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**Research Update:**

# Anglo Irish Bank Corp. PLC 'A-/A-1' Ratings Remain On CreditWatch Negative Following Nationalization

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## Research Update:

# Anglo Irish Bank Corp. PLC 'A-/A-1' Ratings Remain On CreditWatch Negative Following Nationalization

## Rationale

On Jan. 16, 2009, Standard & Poor's Ratings Services commented on its CreditWatch placement of Anglo Irish Bank Corp. PLC. The 'A-/A-1' long- and short-term counterparty credit ratings on Anglo remain on CreditWatch with negative implications, where they had been placed on Nov. 5, 2008. This follows the bank's nationalization by the government of the Republic of Ireland (AAA/Negative/A-1+).

At the same time, the ratings on the bank's undated perpetual instruments were lowered to 'B' from 'BB' and remain on CreditWatch with negative implications, where they had been placed on Nov. 5, 2008. The ratings on debt instruments issued by the bank and covered by the Irish government guarantee are unchanged.

On Jan. 15, 2009, the government of Ireland decided not to proceed with the €1.5 billion recapitalization of the bank announced on Dec. 21, 2008, which was to be in the form of deeply subordinated capital instruments, but instead to wholly nationalize the bank. Anglo's shares have now been suspended and we understand that a bill will be presented to the Irish Parliament next Tuesday to give the government of Ireland 100% of the bank's equity. The government has stated that the bank will continue to trade, and that a new board and management will be appointed. The government has not said how long it intends to own the bank, nor the nature of activities that it expects the bank to undertake in the future.

The ratings on Anglo incorporate a significant amount of uplift beyond its stand-alone credit strength, as a result of the support the bank is receiving--and is expected to continue to receive--from the Irish government, based on the bank's systemic importance to the Irish banking system. We have included notches of uplift beyond the bank's stand-alone credit strength since Sept. 30, 2008, following the implementation of the bank funding guarantee scheme by the government.

The Irish government has said that it intends that the bank will be run on an arm's length basis as a commercial entity. The government's action follows what it says was a weakening funding position of the bank. Serious corporate governance issues also emerged last month, which led to the resignation of several board and senior management figures, which in our view damaged the reputation of the bank.

The lowering of our ratings on the undated perpetual instruments to 'B' reflects our view of the increased likelihood that these instruments will defer interest or dividend payments as applicable. We consider that the government is now more likely to use the hybrid instruments as loss absorbing instruments.

## CreditWatch

The CreditWatch placement reflects what we consider to be significant uncertainties about the future of the bank, such as the government's plans in relation to the bank's strategy, its funding plans, and capital requirements. The CreditWatch placement is expected to be resolved following discussions in the coming several weeks with the Irish authorities on these subjects, as well as the bank's management. Given the strong statements of support by the government, we do not expect that the ratings will be lowered by more than one notch and may be affirmed.

## Ratings List

### Ratings Affirmed

Anglo Irish Bank Corp. PLC

Counterparty Credit Rating	A-/Watch Neg/A-1
Commercial Paper	A-1/Watch Neg
Certificate Of Deposit	A-/Watch Neg/A-1
Senior Unsecured	A-/Watch Neg
Subordinated Debt	BBB+/Watch Neg
Short-Term Debt	A-1/Watch Neg

To From

### Downgraded

Anglo Irish Bank Corp. PLC

Preferred Stock	B/Watch Neg	BB/Watch Neg
Junior Subordinated Debt	B/Watch Neg	BB/Watch Neg

Anglo Irish Asset Finance PLC

Junior Subordinated*	B/Watch Neg	BB/Watch Neg
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Anglo Irish Capital U.K. (2) LP

Junior Subordinated*	B/Watch Neg	BB/Watch Neg
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Anglo Irish Capital U.K. (3) LP

Preferred Stock*	B/Watch Neg	BB/Watch Neg
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Anglo Irish Capital U.K. LP

Preferred Stock*	B/Watch Neg	BB/Watch Neg
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\*Guaranteed by Anglo Irish Bank Corp. PLC

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Ratings information is available to subscribers of RatingsDirect, the

real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at [www.ratingsdirect.com](http://www.ratingsdirect.com). It can also be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); select your preferred country or region, then Ratings in the left navigation bar, followed by Find a Rating. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017.

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