

Ratings On Various Irish Banks Raised On Solid Risk-Adjusted Profitability; Outlooks Stable

November 6, 2025

Overview

- We expect the risk-adjusted profitability of AIB group (AIB) and Bank of Ireland group (BOI) to remain solid supported by sound risk profiles, healthy balance sheets, increased efficiency, and revenue diversification efforts.
- We think that they will progress in the digital agenda filling the gaps with their international peers.
- We therefore raised our ratings on AIB and BOI.
- The outlooks on the banks are stable.

DUBLIN (S&P Global Ratings) Nov. 6, 2025--S&P Global Ratings today said that it took the following rating actions:

- We raised our long-term issuer credit ratings (ICRs) on the holding company [AIB Group PLC](#) to 'BBB+' from 'BBB' and on the operating company, [Allied Irish Banks PLC](#), to 'A+' from 'A'. We also raised our long- and short-term resolution counterparty ratings (RCRs) to 'AA-/A-1+' from 'A+/A-1'. We also raised by one notch our long-term issue ratings on all debt instruments issued by AIB Group PLC. We affirmed the short-term ICRs, and the legacy subordinated notes issued out of Allied Irish Banks PLC. The outlook on both is stable.
- We raised our long-term ICRs on the holding company [Bank of Ireland Group PLC](#) to 'BBB+' from 'BBB' and on the operating company, [Bank of Ireland](#), to 'A+' from 'A'. We also raised our long- and short-term RCRs to 'AA-/A-1+' from 'A+/A-1'. We also raised by one notch our long-term issue ratings on all debt instruments issued by Bank of Ireland PLC and Bank of Ireland. We affirmed the short-term ICRs. The outlook on both is stable.

The upgrade reflects our view that both groups' sound risk profile and healthy balance sheets will continue to support their solid risk-adjusted profitability. We estimate that the banks' return-on-regulatory risk-weighted assets will remain well above 2.0% consistent with an 'a-' stand-alone credit profile in line with peers and above the historical level of 1.6%-1.7% over the past 10 years. In our view, we anticipate good lending growth dynamics (particularly in the domestic mortgage market, with growth of 4%-5% annually) and resilient net interest margins, supported by strong deposit franchises and structural hedge income, and low deposit beta. Structural improvement in cost efficiencies, through continuous optimization of operating

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structures and advancing digital plans, will also be critical for AIB and BOI to sustain robust profitability, especially as interest rates return to normal levels.

Contained risk appetite with good asset quality metrics are essential for performance

stability. We forecast cost of risk to stay within the through-the-cycle level of 20 basis points (bps)-30 bps over the next two years. This is because we expect that mortgage performance will remain healthy thanks to robust underwriting standards, improving household wealth levels, and contained average loan-to-value (LTV) ratios (47% for AIB and 53% for BOI, weighted-average LTV on the stock as of mid-2025). While the relatively low-risk domestic residential mortgages will remain the major driver for growth, we also expect these banks to expand into the small and midsize enterprise, corporate, and niche market segments as the lower interest rate environment may support some expansion and investment activity. Specifically, AIB continues its gradual expansion in the field of renewable energy and infrastructure projects, both domestically and abroad. In this regard, we expect the banks to remain anchored to their solid lending and underwriting standards and new production does not generate a higher level of losses as we currently observe. This is essential to offset risks associated with their high geographic and business concentration.

We anticipate the economic outlook for Ireland will remain supportive, despite the geopolitical landscape. Our base-case scenario assumes more normalized economic growth at about 2% but still above the eurozone average, still-high employment, excess savings, and growing household disposable income.

We also anticipate banks to be equipped to address a variety of risks that could come from the complexities of a more digitalized and diversified business model they continue to build. We think that the banks are focused on cyber security and business resilience and have good track record of no significant incidents.

AIB and BOI have sufficient buffers over their regulatory capital requirements and good

reserves for loan losses, providing an additional cushion to absorb potential losses. AIB's total reserve coverage for nonperforming loans is about 65% and BOI's is about 54%, which we view as sufficient and aligned with the risk profile of the banks. We anticipate that Irish banks' capitalization will remain a rating strength. As of end-September 2025, AIB was operating with reported common equity Tier 1 (CET1) at 16.6% and BOI at 16.2%, above their 14.0% target, and sufficiently above their regulatory minimums of about 11.3% for AIB and 11.38% for BOI.

We expect our risk-adjusted capital (RAC) ratio for AIB to remain at about 13.0%-14.0% over 2025-2026 compared with 13.5% as of end-2024. Our forecast incorporates our expectations of solid net interest income supported by net customer loan portfolio growth of about 3.5%-4.0% annually and income from structural hedges; moderate operating cost growth with the cost-to-income ratio (including regulatory levies and fees) at about 50%-52%; cost of risk stabilizing to about 20 bps-30 bps of average gross lending. We incorporate total capital distribution (subject to banks and regulators' discretion) of about 100% for 2025 results and at the higher end of the group's guidance of 40%-60% over 2026-2027. We note though that subject to annual review AIB group has capacity for further distributions above the ordinary dividend policy and maintains the optionality on the type of distribution (buy backs, special dividends) as the group moves towards its CET1 target of above 14%.

We expect that BOI's RAC ratio will be about 14%-14.5% by end-2027, down from the pro forma 16% we calculate at year-end 2024. Our forecasts reflect BOI's lending expansion by about 7%-8% cumulatively over 2025-2028; increasing net income over the outlook horizon (above €1.3 billion at year-end 2027), although still comparatively lower than reported in 2024; 40%-60%

dividend-payout throughout the years in line with the BOI group's distribution policy; and potential excess capital distribution, whose amount remains at BOI's discretion.

Diversification remains limited, but we expect the two banks will continue to leverage on their dominant positions and the competitive environment to remain supportive. We anticipate the banks will further advance their digital capabilities and propositions, ramp up efforts to contain costs, and continue focusing on customer service and cross-selling activities. The announced upgrade of their mobile application and the launch of Zippay, a new mobile payment service, both expected in early 2026, should close some gaps with European peers and neobanks operating in Ireland. Furthermore, AIB's and BOI's diversification into insurance and the wealth management business should add some resilience to the banks' earnings capacity over time. That said, we expect fee and commission income to remain modest compared with peers, with 15%-17% of total revenues over the next several years.

Irish banking system profitability will mirror better expectations for AIB and BOI, accounting for 70% of the total system. We anticipate domestic returns on equity for Irish banks at about 11%-12% over the next two years from the average for 2018-2022 of about 6% (excluding losses reported in 2020 due to significant COVID-19-related provisions). Resilient revenues with robust margins supported by strong deposit franchise, efforts into gradually growing fee and commission income, and higher operational efficiencies underpin our forecasts. The cost-to-income ratio improved to about 50% over the past few years (from 70% before 2021), largely driven by revenue growth, and we forecast the system-wide ratio (including bank levies and regulatory fees) to be about 55% over the next two years. We have therefore improved our assessment of competitive dynamics, and, as a result, the industry risk in the Irish banking sector. However, the change does not directly affect the anchor for banks operating in Ireland, and the anchor remains 'bbb+'.

AIB Group PLC (holding company) and Allied Irish Banks (operating company)

Primary analyst: Anastasia Turdyeva

Outlook

The stable outlook on AIB Group PLC and its operating company, Allied Irish Banks, factors in our expectation that the group's risk-adjusted profitability and overall business performance will remain solid over the next 24 months, while AIB continues implementing its strategy toward a more efficient, customer-oriented, and diversified business model. It also reflects our expectation that the group maintains its robust capital base with RAC sustainably above 10%. The stable outlook on Allied Irish Banks reflects our view that the bank will maintain its buffer of bail-inable debt, mainly through the issuance of senior unsecured debt issued by AIB Group PLC.

Downside scenario:

We could lower the ratings if we observed AIB group departing from its prudent capital management, with significantly higher capital distributions or more aggressive growth, leading to our forecast RAC ratio decreasing below 10%. We could also lower the ratings if economic and geopolitical challenges or the departure from prudent risk management practices triggered higher credit losses than we currently assume or if we observed a setback in the group's profitability resulting from the group's inability to preserve its leading positioning, continue diversifying of its revenue base, and successfully pursue its digital agenda.

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Upside scenario:

We see upside as unlikely in the outlook horizon, as that would require a significantly better economic and operating environment, or a more diverse and efficient business model.

AIB Group PLC--Ratings Score Snapshot

	To	From
AIB Group PLC Issuer credit rating	BBB+/Stable/A-2	BBB/Positive/A-2
Allied Irish Banks PLC Issuer credit rating	A+/Stable/A-1	A/Positive/A-1
SACP	a-	bbb+
Anchor	bbb+	bbb+
Business Position	Adequate (0)	Adequate (0)
Capital and earnings	Strong (+1)	Strong (+1)
Risk Position	Adequate (0)	Moderate (-1)
Funding	Adequate (0)	Adequate (0)
Liquidity	Adequate (0)	Adequate (0)
Comparable ratings analysis	0	0
Support	+2	+2
ALAC support	+2	+2
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

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

Bank of Ireland Group PLC (holding company) and Bank of Ireland (operating company)

Primary analyst: Letizia Conversano

Outlook

The stable outlook on Bank of Ireland Group PLC and its operating company reflects our expectation that the group's risk-adjusted profitability will remain solid over the next 24 months, while BOI continues working to improve its efficiency and diversify its revenue streams. It also reflects our expectation that the group maintain its robust capital base, with the RAC ratio sustainably above 10%, and sound risk-management practices. The stable outlook on Bank of Ireland Group PLC reflects our view that the bank will maintain its buffer of bail-inable debt, mainly through the issuance of senior unsecured debt by Bank of Ireland Group PLC.

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Downside scenario:

We could lower the ratings if we observed BOI group departing from its prudent capital management, with significantly higher capital distributions or more aggressive growth, leading to our forecast RAC ratio sustainably decreasing below 10%. We could lower the ratings if economic and geopolitical challenges or an increased risk appetite triggered higher credit losses than we currently assume and weakened BOI's financial profile. We could also consider a negative rating action if we were to observe a setback in the group's profitability resulting from the group's inability to preserve its market positioning, continue diversifying its revenue base, and successfully pursue its digital agenda.

Upside scenario:

We see upside as unlikely in the outlook horizon, as that would require a significantly better economic and operating environment, or a more diverse and efficient business model.

Bank of Ireland Group PLC--Ratings Score Snapshot

	To	From
Bank of Ireland Group PLC Issuer credit rating	BBB+/Stable/A-2	BBB/Positive/A-2
Bank of Ireland Issuer credit rating	A+/Stable/A-1	A/Positive/A-1
SACP	a-	bbb+
Anchor	bbb+	bbb+
Business Position	Adequate (0)	Adequate (0)
Capital and earnings	Strong (+1)	Strong (+1)
Risk Position	Adequate (0)	Moderate (-1)
Funding	Adequate (0)	Adequate (0)
Liquidity	Adequate (0)	Adequate (0)
Comparable ratings analysis	0	0
Support	+2	+2
ALAC support	+2	+2
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

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

Ireland--BICRA Score Snapshot

	To	From
BICRA group	3	3
Economic risk	3	3
Economic resilience	Low risk	Low risk
Economic imbalances	Intermediate risk	Intermediate risk
Credit risk in the economy	Intermediate risk	Intermediate risk

Ireland--BICRA Score Snapshot

	To	From
Trend	Stable	Stable
Industry risk	3	4
Institutional framework	Intermediate risk	Intermediate risk
Competitive dynamics	Intermediate risk	High risk
Systemwide funding	Low risk	Low risk
Trend	Stable	Positive

Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores are on a scale from 1 (lowest risk) to 10 (highest risk). For more details on our BICRA scores on banking industries across the globe, please see "Banking Industry Country Risk Assessment Update," published monthly on RatingsDirect.

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [AIB Group PLC \(Holding Company\) Allied Irish Banks \(Lead Bank\)](#), Feb. 24, 2025
- [Bank of Ireland Group PLC](#), Jan. 10, 2025

Ratings List

Ratings List

Bank of Ireland Group PLC		
Upgraded; Outlook Action		
	To	From
Bank of Ireland Group PLC		
Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2

Ratings List

Bank of Ireland Group PLC		
Upgraded; Outlook Action		
	To	From
Bank of Ireland		
Upgraded; Outlook Action		
Bank of Ireland		
Issuer Credit Rating	A+/Stable/A-1	A/Positive/A-1
Resolution Counterparty Ratings	AA-/A-1+	A+/A-1
AIB Group PLC		
Upgraded; Outlook Action		
AIB Group PLC		
Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2
Allied Irish Banks PLC		
Upgraded; Outlook Action		
Allied Irish Banks PLC		
Issuer Credit Rating	A+/Stable/A-1	A/Positive/A-1
Resolution Counterparty Ratings	AA-/A-1+	A+/A-1

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