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Bank of Ireland Group PLC

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Bank of Ireland Group PLC

Group SACP	bbb	+	Support	+1	+	Additional Factors	0

Anchor	bbb	
Business Position	Adequate	0
Capital and Earnings	Strong	+1
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	+1
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating	BBB+/Positive/A-2
Resolution Counterparty Rating	A-/--/A-2
Holding Company ICR	BBB-/Positive/A-3

Group SACP—The group stand-alone credit profile of the Bank of Ireland group. The holding company issuer credit rating (ICR) shown applies to Bank of Ireland Group PLC, and is one notch below the group SACP. The ICR and the resolution counterparty rating shown apply to the core bank operating subsidiary, Bank of Ireland.

Major Rating Factors

Issuer Credit Rating
BBB-/Positive/A-3

Strengths:	Weaknesses:
• Relatively better asset quality than that of Irish peers, which we expect to remain the case. • Strong franchise in Ireland, with a high market share across business lines and better international diversity than Irish peers'. • Stable deposit base characterized by very low concentration risks and a low proportion of more volatile corporate deposits.	• Incrementing strain on earnings due to the low interest rates and need to improve cost efficiency to maintain adequate profitability. • Still-high stock of nonperforming loans (NPLs) relative to that of similarly rated peers in other countries. • Exposed to macroeconomic uncertainty in both the U.K. and Ireland following the U.K.'s referendum vote to leave the EU.

Outlook

BANK OF IRELAND GROUP PLC (non-operating holding company, NOHC)

The positive outlook on Bank of Ireland Group PLC (BOI) reflects its track record of superior asset quality relative to domestic peers. We believe this creates potential for our ratings on BOI to be aligned with those of higher-rated international peers over our two-year outlook horizon.

We could revise up our assessment of the group's stand-alone credit profile (SACP), and therefore the issuer credit ratings, in the next 6-12 months if the weakening of the external environment and the uncertainties of Brexit's impact on the Irish economy do not jeopardize the ongoing improvement in BOI's asset quality metrics. At the same time, any upgrade hinges on the bank's maintaining healthy capitalization, a ratings strength. If we positively reassessed the group's SACP, we would raise the ratings on the group's hybrid debt.

We could revise the outlook to stable in the next 6-12 months if an adverse economic scenario emerges in the U.K., possibly linked to a disorderly outcome to Brexit, which would then likely hinder growth in the Irish economy. An outlook revision to stable could also happen if the ultra-low interest rates severely impact profitability, in particular if the bank is not able to compensate the net interest margin decline by raising fees and commissions or reaching a lower cost base.

BANK OF IRELAND (operating company)

The positive outlook on Bank of Ireland, the main operating bank, mirrors the rationale for the group.

In addition, we could raise the ratings on Bank of Ireland if the group makes more substantial progress than expected in terms of MREL (minimum requirement for own funds and eligible liabilities) issuance. This would lead us to raise the ratings if its additional loss-absorbing capacity (ALAC) buffer exceeds our 8% threshold for two-notches of ALAC support within the long-term issuer credit rating, and we expect this to be the case over the coming two years.

Rationale

BOI benefits from its robust domestic banking franchise, which is similar in profile to its close peer, AIB Group PLC. Unlike AIB, however, BOI has an Irish bancassurance franchise and a larger U.K. business. Although we rate both groups 'BBB-/A-3', the main distinction between the two group's credit quality is BOI's better asset quality. We capture this in our positive outlook for BOI, versus the stable outlook on AIB.

Nevertheless, relative to international peers, BOI's asset quality remains a ratings weakness, although much less than in the past. Moreover, we believe the strength of BOI's domestic franchise is adequately captured by our view of the Irish banking system. We have yet to see firm evidence of strong business growth that feeds through into consistent superior internal capital generation, which we typically observe in higher rated 'national champion' peers.

Current BOI strategic plan includes cumulative 20% growth in the loan book by end-2021 (over the first half of 2019 net lending growth was about 1.4%), by expanding mortgage, and lending to corporates and small and midsize enterprises (SMEs) in Ireland, among other initiatives. Following 10 years of deleveraging, loan book growth will be an important element in BOI's aim to achieve improved returns, as is capacity to optimize cost base.

Overall, our assessment of BOI's risk position--as well as that of other Irish banks--will continue to depend on:

- BOI's success rebuilding its risk management framework (to tackle post financial crisis failings, conduct risk, etc.);
- The ongoing reduction in nonperforming exposures (NPEs); and
- Developments in the external environment, which we see as increasingly cloudy and capable of constraining the improvement of asset quality metrics observed in recent years.

These three conditions are necessary for BOI to build a more sustainable business model.

We compare BOI to the other rated Irish banks, and a range of regional banks, with similar or stronger economic and industry risk profiles. These include Bank Hapoalim B.M. (group SACP of 'a-'); Ceskoslovenska Obchodni Banka A.S. ('a-'); Banco de Sabadell S.A. ('bbb'); Caixabank S.A. ('bbb+'); CYBG plc ('bbb'); and Santander UK Group Holdings plc ('bbb+').

Currently, BOI ranks around the middle of the peer group in terms of its group SACP. Even though the ratings on BOI are on positive outlook currently, we note that ratings upside potential is at risk given increasing macroeconomic uncertainty from a potential no-deal Brexit.

Anchor: Ireland expected to remain the key influence despite large U.K. exposure

The starting point for our ratings on BOI is its 'bbb' anchor, including our view of the economic risks in Ireland and the U.K., where BOI predominantly operates. The weighted-average economic risk for BOI is based on the geographic distribution of its customer loan exposures. The distribution is roughly 53% exposure to Ireland, 40% to the U.K., and 7% to the rest of the world. We judge the weighted-average economic risk to be closer to '5' than '4' on a scale of 1-10 (where '1' is the lowest risk). Our weighted-average economic risk scores for Ireland and for the U.K. are '5' and '4', respectively. In its loan book growth strategy, BOI assumes that around two-thirds will come from its home market. The industry risk score of '4' is solely based on its domicile of Ireland.

In our view, the economic risk trend in Ireland is stable. This reflects our assumption that Ireland's GDP growth will remain brisk, which in turn will continue to feed through to further property price appreciation and reduction in unemployment--all of which should help, at least in the short term, to improve the resilience of banks' balance sheets. We assume that the era of household and corporate deleveraging is now largely done and we would need to observe a substantial further reduction in NPLs before we could consider an improved assessment. Even then, ongoing house price inflation and any potential risks to Ireland from its close trading partner, the U.K., leaving the EU may also impede a stronger assessment.

The industry risk trend is also stable. We assume that our metric of deposits to loans for the system will remain above 75% on a sustainable basis, as lending growth revives, and that regular access to wholesale markets will persist. We also assume that net interest margins pressure, although intensifying, will not emerge sufficiently to weigh on statutory earnings. Banks will likely continue to invest in their operations and digital capability. Finally, we also assume that the longstanding government stakes in a large part of the banking system will only be reduced to zero during the 2020s.

Table 1

Bank of Ireland Group PLC--Key Figures					
	2019*	**2018**	**2017**	**2016**	**2015**
(Mil. €)					
Adjusted assets	109,572	108,732	107,354	108,783	118,154
Customer loans (gross)	78,955	78,061	78,487	82,362	90,575
Adjusted common equity	6,363	6,326	5,749	5,627	5,709
Operating revenues	1,478	2,833	3,007	3,169	3,299
Noninterest expenses	1,056	1,945	2,084	1,902	1,829
Reported net income	226	675	692	799	947

*Data as of June 30. Source: S&P Global Ratings database.

Business position: Investing for long-term growth

BOI benefits from resilient domestic franchises and high market share, typically exceeding 20%, across all retail and commercial banking lines in Ireland. Market shares in credit cards exceeds 35% and those in SME lending even exceeds 40%. We expect this to remain the case.

Still, relative to some other "national champion" banks operating in larger economies, we think that BOI lacks scale, business growth, and its earnings prospects are more mixed.

We consider that BOI demonstrates good business and geographic diversity for a bank with an asset size of about €126 billion. The Irish loan book (62% of the loan book) is almost evenly split between retail (predominantly mortgages) and corporate loans. However, its U.K. business (36% of the loan book) that we considered to be a predictable performer and to have long-term growth potential relative to the smaller Irish banking market, could constrain BOI's future performance due to a disorderly outcome on Brexit. Contributions from the U.K. will also diminish after the sale of the U.K. cards business. Moreover, we believe BOI's Wealth and Insurance division (approximately 10% of revenues) adds to its revenue diversity.

Although adequately diversified by businesses and geographies, we note that approximately three-fourths of the group's revenues are interest sensitive, and the proportion of more resilient fees and commissions is lower than what we typically see at other national champions. This poses a risk to the group's future earnings.

In 2018 BOI outlined a new strategic plan. Key elements and the progress made over the first half of 2019 include:

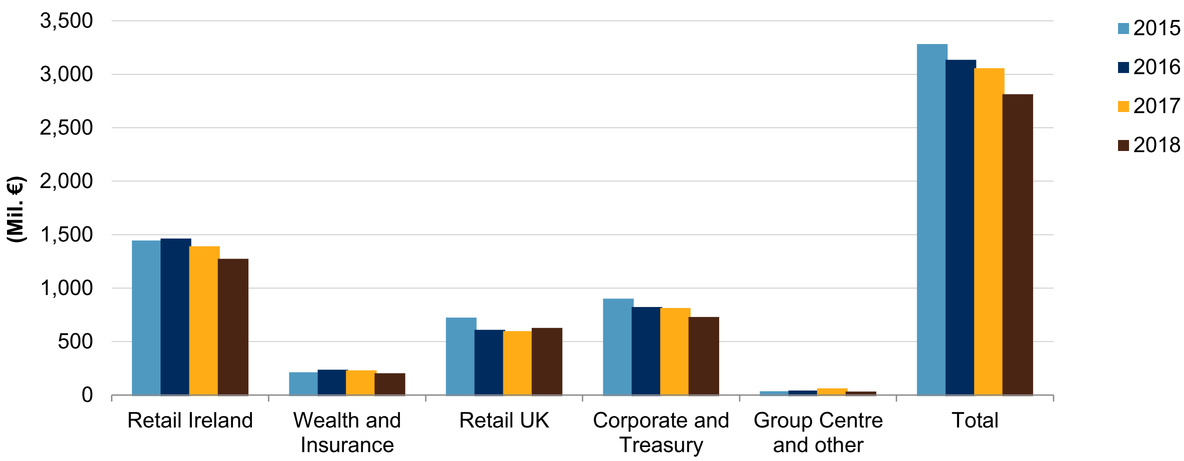
- Group loan book expected to grow by about 20% by 2021 (the net loan book was €77.4 billion at June 30, 2019, up 1.4% from end-2018).
- Completing the transformation of the bank. The investment program was increased to €1.4 billion from €0.9 billion, with absolute cost levels declining year-on-year to 2021.
- Target by 2021 a return on tangible equity of 10%, a cost-income ratio of about 50% and a CET1 ratio in excess of 13% (as of end-June 2019 adjusted RoTE was 6.5%; CET1 ratio stood at 13.6%).

We view the strategy plan as a natural extension of the group's existing plans but consider that some financial targets are ambitious given the weak external environment and low interest rates, notably RoTE and cost efficiency metrics. Loan book growth is reliant upon a step-up in customer loan demand in Ireland. The strong focus upon improvements to systems, the customer experience, and efficiency, sensibly addresses some of the key requirements for any bank as the banking industry adjusts to rapidly changing customer preferences.

The group has enjoyed revenue diversification and stability in recent years (see chart 1), and we are not expecting significant changes in the coming years.

Chart 1

Bank of Ireland Group's Total Operating Income By Division Shows Relative Stability



*As reported. Net of insurance claims. Source: BOI's accounts.

The Irish government has broadly maintained its 14% equity stake in BOI since the Irish banking system was recapitalized in 2011. We assume that this stake will disappear more quickly than its 71% stake in close peer, AIB.

Capital and earnings: Return of excess regulatory capital to shareholders appears unlikely while BOI works through its IT investment phase

We view BOI's capitalization as a rating strength, but earnings are under intensifying pressure. As of end-2018, BOI's risk-adjusted capital (RAC) ratio stood at 11.2%, and we project BOI's RAC ratio to remain unchanged, i.e in the 11.0%-11.5% range, through end-2020.

Our RAC projection is based on the following key assumptions:

- Due to the prolonged low-interest-rate environment and stiff competition in Ireland, we assume a gradually declining net interest margin in the next two years, of approximately 5 basis points (bps) per year, from 2.16% as of mid-2019.
- Pre-provision income in 2020 to be around €1.1 billion, i.e 25%-30% higher than our calculation of €888 million in

2018, principally reflecting new business volumes (already €1 billion of net new lending in the first six months of 2019), gradual amortization of low-yielding tracker mortgages, increasing fees and commissions, and lower operating expenses. We expect cost to income to improve slightly to 65% in 2020 (from 71% at mid-year 2019 by our measures), as transformation costs and investments for core banking system replacement are inevitable.

- Loan loss rate to average around 20bps-25bps through 2019-2020, following an unsustainable net impairment gain in 2018. This 20-25 bps range assumes an orderly Brexit, but could be revised upward in the event of a disruptive no deal Brexit.
- Modest impact from exceptional items, leading overall to a pre-tax profit in the €725 million-€775 million range in 2019-2020 and a return on common equity in around 6.0%.
- A gradual ramping up of dividends toward the bank's target of a 50% payout ratio by the end of the projection period.
- S&P Global Ratings' risk-weighted assets (RWA) to rise by around 5% in both 2019 and 2020, as loan growth becomes more apparent.
- We do not factor potential net new TAC eligible additional tier 1 issuance into our forecast, until consummated.

The quality of capital is consistent with most international peers with our ratio of adjusted common equity to TAC being about 92% at June 30, 2019.

BOI reported a regulatory CET1 ratio of 14.9% on June 30, 2019 (13.6% on a fully loaded basis). BOI's regulatory capital ratio tends to demonstrate a degree of volatility related to its pension scheme. Management's target CET1 ratio is 13%, but takes into account some upcoming RWAs inflation coming from the so-called Basel IV measures.

In our assessment of capital and earnings, we also look beyond the capital analysis and consider both the quality of earnings and earnings capacity. We do not believe that the management's risk appetite in the context of its current strategy is relatively aggressive. We expect our calculation of BOI's earnings buffer, which measures the capacity for pre-provision income to cover our estimation of normalized credit losses through the credit cycle, to be around 80bps in 2019 before climbing to around 90bps in 2020. This may prove to be weaker than some international peers'. Delivering on cost-control measures (including objective to reduce costs to €1.7 billion by 2021) and improvement of the non-interest revenues base will be essential to avoid a pronounced erosion of profitability in the next two years.

Table 2

Bank of Ireland Group PLC--Capital And Earnings

Reporting Period	2019*	2018	2017	2016	2015
(%)					
Criteria reflected in RAC ratios	2017 RAC Criteria	2017 RAC Criteria	2017 RAC Criteria	2017 RAC Criteria	2010 RAC Criteria
Tier 1 capital ratio	16.1	16	17	15.7	14.8
S&P RAC ratio before diversification	N.A.	11.24	10.2	10.1	7.3
S&P RAC ratio after diversification	N.A.	11.37	10.1	10	7.6
Adjusted common equity/total adjusted capital	91.51	92.61	92.2	88	87.9
Net interest income/operating revenues	72.87	75.33	71.6	71.4	74.1

Table 2

Bank of Ireland Group PLC--Capital And Earnings (cont.)					
Fee income/operating revenues	10.22	10.48	10.8	10.6	9.7
Noninterest expenses/operating revenues	71.45	68.66	69.3	60	55.4
Preprovision operating income/average assets	0.68	0.72	0.75	1	1.1
Core earnings/average managed assets	0.39	0.6	0.6	0.7	0.6

*Data as of June 30. Source: S&P Global Ratings database. N.A.-- Not available

Table 3

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

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	18,761	300	2	593	3
Of which regional governments and local authorities	558	63	11	27	5
Institutions and CCPs	6,940	738	11	1,417	20
Corporate	23,130	18,675	81	19,876	86
Retail	53,938	18,563	34	29,024	54
Of which mortgage	45,437	13,138	29	21,161	47
Securitization§	4,142	513	12	1,589	38
Other assets†	595	650	109	1,315	221
Total credit risk	107,505	39,438	37	53,814	50
Credit valuation adjustment					
Total credit valuation adjustment	--	625	--	0	--
Market risk					
Equity in the banking book	0	0	0	0	0
Trading book market risk	--	625	--	938	--
Total market risk	--	625	--	938	--
Operational risk					
Total operational risk	--	4,463	--	6,034	--
(Mil. €)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	--	47,738	--	60,786	100
Total Diversification/ concentration adjustments	--	--	--	(681)	(1)
RWA after diversification	--	47,738	--	60,105	99
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments	--	7,650	16.0	6,831	11.2
Capital ratio after adjustments‡	--	7,650	16.0	6,831	11.4

Table 3

Bank of Ireland Group PLC--Risk-Adjusted Capital Framework Data (cont.)

*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 2018, S&P Global Ratings.

Risk position: Clear distinctions between BOI and its international peers

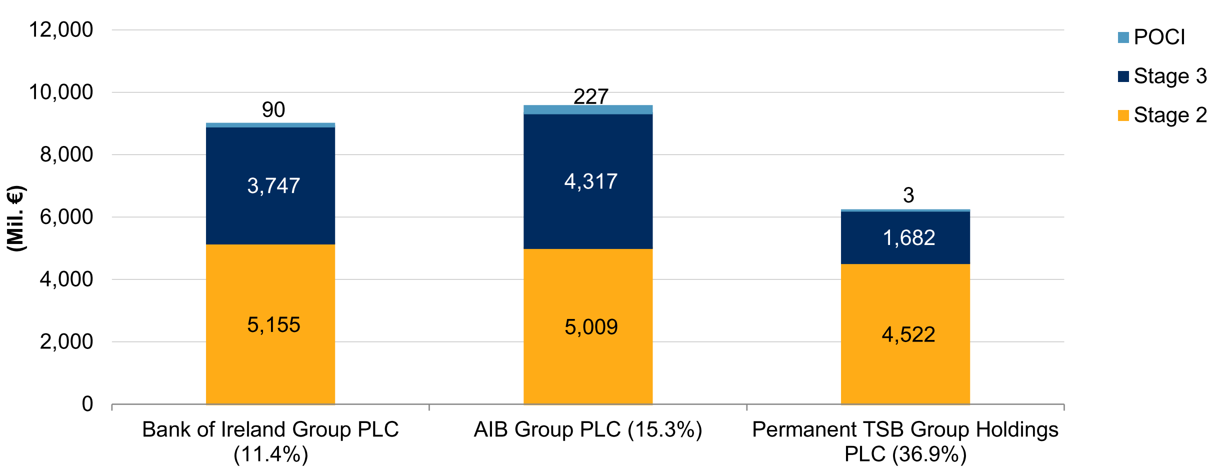
Our risk position assessment is in the context of peers with a similar economic and product mix. We consider that BOI's asset quality is generally better than its Irish peers', but is weaker than international peers. We expect BOI to continue to improve its asset quality but we rather doubt that its metrics will approach international standards in the short term, especially if the external environment worsens.

Relative to Irish peers, BOI benefits from a higher U.K. loan book weighting (about 40%), where asset quality is much better.

BOI stated that Stage 3 loans were €3.8 billion or 4.9% of gross loans at June 30, 2019 (down from €4.6 billion or 5.8% respectively as of end-2018). A broader analysis of asset quality also captures Stage 2 loans. For BOI, total Stage 2 loans were €5.2 billion or 6.5% of gross loans at the same date. These metrics are stronger than at AIB Group and Permanent TSB Group Holdings PLC (see chart 2). Expected credit loss coverage of Stage 3 loans was 33.2%.

Chart 2

NPL Composition For Bank of Ireland Group Versus Other Irish Banks (Mid-2019)



As of June 30, 2019. Ratio in brackets is Stage 2 + Stage 3 + POCI to Gross customer loans. Source: BIOG's accounts.

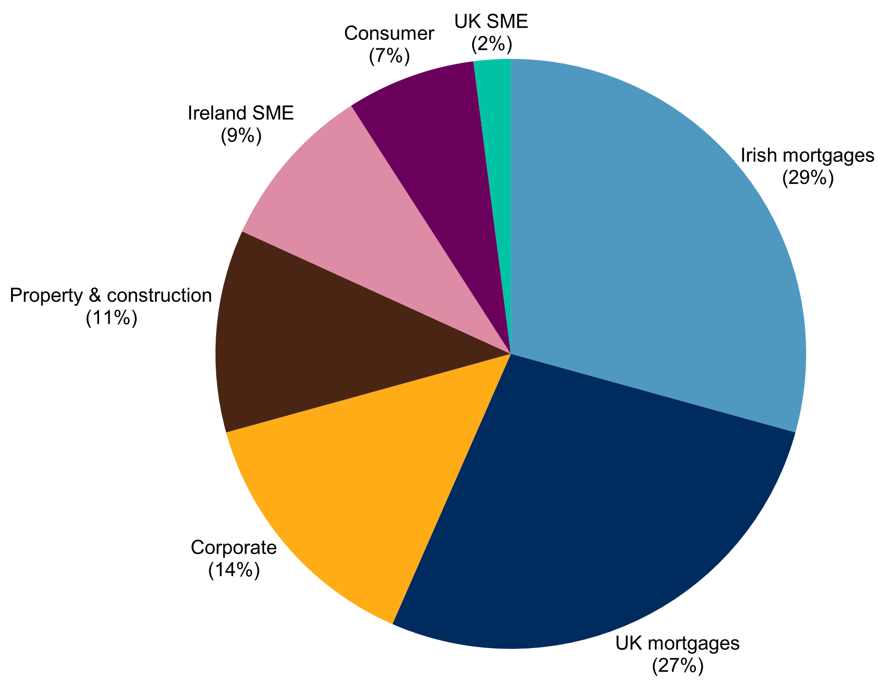
We note that Irish banks are required to use the European Banking Authority's (EBA's) regulatory definition of NPEs for regulatory reporting, EBA stress testing, and for capital planning. BOI reports that the EBA's measure of NPEs post-implementation of IFRS 9 includes loans that are unlikely to pay, collateral disposals and probationary period loans. As of June 30, 2019, BOI reported an NPE measure of €4.2 billion, 5.3% of gross loans, which compares to 7.5%

at AIB and 10% at PTSB. We assume that BOI will report an NPE ratio at or slightly below 5% at end-2019. We do not rule out another mortgage NPE sale in the second half of 2019 but do not consider it is essential to decrease the ratio below 5%.

The loan book is dominated by residential mortgages, which were 57% of gross loans at June 30, 2019, being broadly equally spread between Irish and U.K. mortgages (chart 3). Property and construction is still an important element, at 11% of gross loans, but the segment displays a higher amount of NPEs than the rest of the loan book. Its relative size continues to decrease, however. It was 19% of gross loans at end-2012, for example.

Chart 3

Gross Loan Book Composition For Bank of Ireland Group



As of June 30, 2019. Source: BOIG's accounts.

We anticipate cost of risk normalizing to 20-25 bps in the next two years, potentially more in case of a disruptive Brexit.

Our risk analysis also captures potential non-financial vulnerabilities, such as those emanating from mis-conduct or mis-selling issues. We note that the bank booked in the first half of 2019 a €55 million charge associated with customer redress on the "Tracker Mortgage examination." Moreover, we will observe over time the extent to which the bank has beefed up its risk management and compliance to prevent further occurrence of such issues.

Table 4

Bank Of Ireland Group PLC--Risk Position					
Reporting Period	**2019***	**2018**	**2017**	**2016**	**2015**
(%)					
Growth in customer loans	2.29	0.50	(4.70)	(9.10)	1.20
Total diversification adjustment / S&P RWA before diversification	N.A.	(1.12)	0.70	2.30	(3.80)
Total managed assets/adjusted common equity (x)	19.80	19.55	21.30	21.80	22.90
New loan loss provisions/average customer loans	0.20	(0.05)	0.02	0.20	0.30
Net charge-offs/average customer loans	0.68	1.01	2.00	2.50	2.30
Gross nonperforming assets§/customer loans + other real estate owned	8.35	9.47	10.90	15.20	20.40
Loan loss reserves/gross nonperforming assets§	23.58	22.96	27.60	31.00	31.80

*Data as of June 30. Source: S&P Global Ratings database. §Gross nonperforming loans prior to 2018 - plus 90 days past due loans and renegotiated loans starting from 2018 - Stage 3 + POCI loans. N.A.--Not available.

Funding and liquidity: Balanced profiles

We consider BOI's funding as average, in the context of our view of the Irish banking system, and we expect this to remain the case.

BOI's funding profile benefits from its strong domestic franchise, especially in retail deposits, and it has limited reliance upon short-term wholesale funding. Our calculation of BOI's stable funding metric of 110% at June 30, 2019, supports this view. We don't expect a material change in this metric over the coming months to end-2019.

Consistent with levels posted over recent years, BOI reported a loan-to-deposit ratio of 97% at June 30, 2019. Deposits are largely sourced from retail customers, and are granular in nature. Reflecting the strength of its domestic franchise, current account credit balances were a reported 43% of total customer deposits at June 30, 2019.

Our metric of broad liquid assets to short-term wholesale funding was a relatively high 6x at June 30, 2019. This partly reflects the relative absence of wholesale funding given BOI's multi-year deleveraging. Reported total wholesale funding was €10 billion at June 30, 2019. This compares with reported total liquid assets of €23 billion. We expect BOI's profile to gradually align with international peers'.

Table 5

Bank Of Ireland Group PLC--Funding And Liquidity					
Reporting Period	**2019***	**2018**	**2017**	**2016**	**2015**
(%)					
Core deposits/funding base	86.73	85.33	83.5	82.6	82.8
Customer loans (net)/customer deposits	96.54	96.87	100.5	104.5	105.7
Long term funding ratio	97.29	97.89	93.3	92.7	94.6
Stable funding ratio	110.16	112.82	109.4	106.8	106.2
Short-term wholesale funding/funding base	2.97	2.32	7.3	8.1	5.9
Broad liquid assets/short-term wholesale funding (x)	6.69	9.28	3.2	2.6	3.9
Net broad liquid assets/short-term customer deposits	20.21	23.41	19.7	16.7	21.5
Short-term wholesale funding/total wholesale funding	21.38	15.23	43	44.1	32.6

Table 5

Bank Of Ireland Group PLC--Funding And Liquidity (cont.)					
Reporting Period	**2019***	**2018**	**2017**	**2016**	**2015**
Narrow liquid assets/3-month wholesale funding (x)	18.94	12.18	13.8	9.1	12

*Data as of June 30. Source: S&P Global Ratings database.

Support: Our ALAC measure is rising

Bank of Ireland completed a corporate reorganization in July 2017 that resulted in the creation of Bank of Ireland Group PLC as the listed holding company of the group. Bank of Ireland Group PLC is the ultimate holding company of the group that it heads and is a NOHC. We expect the NOHC to downstream issued debt and equity capital to Bank of Ireland and that, over time, it will become a key vehicle for the group's issuance of long-term instruments designed to absorb losses, whether on a going-concern or nonviability basis.

In September 2017 BOI became the first Irish NOHC to issue MREL eligible instruments: Two dated subordinated instruments with a combined value of around EUR750 million. During 2018 the NOHC has issued two senior notes with a combined value of roughly €1.2 billion, which we include within ALAC. Another senior note for €0.6 billion was issued in July 2019.

As a result, since October 2018, we have incorporated one notch of uplift into the long-term rating on Bank of Ireland because the group's ALAC ratio is today above our 5.0% threshold and we expect this to remain the case. We estimate this metric will be in the range of 6.5%-7.0% over the next two years, in the light of about €1 billion-€2 billion MREL eligible issuance per year anticipated over the next several years.

We view the Irish resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

In addition to the aforementioned MREL issuance we include the majority of the legacy Bank of Ireland junior and subordinated instruments in our ALAC assessment because, over our projection period, we believe they have capacity to absorb losses without triggering a default on Bank of Ireland's senior obligations.

Table 6

Bank of Ireland Group PLC -- Summary of ALAC Calculation As Of Dec. 31, 2018			
		Mil. €	**% of S&P Global Ratings' RWAs**
A	Adjusted common equity	6,326	
B	Hybrids in TAC	505	
C (=A+B)	Total adjusted capital	6,831	11.24
D	TAC in excess of our 10% threshold	752	1.23
E	ALAC-eligible instruments	2,602	
	of which NOHC senior	0	
	of which dated subordinated	2,204	
	of which minimal equity content hybrids	87	
	of which other	311	
F (=D+E)	ALAC buffer	3,394	5.58

Table 6

Bank of Ireland Group PLC -- Summary of ALAC Calculation As Of Dec. 31, 2018 (cont.)		
	Mil. €	**% of S&P Global Ratings' RWAs**
S&P RWA	60,786	

ALAC--Additional Loss-Absorbing Capacity. RWA--Risk-weighted assets. Source: S&P Global Ratings.

Additional rating factors:

No other factors affect the ratings.

Group structure, rated subsidiaries, and hybrids

We do not include notches for ALAC support in the ratings on NOHCs because we do not believe that their senior obligations would continue to receive full and timely payment in a resolution scenario. As a result, the NOHC is rated one notch below the 'bbb' group SACP.

We rate nondeferrable subordinated debt issued by Bank of Ireland two notches below the group SACP, reflecting the debt's contractual subordination as a Tier 2 instrument and our view that the Bank Recovery and Resolution Directive (BRRD) creates the equivalent of a contractual write-down clause. We rate similar issuance by the NOHC one notch lower, reflecting our view of structural subordination.

Resolution counterparty ratings

We set the 'A-/A-2' resolution counterparty ratings (RCRs) on Bank of Ireland one notch above its long-term issuer credit rating. 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.

Related Criteria

- Group Rating Methodology, July 1, 2019
- Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011

- Use Of CreditWatch And Outlooks, Sept. 14, 2009
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- Banking Industry Country Risk Assessment: Ireland, Dec. 17, 2018
- Various Positive Rating Actions Taken On Irish Banks On Improving Funding Profile, Dec. 17, 2018
- Bank of Ireland Upgraded TO 'BBB+' On Growing ALAC Buffer; Holding Company Ratings Affirmed; Outlook Remains Positive, Oct. 3, 2018
- Merely A Win, No Grand Slam Glory For Irish Banks, March 26, 2018

Ratings Detail (As Of August 30, 2019)*	
Bank of Ireland Group PLC	
Issuer Credit Rating	BBB-/Positive/A-3
Senior Unsecured	A-3
Senior Unsecured	BBB-
Subordinated	BB
Issuer Credit Ratings History	
12-Dec-2017	BBB-/Positive/A-3
14-Jul-2017	BBB-/Stable/A-3
Sovereign Rating	
Ireland	A+/Stable/A-1
Related Entities	
Bank of Ireland	
Issuer Credit Rating	BBB+/Positive/A-2
Resolution Counterparty Rating	A-/--/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated	BB-
Preference Stock	BB-
Senior Unsecured	A-2
Senior Unsecured	BBB+
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.