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€380,000,000 Avondale Securities S.A. Value-In-Force-Backed Notes

Profitable life insurance businesses can produce a strong source of predictable cash flows over an extended period of years. To enhance the present regulatory capital treatment derived from its wholly-owned life insurance subsidiary, Bank of Ireland recently undertook a €400 million "value-in-force" securities issuance through Avondale Securities S.A. The issuance included €380,000,000 Class A-1 Floating Rate Emergence Offset Notes due 2032 wrapped by guarantor Ambac Assurance UK Limited ("Ambac"). Principal and interest payments on the notes are linked to the future profits that emerge from a portfolio of unit-linked insurance and pension contracts, referred to as the Defined Dynamic Block (the "DDB"), originated by Bank of Ireland Life.

The issuance was carefully structured so that regulators might allow Bank of Ireland to reclassify a significant portion of the embedded value associated with the DDB from Tier II to Tier I capital. This transaction is notable due to the "dynamic" nature of the business securitized. Previous "value-in-force" transactions focused on "closed blocks" of insurance policies that could more readily be "ring fenced" from the ongoing operations of the life insurer. Ambac worked closely with Bank of Ireland to structure the transaction in such a way to permit new business, which will be written for up to the next five years by Bank of Ireland Life, to be included in the DDB. Ambac was also responsive to the need that the transaction not constrain how Bank of Ireland Life conducts its business.

To improve the economics and execution certainty of the complex deal, Bank of Ireland sought to include a financial guarantee to strengthen the transaction, but time was a critical factor. With extensive experience underwriting transactions in the structured insurance asset class, Ambac was uniquely suited to wrap the Class A-1 Notes. Avondale joins Gracechurch Life Finance plc and Box Hill Life Finance plc as major embedded value securitizations within the European market, each of which were credit enhanced by Ambac. In spite of volatile market conditions, Ambac's familiarity with the structuring considerations in this asset class enabled Ambac to quickly underwrite and approve a guarantee on the deal.

The A-1 notes were successfully issued on October 25, 2007 at a spread less than 1/4th of that which is payable to investors of the unwrapped A-2 notes.

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