FitchRatings

Bank of Ireland Group plc

Banks
Bank Holding Companies
Ireland

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Government Support Rating	ns

Sovereign Risk (Ireland)

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms Bank of Ireland Group plc at 'BBB'; Outlook Stable (September 2022)
Fitch Affirms Bank of Ireland UK at 'BBB+'; Outlook Stable (September 2022)
Sovereign Data Comparator (September 2022)
Global Economic Outlook (September 2022)
Fitch Affirms Ireland at 'AA-'; Outlook Stable (July 2022)

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Key Rating Drivers

Leading Domestic Bank; Diversified Business: Bank of Ireland Group plc's (BOIG) ratings are driven by the group's reasonably diversified business model; a leading retail and corporate-banking franchise primarily focused on the small and concentrated Irish market; sound regulatory capitalisation; and a stable funding and liquidity profile. The ratings also consider the group's asset quality, which is weaker than that of international peers, still influenced to some extent by impaired loans underwritten before the global financial crisis.

Above-Average, but Stable, Impaired Loans: BOIG has been reducing its stock of impaired loans (Stage 3) in recent years through workouts and portfolio sales. Its impaired loans ratio stayed flat at 5.3% at end-1H22 from end-2021, while the Stage 2 loans ratio decreased to 13.4% from 15.8%, mainly due to declines in pandemic-driven management adjustments. We expect the impaired loans ratio to decline in 2022 from impaired loans disposals and then remain stable from new inflows, despite loan acquisitions.

Prospects of Increasing Earnings Diversification: BOIG's profitability is supported by its reasonably diversified business model and a leading market position in Ireland, which will benefit from the acquisitions of Davy's stockbrokers and KBC Ireland's performing loans and deposits. The acquisition of Davy's stockbrokers will support diversification towards non-interest revenue, which is already a strength relative to domestic peers, due to BOIG's larger wealth management and insurance activities.

Adequate Capitalisation: The group's regulatory capital and leverage ratios are sound. Its transitional common equity Tier 1 (CET1) ratio of 16.0% at end-1H22 (15.5% fully-loaded) was well above the 2022 minimum regulatory requirements of 10.07% (excluding Pillar 2 Guidance). BOIG's end-2021 leverage ratio of 6.6% was comfortable. Capital encumbrance by unreserved impaired loans, at 28% of CET1 capital at end-2021, remains fairly high compared with peers.

Stable Funding, Rating Strength: The group benefits from a strong retail-banking franchise and access to a stable and granular deposit base, particularly in its home market. Non-interest-bearing current account balances make up a large proportion of total customer deposits. The group has proven and diversified access to the wholesale markets, which it regularly taps principally for minimum requirement for own funds and eligible liabilities (MREL) purposes, given abundant customer deposits. Liquidity is sound and largely in the form of cash and cash equivalents and high-quality liquid assets, supported by contingent access to liquidity through various central bank facilities.

Holdco VR Equalised with Opco: Fitch assesses BOIG (the group's holding company) on a consolidated basis. Its VR is aligned with that of its main operating subsidiary, Bank of Ireland (BOI), which is also based in Ireland, to reflect the absence of material double leverage at the holding company, prudent liquidity management with contingency plans in place, and the fungibility of capital and liquidity across the group, subject to its operating companies fulfilling their regulatory requirements.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Deteriorating Operating Environment, Asset Quality: The ratings would likely be downgraded if a deterioration of economic performance and the operating environment for banks in Ireland and the UK increases the group's impaired loans ratio towards 10%, and BOIG is unable to reduce its stock of impaired loans fairly quickly, or if capital encumbrance by impaired loans increases significantly without prospects of recovering within a reasonable timeframe. This is not our baseline scenario.

The ratings would also be downgraded if the group's fully loaded CET1 ratio fell below 13%, following losses or risk-weighted assets (RWA) increased without prospects of sufficient internal capital generation.

BOIG's VR would also be downgraded if the holding company's double leverage durably increases to above 120%, which we do not expect.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Improved Asset Quality and Profitability: An upgrade would require the group to generate operating profit/RWAs sustainably above 2%, reduce impaired loans to about 3% of gross loans, and significantly reduce capital encumbrance.

Other Debt and Issuer Ratings

Issuer Ratings

Rating Level	Bank of Ireland Group plc (BOIG)	Bank of Ireland (BOI)	Bank of Ireland (UK) Plc (BOI UK)
Long-Term IDR	BBB/Stable	BBB+/Stable	BBB+/Stable
Short-Term IDR	F2	F2	F2
Viability Rating (VR)	bbb	bbb	bbb
Government Support Rating (GSR)	ns[a]	ns	
Shareholder Support Rating (SSR)			bbb+
Derivative Counterparty Rating (DCR)		BBB+(dcr)	BBB+(dcr)

[a] ns = 'no support'
Source: Fitch Ratings

BOIG's Long-Term IDR and long-term senior debt rating are in line with the group's VR.

BOI's Long-Term IDR, DCR and long-term senior debt rating are one notch above the bank's VR to reflect the protection of BOI's senior third-party creditors by resolution funds ultimately raised by BOIG, down-streamed to BOI and designed to protect the operating company's external senior creditors in a group failure. The buffers of junior and down-streamed holding-company senior debt are built to comply with MREL.

BOIG's Short-Term IDR and short-term senior debt ratings are the higher of two options corresponding to the group's 'BBB' Long-Term IDR and long-term senior debt ratings. BOI's Short-Term IDR and short-term senior debt ratings are the lower of two options corresponding to the bank's Long-Term IDR and long-term senior debt ratings of 'BBB+'. This is based on our assessment of the group's funding and liquidity, which at 'bbb+' warrants 'F2' short-term ratings.

BOI UK is fully owned by Bank of Ireland (BOI), and its IDRs are equalised with BOI's. Our support assessment of BOI UK's SSR at 'bbb+' reflects our view that the probability of support from BOI is high. This is underpinned by a record of unquestioned support from the parent, strong integration into the group, high fungibility of capital and funding between BOI UK and the group, and the high reputational risk the group would face in case of BOI UK's default. The IDRs also reflect the protection of its third-party senior liabilities provided by the group's buffers of junior and senior debt.

BOI's DCR is aligned with the bank's Long-Term IDR because under Irish legislation, derivative counterparties have no preferential status over other senior obligations in a resolution.

No Government Support Expected: BOIG's and BOI's GSRs of 'ns' reflect Fitch's view that senior creditors cannot rely on extraordinary support from the Irish authorities in the event that the bank becomes non-viable. In our opinion, the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism provide a framework that is likely to require senior creditors to participate in losses for resolving the bank.

Debt Rating Classes

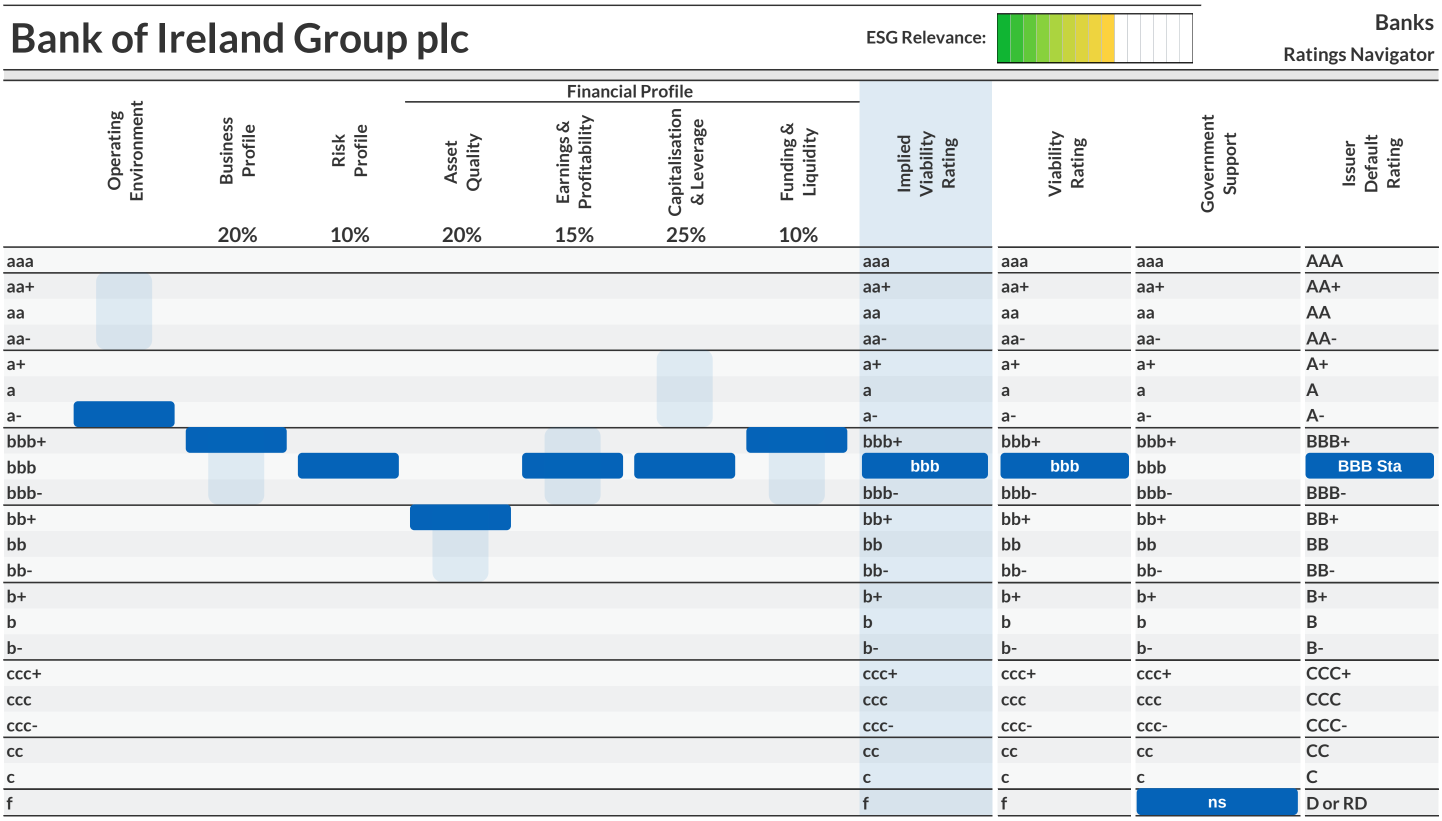
Rating Level	BOIG	BOI
Senior unsecured	BBB	BBB+
Tier 2 subordinated debt	BB+	BB+
Additional Tier 1 (AT1)	BB-	

Source: Fitch Ratings

Subordinated Debt: The rating of BOIG's and BOI's subordinated Tier 2 debt is notched down twice from the respective VRs. This reflects the notes' poor recovery prospects arising from their subordinated status in a resolution. We do not notch for non-performance risk because the terms of the notes do not provide for loss absorption on a going-concern basis.

Additional Tier 1 Instruments: BOIG's additional Tier 1 notes are rated four notches below the group's VR. This reflects poor recovery prospects arising from their subordinated status (two notches) as well as incremental non-performance risk relative to the VR (two notches), given fully discretionary coupon payments and mandatory coupon restriction features.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The 'a-' operating environment score has been assigned below the 'aa' implied score due to the following adjustment reasons: Size and Structure of Economy (negative) and Level and Growth of Credit (negative), Reported and Future Metrics (negative). The operating environment score is one notch higher than that applied to overwhelmingly domestic banks to reflect BOIG's international diversification in the UK.

The 'bbb' capitalisation & Leverage score has been assigned below the 'a' implied score due to the following adjustment reason: Reserve Coverage and Asset Valuation (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Moderating Growth, Operating Environment Still Supportive for Banks

Despite downward revisions to our growth forecasts, we still expect Ireland's economy to grow near its potential rate. We forecast the modified domestic demand, which excludes the effects of multinational enterprises (MNE) activity on Irish GDP and is a better measure of domestic economic performance, to expand on average 4% between 2022 and 2024, much stronger than the eurozone's weighted average at 2.4%. Spill overs from the strong MNE sector, tight labour market and increased government spending are key factors explaining Ireland's relative economic strength.

There are downside risks to our forecasts since the European gas crisis, high inflation and a sharp acceleration in the pace of monetary policy tightening are taking a heavy toll. Ireland does not import energy from Russia and direct exposure to Russia, Belarus and Ukraine through trade, energy and financial channels is negligible. But second-round effects would likely affect its economic growth and public finances. Brexit and global tax reform risks adds uncertainty to the picture. At the same time, the Irish economy enters this period of uncertainty with strong buffers. Fitch upgraded Ireland's sovereign rating to 'AA-'/Stable in January 2022 to reflect the expectation of a continued improvement in fiscal metrics, and debt reduction supported by strong economic performance.

For the large Irish banks direct exposure to Russia, Belarus and Ukraine is also almost non-existent, but the indirect effects of soaring inflation, moderating GDP growth in combination with withdrawal of pandemic support could result in higher-than-anticipated default rates. Nonetheless, sustained positive economic performance should support the banks' performance and continued legacy risk reduction. The large Irish banks' capital ratios are stronger than those of their European peers, funding and liquidity profiles are robust and the banks are positioned to benefit from the recent interest rate increases through stronger interest income. These factors in combination mitigate concerns over emerging credit risks.

Business Profile

Dominant Banking Group in Ireland; Diversified Business

BOIG has strong market shares in Ireland across retail and commercial products. The bank benefits from the country's concentrated banking sector, resulting in considerable deposit and loan pricing power. Its business model and company profile are supported by diversification into the UK and wealth and insurance business in Ireland.

The group's franchise is supported by a large distribution network, including a branch network in Ireland and Northern Ireland (182 at end-1H22; 169 Ireland, 13 Northern Ireland), as well as digital channels. As part of a smaller branch footprint BOIG has a partnership with An Post (the state-owned postal service) which offers basic banking services to BOIG's clients at over 900 locations across Ireland.

The group's UK business, conducted mainly through its UK subsidiary, is long-standing and has proven a consistent source of revenue. Being a challenger bank with an undiversified business model, limited franchise and relying on third-party partnerships, the UK subsidiary has moved towards a greater focus on specialised higher-margin products.

Strategy Focussed on Reducing Costs, Improving Returns and Integrating Acquisitions

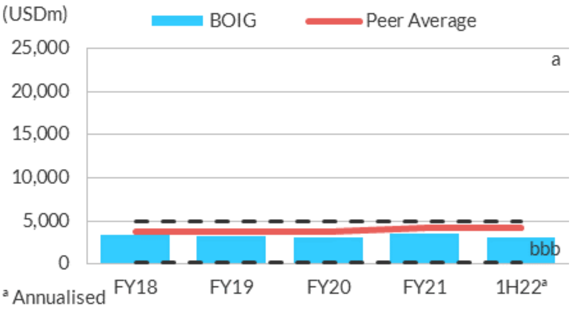
BOIG's strategic priorities include addressing the group's cost efficiency, with management guidance at 1H22 that 2022 costs are expected to be lower than 2021 after absorbing inflation (excluding acquisitions and one-off costs from onboarding customers from exiting banks). This is to be achieved through digitalisation, accelerated by pandemic-induced changes in customer behaviour; branch and headcount reductions; UK business model simplification and a reduced property footprint.

Continuing to build on BOIG's source of fee income through its wealth and insurance business remains one of the bank's strategic priorities, and the Davy acquisition should help support this aim. We expect a strategy refresh to take place in 2023 as the assets and liabilities of KBC Bank Ireland will transfer to BOIG, thus completing this phase of domestic acquisitions.

Sustainably reducing the bank's stock of non-performing exposures (NPEs) by means of organic and non-organic measures is also key. The bank's record of reducing its stock of NPEs is strong and investor demand for Irish assets is supportive.

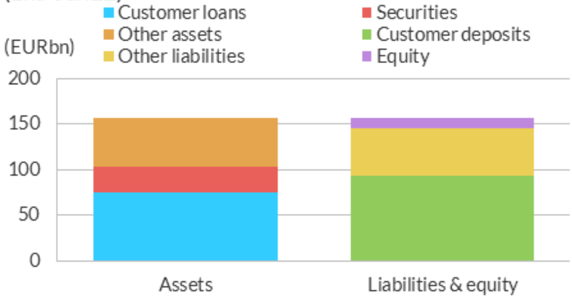
The UK subsidiary has made meaningful progress in shrinking its balance sheet and improving funding costs and net interest margin (NIM). It has also grown the share of higher yielding bespoke mortgage lending and reduced more expensive deposit accounts.

Total Operating Income



Source: Fitch Ratings, Fitch Solutions

Balance Sheet
(End-Jun 22)



Source: Fitch Ratings, BOIG

Risk Profile

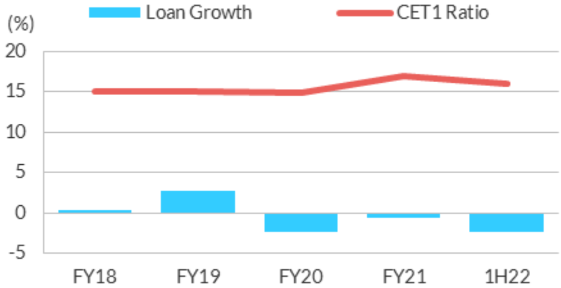
Sound Underwriting, Adequate Controls, Modest Market Risk

We consider BOIG's underwriting standards to be broadly in line with international peers' after being tightened following the financial crisis. Lending over the past ten years has performed well, although it has benefited from low interest rates and a supportive domestic economic environment. Mortgage loan origination in Ireland is conservative and supported by central bank rules which limit the proportion of higher loan-to-value ratios (LTV) in new lending and a maximum loan-to-income. New average LTV lending in Ireland for BOIG was 74% in 1H22.

The group's risk control framework is adequate and underpinned by persistent oversight from the Irish regulator. BOIG's risk awareness was evidenced by a prudent increase in loan loss provisions early in the coronavirus crisis, which coverage levels have been maintained an a relatively high level (2.5% total loan loss allowances/gross loans at end-1H22). About 26% of loan loss allowances at end-1H22 related to Stage 1 and Stage 2 loans.

Gross new lending of EUR7.7 billion (excluding corporate revolving credit facilities) in 1H22 was 19% higher than its 1H21 level, mainly driven by growth across both retail and corporate lending. The UK book shrunk by EUR2 billion due to the bank's continuing deleveraging strategy in the UK, which is expected to continue into 2H22, although at a moderating pace.

Loan Growth



Source: Fitch Ratings, BOIG

Financial Profile

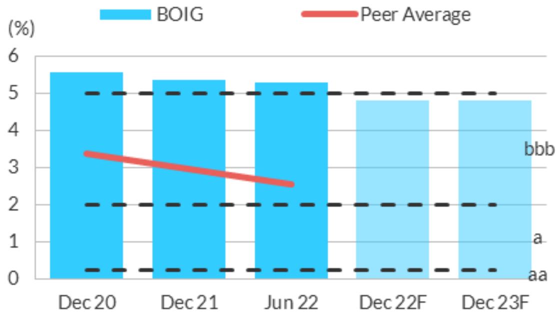
Asset Quality

Stable Asset Quality

BOIG's asset quality metrics have remained stable throughout the pandemic period at around 5%. The ratio has been supported by NPL sales during the pandemic which has offset pandemic-driven stage 3 loans. We expect the impaired loans ratio to be supported in 2H22 by further loan NPL sales and in 2023 for the ratio to be supported by the acquisition of KBC Ireland's performing mortgage book (approximately EUR9 billion). Nevertheless, we expect new NPL inflows to occur, as the macroeconomic environment turns more negative.

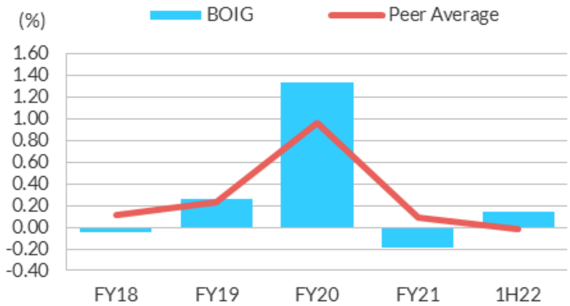
Residential mortgage loans account for almost 40% of the group's Stage 3 loans split between Ireland (EUR0.9 billion) and the UK (EUR0.7 billion), with the remainder evenly split between SME and corporates (EUR1.5 billion) and property and construction (EUR0.8 billion). We expect the further NPL sale planned for 2022 to reduce legacy long-term arrears in Irish mortgages to a de minimis.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Loan Impairment Charges/Average Gross Loans



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Adequate Structural Profitability

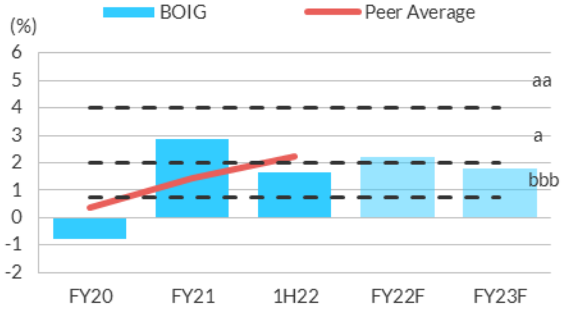
BOIG reported a reasonable first half in 2022 with a net income of EUR279m (1H21: EUR341 million helped by low LICs). In 1H22 the bank took larger net loan and securities impairment charges of EUR47 million compared to 1H21's EUR1 million. The increased impairment charge in 1H22 reflects current economic uncertainty and maintenance of coverage levels. The bank expects 2022 impairment charges to be less than 20bp for 2022, which was 14bp in 1H22.

Net interest margin (NIM) increased by 5bp yoy in 1H22 to 189bp as per Fitch calculations, helped by increased lending margins and charging of negative rates on deposits (EUR14.8bn deposits on negative rates in 1H22, which were ceased in August 2022). Increased growth of liquid assets from drawings of targeted longer-term refinancing operations (TLTROs) acts as a drag on the NIM ratio, however it benefits net interest income in absolute terms. The bank will benefit from rising rates given sizeable customer deposits subject to negligible passthrough, particularly in Ireland, large ECB deposit balances, and a sizeable portion of its lending on floating rate.

We believe the acquisition of Davy's stockbrokers will support diversification towards non-interest revenue, which is already a strength relative to domestic peers, due to BOIG's larger wealth management and insurance activities. The Davy's acquisition has already helped to double its assets under management to EUR39 billion at end-1H22.

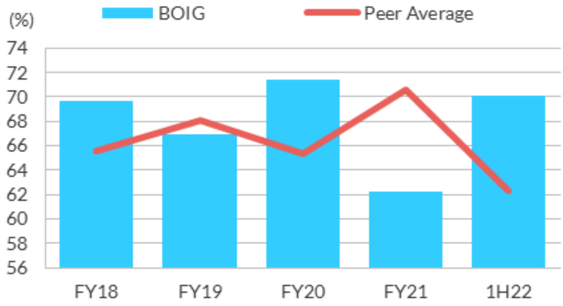
BOIG's cost-to-income (CIR) ratio has improved to 70% in 1H22 yoy (1H21: 71%; 1H20: 78%, 2019: 67%) due mainly due to an improvement in expenses. We expect further improvements in the bank's CIR over the medium term from loan book expansion and further operational efficiency gains from the bank's simplification program, despite increased inflationary cost pressures.

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Non-Interest Expense/Gross Revenue



Source: Fitch Ratings, Fitch Solutions

Capital and Leverage

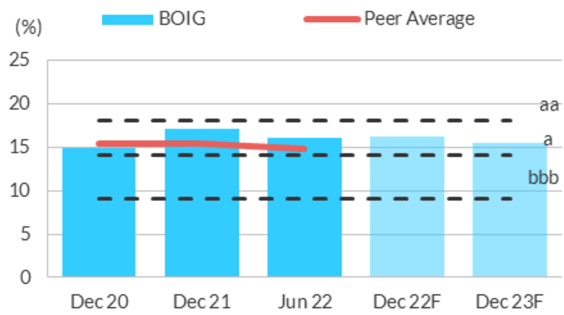
Adequate Capitalisation

BOIG's fully-loaded CET1 ratio decreased 50bp over 1H22 to a sound 15.5% at end-1H22, mainly due to 80bp of capital consumed by the Davy acquisiton and 30bp of RWA growth. The ratio was supported by 60bp of organic capital generation. BOIG's regulatory total capital ratio was 21.2% at end-1H22, with a strong 665bp of headroom above capital requirements of 14.55% (excluding Pillar 2 Guidance).

The group's mid-term target has been increased to 13.5% from 13% for its CET1 ratio, reflecting the increases in the countercyclical buffers. Foreseeable distribution accrual of around 50% in 1H22 is in line with 2021 when the group distributed a EUR54 million dividend and a EUR50 million ordinary share buyback. The acquisition of the KBC loan portfolios is expected to consume 120bp CET1 capital when it completes in 1Q23.

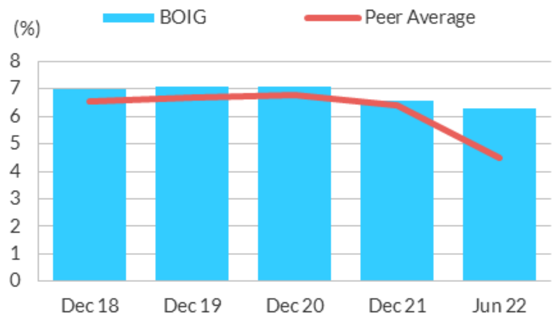
At end-1H22 BOIG had a MREL ratio of 32.4% of RWAs and 11.4% on a leverage basis, fully complying with its January 2022 intermediate binding targets of 24.95% and 7.59% respectively.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Basel Leverage Ratio



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

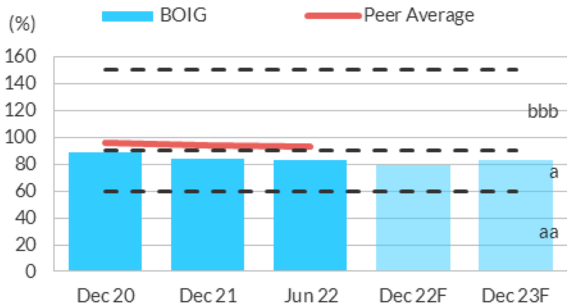
Funding a Rating Strength

BOIG's funding is underpinned by its strong retail banking franchise and access to stable and granular retail deposits, particularly in Ireland. Retail deposits totalled EUR85 billion (Retail Ireland: EUR69 billion; Retail UK: EUR16 billion) at end-1H22, 90% of total customer deposits. Overall customer deposits stayed flat in 1H22, however retail Ireland deposits grew by EUR5bn (+6% in 1H22) supported by the market structure consolidation (includes a 110% increase in new current account openings yoy), offset by intentional reductions in the UK (-16% in 1H22). The loans/deposits (LTD) ratio reduced to 83% at end-1H22 (84% end-2021, 96% end-2019 for reference) due mainly to planned deleveraging in the UK loan book.

Following the July 2022 interest rate hike by the ECB, BOIG ceased to apply negative rates to nearly EUR15 billion of customer deposits, around 16% of deposits. Wholesale funding is modest, totalling 15% of total liabilities. The majority of wholesale funding is secured funding from central banks (EUR13 billion), of which EUR10.8 billion is drawings from TLTRO III, which the bank expects to maintain until maturity in March 2024. Institutional long-term funding is almost exclusively for MREL compliance.

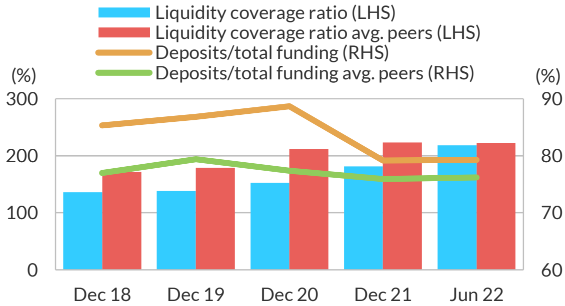
Liquidity is sound and is in the form of cash and cash equivalents and high-quality liquid assets supported by contingent access to liquidity through various central bank facilities. On-balance sheet liquid assets totalled EUR52 billion (33% of total assets); mainly cash and balances at central banks (EUR38 billion) and highly rated government bonds (EUR6 billion). The bank's liquidity coverage ratio and net stable funding ratio have been comfortably above minimum requirements.

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding & Liquidity vs. Peers



Source: Fitch Ratings, Fitch Solutions

About Fitch Forecasts: The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events such as planned recapitalizations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

"Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Light-blue columns represent Fitch's forecasts.

Peer average includes AIB Group plc (VR:bbb), Banco de Sabadell, S.A. (bbb-), CaixaBank, S.A. (bbb+), Kutxabank, S.A. (bbb+), Virgin Money UK PLC (bbb+), Credito Emiliano S.p.A. (bbb). (Financial year end of Virgin Money UK PLC is 30-Sep).

Financials

Summary Financials

	30 Jun 22		31 Dec 21	31 Dec 20	31 Dec 19
	6 months - interim (USDm) Reviewed - unqualified	6 months - interim (EURm) Reviewed - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified
Summary income statement					
Net interest and dividend income	1,119	1,077.0	2,230.0	2,090.0	2,156.0
Net fees and commissions	129	124.0	269.0	256.0	305.0
Other operating income	210	202.0	495.0	295.0	488.0
Total operating income	1,457	1,403.0	2,994.0	2,641.0	2,949.0
Operating costs	1,007	969.0	1,859.0	1,888.0	1,949.0
Pre-impairment operating profit	451	434.0	1,135.0	753.0	1,000.0
Loan and other impairment charges	49	47.0	-194.0	1,133.0	214.0
Operating profit	402	387.0	1,329.0	-380.0	786.0
Other non-operating items (net)	-54	-52.0	-108.0	-380.0	-141.0
Tax	58	56.0	166.0	-53.0	197.0
Net income	290	279.0	1,055.0	-707.0	448.0
Other comprehensive income	599	577.0	732.0	-266.0	175.0
Fitch comprehensive income	889	856.0	1,787.0	-973.0	623.0
Summary balance sheet					
Assets					
Gross loans	79,454	76,494.0	78,304.0	78,823.0	80,795.0
- Of which impaired	4,193	4,037.0	4,185.0	4,376.0	3,099.0
Loan loss allowances	1,951	1,878.0	1,958.0	2,242.0	1,308.0
Net loans	77,504	74,616.0	76,346.0	76,581.0	79,487.0
Interbank	3,161	3,043.0	2,750.0	2,453.0	3,328.0
Derivatives	3,481	3,351.0	1,571.0	2,217.0	1,999.0
Other securities and earning assets	30,294	29,165.0	38,673.0	37,518.0	34,663.0
Total earning assets	114,439	110,175.0	119,340.0	118,769.0	119,477.0
Cash and due from banks	40,040	38,548.0	31,360.0	10,953.0	8,325.0
Other assets	7,718	7,430.0	4,568.0	4,032.0	4,081.0
Total assets	162,196	156,153.0	155,268.0	133,754.0	131,883.0
Liabilities					
Customer deposits	96,153	92,570.0	92,754.0	88,519.0	83,933.0
Interbank and other short-term funding	12,339	11,879.0	12,946.0	2,506.0	2,214.0
Other long-term funding	11,646	11,212.0	10,335.0	7,681.0	10,372.0
Trading liabilities and derivatives	4,508	4,340.0	2,245.0	2,257.0	2,478.0
Total funding and derivatives	124,645	120,001.0	118,280.0	100,963.0	98,997.0
Other liabilities	24,898	23,970.0	25,521.0	23,050.0	22,326.0
Preference shares and hybrid capital	1,134	1,092.0	1,095.0	1,086.0	127.0
Total equity	11,519	11,090.0	10,372.0	8,655.0	10,433.0
Total liabilities and equity	162,196	156,153.0	155,268.0	133,754.0	131,883.0
Exchange rate		USD1 = EUR0.96274	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings

Key Ratios

	30 Jun 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.7	2.9	-0.8	1.6
Net interest income/average earning assets	1.9	1.9	1.8	1.8
Non-interest expense/gross revenue	70.1	62.2	71.4	67.0
Net income/average equity	5.2	11.2	-7.5	4.4
Asset quality				
Impaired loans ratio	5.3	5.3	5.6	3.8
Growth in gross loans	-2.3	-0.7	-2.4	2.7
Loan loss allowances/impaired loans	46.5	46.8	51.2	42.2
Loan impairment charges/average gross loans	0.1	-0.2	1.3	0.3
Capitalisation				
Common equity Tier 1 ratio	16.0	17.0	14.9	15.0
Fully loaded common equity Tier 1 ratio	15.5	16.7	13.4	13.8
Tangible common equity/tangible assets	5.7	5.6	5.1	6.6
Basel leverage ratio	6.3	6.6	7.1	7.1
Net impaired loans/common equity Tier 1	28.5	28.2	29.6	23.8
Funding and liquidity				
Gross loans/customer deposits	82.6	84.4	89.1	96.3
Liquidity coverage ratio	218.0	181.4	153.0	138.0
Customer deposits / total non-equity funding	79.3	79.2	88.7	86.9
Net stable funding ratio	149.0	143.8	138.0	131.0

Source: Fitch Ratings

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A or A-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

No Government Support Factored into Ratings

We believe that BOIG's and BOI's senior creditors cannot rely on extraordinary support from the Irish authorities if the bank is declared non-viable. This is in line with other Irish and eurozone banks. It reflects our belief that the authorities' propensity to support the banking system and their ability to do so ahead of senior bondholders participating in losses has decreased materially following the implementation of recovery and resolution legislation.

Environmental, Social and Governance Considerations

Overall ESG

Overall ESG
5
4
3
2
1

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	Error 204		n.a.	n.a.	5
Energy Management	Error 204		n.a.	n.a.	4
Water & Wastewater Management	Error 204		n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	Error 204		n.a.	n.a.	2
Exposure to Environmental Impacts	2		Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2		Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1		n.a.	n.a.	2
Exposure to Social Impacts	2		Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference	G Scale
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3		Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
					1

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

DISCLAIMER & DISCLOSURES