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Bank of Ireland Group PLC

Primary Credit Analyst:
Letizia Conversano, Paris + 353 (0)1 568 0615; letizia.conversano@spglobal.com

Secondary Contact:
Anastasia Turdyeva, Dublin + (353)1 568 0622; anastasia.turdyeva@spglobal.com

Research Contributor:
Ankit Jalan, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

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Bank of Ireland Group PLC

Ratings Score Snapshot

Issuer Credit Rating
BBB-/Positive/A-3

SACP: bbb **Support: 0** **Additional factors: 0**

Anchor	bbb	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A-/Positive/A-2
Resolution counterparty rating
A/A-1
Holding company ICR
BBB-/Positive/A-3

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

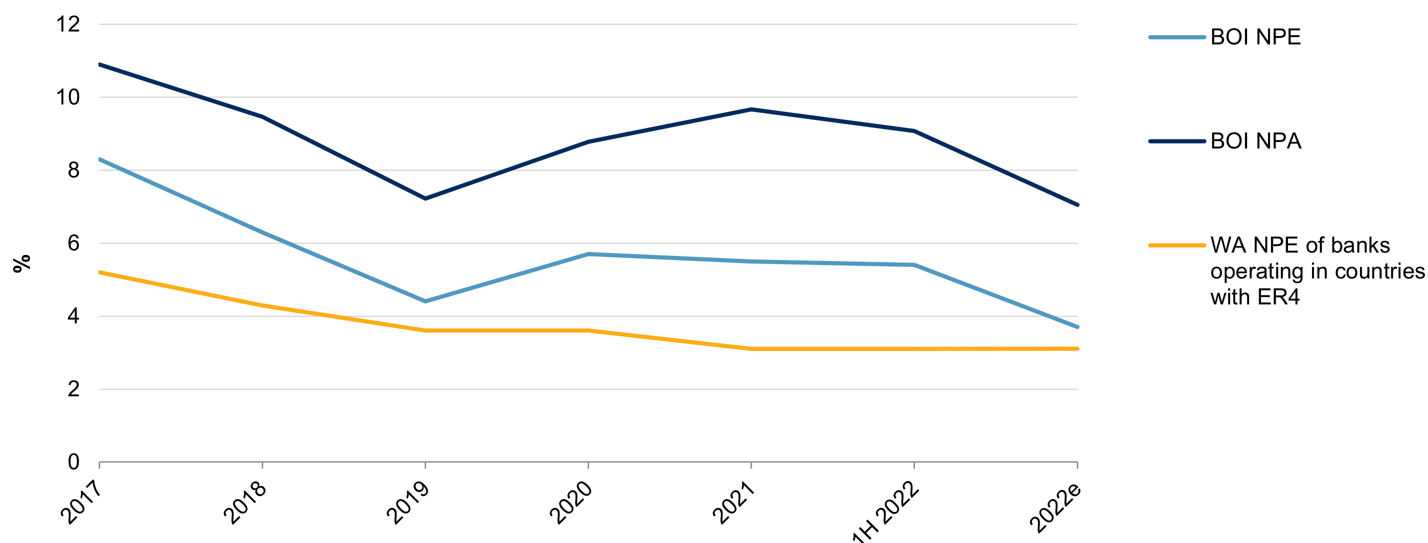
Overview

Key strengths	Key risks
Strong franchise in Ireland, with a high market share across all business lines, further benefiting from ongoing consolidation in the Irish banking market.	Elevated inflation and increasing interest rates pressure the private sector's debt-servicing capacity.
Stable and granular deposit base characterized by low share of more volatile corporate deposits.	Inflationary pressure and new costs arising from acquisition deals could weigh on Bank of Ireland's (BOI's) cost efficiency efforts.
Sizable capital and bail-in-able debt cushion.	Geographic concentration in Ireland and the U.K.

We expect BOI to continue reducing nonperforming loans over 2023-2024, stabilizing them at the European banking system average. At year-end 2022, we estimate nonperforming exposures (NPEs) to be about 3.7%, down from 11.4% in 2016. Elevated inflation and increasing interest rates will pressure the private sector's debt-servicing capacity, but we expect impact to be manageable and NPE stock to stabilize at about 3% of total loan exposures. The acquisition of performing assets from KBC Bank Ireland (KBCI), completed on Feb. 3, 2023, will also help in this process.

Chart 1

BOI's NPE Ratio Approaches The Average For Banks Operating In Countries With Similar Economic Risks



NPE--Non-performance exposures (non accrual loans to customer loans, gross). NPA--Non-performing assets (including exposures in Stage 3 and forborne loans in other stages). WA--Weighted average. ER--Economic risk. e--Estimate. 1H--First half. Source: S&P Global Ratings, BOI data.

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Despite a weakening macroeconomic environment, higher interest rates, ongoing consolidation in the Irish banking sector and a continuous focus on cost discipline will improve BOI's operating profitability. The gradual repricing of loans, containment of funding costs given the large share of non-interest-bearing customer accounts, and larger scale from portfolio acquisition position BOI to benefit from increasing interest rates. BOI is also on track to diversify its revenue sources and grow its top-line results after expanding product offerings through closer cooperation with its insurance and wealth management subsidiaries. Although inflation will pressure costs, higher interest rates and sector consolidation will mean stronger revenue growth, which should help reduce cost to income to below 60% over the next two years (from 72.6% as of mid-2022).

Capital levels are expected to remain robust and able to absorb growth plans and macroeconomic headwinds. BOI Group's fully loaded common equity tier 1 (CET1) ratio stood at 15.7% at end-September 2022, well above the bank's internal CET1 target of above 13.5% and the minimum regulatory requirement of 10.1%. Given the robust starting point, our base-case expectations on improving profitability, and only moderate distributions over the next two years, we expect BOI's capital base to remain strong, enabling the group to absorb macroeconomic headwinds and support KBCI mortgage portfolio acquisition. We estimate our risk-adjusted capital (RAC) ratio to stay within 12.8%-13.3% over the next two years.

Outlook

The positive outlooks on BOI Group and BOI reflect our expectation that the group's creditworthiness could improve if, despite challenging times ahead, it contains asset quality deterioration with its near 3% NPE ratio, and there is further revenue diversification, controlled cost pressure, and strengthening profitability. These expectations are based upon still relatively supportive--although slowing--domestic economic growth in 2023 and 2024, as well as solid underwriting standards.

Upside scenario

We could raise the ratings on both the operating and holding companies over the next 18-24 months if we see the NPE ratio stabilize at about 3% despite challenging credit conditions and slowdowns in the economies where the group operates. However, an upgrade would also require the group to follow its updated business model to become more sustainable, with stable and robust risk-adjusted returns through the cycle, in line with higher-rated peers.

Downside scenario

We could revise the outlook to stable if, contrary to our expectations, the group's asset quality metrics deteriorate amid more negative macroeconomic developments than we currently expect, delaying NPE stabilization.

Key Metrics

Bank of Ireland Group PLC--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	(10.4)	13.4	3.4-4.1	12.0-14.0	8.5-10.0
Growth in customer loans	(2.4)	(0.7)	(5.0)-(6.1)	10.5-12.0	1.3-1.8
Cost to income ratio	71.3	62.1	63.0-67.0	58.7-62.7	55.6-59.4
Return on average common equity	(8.2)	11.1	6.9-7.9	7.7-8.7	9.5-10.5
New loan loss provisions/average customer loans	1.4	(0.2)	0.1-0.1	0.3-0.4	0.3-0.4
Gross nonperforming assets/customer loans*	8.8	9.7	6.7-7.4	6.2-6.9	5.8-6.4
Risk-adjusted capital ratio	10.4	12.0	13.0-13.5	12.6-13.1	13.5-14.0

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. *Includes reported NPL and forborne loans. NPL--Nonperforming loan.

Anchor: 'bbb' For A Bank With Major Exposures In Ireland

We view the economic risk trend in Ireland as stable. A tough global economic environment due to the energy price shock will slow economic growth, but we anticipate limited impact on employment due to the tight labor market. Our forecast for Irish real GDP of 1.2% in 2023 and about 3% in 2024 remains above average for the eurozone. Elevated inflation and interest rates will test the debt-servicing capacity of the private sector, which had improved in recent

years. We anticipate additional problem loans emerging, mostly among SMEs, but expect the deterioration to be limited. We are cautious about banks' significant exposure to real estate lending (about half of total domestic loans). House prices are 2% above the 2007 peak despite decelerating over the last several months. We expect price growth to slow further as mortgage rates increase and demand declines. Asset quality remains good, but downsides could emerge if the cost-of-living crisis lasts longer than anticipated (about 55% of the mortgage book represents tracker or other variable mortgages). Management overlays outstanding after the pandemic should help Irish banks manage credit losses and we expect additional credit costs to be about 30 basis points (bps) for 2023.

We view industry risk trend in Ireland as stable and anticipate that improvement in Irish banks' profitability should somewhat ease pressure from the economic slowdown. The significant share of loans at floating rates and non-interest-sensitive deposits position Irish banks well to benefit from rising interest rates. They are also progressing to increase revenue diversification and improve efficiency via ongoing investments and sector consolidation. Robust capital and sound funding profiles also support Irish banks to navigate the challenging economic environment and mitigate emerging credit risks.

Business Position: Investing For Long-Term Growth

BOI Group benefits from resilient domestic franchises and high market shares, typically exceeding 20%, across all retail and commercial banking lines in Ireland. We expect this to remain the case, given ongoing consolidation in the Irish banking sector. Our assessment also reflects BOI's exposure to the U.K., as well as to the wealth and insurance business in Ireland.

Despite deleveraging over the past two years, we expect U.K. exposure to remain meaningful at around 25%-30% of the gross lending book. Balance sheet shrinking was in line with the group's refreshed strategy announced in 2020, which aims to make U.K. operations more efficient with a greater focus on value, not volume. The U.K. subsidiary's transformation is ongoing, but it has already managed to improve its net interest margin thanks to the larger proportion of higher margin business, and to optimize its funding through the group and the reduction of more expensive deposit accounts.

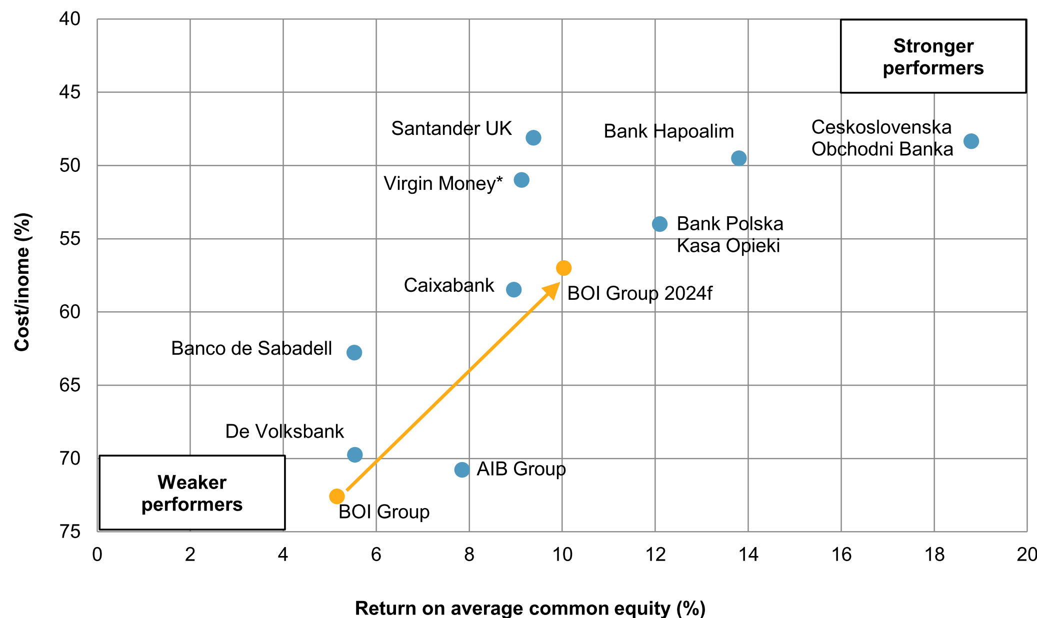
We expect the group to have a strategy update in first-half 2023, as the new CEO settles in and the transaction with KBCI completes. We think profitability improvement will remain a key strategic priority for the group. In our view, the gradual repricing of loans, containment of funding costs given the large share of non-interest-bearing customer accounts, and larger scale to be gained through the KBCI deal, position BOI well to improve its operating revenues over 2023-2024. BOI is also on track to increase cross-selling opportunities and diversify its revenue sources after expanding product offerings by cooperating more closely with its insurance and wealth management subsidiaries. The Davy acquisition completed in 2022 and increasing assets under management to €39 billion supports these efforts. We currently expect that the bank's operating revenue base could grow by a cumulative 20%-24% by end-2024.

Cost efficiency--lagging European peers over a long period--is the other important priority for the group, in our view. BOI remains committed to cost discipline while investing in new customer acquisition and continuous business process simplification and digitalization. Inflationary pressures and costs associated with inorganic activities challenge

the bank's cost-reduction efforts and weigh on profitability over 2022-2024. However, we expect stronger revenue growth--envisaged on the back of higher interest rates and sector consolidation--to help reduce the cost to income ratio to below 60% over the next two years (from 72.6% as of mid-2022). We believe that efficiency improvement will be key to BOI reaching return on tangible equity target of above 10% on a sustainable basis. Still, the extent of a potential upside will depend on the developing geopolitical situation and macroeconomic environment.

Chart 2

Cost Efficiency Improvement Is Essential To Support Profitability
Return on equity and cost efficiency of selected peers as of mid-2022



*Data for Virgin Money is as of September 2022. f--Forecast. Source: Banks' disclosures, S&P Global Ratings' database as of June 30, 2022.
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BOI was the first Irish bank to return to full private ownership, as the Irish government sold its 9% stake in the group in September 2022. We consider this neutral for the ratings since we have always considered that BOI operated at arm's length to the government. However, we think this is positive development for talent attraction and retention as it triggered lifting some government-imposed pay restrictions.

Capital And Earnings: Robust Capitalization Supported By Improving Profitability Should Absorb Growth Plans And Macroeconomic Headwinds

We view BOI's robust capital position and improving earnings as a rating strength, supporting the group's loan portfolio expansion within a challenging environment with rising interest rates, inflation, and increasing cost of living putting pressure on borrowers.

Under our base-case scenario we expect our RAC ratio to stay in the 12.8%-13.3% range over the next two years, up from 12% as of end-2021. We note that the forecasted RAC benefits from the improved economic risk score on Ireland (see "Outlooks On Two Largest Irish Banks Revised To Stable On Easing Profitability Pressure; Ratings Affirmed", published on May 16, 2022).

We base our capital projection on the following key assumptions:

- Operating income will see a one-off double-digit growth in 2023, reflecting the earnings-accretive acquisition of KBCI's mortgage book in the first quarter of 2023, but will also benefit significantly from rising interest rates and higher fee and commissions income linked to Davy's acquisition.
- Non-interest expenses are to increase by about 8% in 2022 to reflect some inflation in staff and other administration costs, and acquisition costs related to the Davy and KBCI portfolio acquisitions. We expect cost growth to moderate to 4%-5% in 2023-2024. Consequently, the cost to income ratio is expected to improve to 56%-60% by 2024 (from 72.6% as of mid-2022).
- Cost of risk is expected to increase to around 30-35bps over 2023-2024 from an estimated 12bps in 2022. Cost of risk rise in 2023 will be largely driven by the impact from KBCI's mortgage book acquisition.
- Though the group hasn't indicated the exact size of future distributions, we incorporate a 20%-25% payout ratio taking into account anticipated profitability improvements. The group could opt for and absorb a higher dividend level, given its improving profitability and capital buffer.

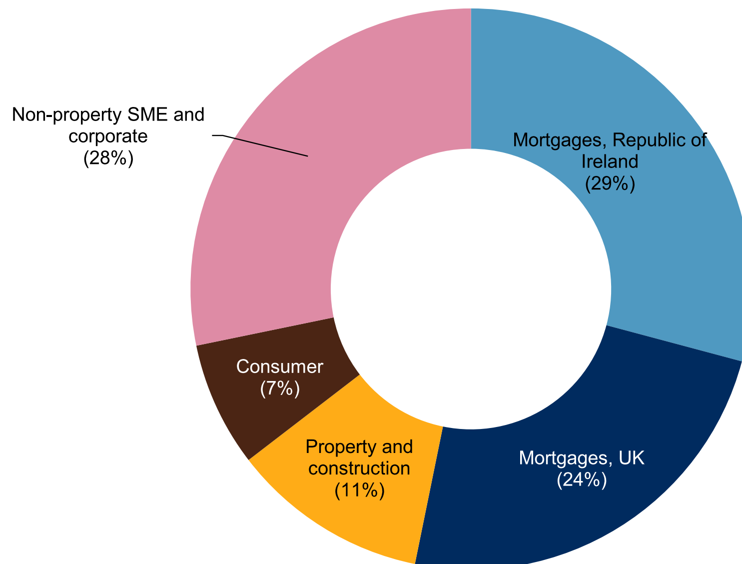
We see the quality of capital as satisfactory as it largely comprises core equity. The amount of hybrid capital instruments included into our total adjusted capital (TAC)--the numerator of the RAC ratio--was less than 12% at year-end 2021. The group's fully loaded CET1 ratio was 15.7% at end-September 2022, a slight decline from the 16.0% at year-end 2021 due to the Davy transaction, but well above the 10.1% minimum requirement. The KBCI loan portfolio acquisition should consume an additional 120bps of capital but is not expected to breach the group's internal CET1 target of above 13.5%.

Risk Position: Nonperforming Exposure Improving To The Levels Comparable With Higher-Rated European Peers

The group's asset quality has improved over the past decade thanks to continuous balance sheet clean-ups and healthy underwriting standards for new loan generation. We estimate the NPE ratio will improve to 3.7% by end-2022 from 5.4% as of end-June 2022, thanks to NPE portfolio disposal the group completed in November 2022.

Chart 3

Mortgages Represent The Largest Exposure For BOI
Gross customer loans by sector at June 30, 2022



SME--Small and midsize enterprise. Source: S&P Global Ratings, Bank disclosures.
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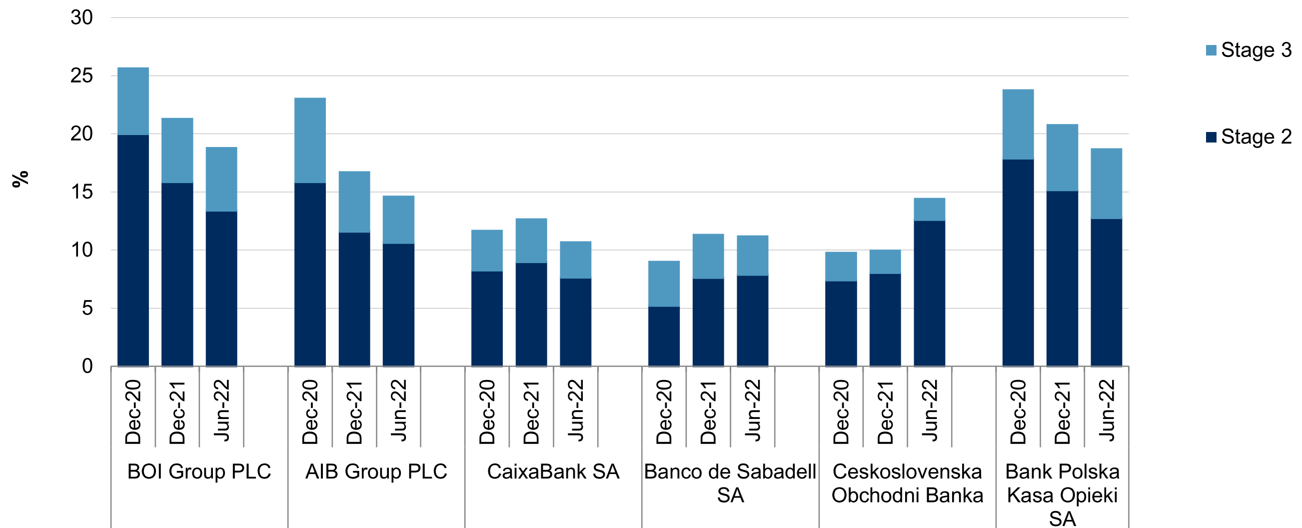
High inflation and rising interest rates will pressure the private sector's debt-servicing capacity, slowing the group's asset quality improvement. We anticipate additional problem loans will emerge, mostly among SMEs. The property and construction portfolio (constituting 11% of the loan book as of mid-2022) could represent another pocket of risk, in our view. Residential mortgages--comprising 53% of loan book--will likely hold up thanks to still-high employment and low average LTV ratio of 54% for BOI at June 30, 2022. Overall, we expect the impact to be manageable for BOI Group and its NPE stock to stabilize at about 3% of total loan exposures. We also expect the broader asset quality metric, measured by all stage 3 loans and restructured loans in stage 1 and stage 2, to improve meaningfully, converging close to 6.0% by end-2023 from 9.1% as of mid-2022. The completion of the acquisition of a €7.6 billion performing mortgage portfolio and €0.1 billion worth of SME and consumer loans from KBC Bank Ireland will help this process.

Chart 4

BOI's Asset Quality Is Improving But Still Lags Most Peers'

Proportion of gross customer loans classified as stage 2 and 3 under IFRS 9



IFRS--International Financial Reporting Standards. Source: Banks' disclosures, S&P Global Ratings' database.

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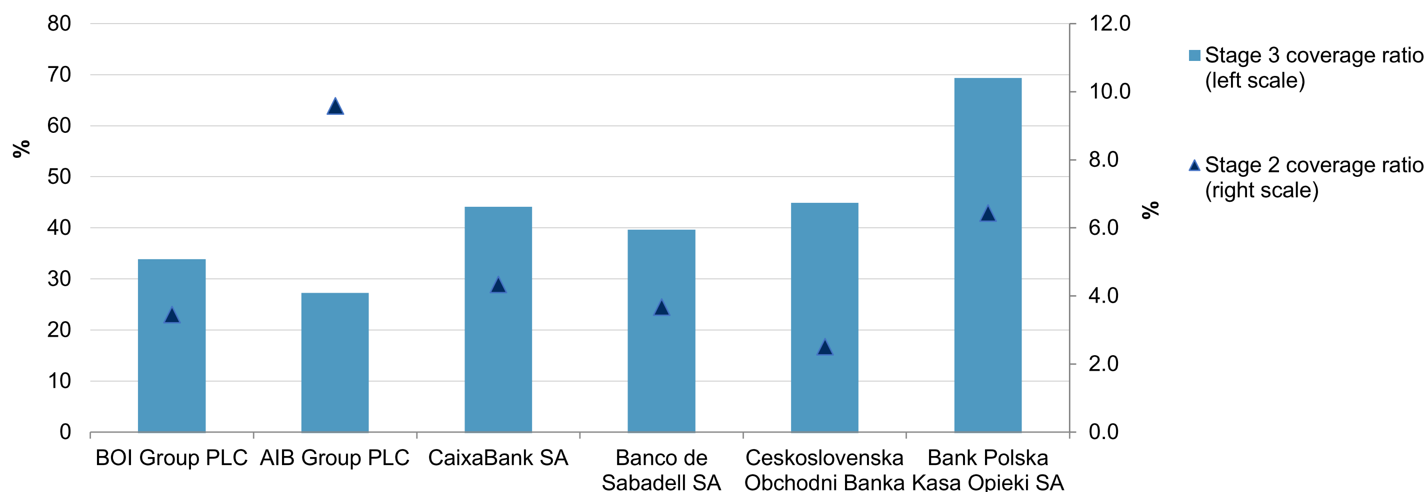
BOI is broadly in line with peers in terms of coverage of stage 2 and stage 3 loans by respective provisions (see chart 5). Its stock of impairment loss allowance of €1.9 billion as of mid-2022 included about €352 million (or 19% of total provisions) of management overlays held for the sectors considered higher risk and vulnerable.

Chart 5

BOI's Stage 2 And 3 Loan Coverage Is Comparable With Peers

Coverage of stage 2 and 3 customer loans by associated credit provisions at June 30, 2022



IFRS--International financial Reporting Standards. Source: Banks' disclosures, S&P Global Ratings' database.

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Credit risks are by far the largest risks for BOI Group, while market risks are marginal. Nonfinancial risks are important to our assessment of BOI's risk profile. Though existing policies and controls appear satisfactory, we expect BOI, and the broader industry, to focus continuously on conduct matters, cyber risk management, and anti-financial crime controls.

Funding And Liquidity: Balanced Profiles

BOI Group's funding profile benefits from its strong domestic franchise, especially granular retail deposits, and it has limited reliance on short-term wholesale funding. Our calculation of BOI Group's stable funding metric of 147% on June 30, 2022 supports this view. While we expect this metric to decline by end-2022, as BOI repaid targeted longer-term refinancing operations (TLTRO) in November 2022, we foresee it remaining at around 120%, as seen historically. We also think liquidity position remains sound, with broad liquid assets to stay at 17%-20% of total assets (normalizing from c.30% over the past two years).

Following BOI's consolidation of KBCI's mortgage book in first quarter 2023, we expect the loan-to-deposit ratio to move closer to 90% by 2023 (from 80.6% as of June 30, 2022), but still demonstrating a healthy funding position. The bank has a sizable deposit base that is largely sourced from retail customers and is granular in nature. Reflecting the strength of its domestic franchise, BOI's reported Irish retail deposits averaged around 70% of total customer deposits for the six month period ending June 30, 2020. With net loan growth expected to remain modest in the near term, the

share of wholesale funding should remain minimal, and largely to fund upcoming maturities for minimum requirement for own funds and eligible liabilities (MREL) purposes.

Support: Two Notches Of Uplift For Ample Bail-In-Able Debt Cushion

In our view, BOI has high systemic importance in Ireland, given its significant retail and wholesale banking franchise. However, we view prospects of extraordinary government support as uncertain in Ireland under the current resolution regime. The latter contains a well-defined bail-in process under which the authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

BOI Group, the nonoperating holding company (NOHC), has built a substantial buffer of loss-absorbing instruments to protect the senior creditors of the operating bank, BOI, in a resolution scenario. We estimate the additional loss absorbing capacity (ALAC) ratio will stay at 7.0%-7.5% of risk-weighted assets over the next two years, which is well above the 6% standard threshold qualifying for two notches of uplift in the ratings on the main operating bank.

Additional Rating Factors

No other factors affect the ratings.

Environmental, Social, And Governance

ESG Credit Indicators

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Overall, we do not think ESG credit factors have much of an effect on BOI Group's credit quality, compared with the rest of the industry.

Given it is the largest domestic retail franchise, BOI Group is structurally exposed to conduct risks. We note that a long-lasting tracker mortgage enforcement investigation resulted in appropriate redress to affected clients and was finally settled with the Central Bank of Ireland in 2022 with a €100.52 million fine that was provisioned beforehand by the group. We expect to see continuous strong oversight on consumer protection-related topics in the future by the group's board and regulator.

We do not see more elevated environmental risks for BOI Group than for most peers. However, the bank is exposed to risks related to a transition to greener energy, especially via the large share of SME or agriculture-financed exposures, which may find it harder rapidly adjusting to the energy transition than larger counterparties. We note that the group is continuously addressing climate risks and improving its responsible and sustainable business profile. To support the

transition in the lending portfolio, the group:

- Increased the limit under its sustainable finance fund by €3 billion to reach €5 billion.
- Provided over €2.4 billion in green mortgages since 2019;
- Raised over €3 billion under its green bonds framework aiming to help clients with sustainability ambitions.

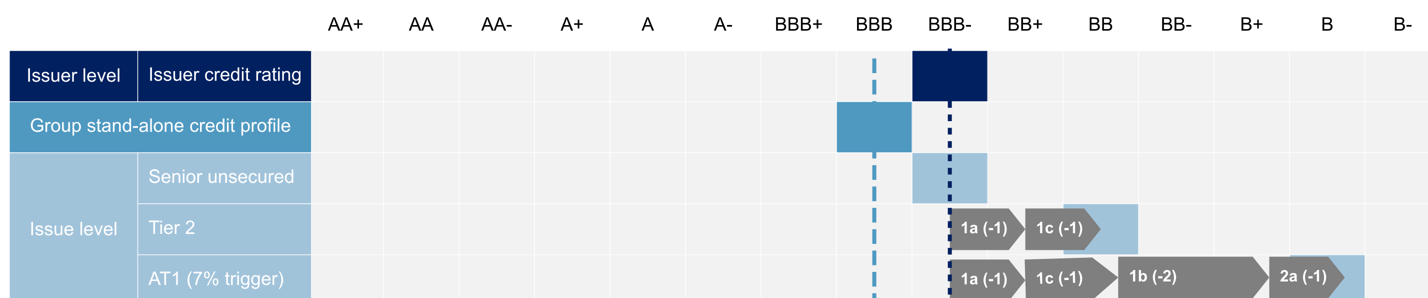
Group Structure, Rated Subsidiaries, And Hybrids

We do not incorporate notches for ALAC support into our ratings on BOI Group, the NOHC, because the build-up of bail-in buffers only benefits the creditors of the operating entity. The long-term rating on the NOHC is 'BBB-', one notch below the 'bbb' group stand-alone credit profile to reflect structural subordination.

We rate hybrid debt instruments according to their respective features (see chart 6 and 7).

Chart 6

Bank of Ireland Group PLC: NOHC Notching



Key to notching

- - - - Group stand-alone credit profile
- - - - Issuer credit rating

1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent
2a	Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)
2b	Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched down from the group stand-alone credit profile (SACP) under our criteria to reflect structural subordination (see "Group Rating Methodology," published July 1, 2019).
AT1--Additional Tier 1.

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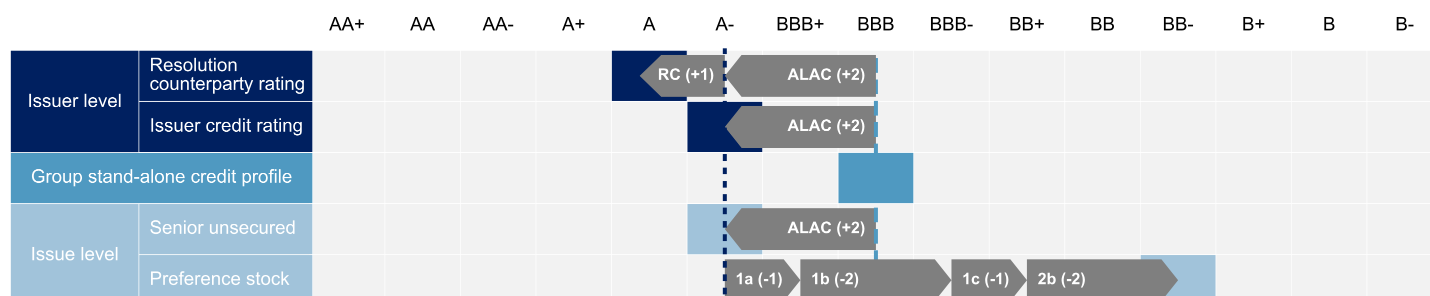
Chart 7

Bank of Ireland: Notching



Key to notching

- ----- Group stand-alone credit profile
- ------ Issuer credit rating
- RC Resolution counterparty liabilities (senior secured debt)
- ALAC Additional loss-absorbing capacity buffer
- 1a Contractual subordination
- 1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
- 1c Mandatory contingent capital clause or equivalent
- 2b Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
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Resolution Counterparty Ratings (RCRs)

We set the 'A/A-1' resolution counterparty ratings (RCRs) on BOI one notch above the long-term issuer credit rating on the bank. The RCRs also reflect our jurisdiction assessment for Ireland.

An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Key Statistics

Table 1

Bank of Ireland Group PLC--Key Figures

	--Year-ended Dec. 31--				
(Mil. €)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	136,872.0	133,036.0	114,259.0	113,484.0	108,732.0
Customer loans (gross)	76,494.0	78,304.0	78,823.0	80,795.0	78,061.0

Table 1

Bank of Ireland Group PLC--Key Figures (cont.)

	--Year-ended Dec. 31--				
(Mil. €)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted common equity	7,964.0	7,393.0	5,918.0	6,808.0	6,326.0
Operating revenues	1,405.0	2,994.0	2,641.0	2,949.0	2,833.0
Noninterest expenses	1,020.0	1,858.0	1,884.0	2,006.0	1,945.0
Core earnings	281.5	1,149.3	N/A	506.3	751.8

*Data as of June 30, 2022. N/A--Not applicable.

Table 2

Bank of Ireland Group PLC--Business Position

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (€'MM)	1,405.0	2,996.0	2,654.0	2,949.0	2,849.0
Commercial banking/total revenues from business line	29.3	29.1	28.7	24.8	26.6
Insurance activities/total revenues from business line	1.5	9.8	6.4	10.3	6.8
Other revenues/total revenues from business line	4.2	1.9	1.0	2.3	0.4
Return on average common equity	5.2	11.1	(8.2)	4.1	6.8

*Data as of June 30, 2022.

Table 3

Bank of Ireland Group PLC--Capital And Earnings

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	18.0	19.1	16.9	16.3	16.0
S&P Global Ratings' RAC ratio before diversification	N/A	12.0	10.4	11.2	11.2
S&P Global Ratings' RAC ratio after diversification	N/A	12.2	10.4	11.4	11.4
Adjusted common equity/total adjusted capital	89.1	88.3	85.9	91.7	92.6
Double leverage	N.M.	91.7	91.8	90.9	88.9
Net interest income/operating revenues	76.7	74.4	79.1	73.1	75.3
Fee income/operating revenues	9.3	9.0	9.7	10.3	10.5
Market-sensitive income/operating revenues	6.8	4.2	1.2	4.8	2.0
Cost to income ratio	72.6	62.1	71.3	68.0	68.7
Preprovision operating income/average assets	0.5	0.8	0.6	0.7	0.7
Core earnings/average managed assets	0.4	0.8	N/A	0.4	0.6

*Data as of June 30, 2022. N/A--Not applicable. N.M.--Not meaningful. RAC--Risk-adjusted capital.

Table 4

Bank of Ireland Group PLC--Risk-Adjusted Capital Framework Data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government and central banks	45,391.0	334.0	0.7	536.7	1.2

Table 4

Bank of Ireland Group PLC--Risk-Adjusted Capital Framework Data (cont.)					
Of which regional governments and local authorities	567.0	16.0	2.8	21.4	3.8
Institutions and CCPs	5,940.3	1,255.0	21.1	1,204.6	20.3
Corporate	24,990.0	19,900.0	79.6	26,246.4	105.0
Retail	51,604.0	14,545.0	28.2	27,097.2	52.5
Of which mortgage	43,208.0	8,836.0	20.4	19,340.4	44.8
Securitization§	4,897.0	1,228.0	25.1	2,894.3	59.1
Other assets†	2,990.0	2,266.0	75.8	4,330.9	144.8
Total credit risk	135,812.3	39,528.0	29.1	62,310.1	45.9
Credit valuation adjustment					
Total credit valuation adjustment	--	189.0	--	0.0	--
Market risk					
Equity in the banking book	122.0	277.9	227.8	1,188.0	973.8
Trading book market risk	--	283.0	--	424.5	--
Total market risk	--	560.9	--	1,612.5	--
Operational risk					
Total operational risk	--	4,251.0	--	5,895.0	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	46,389.0	--	69,817.6	100.0
Total diversification/ Concentration adjustments	--	--	--	(1,331.9)	(1.9)
RWA after diversification	--	46,389.0	--	68,485.7	98.1
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		8,871.0	19.1	8,368.0	12.0
Capital ratio after adjustments‡		8,871.0	19.1	8,368.0	12.2

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5

Bank of Ireland Group PLC--Risk Position					
		--Year-ended Dec. 31--			
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	(4.6)	(0.7)	(2.4)	3.5	(0.5)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(1.9)	(0.1)	(1.7)	(1.1)
Total managed assets/adjusted common equity (x)	19.6	21.0	22.6	19.4	19.5
New loan loss provisions/average customer loans	0.1	(0.2)	1.4	0.3	(0.1)

Table 5

Bank of Ireland Group PLC--Risk Position (cont.)					
		--Year-ended Dec. 31--			
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Net charge-offs/average customer loans	0.4	0.3	0.2	0.8	0.9
Gross nonperforming assets/customer loans + other real estate owned**	9.1	9.7	8.8	7.2	9.5
Loan loss reserves/gross nonperforming assets	27.1	25.9	32.4	22.4	23.0

*Data as of June 30, 2022. RWA--Risk-weighted assets. N/A--Not applicable. **Includes reported NPL and forborne loans. NPL-- Nonperforming loan.

Table 6

Bank of Ireland Group PLC--Funding And Liquidity					
		--Year-ended Dec. 31--			
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	79.6	79.5	89.1	86.3	85.3
Customer loans (net)/customer deposits	80.6	82.3	86.5	94.7	96.9
Long-term funding ratio	99.0	98.6	97.9	96.5	97.9
Stable funding ratio	146.8	144.8	122.5	114.8	112.8
Short-term wholesale funding/funding base	1.1	1.6	2.3	3.8	2.3
Regulatory net stable funding ratio	149.0	144.0	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	39.7	25.1	11.6	6.1	9.3
Broad liquid assets/total assets	31.2	29.4	19.7	17.1	16.1
Broad liquid assets/customer deposits	52.6	49.3	29.8	26.9	25.2
Net broad liquid assets/short-term customer deposits	50.9	47.9	27.7	23.1	23.4
Regulatory liquidity coverage ratio (LCR) (x)	218.0	181.0	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	5.0	7.3	19.3	26.7	15.2
Narrow liquid assets/3-month wholesale funding (x)	67.0	79.2	19.9	13.7	12.2

*Data as of June 30, 2022. N/A--Not applicable.

Bank of Ireland Group PLC (main operating bank: Bank of Ireland)--Rating Component Scores	
Issuer Credit Rating	**A-/Positive/A-2**
SACP	bbb
Anchor	bbb
Economic risk	4
Industry risk	4
Business position	Adequate
Capital and earnings	Strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	+2
GRE support	0

Bank of Ireland Group PLC (main operating bank: Bank of Ireland)--Rating Component Scores (cont.)	
Issuer Credit Rating	**A-/Positive/A-2**
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: January 2023, Jan. 25, 2023
- Various Rating Actions Taken On AIB Group, Bank of Ireland, And Permanent TSB On Prospects Of Stronger Creditworthiness, Dec. 22, 2022
- Lifting Of Government-Imposed Pay Restrictions Is Beneficial For Irish Banks' Talent Acquisition And Retention, Nov. 30, 2022
- Ireland Outlook Revised To Positive On Fiscal And Macroeconomic Resilience; 'AA-/A-1+' Ratings Affirmed, Nov. 18, 2022
- Outlooks On Two Largest Irish Banks Revised To Stable On Easing Profitability Pressure; Ratings Affirmed, May 16, 2022

Ratings Detail (As Of February 8, 2023)*	
Bank of Ireland Group PLC	
Issuer Credit Rating	BBB-/Positive/A-3
Junior Subordinated	B
Senior Unsecured	A-3
Senior Unsecured	BBB-
Subordinated	BB

Ratings Detail (As Of February 8, 2023)*(cont.)	
Issuer Credit Ratings History	
22-Dec-2022	BBB-/Positive/A-3
16-May-2022	BBB-/Stable/A-3
28-Apr-2020	BBB-/Negative/A-3
24-Dec-2019	BBB-/Stable/A-3
Sovereign Rating	
Ireland	AA-/Positive/A-1+
Related Entities	
Bank of Ireland	
Issuer Credit Rating	A-/Positive/A-2
Resolution Counterparty Rating	A/--/A-1
Commercial Paper	
Local Currency	A-2
Junior Subordinated	BB-
Preference Stock	BB-
Senior Unsecured	A-
Senior Unsecured	A-2
Subordinated	BB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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