating Watch Negative. Fitch has also upgraded the Support ratings and revised upwards the Support Rating Floors for a number of Irish credit institutions. A full list of rating actions, including those for covered bonds, appears at the end of this release.

The downgrades reflect the deteriorating economic environment, an abrupt contraction in forecasts for Irish economic growth in 2009, rising unemployment and a worsening outlook for commercial property. Fitch considers that these changes are likely to lead to weaker revenue generation, sharp rises in impaired loans and steep falls in operating profitability for the Irish banks.

"These rating actions incorporate our expectation of significantly weaker earnings by the banks and poorer asset quality," said Matthew Taylor, Senior Director in Fitch's Financial Institutions group. On a positive note, these institutions all have strong customer franchises and attentively manage expenses, which may offer some protection against declining revenues and larger loan impairment charges. In recent years, these institutions have reported notable asset growth and rising profitability as they benefited from robust economic growth. In addition, the Irish government has guaranteed all retail, commercial, institutional and interbank deposits until end-September 2010.

In upgrading the Support Ratings and revising upwards the Support Rating Floors, Fitch has taken note of the commitment of the Irish government to guarantee the covered liabilities of seven Irish credit institutions. It also notes the commitment by the Irish government to subscribe to preference shares in AIB, Anglo and BoI and its indication of the availability of additional capital to support further capital issuance by these institutions. In view of these elements, and the government's acquisition of 75% voting rights in Anglo, Fitch has upgraded Anglo's Support Rating to '1' from '3' and revised upwards its Support Rating Floor to 'A-' (A minus) from 'BB+'. The Support Rating Floors at AIB and BoI have been revised upwards to 'A' from 'A-' and the Support Ratings of '1' have been affirmed. The agency has also upgraded the Support Ratings of EBS, ILP and INBS to '2' from '3'. The Support Rating Floors have been revised upwards to 'BBB-' (BBB minus) at EBS and INBS from 'BB+' and 'BB' respectively. Having seen the extent of the commitment from the Irish government to support its banks, Fitch considers that this support should continue to be available for the period covered by the Long-term IDR.

AIB is active in Ireland, the UK and Poland and holds a non-controlling stake in the American M&T Bank Corporation, which diversifies earnings and risks. However, the bank has sizeable investment and development commercial mortgage portfolios and Fitch is concerned that the development book in particular represents a significant risk. Combined with Fitch's expectations of a tough operating environment leading to falling revenues and weighty loan impairment charges, the agency considers that the 'C' Individual Rating definition of 'an adequate bank' appropriately characterises the bank. More positively, AIB has large market shares in Ireland in retail funding, business loans and residential mortgages, which should continue positively to underpin the bank's performance and its receipt of EUR2bn government subscribed preference shares help to strengthen the bank.

Fitch considers that Anglo's specialisation in lending supported by commercial real estate is especially vulnerable to the weakening economy and commercial property markets. In addition to its investment portfolio, the bank has significant exposure to riskier development loans. In this context of increasing company defaults and falling commercial property values, Fitch expects the bank to report weaker revenues and large loan impairment charges and considers that the scale of the impaired loan charges could intensify the vulnerability of the bank to economic developments. In addition, the agency considers that the sustainability of the bank's business model may be in question and that the bank may need to review its positioning to improve its otherwise weak prospects. The presence of EUR1.5bn government preference shares strengthens the bank's capital position.

Low risk residential mortgages make up about half of BoI's loan book and should help protect the bank from some of the difficulties presented by the economic downturn. However, the bank is also exposed to commercial real estate in its investment and development property lending and Fitch considers that these portfolios are still sufficiently large to generate loan impairment charges that may severely dent operating profit. The bank has a strong franchise also in retail funding and business loans in Ireland and is active in the UK market. The bank's capital position is strengthened by EUR2bn of preference shares subscribed by the government.

In the light of these rating actions taken on Irish credit institutions, Fitch is evaluating the Long-term IDR and Individual ratings of EBS.

The downgrade of ILP's Individual Rating to 'B/C' from 'B' reflects Fitch's expectations of smaller revenues and weaker asset quality in the bank as a result of the contraction in economic growth and rising unemployment in Ireland. The bank's buy-to-let mortgage portfolio in the UK may also be susceptible to losses. On the other hand, ILP benefits from the diversification provided by its insurance operations. Fitch expects a decline in insurance revenues, but considers that the performance of the overall organisation may be less influenced by the economic downturn than its Irish peers. For insurance operations, please see the separate Rating Action Comment "Fitch Downgrades Irish Life to IFS 'A+'; Outlook Negative" dated 15 January 2009 on www.fitchratings.com.

INBS has developed a specialisation in commercial property mortgages, which make up most of its loan book. Within this specialisation, there are some loan concentrations and a portion of loans with high loan to value ratios, which Fitch considers to represent a greater risk. With declining property values and an expected increase in company defaults, Fitch expects INBS to record smaller revenues and large loan impairment charges. The agency considers that the scale of the impaired loan charges could intensify the vulnerability of the society to economic developments. The society is taking action to reduce its loan exposures and Fitch views positively the appointment of additional Board Directors.

Fitch has affirmed at 'F1+' the Short-term IDR rating of AIB, Anglo Irish, BoI, EBS, and INBS in view of the existence of an Irish government guarantee for senior and lower Tier II subordinated debt which matures before end-September 2010. The agency has also affirmed at 'AAA' the senior and lower Tier II debt issues with original terms longer than one year which mature before 29 September 2010 and which are included in the Irish government's credit institutions financial support scheme.

The ratings of AIB, Anglo, BoI, EBS, ILP and INBS are as below:

Allied Irish Banks
Long-term IDR downgraded to 'A' from 'AA-' ('AA minus), off RWN; Stable Outlook assigned
Senior debt downgraded to 'A' from 'AA-' ('AA minus), off RWN
Short-term IDR affirmed at 'F1+'
Individual rating downgraded to 'C' from 'B', off RWN
Support rating affirmed at '1'
Support Rating Floor revised upwards to 'A' from A- (A minus)
Subordinated debt downgraded to 'A-' (A minus) from 'A+'; off RWN
Preference shares downgraded to 'BBB' from 'A+'; remain on RWN

AIB Bank (CI) Limited
Long-term IDR downgraded to 'A' from 'AA-' (AA minus), off RWN; Stable Outlook assigned
Short-term IDR affirmed at 'F1+'
Individual rating downgraded to 'C' from 'B'; off RWN

Support rating affirmed at '1'

AIB Group (UK) plc
Long-term IDR downgraded to 'A' from 'AA-' (AA minus); off RWN; Stable Outlook assigned
Short-term IDR affirmed at 'F1+'
Individual rating downgraded to 'C' from 'B'; off RWN
Support rating affirmed at '1'

Anglo Irish Bank Corporation
Long-term IDR downgraded to 'A-' (A minus), from 'A+'; off RWN; Stable Outlook assigned
Senior debt downgraded to 'A-' from 'A+'; off RWN
Short-term IDR affirmed at 'F1+'
Individual rating downgraded to 'D/E' from 'B'; off RWN
Support rating upgraded to '1' from '3'
Support Rating Floor revised upwards to 'A-' (A minus) from 'BB+'
Subordinated debt downgraded to 'BBB+' from 'A'; off RWN
Preference shares downgraded to 'BBB-' (BBB minus) from 'A'; remain on RWN

Bank of Ireland
Long-term IDR downgraded to 'A' from 'AA-' (AA minus); off RWN; Stable Outlook assigned
Senior debt downgraded to 'A' from 'AA-' ('AA minus), off RWN
Short-term IDR affirmed at 'F1+'
Individual rating downgraded to 'C' from 'B'; off RWN
Support rating affirmed at '1'
Support Rating Floor revised upwards to 'A' from 'A-' (A minus)
Subordinated debt downgraded to 'A-' (A minus) from 'A+'; off RWN
Preference shares downgraded to 'BBB' from 'A+'; remain on RWN

EBS Building Society
Long-term IDR of 'A-' (A minus) placed on RWN
Short-term IDR affirmed at 'F1+'
Individual rating of 'B/C' placed on RWN
Support Rating upgraded to '2' from '3'
Support Rating Floor revised upwards to 'BBB-' (BBB minus) from 'BB+'
Senior debt of EBS at 'A' placed on RWN
Subordinated debt and permanent interest-bearing shares at 'BBB+' placed on RWN

EBS Mortgage Finance
Long-term IDR of 'A-' (A minus) placed on RWN
Short-term IDR affirmed at 'F1+'
Support rating affirmed at '1'

Irish Life & Permanent
Individual rating downgraded to 'B/C', from 'B'; off RWN
Support rating upgraded to '2' from '3'

Irish Nationwide Building Society
Long-term IDR downgraded to 'BBB-' (BBB minus) from 'BBB+'; off RWN; Stable Outlook assigned
Senior debt downgraded to 'BBB-' (BBB minus) from 'BBB+'; off RWN
Short-term IDR affirmed at 'F1+'
Individual rating downgraded to 'D/E' from 'C'; off RWN
Support rating upgraded to '2' from '3'
Support Rating Floor revised upwards to 'BBB-' (BBB minus) from 'BB'
Subordinated debt downgraded to 'BB+' from 'BBB' RWN; off RWN

In the light of the above rating actions, Fitch has reviewed the credit institutions' covered bond programmes. Following the downgrade or placing on RWN of the Long-term IDRs of the related covered bond issuers or their parent bank, Fitch affirms the 'AAA' ratings for the following covered bonds:

The residential mortgage covered securities (MCS) issued by AIB Mortgage Bank. The ratings continue to be based on probability of default.

The UK commercial mortgage contractual covered bonds issued by Anglo, which were formerly based solely on probability of default and are now assigned based on a 'AA+' probability of default rating with one notch credit for high recoveries leading to the final 'AAA' rating. Anglo is the swap counterparty for the programme. Its rating is now below the 'A' rating referred to in the programme documentation, which provides for remedial action to be taken within 30 days of such a downgrade.

The UK residential mortgage contractual covered bonds issued by BoI, which were formerly assigned based solely on probability of default and are now assigned based on a 'AA+' probability of default rating with one notch credit for high recoveries leading to the final 'AAA' rating on the covered bonds.

The residential MCS issued by EBS Mortgage Finance, which continue to be rated 'AA+' based on probability of default with one notch credit for high recoveries leading to the final 'AAA' rating.

Contact: Matthew Taylor (Financial Institutions), London, Tel: +44 (0)20 7417 4345; Gordon Scott (Financial Institutions), London, Tel: +44 (0)20 7417 4307; Alan Ng (Insurance), London, Tel: +44 (0)20 7682 7467; Suzanne Albers (Covered Bonds) London, Tel: +44 20 7417 6325

Media Relations: Hannah Warrington, London, Tel: +44 (0) 207 417 6298, Email: hannah.warrington@fitchratings.com.