Moody's Investors Service

Credit Opinion: Bank of Ireland

Global Credit Research - 11 Feb 2010

Dublin, Ireland

Ratings

Category	Moody's Rating
Outlook	Stable(m)
Bank Deposits	A1/P-1
Bank Financial Strength	D
Issuer Rating	A1
Senior Unsecured	A1
Subordinate	A2
Jr Subordinate	Ba3
Preference Stock	Caa1
Commercial Paper	P-1
Other Short Term	P-1
ICS Building Society	
Outlook	Stable(m)
Bank Deposits	A2/P-1
Bank Financial Strength	D
Bank of Ireland UK Holdings Plc	
Outlook	Negative
Bkd Preferred Stock	B1
Bank of Ireland, Connecticut Branch	
Outlook	Stable
Deposit Note/CD Program	A1/--
Bkd Deposit Note/CD Program	Aa1/--

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Key Indicators

Bank of Ireland

	[1]2009	2009	[2]2008	2007	2006	[3]Avg.
Total assets (EUR billion)	184.30	194.12	197.43	188.81	162.35	[4]12.77
Total capital (EUR billion)	14.03	14.86	14.33	14.57	11.87	[4]12.41
Return on average assets	0.17	0.02	0.87	0.94	0.89	0.72
Recurring earnings power [5]	1.96	0.93	1.06	0.96	1.02	1.01
Net interest margin	1.69	1.98	1.76	1.67	1.70	1.79
Cost/income ratio (%)	33.67	53.20	50.91	56.14	57.70	56.02
Problem loans % gross loans	6.36	3.93	0.78	0.54	0.78	1.38
Tier 1 ratio (%)	11.00	12.00	7.60	7.90	7.50	8.58

[1] As of September 30. [2] Statement period in which the bank switched to Basel II accounting framework. [3] The average calculations are based on Basel I and Basel II data where applicable. [4] Compound annual growth rate. [5] Preprovision income % average assets.

Opinion

RECENT CREDIT DEVELOPMENTS

In January 2010, BOI announced that it would join the newly established Irish government guarantee scheme (the Eligible Liabilities Guarantee (ELG) Scheme). Moody's will assign Aa1 (negative outlook) to long-term senior debt issuance of banks covered by the new Irish government guarantee (including Bank of Ireland). The outlook on the backed-Aa1 long-term ratings will be negative, in line with the outlook on the Irish government's ratings. (See "Moody's to assign backed-Aa1/Prime-1 ratings to debt securities covered by the Irish government's new guarantee" published January 7, 2010).

In November 2008 Moody's assigned backed-Aaa ratings to certain debt securities of six Irish institutions, including Bank of Ireland (BOI), as a result of the original blanket guarantee put in place by the Irish government. See "Moody's assigns backed-Aaa ratings to certain debt securities covered by the Irish government's guarantee" published on November 7, 2008. The backed long-term senior unsecured debt securities were downgraded to Aa1 (negative outlook) on July 7 2009, in line with the rating action on the Irish government bond rating. (See "Moody's downgrades Ireland to Aa1; outlook negative" published on July 2 2009 and "Moody's downgrades certain Irish banks following lowering of the Irish Government rating" published July 7, 2009.)

On September 9, 2009 the bank's junior subordinated debt with optional deferral provision (upper Tier 2) was downgraded to Ba3 from Baa3. The outlook on this rating is negative. Bank of Ireland announced on January 19, 2010, that the European Commission has requested that the bank should not make payments on its Tier 1 and Upper Tier 2 capital instruments unless it has a legal obligation to do so; following this the non-cumulative Tier 1 instruments issued directly and indirectly by BOI were downgraded to Caa1 from B3. The outlook on this rating is stable. The further downgrade by one notch to Caa1 incorporates the greater certainty about the coupon deferrals as well as the remaining uncertainty about the bank's financial strength beyond the 2-year time horizon, which also adds uncertainty about future coupon payments.

SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of D to Bank of Ireland (BoI), which translates into a baseline credit assessment (BCA) of Ba2. The banks long-term global local currency (GLC) deposit rating is A1.

The D BFSR reflects Moody's loss expectations on the bank's loan portfolios, in particular the commercial property and corporate loan books, as well as the residential mortgage book, driven by the depth of the recession in both Ireland and the UK and the expectation of a significant rise in unemployment. It is also consistent with our definition that a bank with a D BFSR may need periodic outside support. The developing outlook on the BFSR incorporates the extremely challenging economy, as well as the uncertainties around how the establishment of the National Asset Management Agency (NAMA) will affect the bank's capital base and ongoing profitability.

BoI has a strong domestic market position in Ireland where it is one of the two predominant institutions, as well as its established presence in the UK, where it offers a range of retail and business banking services. The strength of the group's domestic franchise is reflected by its diversified product focus, encompassing retail banking, business and corporate banking and life assurance businesses as well as its strong market shares especially in current accounts, business banking, mortgages, life assurance and retail deposits.

Bank of Ireland's long-term global local currency (GLC) deposit rating is A1. This reflects Moody's opinion that as one of the two predominant banks its credit profile will continue to benefit from a high level of support from the Irish government. Consequently the A1 rating incorporates seven notches of uplift from the bank's Ba2 BCA.

Credit Strengths

Strong and well-diversified domestic franchise

Established position in the UK with potential to grow the Post Office based business

Solid pre-provision earnings profile

Stable deposit funding base

Credit Challenges

Managing the transfer of assets to NAMA and the capital requirement it will create

Significant degree of exposure to the domestic and UK property market, including the construction and property sector and non-standard UK mortgage lending

Substantial increases in impairments as a result of the deteriorating economic environment especially on residential development lending

Still relatively high reliance on wholesale funding, albeit reducing

Rating Outlook

The developing outlook on the D BFSR incorporates the extremely challenging economy, as well as the uncertainties around how the establishment of NAMA will affect the capital base and ongoing profitability of the bank. The outlook on the long-term bank deposit ratings, as well as on the senior and dated subordinated ratings is stable. This reflects Moody's view that over the longer term BOI, as one of the two predominant banks will maintain its position in the domestic Irish market and that the bank's 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 sheet, is likely to reduce the risk profile of the bank limiting any potential downward pressure on the D BFSR.

What Could Change the Rating - Up

A significant reduction in exposure to the construction and property markets while maintaining capital ratios and good underlying profitability could put upward pressure on the ratings. However given the very challenging economic environment and the expectation that the bank will still have a large exposure to the property sector post the establishment of NAMA, an upgrade in the near-term is unlikely.

What Could Change the Rating - Down

Any material deterioration in asset quality beyond our expectations in the bank's other main asset classes, could have further negative implications for the ratings.

Recent Results and Developments

BoI's half year results for the period to end-September 2009 were substantially worse than 2008 given the challenging environment in both Ireland and the UK. As expected the impairment charge rose substantially to EUR1.8 billion and in our view is unlikely to improve in the medium-term. Indeed the bank itself is predicting that the provision charge (pre-NAMA) for the three years to end-March 2011 will be approximately EUR6.9 billion. As a result of the increased provisions the bank's profit before tax reduced significantly to EUR80 million (September 2008: profit before tax EUR 403 million), and would have been even lower without the EUR1.037 billion gain on the repurchase of tier 1 securities.

The provision charge for impairment of loans and receivables rose to 2.60% of the loan portfolio from an already increased level of 1.02% in the year to end-March 2009. The majority of the charge was, as expected, in the property and construction sector; this accounted for 64% of the total charge. Moody's would expect to see further substantial provisioning in this sector in 2010 given the very challenging economic conditions in Ireland, although the NAMA transfers will upfront the losses. Overall impaired loans increased to 6.4% at end-September, from 3.9% at end-March 2009 with property and construction accounting for two thirds of this. Despite the difficult economic conditions in both Ireland and the UK the asset quality of the residential mortgage books continues to be relatively strong although we would expect to see further deterioration in these books as unemployment increases.

DETAILED RATING CONSIDERATIONS

Detailed considerations for Bank of Ireland's currently assigned ratings are as follows:

Bank Financial Strength Rating

Moody's has assigned a D BFSR (developing outlook) to Bank of Ireland, four notches below the financial strength scorecard result. This reflects Moody's expectations of substantial impairment charges and losses in the future given the banks' exposure to property and construction and the difficult economic environment.

Qualitative Factors (50%)

Factor: Franchise Value

Trend: Neutral

Bank of Ireland is one of the two predominant banks in the Republic of Ireland (RoI), and operates a well-diversified franchise, encompassing retail, wholesale, consumer and life products. Although BoI faces strong competition in all its business lines, the strength of its domestic franchise is reflected by its diversified product focus, encompassing retail, wholesale and life businesses as well as its strong market shares in current accounts, business banking, mortgages, life assurance, and retail deposits. Specifically, it has market shares in Ireland of 38% in personal current accounts, 19% in mortgage lending and 27% in retail deposit-taking, in addition to market shares of 22% in life and pensions businesses and 36% in business current accounts.

BoI is also well established in the UK, offering a range of retail and business banking services. The bank's UK franchise has three main business lines encompassing business banking, mortgages (however BoI announced in January 2009 that as part of the aim to de-leverage its balance sheet that it will no longer source UK residential mortgages through intermediaries and this book will now be run-off) and consumer finance, including through its joint venture with the UK-Post Office. Over time, we believe that this venture has the potential to generate a stable revenue stream. BoI's market shares in the UK are relatively modest, with its mortgage lending operation accounting for around 3% of the UK market. Nevertheless, Moody's views BoI's core UK operations as a credit strength, providing the institution with access to a wider market and thereby affording the group greater diversification from an earnings and credit perspective.

The Capital Markets division of BoI - corporate banking, global markets and asset management services - benefits from a strong domestic corporate banking position.

On a geographic basis, the Republic of Ireland continues to account for the largest share of the bank's revenues and we would expect this to increase further over the medium term as the UK mortgage book reduces in size. The bank previously had a long-term target that more than 50% of the bank's profits would come from outside Ireland, but given that it is winding down its UK broker introduced mortgage business this target is unlikely to be met in the short to medium term.

The bank still requires European Commission approval for its' restructuring plan and we would caution that this approval process has the potential to lead to some changes in the franchise of the bank, as we have seen in other European countries. However we would note that given the small size of the Irish market it may be more difficult to sell assets to any potential new entrant into the market, especially as the foreign owned banks already operating in the country have all retrenched to a certain degree.

Bank of Ireland scores B for franchise value.

Factor: Risk Positioning

Trend: Neutral

There are no corporate governance issues at BoI, in Moody's view however we note that the bank has appointed both a new Chief Executive and Chairman in 2009. BoI has group-wide structures in place for the governance of credit, market and operational risk. However the risk management function has recently been re-organised with a Chief Governance Risk Officer being responsible for managing Group Regulatory, Compliance and Operational Risk, Group Internal Audit, Group Legal Services and the Group Secretariat, and a Chief Credit and Market Risk Officer who is responsible for Credit and Market risk. Both of these roles are members of the Group Executive Committee and reports directly to the Group Chief Executive. Although we recognise that two risk officers as members of the Group Executive Committee shows an emphasis on risk management, we think that the new structure, with a split of the CRO role, is not optimal and could limit a comprehensive view of all risks. The risk profile of BoI reflects the concentration to the property sector. We view positively the process of internal assessment of the risk management weaknesses that the bank has undertaken during this year. However, we think that the current risk profile has highlighted the need to continue to improve the risk management framework and processes.

BoI has a significant degree of exposure to the domestic property market through both residential mortgages, representing approximately 21% of the total loan portfolio, and in terms of construction and property accounting for an additional 12%. The bank has a further exposure in the UK to both residential mortgages and construction and property sector, respectively of around 23% and 13% of the total loan portfolio. In particular the bank's exposure to the landbank and development sector in Ireland (consisting of a EUR3.0 billion exposure to residential and commercial development and EUR3.8 billion exposure to landbank) has left the bank vulnerable to the rapid downturn in the economic environment. The establishment of NAMA will see the removal of the bulk of these development assets, as

well as related investment property lending, and therefore the concentration risk of the bank will improve as the remainder of the loan portfolio is well spread across a wide range of industries with no significant concentrations either by geography or product. Although the bank does have a handful of relatively high single name concentrations these are generally investment-grade corporate exposures. The larger property exposures are smaller than at many Irish peers.

We view the bank's liquidity management as good and its funding profile as sound. In addition the establishment of NAMA will result in the bank's liquidity position improving significantly as the removal of the loans will reduce the bank's funding needs by a substantial amount (the bank's development exposure in Ireland and the UK is EUR12 billion, and NAMA will also take connected investment property exposures), and the transferred loans will be acquired by NAMA with Irish government guaranteed bonds that will be pledgeable at the ECB. Market risk appetite is very low.

Overall, Bank of Ireland scores D for risk positioning. This reflects that, although we recognise the improvements that the bank is making in its risk management framework and processes, the bank did require additional capital in 2009 and that the implementation of NAMA is, in Moody's view, an important risk mitigating factor for the bank as a result of the higher than previously assumed risk profile.

Factor: Operating Environment

Trend: Neutral

The assessment of BoI's operating environment reflects our view of the different countries where the group operates. Moody's financial strength scorecard - which encompasses our view on a country's economic stability, the level of integrity and corruption, and the effectiveness of the legal system - produces a score of B+ for the Irish operating environment. BoI's other main markets, the UK and the USA, both score A- for operating environment.

Quantitative Factors (50%)

Factor: Profitability

Trend: Weakening

The solid pre-provision profitability of its core Irish and UK franchise will remain a key factor for the ratings of BoI, and we would expect this to remain so following the establishment of NAMA. In the half-year to end-September 2009 underlying pre-provision profitability remained substantial at EUR1.852 billion (albeit this included the substantial gain recorded on the buy-back of non-core tier 1 securities) despite the reduction in business and the elevated funding costs. The reported net interest margin reduced to 1.61% at end-September 2009 from 1.71% at the same date in 2008 as a result of both higher costs of wholesale funding and the tightening of deposit margins due to the low interest rate environment. The transfer of loans to NAMA will also be one factor in the bank's pre-provision profitability reducing but this will also be affected by the reduced demand in Ireland for lending and the run-off of the UK intermediary mortgage business. However we would expect the strong franchise of the bank in Irish financial services to enable the bank to maintain good profitability indicators. In September 2009 net profit increased to EUR168 million from EUR 53m in March 2009. However, this was driven primarily by the gain recorded on the buy-back of non-core tier 1 securities. Without the repurchase BOI would have recorded a substantial loss before tax, mainly driven by the impairment charge of EUR 1,787 billion in the six month period to end-September 2009. We would expect the provisioning charge to remain relatively high even after the establishment of NAMA, as the expected rise in unemployment and the difficult economic environment will lead to deteriorating asset quality in other asset classes. The bank itself has guided to an impairment charge of around EUR6.9 billion over the three years to end-March 2011. Given the charge of EUR1.8 billion in September 2009 this would suggest that the bank would require to take a further EUR3.7 billion over the next 18 months meaning that the bank is likely to report a loss in both years. However we would note that this does not take into account the impact of NAMA which will upfront a substantial part of the potential losses.

BoI scores D for profitability, although this is likely to reduce.

Factor: Liquidity

Trend: Neutral

Looking quantitatively at BoI's liquidity position, we note that market funding grew at a much faster rate, prior to 2007, than its liquid assets and, as a result, the bank's liquidity ratio (as per Moody's definition) has deteriorated to 14.69% at end-September 2009 from 5% in 2004, although we note in mitigation the bank now has a significantly more diversified range of wholesale funding resources including an EMTN programme, a covered bond programme, a US MTN programme and a variety of CP and CD programmes. Despite the difficult funding markets we believe that BoI continues to manage its funding and liquidity in a prudent manner and note the bank's low usage of central bank

funding to date, although the bank does have substantial eligible collateral (EUR43 billion at end-September 2009), including through mortgage backed promissory notes.

Bank of Ireland scores C+ for liquidity.

Factor: Capital Adequacy

Trend: Weakening

The bank's capitalisation levels have been boosted by the EUR3.5 billion preference share investment by the Irish government in 2009, although we note that this has increased the non-equity component of the bank's capital base, and Moody's views this type of capital as lower quality than common equity. Moody's classifies the government preference shares as Basket B, meaning that for our calculation of tangible common equity we will include 25% of the EUR3.5 billion as equity. Although this will have the impact of increasing our tangible common equity ratio (TCE) it will have a much smaller impact than on the regulatory tier 1 ratio.

At end-September 2009, BoI's regulatory core Tier 1, tier 1 and total capital ratios were 10.1%, 11% and 14.5% respectively, on a Basle II basis. The bank has also recently carried out a buyback of some of its Tier 1 securities. In total the bank repurchased approximately EUR1.7 billion of securities at significant discounts to their par value and as a result recorded a gain of approximately EUR1 billion. These ratios will, however, be reduced, potentially significantly, depending on the haircut that is applied to the loans to be transferred to NAMA. In addition we believe that the likely loan losses on those assets not being taken by NAMA, in particular, the residential mortgages and SME loans will lead potentially to a decline in the capital base of the bank.

BoI scores B+ for capital adequacy, although adjusting for expected future loan losses the score will be lower.

Factor: Efficiency

Trend: Neutral

BoI's reported cost-to-income ratio remains good and in the six month period to end-September 2009 was 54%. In recent years the bank's Strategic Transformation Programme led to substantial cumulative cost savings approaching EUR150 million. However we believe that although management continues to focus on cost control as a key target, significant further costs may be more difficult to realise. We do note however that the run-off of the UK intermediary mortgage business and the consolidation of the two retail businesses in Ireland and the UK are likely to lead to further cost efficiencies. Overall though we believe that BoI's focus on efficiency will benefit the organisation in the long term, particularly as income levels will decline due to the difficult operating environment.

Bank of Ireland scores B for efficiency.

Factor: Asset Quality

Trend: Weakening

The credit quality of BoI is now weakening as a result of the rapid deterioration in the operating environment in both Ireland and the UK. At end-September 2009 impaired loans accounted for 6.4% of the total loan book, a very large rise from the 3.9% at end-March 2009. We would expect to see continued deterioration in the loan book, especially in the Irish residential development sector (EUR2.1 billion) and in the landbank portfolio in Ireland (EUR3.8 billion). We would also note that the high levels of growth in the aggregate commercial property book up to 2007 indicate reduced portfolio seasoning. Although the establishment of NAMA will improve the asset quality of the bank Moody's expects that the likely loan losses on those assets not being taken by NAMA, in particular, the Irish residential mortgages and SME loans will continue to deteriorate given the severe recession in Ireland.

The largest part of the bank's loan portfolio is the residential mortgage book. At September 2009 the Irish book totalled EUR28 billion and the UK book EUR32 billion. As house prices have reduced substantially in both markets the performance of these books has also deteriorated. Loans with arrears greater than 3 months increased to 2.97% at end-September 2009 from 1.92% at end September 2008 in the Irish book, and from 1.48% to 1.61% in the UK book. However, we believe that BoI's Irish mortgage portfolio will likely perform better than many others given the lower LTVs at inception.

The bank's UK mortgage book does have a large proportion of buy-to-let (37%) and self-cert lending (16%). Moody's generally views these segments as inherently more vulnerable than other categories within the residential mortgage portfolio, however we note that the buy-to-let portfolio, although deteriorating, is performing substantially better than the overall market as measured by the CML (arrears greater than 3 months on this book is 177 bps at end September compared to 249 bps at end-June for the CML average).

Bank of Ireland scores C+ for asset quality, although we expect this to weaken.

Global Local Currency Deposit Rating (Joint Default Analysis)

BoI's long-term global local currency (GLC) deposit rating is A1 based on Moody's assessment of a very high probability of systemic support as detailed above. Consequently, there is a seven-notch uplift for BoI's GLC deposit rating from its Ba2 baseline credit assessment.

Notching Considerations

BOI's dated subordinated debt is rated one notch below the senior rating at A2. Moody's continues to notch the dated subordinated debt one notch below the senior debt rating reflecting the current Irish government guarantee on dated subordinated debt (for the six rated institutions covered under the guarantee, including BOI) and our view that the Irish authorities do not have the tools available to impose losses on dated subordinated debt outside of a liquidation scenario.

Junior subordinated debt instruments and preference shares (both cumulative and non-cumulative) are rated on an expected loss basis, taking into account that at the request of the European Commission the bank is not making payments on its Tier 1 and Upper Tier 2 capital instruments unless it has a legal obligation to do so. As a result of this the junior subordinated instruments are rated Ba3

The cumulative preference shares / hybrids (with cumulative deferral and non-cash settlement through ACSM) of BOI are rated B1. These securities have largely the same features as junior subordinated debt on a going concern basis, but rank with preferred securities in liquidation. Under a going concern assumption, the expected loss for investors in these cumulative instruments should therefore be clearly lower than for the non-cumulative preference shares.

The Caa1 rating on the non-cumulative preference shares incorporates i) the certainty about the coupon deferrals as well as ii) the remaining uncertainty about the bank's financial strength beyond the 2-year time horizon, which also adds uncertainty about future coupon payments. The outlook for the securities is stable reflecting Moody's conservative expected loss assumptions in terms of the likelihood and time horizon of missed coupons, as well as the lower sensitivity of these instruments to the bank's intrinsic financial strength.

Foreign Currency Deposit Rating

Moody's has assigned A1 foreign currency deposit rating to Bank of Ireland

Foreign Currency Debt Rating

Moody's has assigned A1 foreign currency debt rating to Bank of Ireland.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Risk Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Bank of Ireland

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (50%)						C	
Factor: Franchise Value						B-	Neutral
Market Share and Sustainability		x					
Geographical Diversification		x					
Earnings Stability			x				
Earnings Diversification [2]							
Factor: Risk Positioning						D	Neutral
Corporate Governance [2]							
- Ownership and Organizational Complexity	--	--	--	--	--		

- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks	--	--	--	--	--		
Controls and Risk Management				**x**			
- Risk Management				x			
- Controls			x				
Financial Reporting Transparency		x					
- Global Comparability	x						
- Frequency and Timeliness		x					
- Quality of Financial Information		x					
Credit Risk Concentration	**--**	**--**	**--**	**--**	**--**		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management		**x**					
Market Risk Appetite	**x**						
Factor: Operating Environment						**B+**	**Neutral**
Economic Stability		**x**					
Integrity and Corruption		**x**					
Legal System	**x**						
Financial Factors (50%)						**C**	
Factor: Profitability						**D**	**Weakening**
PPP % Avg RWA - Basel II			1.76%				
Net Income % Avg RWA - Basel II					0.03%		
Factor: Liquidity						**C+**	**Neutral**
(Mkt funds-Liquid Assets) % Total Assets				17.40%			
Liquidity Management		x					
Factor: Capital Adequacy						**B+**	**Weakening**
Tier 1 ratio (%) - Basel II	12.00%						
Tangible Common Equity / RWA - Basel II		6.45%					
Factor: Efficiency						**B**	**Neutral**
Cost/income ratio		53.41%					
Factor: Asset Quality						**C+**	**Weakening**
Problem Loans % Gross Loans		1.75%					
Problem Loans % (Equity + LLR)			28.71%				
Lowest Combined Score (15%)						**C-**	
Economic Insolvency Override						**Neutral**	
Aggregate Score						**C**	
Assigned BFSR						**D**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral

Moody's Investors Service

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