

# Permanent TSB Group Holdings plc

## Key Rating Drivers

**Small Irish Mortgage Lender:** Permanent TSB Group Holdings plc's (PTSBGH) ratings reflect 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 moderate risk profile and improving asset quality, satisfactory capitalisation but weak capital generation, and stable but undiversified funding profile underpinned by a granular and stable deposit base.

**Acquisition Strengthens Prospects:** The Positive Outlook reflects Fitch Ratings' expectation that PTSBGH's profitability and capitalisation, and, consequently its overall financial profile, should benefit from the acquisition of a EUR6.7 billion portfolio of performing non-tracker residential mortgages, SME loans and asset finance from Ulster Bank Ireland DAC.

**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 that is clearly focused on retail banking and a product offering dominated by mortgage loans and savings. Residential mortgage loans accounted for about 95% of the bank's total gross loans at end-2022.

**Average Credit Quality:** The impaired loan ratio fell to 3.2% by end-2022 (end-2021: 5.5%; end-1H22 peer average: 4.2%), helped by the acquisition of EUR5.2 billion of performing mortgage loans in 4Q22 and further deleveraging of legacy assets. Some near-term weakening of the ratio is likely but we expect it to be maintained below 4%.

**Weak Profitability to Improve:** We expect profitability to improve considerably, benefiting from a significantly larger revenue base and higher net interest margin due to more favourable asset yields. Net interest income will continue to dominate the bank's undiversified earnings. We expect the operating profit/risk-weighted assets (RWAs) ratio to be above 1% from 2023.

**Satisfactory Capitalisation, Weak Capital Generation:** Our view of PTSBGH's capitalisation considers its satisfactory buffers above minimum regulatory requirements, moderate risk profile, and weak, but set to improve, internal capital generation. Its fully loaded common equity Tier 1 (CET1) ratio of 15.2% was above its long-term target minimum of around 14%.

**Stable Deposit Funding:** Stable and granular retail deposits form the bulk of PTSBGH's funding (about 88% at end-2022), underpinning Fitch's assessment of funding and the bank's satisfactory liquidity. Wholesale funding issuance 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 Viability Rating (VR) is aligned with the VR of its operating subsidiary, Permanent TSB plc (PTSB), to reflect the absence of material double leverage at the holding company and prudent liquidity management.

**Debt Buffers Drive OpCo IDR Uplift:** PTSB's Long-Term IDR is notched up once from the VR to reflect additional protection to external senior creditors afforded by the 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 downstreamed to PTSB as senior non-preferred debt and statutorily subordinated to external senior creditors.

## Ratings

### Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Viability Rating	bb+
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Government Support Rating	ns
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### Sovereign Risk (Ireland)

Long-Term Foreign- and Local-Currency IDRs	AA-
Country Ceiling	AAA

### Outlooks

Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

## Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)

## Related Research

[Fitch Rates Permanent TSB Group 'BB+'; Outlook Positive \(March 2023\)](#)

[Global Economic Outlook \(March 2023\)](#)

[Fitch Affirms Ireland at 'AA-'; Outlook Stable \(January 2023\)](#)

[Western European Banks Outlook 2023 \(December 2022\)](#)

## Analysts

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## Rating Sensitivities

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

**Weaker-Than-Expected Profitability, Capitalisation:** Significantly weaker-than-anticipated improvement in profitability, as reflected in an operating profit/RWAs ratio remaining durably below 1% and leading to lower internal capital generation than in our base case, could result in a revision of the Outlook to Stable. Such a scenario could result, for example, from a failure to absorb the loan portfolio acquisition effectively and keep the associated costs and credit risk under control.

**Asset-Quality Deterioration:** A downgrade of the VRs could be triggered by a severe and prolonged deterioration of the operating environment for banks in Ireland affecting borrowers' repayment capacity, if this caused the group's impaired loan ratio to increase durably and significantly above 4%. This would also lead to a reassessment of the group's risk profile and have negative implications for profitability and capitalisation.

**Rising Holdco Double Leverage:** PTSBGH's VR would also be downgraded if the holding company's double leverage is sustained above 120%, which we do not expect.

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

**Better Operating Environment:** An upgrade could result from Fitch's positive reassessment of PTSBGH's operating environment, if this is accompanied by a perceived improvement of the bank's business and financial profiles. The former would require Irish banks to successfully weather the near-term macroeconomic challenges with their financial profiles intact.

**Earnings, Capital, Risk Profile:** An upgrade could result from improved profitability, as reflected in an operating profit/RWAs ratio above 1.5% on a sustained basis, supporting a CET1 ratio comfortably in line with management's target of above 14% thanks to better capital generation. At the same time, an upgrade would also require a better risk profile assessment. This would depend on successful execution of the growth strategy without significant increase in problem loan formation, as reflected in an impaired loan ratio sustainably below 4%.

## Other Debt and Issuer Ratings

Rating level	PTSB	
Long-Term IDR	BBB-/Positive	
Short-Term IDR	F3	
Viability Rating	bb+	
Government Support Rating	ns	
Rating level	PTSB	PTSBGH
Senior unsecured	BBB-	BB+

Source: Fitch Ratings

PTSBGH and PTSB's Short-Term IDRs at 'B' and 'F3', respectively, are assigned in line with Fitch's rating correspondence table.

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

**Ratings Navigator**

**Permanent TSB Group Holdings plc**



**Banks**  
Ratings Navigator

	Operating Environment	Business Profile	Risk Profile	Financial Profile			Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
				Asset Quality	Earnings & Profitability	Capitalisation & Leverage				
		20%	10%	20%	15%	25%	10%			
aaa								aaa	aaa	AAA
aa+								aa+	aa+	AA+
aa								aa	aa	AA
aa-								aa-	aa-	AA-
a+								a+	a+	A+
a								a	a	A
a-								a-	a-	A-
bbb+								bbb+	bbb+	BBB+
bbb								bbb	bbb	BBB
bbb-								bbb-	bbb-	BBB-
bb+								bb+	bb+	BB+ Pos
bb								bb	bb	BB
bb-								bb-	bb-	BB-
b+								b+	b+	B+
b								b	b	B
b-								b-	b-	B-
ccc+								ccc+	ccc+	CCC+
ccc								ccc	ccc	CCC
ccc-								ccc-	ccc-	CCC-
cc								cc	cc	CC
c								c	c	C
f								f	ns	D or RD

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 operating environment score of 'bbb+' has been assigned below the 'aa' category implied score due to the following adjustment reasons: size and structure of economy (negative), reported and future metrics (negative), level and growth of credit (negative).

The earnings & profitability score of 'bb-' has been assigned above the 'b' category implied score due to the following adjustment reason: historical and future metrics (positive).

The capitalisation & leverage score of 'bb+' has been assigned below the 'bbb' category implied score due to the following adjustment reason: internal capital generation and growth (negative).

## Company Summary and Key Qualitative Factors

### Operating Environment

#### *Moderating Growth, Operating Environment Still Supportive for Banks*

We still expect Ireland’s economy to grow near its potential rate, despite downward revisions to our growth forecasts. We forecast modified domestic demand, which excludes the effects of multinational enterprises activity on Irish GDP and is a better measure of domestic economic performance, to expand on average 2.8% between 2023 and 2024, much stronger than the eurozone’s weighted average at about 1.2%. Spillovers from the strong multinational enterprises sector, tight labour market and increased government spending are key factors explaining Ireland’s relative economic strength.

Fitch has a neutral outlook for the banking sector for 2023 as GDP growth should provide business growth opportunities for banks and result in controlled default rates, while balance sheets are positioned to benefit from rising interest rates. We anticipate growth in headline operating profitability, with loan impairment charges likely to increase over 2022 but remain low, and asset-quality ratios to remain flat, assisted by legacy loan sales. The 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 recent interest-rate increases through stronger interest income. These factors mitigate concerns about emerging credit risks.

### Business Profile

#### *Simple, Domestic Retail Banking Business Model*

PTSBGH is a small domestically focused retail bank serving around 1.2 million customers in Ireland. It has good brand recognition in its home market as a mortgage and savings provider, in which it holds market shares of about 17% and 11%, respectively. Its modest business and product diversification results in a relatively low-risk but undiversified business model, constraining the bank’s business profile. The bank’s focus on lending operations results in a particularly high reliance on net interest income (NII), similar to its domestic peers, which had been on a downward trend in recent years because of pressure from low interest rates and strong competition. However, we expect NII recovery in 2022 to gain momentum from 2023 due to now higher interest rates and PTSBGH’s larger scale.

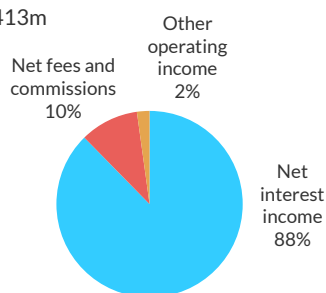
The bank’s market shares are set to strengthen modestly in the short term with the exit of two foreign-owned banks, Ulster Bank Ireland Designated Activity Company (BBB+/Stable) and KBC Bank Ireland, from the market. PTSBGH’s acquisition of a EUR6.7 billion portfolio of performing non-tracker residential mortgage loans, SME loans and asset finance from Ulster Bank increases its balance sheet by around 30%, reinforcing its business profile and strengthening profitability and its overall financial profile. The majority of the assets (EUR5.2 billion of mortgage loans) were transferred before end-2022, followed by EURO.2 billion of SME loans and 25 retail branches in February 2023. The final tranches of mortgage loans (about EUR1.0 billion) and asset finance (EURO.4 billion) are scheduled to be migrated before end-1H23. After completion, we expect further business expansion to be driven by moderate organic growth.

### Clear, Straightforward Medium-Term Strategy

PTSBGH’s strategy is well articulated with clear medium-term targets that address both business and financial goals. The strategic plan to 2025 focuses on improving its customer service proposition and product offering to retain existing clients and grow its customer base, and accelerating growth in SME banking. Financial goals by end-2025 include aims for a return on equity of around 11%, net interest margin around 2.5%, a cost/income ratio around 55%, loan impairment charges below 30bp, and a minimum fully loaded CET1 ratio above 14%. Fitch views the targets as largely achievable. If executed successfully, the strategy would be positive for PTSBGH’s credit profile if it results in improved business model diversification and sustainable profitability, while maintaining a conservative risk profile.

### Revenue Breakdown

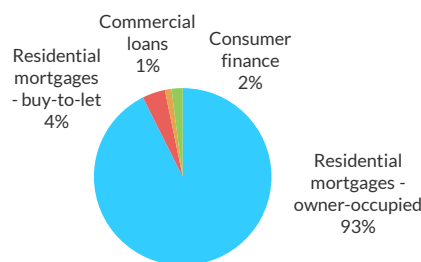
2022: EUR413m



Source: Fitch Ratings, PTSBGH

### Net Loans

At end-2022: EUR19.6bn



Source: Fitch Ratings, PTSBGH

**Risk Profile**

**Satisfactory Underwriting, Adequate Risk Controls**

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 and should not result in a material change in the bank’s risk profile as growth will be relatively modest, highly granular, and SME lending will be mostly secured on property.

PTSBGH is mostly exposed to credit risk from its lending operations, with customer loans representing about 78% of its total assets at end-2022. The loan book is concentrated by asset class and geography. Risk governance is in line with the industry and its underwriting aligned with the wider market practice. Risk controls may lack some depth and sophistication relative to higher-rated peers’ but are largely commensurate with the bank’s simple business model.

Fitch expects lower-risk Irish mortgage loans to continue to dominate PTSBGH’s loan book into the long term. These loans are predominantly owner-occupied with underwriting standards that are sound and based on affordability, resulting in generally good credit quality, which we expect to continue. At end-2022, 39% of outstanding residential mortgage loans were originated before 2015 when prudential mortgage rules were introduced in Ireland (end-2021: 57%). The weighted average loan-to-value of the book was 54% at end-2022, with new mortgage loans originated during the year at a weighted average of 68%, which was broadly in line with peers. Loans to SMEs and consumers accounted for a relatively equal share of the remaining 3% of total net loans and together should not represent more than 15% into the medium-term, despite the bank’s plans to grow these books, particularly SME lending.

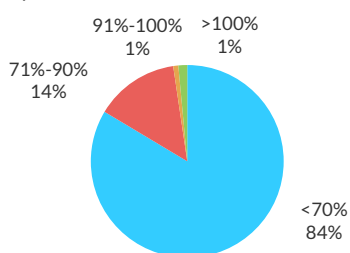
**Modest Market Risk**

PTSBGH’s securities portfolio of EUR3.2 billion at end-2022 (equivalent to just over 12% of assets) is held for liquidity purposes and was almost entirely comprised of sovereign bonds. The bank has no trading book exposure. Investment guidelines require an investment-grade credit rating resulting in an exposure mostly to debt securities rated ‘AA-’ and above, including Irish sovereign debt (EUR1.7 billion). With the exception of a EUR30 million equity investment that was held at fair value, all securities were held to maturity. Unrealised losses on the portfolio at end-2022 were a manageable 9% of CET1 capital.

Exposure to market risk is modest and consists almost solely of interest-rate risk. This is managed through the matching of balance-sheet asset and liability maturities that, if necessary, is supplemented by interest rate swaps to maintain risk levels within prescribed tolerances. Like its Irish bank peers, PTSBGH is well positioned to benefit from the higher interest-rate environment. At end-2022 PTSBGH estimated the sensitivity of an immediate and sustained 100bp movement in interest rates on NII over a 12-month period totalled about 16% of its 2022 NII (end-2021: 22%).

**Mortgage Loans**

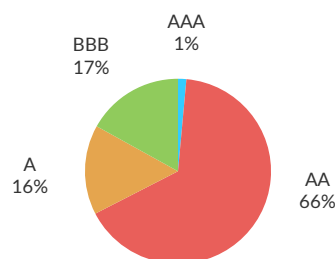
At end-2022 by Loan-to-Value



Source: Fitch Ratings, PTSBGH

**Investment Portfolio**

At end-2022 by Credit Rating



Source: Fitch Ratings, PTSBGH

## Financial Profile

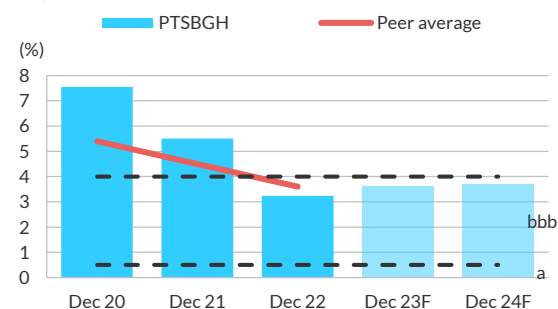
### Asset Quality

Progress in balance sheet de-risking continued in 2022 as reflected in PTSBGH's impaired loan ratio (Stage 3 loans) falling to 3.2% from 5.5% at end-2021 and from a high of 27.5% at end-2016. The ratio was below its end-1H22 peer average of 4.2%. Much of the improvement in recent years has stemmed from legacy non-performing loan disposals, with these assets reduced to about EUR0.3 billion, equivalent to around half of its stock of impaired loans. Deterioration in borrower repayment capacity due to the weaker global economic outlook is likely to result in near-term upward pressure on the ratio, but onboarding of the remaining tranches of performing loan assets (about EUR1.5 billion in 2023) together with overall modest organic loan growth should ensure that an increase in impaired loan formation remains manageable.

De-risking of the loan book was helped by the sale of an EUR0.8 billion portfolio of buy-to-let (BTL) mortgage loans in 3Q22. The BTL book remains one of the largest sources of credit risk with a Stage 3 ratio of around 33% at end-2022 (end-2021: 21%) but these loans only accounted for around 4% of PTSBGH's total loans by year-end. Credit quality in the owner-occupied mortgage book as reflected in a Stage 3 ratio of 1.9% (end-2021: 3.3%) was generally in line with its Irish peers. The arrears ratio in the book was around 1.2%.

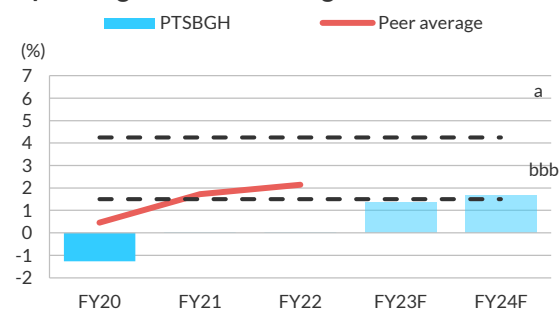
Loan-loss allowance (LLA) coverage as a proportion of impaired loans rose to 80% by end-2022 (end-1H22 peer average: 66%), which Fitch views as satisfactory due to the largely secured loan book. Specific cover for Stage 3 loans was 34% (end-2021: 37%). Stage 2 loans declined to EUR1.7 billion as a result of the BTL portfolio sale and accounted for just under 9% of total loans (end-2021: 15%). Around 10% of Stage 2 loans were subject to forbearance measures, representing another pocket of risk. However, specific LLA coverage of Stage 2 loans remained quite high at around 10%. Allowances included EUR137 million of post-model adjustments, of which close to half related to inflation and other macroeconomic risks.

### Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

### Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

### Earnings and Profitability

PTSBGH's profitability demonstrates high variability over the economic and interest-rate cycle and earnings are heavily reliant on NII that has consistently accounted for close to 90% of revenues in recent years. The operating profit/RWAs ratio of 0% in 2022 was considerably weaker than its peer average (2.1%) but we expect it to rise and be sustained above 1% from 2023.

Similar to peers, its NII has been eroded by low interest rates and excess liquidity but this trend started to reverse in 2022 as interest rates rose and we expect NII growth momentum to accelerate in 2023, helped by balance-sheet growth driven by an additional EUR6.7 billion of assets from the Ulster Bank transaction. Its net interest margin of about 1.6% in 2022 lagged behind its domestic peers (average: 2.4%). Commission and fee income should benefit from a large influx of new customers from the exiting banks but is unlikely to lead to a significant shift in the proportion of non-NII revenues.

Pressure on revenues resulted in poor operating efficiency in recent years, as reflected in the very high cost/income ratio of about 98% in 2022 (peer average: 56%). We expect significant downward movement in the ratio in 2023, despite prevailing cost pressure caused by high inflation, due to significantly higher revenues and economies of scale from the bank's larger balance sheet.

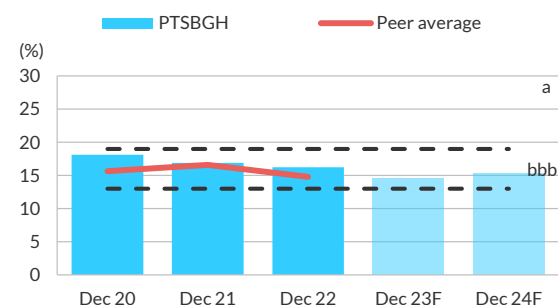
Financial performance in 2022 was helped by the release of EUR1 million of loan impairment charges due to improved asset quality. We expect the bank's near-term loan impairment charges to be sustained in line with management guidance at below 30bp of loans a year.

### Capital and Leverage

PTSBGH's transitional and fully loaded CET1 ratios of 16.2% and 15.2%, respectively, at end-2022 compare well with peers. The transitional ratio (peer average: 14.8%) was considerably above its 8.9% minimum requirement and includes the impact of the acquisition of EUR5.2 billion of mortgage loans from Ulster Bank in 4Q22. We expect some further reduction in the ratios in the near term from the acquisition of the remaining asset portfolios in 1H23, but capital should remain satisfactory overall, helped by improving internal capital generation and an ongoing prohibition on dividends.

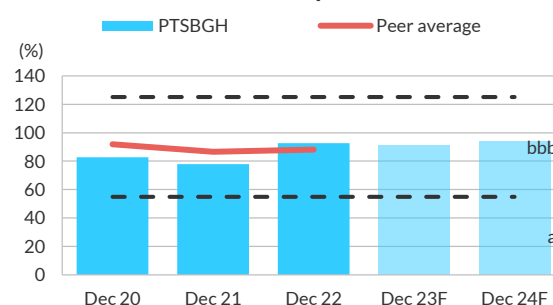
PTSBGH's MREL ratio of 28.5% of RWAs at end-2022 was above its January 2024 binding target of 27.2% (including its combined buffer requirement) and we expect the ratio to be maintained with a buffer above its regulatory requirement.

#### CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

#### Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

### Funding and Liquidity

Customer deposits accounted for 92% of total non-equity funding at end-2022 and are a stable source of funding due to PTSBGH's granular customer base. The loans/deposits ratio rose to 93% by end-2022 (end-2021: 78%) due to the addition of the large first tranche of assets acquired from Ulster Bank and we expect it to be maintained close to this level in the medium term. Near-term deposit growth will be helped by new account openings from customers of exiting banks. Over the longer term, deposit growth should be supported by Ireland's favourable economic growth prospects and demographics. Liquidity is satisfactory, as reflected in cash and balances at central banks and investments in government securities that comfortably covered all wholesale funding. The liquidity coverage ratio of 178% and net stable funding ratio of 154% were comfortably above the regulatory minimum of 100%. The bank has not employed TLTRO funding and does not expect to use central bank facilities as part of its funding plan.

Access to wholesale funding is less frequent than at larger domestic peers, with issuance undertaken exclusively for capital and MREL purposes given ample liquidity. PTSBGH issued a EUR300 million MREL-eligible 5.25% coupon senior bond and an EUR250 million 13.25% coupon Additional Tier 1 bond in 2022. Further wholesale issuance will be necessary in the next few years to cover maturities and maintain its buffers but at levels that are unlikely to lead to a significant increase in funding diversification.

#### Additional Notes on Charts

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 recapitalisations 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 'bbb' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Bank of Ireland Group plc (VR: bbb), ABANCA Corporacion Bancaria, S.A. (bbb-), Santander Totta, SGPS, S.A. (bbb-), Banca Popolare dell'Alto Adige S.p.A. (bb+), Banca Popolare di Sondrio - Societa per Azioni (bb+) and Banco Comercial Portugues, S.A. (bb+).



## Financials

### Financial Statements

	31 December 2022		31 December 2021		31 December 2020		31 December 2019	
	USDm		EURm		EURm		EURm	
	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
<b>Summary income statement</b>								
Net interest and dividend income	386	362.0	313.0	341.0	356.0			
Net fees and commissions	45	42.0	35.0	28.0	37.0			
Other operating income	10	9.0	13.0	6.0	20.0			
Total operating income	441	413.0	361.0	375.0	413.0			
Operating costs	431	404.0	360.0	328.0	332.0			
Pre-impairment operating profit	10	9.0	1.0	47.0	81.0			
Loan and other impairment charges	7	7.0	-1.0	155.0	10.0			
Operating profit	2	2.0	2.0	-108.0	71.0			
Other non-operating items (net)	283	265.0	-23.0	-58.0	-29.0			
Tax	47	44.0	-1.0	-4.0	12.0			
Net income	238	223.0	-20.0	-162.0	30.0			
Other comprehensive income	-4	-4.0	4.0	4.0	-2.0			
Fitch comprehensive income	234	219.0	-16.0	-158.0	28.0			
<b>Summary Balance Sheet</b>								
<b>Assets</b>								
Gross loans	21,454	20,114.0	14,860.0	14,941.0	16,462.0			
- of which impaired	693	650.0	817.0	1,128.0	1,048.0			
Loan loss allowances	556	521.0	604.0	728.0	818.0			
Net loans	20,898	19,593.0	14,256.0	14,213.0	15,644.0			
Interbank	2,264	2,123.0	4,174.0	3,312.0	1,556.0			
Derivatives	0	0.0	1.0	0.0	1.0			
Other securities and earning assets	3,434	3,220.0	2,522.0	2,607.0	2,020.0			
Total earning assets	26,597	24,936.0	20,953.0	20,132.0	19,221.0			
Cash and due from banks	105	98.0	77.0	91.0	78.0			
Other assets	959	899.0	1,205.0	763.0	979.0			
Total assets	27,660	25,933.0	22,235.0	20,986.0	20,278.0			
<b>Liabilities</b>								
Customer deposits	23,177	21,730.0	19,089.0	18,039.0	17,190.0			
Interbank and other short-term funding	655	614.0	347.0	0.0	0.0			
Other long-term funding	971	910.0	776.0	809.0	923.0			
Trading liabilities and derivatives	14	13.0	0.0	0.0	2.0			
Total funding and derivatives	24,817	23,267.0	20,212.0	18,848.0	18,115.0			
Other liabilities	286	268.0	234.0	187.0	166.0			
Preference shares and hybrid capital	393	368.0	123.0	245.0	122.0			
Total equity	2,165	2,030.0	1,666.0	1,706.0	1,875.0			
Total liabilities and equity	27,660	25,933.0	22,235.0	20,986.0	20,278.0			
Exchange rate	USD1 = EUR0.93756		USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015			

Source: Fitch Ratings, Fitch Solutions, PTSBGH



## Key Ratios

	31 December 2022	31 December 2021	31 December 2020	31 December 2019
<b>Ratios (annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	0.0	0.0	-1.3	0.7
Net interest income/average earning assets	1.6	1.5	1.7	1.8
Non-interest expense/gross revenue	97.8	99.7	87.5	80.4
Net income/average equity	12.6	-1.2	-9.0	1.6
<b>Asset quality</b>				
Impaired loans ratio	3.2	5.5	7.6	6.4
Growth in gross loans	35.4	-0.5	-9.2	-3.0
Loan loss allowances/impaired loans	80.2	73.9	64.5	78.1
Loan impairment charges/average gross loans	0.0	0.0	1.0	0.1
<b>Capitalisation</b>				
Common equity Tier 1 ratio	16.2	16.9	18.1	17.6
Fully loaded common equity Tier 1 ratio	15.2	14.7	15.1	14.6
Tangible common equity/tangible assets	6.0	5.4	6.0	7.3
Basel leverage ratio	8.0	7.1	8.2	9.1
Net impaired loans/common equity Tier 1	7.5	14.6	26.1	13.0
<b>Funding and liquidity</b>				
Gross loans/customer deposits	92.6	77.9	82.8	95.8
Liquidity coverage ratio	178.0	274.0	276.0	170.0
Customer deposits/total non-equity funding	92.0	93.9	94.5	94.3
Net stable funding ratio	154.0	170.0	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, PTSBGH

## 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	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

■ Higher influence ■ Moderate influence ■ Lower influence

### No Support Factored Into the Ratings

We assign Government Support Ratings of 'no support' (ns) since we believe that PTSBGH and PTSB'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

Credit-Relevant ESG Derivation

Permanent TSB Group Holdings plc has 5 ESG potential rating drivers

- ➔ Permanent TSB Group Holdings plc has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	5	issues	3		
not a rating driver	4	issues	2		
	5	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1 n.a.	n.a.	n.a.	5
Energy Management	1 n.a.	n.a.	n.a.	4
Water & Wastewater Management	1 n.a.	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1 n.a.	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

**How to Read This Page**  
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

**The Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S)

General Issues	S Score	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.	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

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

**Sector references** in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Governance (G)

General Issues	G Score	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

CREDIT-RELEVANT ESG SCALE	
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.

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](http://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.

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