

**Rating Action: Bank of Ireland**

**Moody's downgrades certain Irish banks following lowering of the Irish Government rating**

**Government guaranteed debt downgraded to Aa1 in line with the Irish Government's Bond Rating**

London, 07 July 2009 -- DOWNGRADE OF GOVERNMENT GUARANTEED RATINGS

Moody's Investors Service has today downgraded to Aa1 (negative outlook), from Aaa, the backed long-term senior unsecured debt securities of the six rated institutions covered by the Irish government guarantee. This action follows the downgrade of the Irish Government's bond rating to Aa1 (negative outlook) from Aaa (See "Moody's downgrades Ireland to Aa1; outlook negative" published on July 2, 2009). The six rated institutions covered by the guarantee are Allied Irish Banks, Bank of Ireland, Anglo-Irish Bank, Irish Life & Permanent, EBS Building Society and Irish Nationwide Building Society, and the guarantee also covers debt issued through branches and certain subsidiaries, that mature prior to 29 September 2010. Bank of Ireland's dated subordinated debt that matures within the guarantee period has also been downgraded to Aa1. The backed-Aa1 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.

**DOWNGRADE OF ALLIED IRISH, BANK OF IRELAND AND IRISH LIFE & PERMANENT**

In addition Moody's has also downgraded the long-term bank deposit and certain debt ratings of Allied Irish Banks plc (AIB), Bank of Ireland (BoI), including its subsidiary ICS Building Society (ICS), and Irish Life & Permanent (IL&P) as follows:

- Allied Irish Banks -- Long-term bank deposit and senior debt ratings to A1 from Aa3, dated subordinated debt to A2 from A1 and undated subordinated debt to Baa3 from Baa2.
- Bank of Ireland -- Long-term bank deposit and senior debt ratings to A1 from Aa3, dated subordinated debt to A2 from A1 and undated subordinated debt to Baa3 from Baa2.
- ICS Building Society -- Long-term bank deposit rating to A2 from A1.
- Irish Life & Permanent -- Long-term bank deposit and senior debt ratings to A2 from A1, dated subordinated debt to A3 from A2 and undated subordinated debt to Ba1 from Baa3.

The credit profile of all three banks' continues to benefit from the high level of assumed (and in some cases, explicit) support from the Irish government. While we do not question the government's unchanged strong willingness to support these large banking institutions, we do however note that the ability of the government to continue to support its banking sector has weakened over the past few quarters. This is a result of the already extended support to its banking system, but also due to the wider economic decline and the structural challenges that the Irish economy faces. Thus the financial flexibility of the Irish government has been reduced as indicated by the downgrade of the Irish government's bond rating to Aa1.

The impact of this - i.e. a marginally weaker expected ability of the Irish government to support its banks - has hence resulted in a moderate weakening of the long-term creditworthiness of these banks as described above. However, we still believe that the ability of the Irish government to support its banks is very robust, and therefore the debt ratings (which include an assessment of government support likelihood) are still evidencing a clearly lower credit risk than the standalone ratings.

**OUTLOOKS**

The outlook on the long-term bank deposit ratings, as well as on the senior, dated subordinated and undated subordinated debt of Allied Irish Banks and Bank of Ireland (including its subsidiary, ICS Building Society) is stable. This reflects Moody's view that over the longer term the two predominant banks (AIB and BoI) will maintain their position in the domestic Irish market and that their size and presence will result in a very high probability of on-going support from the Irish government, even beyond the current difficult phase. It also reflects that the establishment of the National Asset Management Agency (NAMA), that will see the real

estate development loans and certain investment property loans being removed from the bank's balance sheets, is likely to reduce the risk profile of the two banks limiting any potential downward pressure on the respective D BFSRs.

The outlook on the long-term bank deposit ratings, as well as on the senior, dated subordinated and undated subordinated debt ratings of Irish Life & Permanent is negative. This is in line with the outlook on the D BFSR, and also reflects our view that the bank, although a very important institution as evidenced by its position as the second largest mortgage lender in Ireland, is less systemically important than the two predominant banks.

#### PREVIOUS RATING ACTION AND PRINCIPAL METHODOLOGIES

The last rating action on AIB was on June 4, 2009 when the Aa3 long-term bank deposit rating, the Aa3 senior debt rating, the A1 dated subordinated debt rating, as well as the backed-Aaa senior debt guaranteed by the Irish government, were placed on review for possible downgrade. At the same time the cumulative junior subordinated debt was downgraded to Baa2 (on review for possible downgrade) from A2 (neg). Non-cumulative preference shares and hybrids were downgraded to B3 (neg) from B1 (developing). The cumulative Tier 1 hybrids have been affirmed at B1, the outlook has changed to negative from developing.

The last rating action on Anglo was on June 4, 2009 when the long-term bank deposit and senior debt rating was downgraded to A3 (with a negative outlook) from A2 (negative), the dated subordinated debt was downgraded to Baa1 (negative) and the BFSR was downgraded to E (mapping to a Baseline Credit Assessment of Caa1) from E+ (BCA: B2). At the same time the cumulative Tier 1 hybrids were downgraded to Caa1 (neg) from B3 (neg) and the non-cumulative preferred shares and hybrids were downgraded to Caa3 (neg) from Caa1 (neg).

The last rating action on Bol was on June 4, 2009 when the Aa3 long-term bank deposit rating, the Aa3 senior debt rating, the A1 dated subordinated debt rating, as well as the backed-Aaa senior debt and subordinated debt guaranteed by the Irish government, were placed on review for possible downgrade. At the same time the cumulative junior subordinated debt was downgraded to Baa2 (on review for possible downgrade) from A2 (neg). Non-cumulative preference shares and hybrids were downgraded to B3 (neg) from B1 (developing). The cumulative Tier 1 hybrids have been affirmed at B1, the outlook has changed to negative from developing.

The last rating action on EBS was on June 4, 2009 when the non-cumulative preference shares and hybrids were downgraded to B3 (neg) from B1 (developing).

The last rating action on ICS was on June 4, 2009 when the A1 long-term bank deposit rating was placed on review for possible downgrade.

The last rating action on IL&P was on June 4, 2009 when the A1 long-term bank deposit rating, the A1 senior debt rating, the A2 dated subordinated debt rating, as well as the Aaa rated senior debt guaranteed by the Irish government, were placed on review for possible downgrade. At the same time the cumulative junior subordinated debt was downgraded to Baa3 (on review for possible downgrade) from A3 (neg).

The last rating action on Irish Nationwide Building Society was on April 21, 2009 when the society's backed-Aaa rated Government guaranteed bonds were placed on review for possible downgrade.

The principal methodologies used in rating these banks were "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), which can be found at [www.moody.com](http://www.moody.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The detailed ratings and actions are listed below:

Allied Irish Banks plc:

- Backed long-term senior unsecured debt securities downgraded to Aa1 (negative outlook) from Aaa (on review for possible downgrade)
- Long-term bank deposit and senior debt ratings downgraded to A1 (stable outlook) from Aa3 (on review for possible downgrade).
- Dated subordinated debt rating downgraded to A2 (stable outlook) from A1 (on review for possible downgrade).

- Undated junior subordinated debt rating downgraded to Baa3 (stable outlook) from Baa2 (on review for possible downgrade).

- All other ratings are unaffected

Anglo Irish Bank Corporation Ltd:

- Backed long-term senior unsecured debt securities downgraded to Aa1 (negative outlook) from Aaa (on review for possible downgrade)

- All other ratings are unaffected

Bank of Ireland:

- Backed long-term senior unsecured debt securities and backed Aaa dated subordinated debt that matures within the guarantee period were downgraded to Aa1 (negative outlook) from Aaa (on review for possible downgrade)

- Long-term bank deposit and senior debt ratings downgraded to A1 (stable outlook) from Aa3 (on review for possible downgrade).

- Dated subordinated debt rating downgraded to A2 (stable outlook) from A1 (on review for possible downgrade).

- Undated junior subordinated debt rating downgraded to Baa3 (stable outlook) from Baa2 (on review for possible downgrade).

- All other ratings are unaffected

EBS Building Society:

- Backed long-term senior unsecured debt securities downgraded to Aa1 (negative outlook) from Aaa (on review for possible downgrade)

- All other ratings are unaffected

ICS Building Society:

- Long-term bank deposit and senior debt ratings downgraded to A2 (negative outlook) from A1 (on review for possible downgrade).

- All other ratings are unaffected

Irish Life & Permanent:

- Backed long-term senior unsecured debt securities downgraded from to Aa1 (negative outlook) from Aaa (on review for possible downgrade)

- Long-term bank deposit and senior debt ratings downgraded to A2 (negative outlook) from A1 (on review for possible downgrade).

- Dated subordinated debt rating downgraded to A3 (negative outlook) from A2 (on review for possible downgrade).

- Undated junior subordinated debt rating downgraded to Ba1 (negative outlook) from Baa3 (negative outlook).

- All other ratings are unaffected

Irish Nationwide Building Society:

- Backed long-term senior unsecured debt securities downgraded to Aa1 (negative outlook) from Aaa (on review for possible downgrade)

- All other ratings are unaffected

All of the banks are headquartered in Dublin, Ireland.

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