

Rating Action: Moody's upgrades Bank of Ireland's Issuer and Senior Unsecured Debt ratings to A2, outlook changed to stable from positive

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Bank of Ireland Group's ratings affirmed, positive outlook maintained

London, 11 July 2019 -- Moody's Investors Service today upgraded the long-term issuer and senior unsecured ratings of Bank of Ireland (BOI) to A2 from A3, senior unsecured MTN program rating to (P)A2 from (P)A3. Moody's changed the outlook on the issuer and senior unsecured ratings to stable from positive, and affirmed the A2 long-term deposit ratings of BOI. As part of the same action, Moody's affirmed the Baa3 senior unsecured and issuer rating of BOI's holding company Bank of Ireland Group plc (BOIG) and maintained the positive outlook on these. At the same time, Moody's affirmed BOI's Prime-1 commercial paper and short-term deposit ratings and (P)Prime-1 other short-term rating.

The rating upgrades on BOI reflect Moody's expectations of further issuance of bail-in-able debt by BOIG, increasing the level of subordination protecting BOI's own senior unsecured debt, and hence leading to lower loss-given-failure.

Moody's maintained a positive outlook on BOIG's long-term senior unsecured debt ratings, reflecting the agency's expectation that BOI's standalone baseline credit assessment (BCA) could be upgraded if the bank continues to reduce its stock of problem loans, improves its profitability and maintains good capital levels.

The outlook on BOI's A2 senior unsecured debt ratings was changed to stable from positive as the rating is currently at the same level of Ireland's sovereign bond rating (A2 stable), and an upgrade of the bank's BCA would be offset by the loss of one notch of government support currently included in the debt ratings.

BOI's BCA and adjusted BCA are not affected by this rating action.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

UPGRADE OF LONG-TERM SENIOR UNSECURED DEBT AND ISSUER RATINGS

BOI's long-term senior unsecured debt and issuer ratings were upgraded to A2 from A3, reflecting the uplift resulting from Moody's Advanced Loss Given Failure (LGF) analysis. The senior unsecured debt rating now benefits from three notches of uplift under Moody's Advanced LGF analysis, given the benefit of additional long-term bail-in-able senior unsecured debt to be issued by BOIG in order to meet the group's minimum requirement for own funds and eligible liabilities (MREL). In addition, the long-term ratings continue to incorporate one notch of uplift reflecting potential support from the government of Ireland.

BOIG's senior unsecured rating of Baa3 was affirmed and continues to be positioned in line with BOI's BCA. The additional issuance of this debt by BOIG does not materially reduce its own expected loss.

OUTLOOK

Moody's changed the outlook on BOI's senior unsecured debt and long-term issuer ratings to stable from positive. The rating currently includes one notch of government support, lifting it to A2, in line with the ratings of the Irish government (A2 stable). Should the BCA be upgraded, the issuer rating would likely be affirmed because this potential government support would no longer benefit these creditors. This is in line with the stable outlook the agency maintains on BOI's deposit ratings.

An upgrade in the BCA would however result in a higher rating on BOIG's senior unsecured rating, which therefore continues to bear a positive outlook.

WHAT COULD MOVE THE RATINGS UP/DOWN

Currently there is no upward pressure on the BOI's senior unsecured, long-term issuer and deposit ratings

since an upgrade of the BCA would be offset by the loss of the one notch government support presently incorporated in the assigned ratings. BOIG's long-term ratings could be upgraded as a result of an upgrade of BOI's BCA. The bank's BCA could be upgraded following (1) further significant reductions in non-performing loans and/or improving provisioning coverage; (2) maintenance of good capitalisation and risk absorption capacity, while maintaining (3) stable profitability, funding and liquidity metrics.

BOI's ratings could be downgraded as a result of (1) a downgrade of its standalone BCA; or (2) the redemption of maturing subordinated instruments without their replacement. BOI's BCA could be downgraded due to (1) a significant deterioration in the bank's asset quality; (2) a significant and sustained drop in the bank's capitalisation; (3) a deterioration in its core profitability metrics; or (4) a significant reduction in liquid assets.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Issuer: Bank of Ireland

..Upgrades:

.... Long-term Issuer Rating, Upgraded to A2 from A3, Outlook Changed To Stable From Positive

.... Senior Unsecured MTN Program, Upgraded to (P)A2 from (P)A3

....Senior Unsecured Regular Bond/Debenture, Upgraded to A2 from A3, Outlook Changed To Stable From Positive

..Affirmations:

.... Long-term Bank Deposits, Affirmed A2, outlook remains Stable

.... Short-term Bank Deposit Ratings, Affirmed P-1

.... Short-term Deposit Note/CD Program, Affirmed P-1

.... Long-term Counterparty Risk Rating, Affirmed A2

.... Short-term Counterparty Risk Rating, Affirmed P-1

.... Long-term Counterparty Risk Assessment, Affirmed A2(cr)

.... Short-term Counterparty Risk Assessment, Affirmed P-1(cr)

.... Commercial Paper, Affirmed P-1

....Other Short-term, Affirmed (P)P-1

....Subordinate Regular Bond/Debenture, Affirmed Ba1

....Subordinate MTN Program, Affirmed (P)Ba1

....Junior Subordinated Regular Bond/Debenture, Affirmed Ba2 (hyb)

....Pref. Stock, Affirmed Ba3 (hyb)

....Pref. Stock Non-cumulative, Affirmed Ba3 (hyb)

..Outlook Action:

....Outlook Changed To Stable From Stable(m)

Issuer: Bank of Ireland Group plc

..Affirmations:

.... Long-term Issuer Rating, Affirmed Baa3, Outlook Remains Positive

...Senior Unsecured Medium-Term Note Program, Affirmed (P)Baa3

...Subordinate Regular Bond/Debenture, Affirmed Ba1

...Senior Unsecured Regular Bond/Debenture, Affirmed Baa3, Outlook Remains Positive

...Subordinate Medium-Term Note Program, Affirmed (P)Ba1

..Outlook Action:

....Outlook Remains Positive

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