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Anglo Irish Bank's Preference Share Ratings Lowered To 'D' Following Nationalization Bill

Primary Credit Analyst:Claire Curtin, London (44) 20-7176-7032; claire_curtin@standardandpoors.com**Secondary Credit Analysts:**Nigel Greenwood, London (44) 20-7176-7211; nigel_greenwood@standardandpoors.comScott Bugie, Paris (33)1-4420-6680; scott_bugie@standardandpoors.com

LONDON (Standard & Poor's) Jan. 21, 2008--Standard & Poor's Ratings Services said today that it lowered its ratings on £300 million 6.25% Tier 1 preference shares issued by Anglo Irish Bank Corp. Ltd. (previously a public limited company; A-/Watch Neg/A-1) to 'D' from 'B'. At the same time, the 'B' issue ratings on these preference shares were removed from CreditWatch, where they had been placed with negative implications on Sept. 30, 2008.

The 'B' issue ratings on Anglo's other undated perpetual instruments are unchanged.

The lowering of the ratings on the £300 million 6.25% Tier 1 preference shares to 'D' reflects their nationalization by the government of Ireland, along with all the common equity in Anglo. The preference shares, unlike Anglo's other undated subordinated debt, carry voting rights in some circumstances and are included in the nationalization legislation approved by the Irish parliament. Nationalization of the preference shares means that the investors in the instruments suffer a loss of principal and all future coupons. They will receive compensation, but we expect this to be limited.

The 'B' issue ratings on Anglo's other undated perpetual instruments reflect our view of the increased probability of payment deferral on these instruments following Anglo's nationalization. We note that the government in its statement announcing the nationalization of Anglo stated that Anglo would "continue to service its obligations and will repay its debts at maturity",

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and that this included obligations to bondholders. Nevertheless, we consider that there is heightened payment deferral risk following the government's seizure of control of Anglo's stock. We consider it possible that the European Commission, in the course of approval of a potential state-aid package for Anglo at a future date, may prohibit Anglo from servicing its hybrid debt obligations.

The CreditWatch placement on the ratings on Anglo reflect our view of the significant uncertainties about Anglo's future, notably the government's plans in relation to Anglo's strategy, and Anglo's funding plans and capital requirements. We will resolve the CreditWatch status following discussions with the Irish authorities and Anglo's management in the coming weeks. Given the Irish government's strong statements of support, we do not expect to lower the counterparty credit rating on Anglo by more than one notch in the event of a downgrade.

Additional Contact:

Financial Institutions Ratings Europe;
FIG_Europe@standardandpoors.com

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