

## RESEARCH

**Ratings On Allied Irish Banks' Hybrid Issues Lowered To 'CC' On Deferral Announcement**

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**Primary Credit Analyst:** Claire Curtin, London (44) 20-7176-7032;  
[claire\\_curtin@standardandpoors.com](mailto:claire_curtin@standardandpoors.com)  
**Secondary Credit Analyst:** Nigel Greenwood, London (44) 20-7176-7211;  
[nigel\\_greenwood@standardandpoors.com](mailto:nigel_greenwood@standardandpoors.com)

- Allied Irish Banks PLC (AIB) announced today that it was deferring all coupons on capital instruments unless legally obliged to pay.
- We are lowering our ratings on AIB's hybrid instruments to 'CC' from 'B'.
- Issue ratings will be lowered to 'C' when coupon dates are passed.

LONDON (Standard & Poor's) Dec. 1, 2009--Standard & Poor's Ratings Services said today that it lowered its ratings on deferrable capital instruments issued by Allied Irish Banks PLC (AIB; A/Watch Neg/A-1) to 'CC' from 'B'. (Please see below for the list of issues affected.)

This action follows today's announcement by AIB that, at the request of the European Commission (EC), AIB is deferring all coupon payments which it is not legally obliged to pay. The EC has indicated that, in line with its policy and pending its assessment of the AIB restructuring plan, AIB should not make coupon payments on its Tier 1 and Tier 2 capital instruments unless under a binding legal obligation to do so. AIB has agreed to this request by the EC.

We have lowered the ratings on Tier 1 and upper Tier 2 instruments to 'CC' as a result of this announcement, as we understand that all contain optional deferral language and that nonpayment on one instrument triggers nonpayment on parity instruments. We will lower the issue ratings to 'C' as coupon dates are passed (see the Ratings List below for these dates).

AIB said in its announcement today that it, together with the Irish Ministry of Finance, is in discussions with the EC regarding resuming coupons on its deferrable instruments. Cessation of distributions on capital instruments triggers coupon suspension on the €3.5 billion government preference shares injected by the Irish government in late 2008. Coupons on this instrument are cumulative and payable in AIB common shares no later than upon resumption of other junior coupons and dividends. We currently anticipate that these discussions have a low probability of being resolved before the next coupon dates on publicly-issued capital instruments. Should payments on these securities resume, we would review the issue ratings.

## RELATED RESEARCH

Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

## RATINGS LIST

	To	From
Allied Irish Banks PLC		
EUR200 mil var/fixed rate sub perp nts hybrid due 11/29/2049 ISIN: XS0100325983 (next coupon due Feb. 3, 2010)	CC	B
EUR500 mil step-up callable perp resv cap instruments hybrid ISIN: XS0120950158 (next coupon due Feb. 28, 2010)	CC	B
£400 mil var rate perp callable sub upper Tier 2 hybrid ISIN: XS0227409629 (next coupon due Sept. 1, 2010)	CC	B
AIB UK 1 LP		
EUR1 bil var rate /fltg non-cum perp callable pfd secs* ISIN: XS0208105055 (next coupon due Dec. 17, 2009)	CC	B

AIB UK 2 LP

EUR500 mil var rate fxd/fltg rate jr sub non cum perp callable pfd secs\*  
ISIN: XS0257734037 (next coupon due June 16, 2010)  
CC B

AIB UK 3 LP

£350 mil var rate fxd/fltg rate jr sub non cum perp callable pfd secs\*  
ISIN: XS0257571066 (next coupon due Dec. 14, 2009)  
CC B

\*Guaranteed by Allied Irish Banks PLC.

**Additional Contact:**

Financial Institutions Ratings Europe;  
[FIG\\_Europe@standardandpoors.com](mailto:FIG_Europe@standardandpoors.com)

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at [www.globalcreditportal.com](http://www.globalcreditportal.com) and RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. 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) 495-783-4011.

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