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## Rating Actions Taken On One Irish And Four U.K. Mortgage Covered Bond Programs Following Application Of Revised Criteria

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### OVERVIEW

- We have reviewed our ratings on one Irish and four U.K. mortgage covered bond programs under our revised covered bonds criteria published on Dec. 9, 2014.
- Following our review, we have affirmed our 'AAA' ratings on the four U.K. covered bond programs and related issuances, and raised to 'A+' from 'A' our ratings on AIB Mortgage Bank's covered bond program and related issuances.
- The outlook is stable on our ratings on the four U.K. covered bond programs and related issuances, and negative on our ratings on AIB Mortgage Bank's covered bond program and related issuances.

LONDON (Standard & Poor's) March 6, 2015--Standard & Poor's Ratings Services said today that it has completed its review of its ratings on one Irish and four U.K. mortgage covered bond programs by applying its revised criteria for rating covered bonds (see "Covered Bonds Criteria," and "Updated Cash Flow Assumptions For Modeling Certain Covered Bonds," both published on Dec. 9, 2014, on RatingsDirect). As a result, we have affirmed our 'AAA' ratings on all four U.K. covered bond programs and related issuances, and have raised to 'A+' from 'A' our ratings on AIB Mortgage Bank's covered bond program and related issuances (see list below).

Upon publishing our revised criteria, we had placed our ratings on those mortgage covered bond programs that could be affected by a published change in criteria "under criteria observation" (see "Covered Bond Program And Spanish Multicedulas Ratings Placed Under Criteria Observation," published on Jan. 12, 2015). Following our review, we have removed our under criteria observation identifier from the ratings on these programs.

Under our covered bonds criteria, we organize the analytical process for rating covered bonds into four key stages:

- Performing an initial analysis of issuer-specific factors--legal and regulatory risks and operational and administrative risks--which mainly assess whether a rating on the covered bond may be higher than the rating on the issuer.
- Assessing the starting point for the rating analysis, based on the applicable resolution regimes, to determine the reference rating level (RRL).
- Determining the maximum achievable covered bond rating from an analysis of jurisdictional and cover pool-specific factors.
- Combining the results of the above and incorporating any additional factors, such as counterparty risk and country risk, to assign the final covered bond rating.

After assessing the RRL, to determine a maximum achievable covered bond rating we analyze jurisdictional and collateral support. Our assessment of the expected jurisdictional support for U.K.-regulated mortgage covered bond programs is "strong," whereas for mortgage covered bond programs issued under specific legislation in Ireland, it is "very strong" (see "Assessments For Jurisdictional Support According To Our Covered Bond Criteria," published on Dec. 22, 2014).

Under our covered bonds criteria, the uplift from the RRL can be up to three notches when the jurisdictional support is assessed as "very strong," and up to two notches when the jurisdictional support is assessed as "strong." Under our analysis of jurisdictional support, we determine a jurisdiction-supported rating level (JRL), which is our assessment of the creditworthiness of a covered bond program once we have considered the level of jurisdictional support, but before giving credit to the amount of collateral. We give no benefit to jurisdictional support in our analysis (that is, zero incremental uplift for jurisdictional support), where the RRL is already at or above the level of the sovereign rating. In this case, the JRL is the same as the RRL.

Following the assessment of the RRL and JRL, we analyze the credit quality of the cover pool and the availability of liquidity support and committed overcollateralization to determine the maximum collateral uplift.

Lastly, the ratings on these programs are not constrained by legal, operational, country, or counterparty risks.

The rating outcome, our rationale, and our outlook for each mortgage covered

bond program follow below:

- We are raising to 'A+' from 'A' our ratings on AIB Mortgage Bank's covered bond program and related issuances. The ratings reflect our RRL of 'bb+' and JRL of 'bbb+' for the program, as well as three notches of uplift for collateral support. The maximum available uplift for collateral support is three notches, as extendible covered bond maturities mitigate liquidity risk, but the issuer provides overcollateralization that is commensurate with the covered bond ratings only on a voluntary basis. The negative outlook reflects the outlook on our long-term issuer credit rating (ICR) on Allied Irish Banks PLC. This is because we would lower our covered bond ratings if we lowered our ICR on Allied Irish Banks due to factors other than the reduction of extraordinary government support, all else remaining equal. We would not lower our covered bond ratings if we lowered our ICR on Allied Irish Banks due to the reduction of extraordinary government support, all else remaining equal.
- We are affirming our 'AAA' ratings on the Abbey National Treasury Services PLC Global Covered Bond Programme and related issuances. The ratings reflect our RRL of 'a' and JRL of 'aa-' for the program, as well as three notches of uplift for collateral support. The maximum available uplift for collateral support is four notches, as extendible covered bond maturities mitigate liquidity risk. The issuer has committed contractually to maintain overcollateralization that is commensurate with the covered bond ratings. The stable outlook reflects that the covered bond ratings benefit from a cushion of one unused notch of uplift that protects against a downgrade of the RRL. The stable outlook also reflects that we would not lower the RRL due to the reduction of extraordinary government support affecting the long-term ICR on Santander UK PLC.
- We are affirming our 'AAA' ratings on the Barclays Bank PLC Global Covered Bond Programme and related issuances. The ratings reflect our RRL of 'a' and JRL of 'aa-' for the program, as well as three notches of uplift for collateral support. The maximum available uplift for collateral support is four notches, as extendible covered bond maturities and a pre-maturity reserve mitigate liquidity risk. The issuer has committed contractually to maintain overcollateralization that is commensurate with the covered bond ratings. The stable outlook reflects that the covered bond ratings benefit from a cushion of one unused notch of uplift that protects against a downgrade of the RRL. The stable outlook also reflects that we would not lower the RRL due to the reduction of extraordinary government support affecting the long-term ICR on Barclays Bank PLC.
- We are affirming our 'AAA' ratings on the Bank of Scotland PLC Covered Bond Programme and related issuances. The ratings reflect our RRL of 'a' and JRL of 'aa-' for the program, as well as three notches of uplift for collateral support. The maximum available uplift for collateral support is four notches, as a pre-maturity reserve mitigates liquidity risk. The issuer has committed contractually to maintain overcollateralization that is commensurate with the covered bond ratings. The stable outlook reflects that the covered bond ratings benefit from a cushion of one unused notch of uplift that protects against a downgrade of the RRL. The

stable outlook also reflects that we would not lower the RRL due to the reduction of extraordinary government support affecting the long-term ICR on Bank of Scotland PLC.

- We are affirming our 'AAA' ratings on the Nationwide Building Society Global Covered Bond Programme and related issuances. The ratings reflect our RRL of 'a' and JRL of 'aa-' for the program, as well as three notches of uplift for collateral support. The maximum available uplift for collateral support is four notches, as extendible covered bond maturities mitigate liquidity risk. The issuer has committed contractually to maintain overcollateralization that is commensurate with the covered bond ratings. The stable outlook reflects that the covered bond ratings benefit from a cushion of one unused notch of uplift that protects against a downgrade of the RRL. The stable outlook also reflects that we would not lower the RRL due to the reduction of extraordinary government support affecting the long-term ICR on Nationwide Building Society.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- Covered Bonds Criteria, Dec. 9, 2014
- Updated Cash Flow Assumptions For Modeling Certain Covered Bonds, Dec. 9, 2014
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Global Derivative Agreement Criteria, June 24, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Covered Bond Ratings Framework: Methodology And Assumptions, June 26, 2012
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003

##### Related Research

- Low Interest Rates Are Only Slowly Reviving Europe's Housing Markets, Feb. 5, 2015
- Assessments For Jurisdictional Support According To Our Covered Bond Criteria, Dec. 22, 2014

- Assessments For Target Asset Spreads According To Our Covered Bond Criteria, Dec. 22, 2014
- Global Covered Bond Characteristics And Rating Summary Q4 2014, Dec. 19, 2014

RATINGS LIST

Covered Bond Program	Rating
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RATINGS AFFIRMED

U.K.: Mortgage Covered Bonds

Abbey National Treasury Services PLC Global Covered Bond Programme  
Regulated Covered Bonds

AAA/Stable

Barclays Bank PLC Global Covered Bond Programme  
Regulated Covered Bonds

AAA/Stable

Bank of Scotland PLC Covered Bond Programme  
Regulated Covered Bonds

AAA/Stable

Nationwide Building Society Global Covered Bond Programme  
Regulated Covered Bonds

AAA/Stable

Covered Bond Program	Rating	
	To	From

RATINGS RAISED

Ireland: Asset Covered Securities

AIB Mortgage Bank

	A+/Negative	A/Negative
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