

20 MAY 2025

## Fitch Upgrades Permanent TSB Group to 'BBB'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 20 May 2025: Fitch Ratings has upgraded Permanent TSB Group Holdings plc's (PTSBGH) Long-Term Issuer Default Rating (IDR) to 'BBB' from 'BBB-' and Viability Rating (VR) to 'bbb' from 'bbb-'. Fitch has also upgraded the Long-Term IDR of the group's operating bank, Permanent TSB plc (PTSB), to 'BBB+' from 'BBB'. The Outlooks on the Long-Term IDRs are Stable. A full list of rating actions is below.

The upgrades reflect Fitch's expectation that recent improvement in PTSBGH's asset quality will be sustained due to its conservative focus on low-risk residential mortgage lending. Its expansion into riskier SME lending poses some risk but comes from a low level in a resilient operating environment, ensuring the group maintains its low risk profile as a predominantly retail mortgage lender.

### Key Rating Drivers

**Small Irish Mortgage Lender:** PTSBGH's ratings are underpinned by a moderate risk profile, with a business weighted toward low-risk residential mortgage loans, and structurally improved asset quality. These balance its small domestic franchise, which lacks the scale and breadth of the two dominant larger Irish banks, and its simple but undiversified business model concentrated on a small market. The ratings also reflect the bank's satisfactory capitalisation, adequate profitability, and a stable but undiversified funding profile underpinned by a granular and stable deposit base.

**Simple, Concentrated Business Model:** PTSBGH is Ireland's third-largest commercial bank, although its asset base considerably trails that of its two large domestic peers. It operates exclusively in its home market, with a strategy focused on retail banking and a product offering dominated by mortgage loans and savings. Residential mortgage loans accounted for more than 90% of the bank's total gross loans at end-2024.

**Moderate Risk Profile:** Fitch expects PTSBGH to maintain a conservative risk appetite, given its focus on low-risk residential mortgage lending in Ireland. Planned growth in SME lending and asset finance poses some risk in the medium term due to the bank's more limited record in these segments. However, we expect the risks will be contained as growth will be fairly modest overall and highly granular, while SME lending will be mostly secured on property. We do not expect non-mortgage loan growth to result in a material change in the bank's loan mix.

**Asset Quality Above Sector Average:** The bank's impaired loans ratio fell to 1.8% at end-2024 (end-2023: 3.3%) due to an impaired loan portfolio sale, and was lower than the about 2.5% average of its domestic peers. We expect lingering macroeconomic uncertainty to put some near-term pressure

on asset quality. However, deterioration is likely to be modest, and healthy loan growth should keep the ratio close to 2% in 2025.

**Adequate Profitability:** PTSBGH has acceptable profitability for its simple and concentrated business model, which results in weaker earnings diversification than peers. The operating profit/risk-weighted assets (RWAs) ratio rose to 1.6% in 2024 (2023: 1.4%), helped by higher-for-longer interest rates that supported net interest income and a large reversal of loan impairment charges. We expect operating profit to fall close to 1% of RWAs in 2025 on lower interest rates and low loan impairment charges.

**Satisfactory Capitalisation:** Our view of PTSBGH's capitalisation considers its satisfactory buffers above regulatory minimum requirements, moderate risk profile, and improved internal capital generation. Its fully loaded common equity Tier 1 ratio (end-2024: 14.7%) was above its long-term target minimum of around 14%.

**Stable Deposit Funding:** Stable and granular retail deposits form most of PTSBGH's funding (about 86% at end-2024), underpinning Fitch's assessment of the bank's stable funding and satisfactory liquidity. Wholesale funding is limited to building resolution buffers but is more sensitive to investor confidence and more expensive than at larger Irish peers.

**Holdco VR Equalised with Opco:** Fitch assesses the group on a consolidated basis. PTSBGH acts as the holding company of the Permanent TSB group and the issuing entity to meet the group's minimum requirements for own funds and eligible liabilities (MREL). PTSBGH's VR is aligned with that of PTSB, to reflect the absence of material double leverage at the holding company and prudent liquidity management.

## Rating Sensitivities

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

PTSBGH's ratings are primarily sensitive to a material and prolonged weakening of the Irish operating environment, if that structurally reduces business opportunities for banks and results in higher risk in the economy.

The ratings would also be downgraded if the group's impaired loans ratio rose durably above 3%, and the operating profit and the common equity Tier 1 ratio fell and were sustained below 1% of RWAs and 14%, respectively.

PTSBGH's VR would also be downgraded if the holding company's double leverage was sustained above 120%, which we do not expect.

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

An upgrade could result from a stronger business profile, as reflected in greater earnings diversification, while maintaining its market share of residential mortgage lending. This would result in improved profitability, as reflected in the operating profit rising to above 2% of RWAs on a sustained

basis. An upgrade would also require the impaired loan ratio to be sustained below 3%, while maintaining its moderate risk profile and satisfactory capitalisation, with the common equity Tier 1 ratio above 14%.

## **OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS**

PTSB's Long-Term IDR is notched up once from the VR to reflect the additional protection to external senior creditors afforded by internal MREL debt buffers. These buffers are underpinned by the group's strategy to fulfil MREL exclusively with holding company senior unsecured and more junior debt. Under the group's single-point-of-entry resolution strategy, senior debt issued at the holding level is channelled to PTSB and statutorily subordinated to external senior creditors. PTSB's end-2024 MREL ratio of 35.2% was well above its requirement of 28.2% (including the combined buffer requirement) from 1 January 2025.

PTSB's Short-Term IDR has been upgraded to 'F2' from 'F3' and is the lower of the two options mapping to a Long-Term IDR of 'BBB+'. PTSBGH's Short-Term IDR of 'F3' is the lower of the two options mapping to a Long-Term IDR of 'BBB'. In both cases the lower of the two options reflects the group's funding and liquidity score at 'bbb'.

The long-term ratings for PTSBGH and PTSB's EUR15 billion euro note issuance programme are aligned with their Long-Term IDRs. This is because we believe a default on senior unsecured obligations from the programme would equate to a default of the issuers themselves and we expect recoveries to be average.

PTSBGH's and PTSB's Government Support Ratings (GSR) of 'no support' reflect Fitch's view that senior creditors cannot rely on extraordinary support from the Irish authorities if the group becomes non-viable. In our opinion, the EU's Bank Recovery and Resolution Directive and Single Resolution Mechanism provide a framework that is likely to require senior creditors to participate in losses for resolving the bank.

## **OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES**

The Short-Term IDRs are sensitive to changes in the issuers' Long-Term IDRs and our assessment of the group's funding and liquidity.

The long-term ratings on the euro note issuance programme are sensitive to changes in the issuers' Long-Term IDRs.

An upgrade of the GSRs would be contingent on a positive change in the sovereign's propensity to support its banks. While not impossible, this is highly unlikely, in Fitch's view.

## **VR ADJUSTMENTS**

The operating environment score of 'a-' is below the 'aa' category implied score due to the following adjustment reason: size and structure of economy (negative).

The capitalisation & leverage score of 'bbb' is below the 'a' category implied score due to the following adjustment reason: risk profile and business model (negative).

The funding & liquidity score of 'bbb' is below the 'a' category implied score due to the following adjustment reason: non-deposit funding (negative).

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **ESG Considerations**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Permanent TSB plc	LT IDR	BBB+	Upgrade	BBB
	ST IDR	F2	Upgrade	F3
	Viability	bbb	Upgrade	bbb-
	Government Support	ns	Affirmed	ns
• senior unsecured <sup>LT</sup>		BBB+	Upgrade	BBB
Permanent TSB Group Holdings plc	LT IDR	BBB	Upgrade	BBB-
	ST IDR	F3	Affirmed	F3
	Viability	bbb	Upgrade	bbb-
	Government Support	ns	Affirmed	ns
• senior unsecured <sup>LT</sup>		BBB	Upgrade	BBB-

RATINGS KEY   OUTLOOK   WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

## Applicable Criteria

[Bank Rating Criteria \(pub.21 Mar 2025\) \(including rating assumption sensitivity\)](#)

## Additional Disclosures

[Solicitation Status](#)

## Endorsement Status

Permanent TSB Group Holdings plc      EU Issued, UK Endorsed

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