

Rating Action: Bank of Ireland

Moody's assigns backed-Aaa ratings to certain debt securities covered by the Irish government's guarantee

London, 07 November 2008 -- Moody's has today assigned backed-Aaa ratings to certain debt securities of six Irish institutions as a result of the guarantee that has been put in place by the Irish government. Existing long-term senior unsecured debt securities of Allied Irish Banks, Bank of Ireland, Anglo-Irish Bank, Irish Life & Permanent, EBS Building Society and Irish Nationwide Building Society, as well as those issued through branches and of certain subsidiaries (see below), that mature prior to 29 September 2010, have been assigned a backed-rating of Aaa. Dated subordinated debts maturing within the guarantee period have also been assigned backed-Aaa ratings (prior to 29 September 2010 only Bank of Ireland has subordinated debt maturing). These backed-Aaa ratings reflect the fact that these obligations are guaranteed by the Republic of Ireland, rated Aaa. The outlook for the backed-Aaa ratings is stable in line with that of Ireland.

Moody's has also today assigned a backed short-term issuer rating of Prime-1 to Irish Nationwide Building Society (INBS). This reflects that the institution's short-term debt and deposit obligations, as well as those of its Isle of Man subsidiary, maturing within the guarantee period, are guaranteed by Prime-1 rated Ireland. When the guarantee is removed in September 2010 the backed short-term issuer rating assigned to this institution will be withdrawn. To reflect the stand-alone credit profile of INBS and the exposure of creditors once the guarantee is withdrawn, Moody's will maintain its short-term bank deposit and debt rating for INBS, which currently is Prime-2 on review for possible downgrade.

Furthermore, should the institutions above issue new long-term senior unsecured debt that is covered by the guarantee and matures within the guarantee period, Moody's will assign backed-Aaa ratings to these instruments as well.

As per Moody's previous comment the rating agency views the guarantee positively for the Bank Financial Strength Rating as well as for the banks' non-guaranteed debt issues, as it should restore market confidence -- at least during the guarantee period -- into the institutions' liquidity. However, as such support had been already factored into the current ratings and given the temporary nature of the guarantee (for a two year term) this will not impact the long-term bank deposit ratings or debt maturing after the end of the guarantee period of the six institutions. These ratings already incorporate uplift from their respective bank financial strength ratings as a result of potential systemic support.

The backed-Aaa ratings assigned are based on the unconditional and irrevocable guarantee from the Irish government and the clear intention of the Irish government to improve the level of confidence in the Irish banking system. The guarantee covers deposits, senior debt, dated subordinated debt and covered bonds of the six institutions, both existing and new instruments, for a two-year period that expires on 29 September 2010.

Moody's notes that the legal framework of the guarantee does not detail a mechanism for payment on demand, and it further contemplates that the validity of any claims will be assessed before payment is made under the guarantee. However, the Irish government has stated publicly that the guarantee is payable on demand and therefore Moody's expects any claims to be paid in a timely manner. The legislation allows for the guarantee to be removed from an institution with a ninety days notice period, however the covered liabilities of the institution that are outstanding at the time of such removal would continue to be covered to the end of the guarantee period. Moody's believes that the government's intent is clear -- to restore confidence in the financial system. As such, Moody's expects that the government would act in a manner consistent with this objective in the execution of the guarantee's provisions should a credit event occur with any of these institutions.

Moody's also notes that although the Irish government announced that five foreign owned institutions, including four that are rated (Bank of Scotland (Ireland), KBC Bank Ireland, Ulster Bank Ireland and First Active) could apply to be covered by the guarantee the four rated institutions have all announced that they do not wish to be covered.

In addition, as explained by Moody's in a recent Special Comment entitled 'Banking Crisis: European Governments Take Calculated Risks With Public Finances -- But No Rating Impact Except for Iceland', the implementation of the guarantee scheme does not threaten the Aaa rating of the Irish government. The likelihood that a situation could unfold where a large-scale activation of the guarantee would materially impair the Irish government's balance sheet is sufficiently remote as not to weigh on its Aaa rating.

The institutions covered by the guarantee are as follows:

- Allied Irish Banks plc (rated Aa2/P-1/B-/Stable outlook) and its subsidiaries AIB Mortgage Bank, AIB Bank (CI) Ltd, AIB Group (UK) plc and Allied Irish Banks North America Inc.
- Anglo-Irish Bank Corporation plc (rated A1/P-1/C+/Review for possible downgrade) and its subsidiary Anglo-Irish Bank Corporation (International) plc
- Bank of Ireland (rated Aa2/P-1/B-/Negative outlook) and its subsidiaries Bank of Ireland Mortgage Bank, ICS Building Society (rated Aa3/P-1/C/Negative outlook) and Bank of Ireland (I.O.M.) Limited
- EBS Building Society (rated A2/P-1/C-/Negative outlook)
- Irish Life & Permanent plc (rated Aa3/P-1/C+/Negative outlook) and its subsidiary Irish Permanent (IOM) Limited
- Irish Nationwide Building Society (rated Baa1/P-2/C-/Review for possible downgrade) and its subsidiary Irish Nationwide (I.O.M.) Limited

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