

Rating Action: Moody's assigns Baa3 issuer rating to Bank of Ireland Group

Global Credit Research - 14 Jul 2017

London, 14 July 2017 -- Moody's Investors Service (Moody's) has today assigned a Baa3 long-term local- and foreign-currency issuer ratings to the newly established Bank of Ireland Group plc (BOI Group), the holding company of Bank of Ireland (BOI, rated LT Bank Deposits A3/ Senior Unsecured Baa1 positive, BCA baa3). The holding company issuer rating was determined using the operating company's BCA as the anchor point and the at failure balance sheet of the consolidated group in Ireland in the Loss-Given-Failure (LGF) analysis.

The outlook on the overall entity and issuer ratings is positive, in line with the outlook on BOI's long-term bank deposit and senior debt ratings and incorporates Moody's expectation of senior and subordinated debt to be issued by BOI Group over the outlook period which if carried out as planned will increase the level of protection to the group's own senior issuances.

RATINGS RATIONALE

According to Moody's banking methodology, in countries subject to EU's Bank Recovery and Resolution Directive (BRRD), such as Ireland, which we consider an Operational Resolution Regime, it is assumed that if a holding company forms part of the same resolution perimeter as the bank, like in the case of BOI Group, holding company senior obligations benefit from the subordination of bank subordinated instruments, as well as holding company subordinated instruments. This is because Ireland's implementation of EU's BRRD mandates write-down and conversion for bank-issued capital instruments as the initial source of loss-absorbing capital. With the exception of senior unsecured debt from the holding company, we assume that holding company debt ranks pari passu with externally issued debt of the same class at the operating company level.

Based on the above liability ranking assumptions a Baa3 issuer rating is assigned to BOI Group. The Agency assigns a "Low" government support probability to the issuer rating, which results in no additional notching from the preliminary rating assessment of Baa3.

WHAT COULD CHANGE THE RATING -- UP/DOWN

A positive change in BOI's BCA would likely lead to an upgrade of BOI Group's issuer rating. The rating could also be upgraded if either the holding company or its operating subsidiary were to issue significant amounts of subordinated debt.

A downward movement in BOI's BCA would likely result in the downgrade of BOI Group's issuer rating.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in January 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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