Annual Report 2021

We are a community serving the community.

permanent tsb
Group Holdings plc

This document contains certain forward-looking statements with respect to Permanent TSB Group Holdings plc's (the 'Group') intentions, beliefs, current goals and expectations concerning, among other things, the Group's results of operations, financial condition, performance, liquidity, prospects, growth, strategies, the banking industry and future capital requirements.

The words "expect", "anticipate", "intend", "plan", "estimate", "aim", "forecast", "project", "target", "goal", "believe", "may", "could", "will", "seek", "would", "should", "continue", "assume" and similar expressions (or their negative) identify certain forward-looking statements but their absence does not mean that a statement is not forward looking. The forward-looking statements in this document are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the Group to be materially different from those expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future global, national and regional economic conditions, levels of market interest rates, credit or other risks of lending and investment activities, competition and the behaviour of other market participants, the actions of regulators and other factors such as changes in the political, social and regulatory framework in which the Group operates or in economic or technological trends or conditions. Material economic assumptions underlying the forward looking statements are discussed further in Market context.

Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance. Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is intended to be a profit forecast or profit estimate.

The Group expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in the Group's expectations with regard thereto or any change in events, assumptions, conditions or circumstances on which any statement is based after the date of this document or to update or to keep current any other information contained in this document. Accordingly, undue reliance should not be placed on the forward looking statements, which speak only as of the date of this document.

Investor and shareholder information and services including these Annual Reports, are available on-line at www.permanenttsbgroup.ie.

Contents

Financial Highlights

Financial Performance

Underlying (loss)/profit €m [a]

2021	€17m
2020	(€109m)
2019	€74m

2021: €17m
Underlying profit due to organic growth of our loan book and stability in our impairment stack.

Net Interest Margin % [b]

2021	1.51%
2020	1.73%
2019	1.80%

2021: 1.51%
22bps lower due to deleveraging activities and negative interest rate charges.

Loss/return on Equity % [c]

2021	0.97%
2020	(5.4)%
2019	3.1%

2021: 0.97%
Increase due to stabilisation of impairment charge.

Transformation and simplification

Adjusted cost to income ratio [d]

2021	82%
2020	75%
2019	68%

2021: 82%
Increase due to lower total income and an increase in costs primarily due to higher depreciation arising from the significant investment in the digital transformation programme over the last number of years.

Customer deposits [e]

2021	€19.1bn
2020	€18.1bn
2019	€17.2bn

2021: €19.1bn
Reflects an increase in current accounts. Loan to deposit ratio of 75% provides the Bank with a strong liquidity position and significant potential to lend.

Sustainability

CET Ratio (Transitional basis) [f]

2021	16.9%
2020	18.1%
2019	17.6%

2021: 16.9%
Decrease is primarily due to the transitional phasing of the Group's DTA balance and the prudential phase-in of IFRS 9.

NPL Ratio [g]

2021	5.5%
2020	7.6%
2019	6.4%

2021: 5.5%
Decrease primarily due to deleveraging during 2021 together with organic and technical cures offsetting new defaults.

Risk weighted assets (R.W.A) [h]

2021	€8,600
2020	€8,480
2019	€10,012

2021: €8,600
Increase primarily driven by new lending volumes.

Management has provided further information on IFRS and Non-IFRS measures including their calculation in the Alternative Performance Measurements (APM) section on pages 264 to 270.

(a) Operating profit/(loss) before exceptional items. See table 8 on page 61 for a reconciliation of underlying profit/(loss) to operating loss on an IFRS basis.
(b) Defined as net interest income (NII) divided by average interest-earning assets.
(c) Defined as profit/(loss) for the year after tax (excluding exceptional and other non-recurring items) expressed as a percentage of total average equity.
(d) Defined as total operating expenses (excluding exceptional, other non-recurring items, bank levy and regulatory charges) divided by total operating income.
(e) Defined as customer deposits.
(f) Total common equity tier 1 (CET-1) capital on a transitional basis divided by total risk weighted assets (RWAs).
(g) Defined as non-performing loans (NPLs) expressed as a percentage of the total gross loans of the bank.
(h) RWAs are the Group's assets or off balance sheet exposures, weighted according to risk.

Non-Financial Highlights

An increased focus on Sustainability, with the establishment of a Sustainability Committee, the completion of a Materiality Assessment and the introduction of a Sustainability Strategy

Signature to the 'Low Carbon Pledge', committing to setting science-based carbon emission reduction targets (SBTs) by 2024

1% reduction in carbon emission intensity in 2021 (a cumulative reduction of 56% since 2009)

c.€600,000 invested in Irish community organisations in 2021, supporting local communities across the country

A partnership with Ó Cualann Cohousing Alliance, contributing €350,000 over three years to support the development of affordable housing schemes in communities across the country

71% Culture Index Score

87% of employees feel comfortable to be themselves at work regardless of background or life experiences

New hybrid ways of working and the creation of 300 new positions across key growth areas

36% of the Senior Leadership population are Women

2.5 training days delivered per employee in 2021, with more than 400 employees enrolled in banking education programming

+10 Relationship Net Promotor Score (RNPS)*, placing Permanent TSB in second position among the retail banks in Ireland

Significant improvement in reputation score for the Bank, moving up 24 places to 69th position in the annual Ireland RepTrak Top 100 List**

Expansion of our Business Banking offering through new partnerships with Bibby Financial Services, the Strategic Banking Corporation of Ireland, Digital Business Ireland and Worldpay

A further €50 million invested in Digital Transformation, the launch of a new Digital Current Account and the introduction of Apple Pay and Google Pay

116 million logins on both Open24 Web and App in 2021

Our Commitment To Responsible And Sustainable Business

Our Purpose is to work hard every day to build trust with our customers – we are a community serving the community.

Our Sustainability Strategy gives us an opportunity to put our purpose into action - enabling us to play our part in addressing the global climate crisis, elevate our social impact, enhance our culture and deliver what matter most to our customers and colleagues. Ultimately, building a sustainable organisation that is fit for the future.

Awards And Recognitions In 2021

- Winner in the Excellence in the Community – Community Programme Category for our partnership with Ó Cualann Cohousing Alliance, Chambers Ireland Sustainable Business Impact Awards, 2021
- Winner in the Employee Empowerment and Trust Category, CIPD Awards, 2021
- Winner in the CX Impact in Financial Services Category for Blackbelt - our coaching, training and education programme for frontline colleagues, Irish CX Impact Awards, 2021
- Winner of Established Loyalty Programme of the Year, Irish Loyalty Awards, 2021
- Winner of the Best First Time Buyer Mortgage, Bonkers Awards, 2021
- Shortlisted in the Excellence in Community – Partnership with Charity Category for the Concert4Cancer in partnership with the Marie Keating Foundation, Chambers Ireland Sustainable Business Impact Awards, 2021
- Shortlisted in the Embedding a Culture of Workplace Wellbeing Category, CIPD Awards, 2021
- Shortlisted for Best Integrated Marketing Campaign, All Ireland Marketing Awards, 2021
- Shortlisted for Best Benefits or Loyalty Scheme, UK&I Card and Payments Awards 2021

Ambitions For 2022 And Onwards

- Embedding our Sustainability Strategy
- Increasing our focus on Climate Risk Management
- Engaging a rating agency to produce an ESG Risk Rating for the Bank
- Launching a green product to the market
- Introducing a Sustainable Procurement Framework and Sustainable Supplier Charter
- Elevating our social impact through partnerships and continuing to support local communities through the Permanent TSB Community Fund

* A Relationship Net Promoter Score (RNPS) is a measure of customer advocacy towards a brand and indicates the willingness of a customer to recommend a company's products or services to others. The question asks customers how likely they are to recommend their bank to friends or family on the basis of their own experience. The range for the scoring is -100 to +100.

** The annual Ireland Reptrak study is the largest and longest running study of reputation in Ireland and is based on the perceptions of over 6500 members of the public. The study measures the level of trust, respect, admiration and esteem the public has for 100 organisations in Ireland, along with close to 100 other reputation and brand indicators.

Chairman's Statement

The ambition and resilience displayed by Permanent TSB colleagues was evident through the Bank's achievements in 2021. While the pandemic continued to generate significant challenges for customers and colleagues throughout the year, it was encouraging to see the ambition demonstrated by the Bank in seeking to scale up significantly through the transformational agreement to acquire certain elements of Ulster Bank's retail and SME businesses.

This was a major statement of intent by the Bank and one that matched its ambition to be Ireland's best personal and small business bank with concrete action to make this ambition a reality.

As the year came to a close, the immense effort put in by so many of our colleagues culminated in the Bank reaching a legal agreement with NatWest, the parent of Ulster Bank, on one of the biggest banking transactions in recent history in Ireland.

While there is still significant work to be done to obtain the necessary shareholder and regulatory approvals, we are working hard to complete the execution of the transaction, embracing the once-in-a-generation opportunity that it has created.

Our intention is to use the transaction as a powerful springboard to accelerate the Bank's growth, complementing our organic growth strategy and driving much-needed competition in the Irish retail banking market.

The Ulster Bank transaction will increase our mortgage book by approximately 40% relative to its end-2021 level; our branch network by approximately 30%; and it will triple our business lending when Ulster's asset finance and micro-SME lending businesses are incorporated into the Bank.

However, 2021 was also a year of great resilience. It was the second year in which our society, our economy, our customers' lives and those of our colleagues suffered disruption that would have been unimaginable before the onset of the pandemic.

As I did in last year's annual report, I want to pay tribute once again to the professionalism, dedication and commitment displayed by colleagues throughout the Bank every single day.

It is they who made it possible for the Bank to keep all branches open throughout the pandemic; to maintain our IT systems and networks to ensure that our customers' needs continued to be met; and to offer help and support to customers who needed it.

While the pandemic will undoubtedly have many legacies, I believe the Bank made positive progress in rebuilding trust with our customers; by being open; by listening and by matching our words with our actions to demonstrate that Permanent TSB is a community serving the community.

Our Commercial Performance

We are reporting a significant improvement in our financial performance in 2021. Our underlying profit of €17 million for 2021 compares favourably with the €109 million loss of 2020 but we know we have to do better.

Our shareholders have every right to expect that the Bank will deploy their capital in a manner that generates a sustainable positive return and that the Bank will do this consistently over the long term to maximise the value in the Bank.

It is my strong view that the Bank is making good progress in the right direction. The economic impact of the pandemic has been a significant contributing factor in our losses but we are not content to use Covid-19 as an excuse.

As the Irish economy recovers and enters the post-pandemic phase, the Bank is well placed to play a significant role in cementing the wider recovery, meeting more and more of our customers' needs and winning new personal and SME customers, while improving our financial performance.

The Bank's underlying metrics give me cause for great optimism and this is compounded by the extent of the opportunity that the Ulster Bank transaction has presented.

One such metric is non-performing loans (NPLs) as a percentage of gross loans, which fell from 7.6% at end December 2020 to 5.5% at end December 2021, a decrease of 2.1 percentage points. The ongoing reduction in our NPL ratio over the last number of years from a peak of close to 27% has materially enhanced the Bank's stability. It demonstrates our commitment to taking and implementing difficult decisions that get the balance right in managing the requirements of our customers, our shareholders and our regulator.

Another encouraging metric is the Bank's share of the new mortgage market, which continued to grow, reaching 17.8% at the end of 2021. This represents further consolidation of the Bank's competitive proposition and its success in winning new mortgage customers with a combination of competitive and innovative products and outstanding levels of service.

The steady increase in mortgage market share that has been an established pattern over much of the last decade is a welcome reminder that this is an area of significant opportunity for the Bank. More and more customers are realising the strength of our competitive proposition. We have an excellent platform from which we can build further and the Ulster Bank transaction offers us scope to accelerate this building process.

Our culture and commitment to sustainability

2021 was a milestone year for the Bank in committing to doing things in a sustainable way, as we launched our first sustainability strategy during the year.

The strategy is based around four pillars: addressing climate change and supporting the transition to a low carbon economy; elevating the Bank's social and community impact; enhancing Permanent TSB's culture and investing in its people culture; and championing small business and creating an organisation that is fit for the future.

A key element of the new strategy is the Bank joining the global Task Force on Climate-related Financial Disclosures (TCFD) network, which includes more than 2,700 major companies worldwide and over 30 in Ireland. By joining this network, Permanent TSB has committed to support the TCFD's programme of enhancing the quality and detail of climate-related financial disclosures.

Over the coming years, the new strategy will result in a wide range of tangible initiatives to enhance the Bank's sustainability.

We will launch a range of sustainable finance products. We will set science-based emission reduction targets by 2024 in line with the Paris Agreement and the latest Intergovernmental Panel on Climate Change (IPCC) findings.

We will complete the job of achieving a cumulative reduction of 60% in our carbon emissions over the 15-year period to 2024.

Other measures will include honouring our commitment to maintaining a nationwide branch presence in communities throughout Ireland; targeting social issues through the Bank's partnership with Social Entrepreneurs Ireland; transparently reporting our progress in reaching sustainability targets; supporting local community initiatives throughout Ireland; and promoting more sustainable business practices, such as ongoing hybrid working arrangements for our colleagues.

> "In 2021 we maintained a strong focus on adopting and embedding our cultural improvements that arose from our culture strategy of Leading at Every Level."

Governance and management

The composition of the Board is reviewed regularly. The Bank is committed to ensuring it has the right balance of Board knowledge, skill, experience and diversity to provide the required oversight of Senior Management. The Board was pleased to welcome two new directors, Celine Fitzgerald and Anne Bradley, during 2021. These appointments reflected a need identified by the Board to enhance its collective knowledge and experience with specific skills in technology change and resilience, as well as in culture and sustainability.

The level of female representation at Board level now stands at 33%. While this is a higher level of female representation than in previous years, we remain some way from where we should be in terms of having more women at senior management.

As I have stated previously, there is no excuse for the Bank not being one where everyone has the same career opportunities, irrespective of gender. As a purpose driven organisation, Diversity and Inclusion is a core pillar of our culture. For the second year in a row, we are publishing our gender pay gap voluntarily and in advance of the introduction of relevant legislation. This forms part of our commitment to hold ourselves accountable by tracking our progress against our action plan which we put in place as part of our Board approved Diversity and Inclusion Strategy. Our 2021 gender pay gap sits at 16.5%. The nationally reported gender pay gap is 14.4% in Ireland.

While there is no reported mean pay gap for the Irish Financial Services Sector, our position compares favourably to the reported mean pay gap in the Financial and Insurance Sector in the United Kingdom in 2021, which stood at 33.4%.

We acknowledge that we have more to do to close our gap and have a dedicated action plan in place as part of our Board approved Diversity and Inclusion Strategy.

Outlook

I signalled earlier this year that I will step down as Chairman when my 6-year term reaches its scheduled end in March 2023. It is the right time for a new Chairman as it will coincide with the substantial conclusion of the Ulster Bank transaction.

There is a lot I want to achieve over the remainder of my term but I am hugely excited for the future of the Bank as it prepares to get bigger, to welcome new customers across Ireland and to make a home in 25 new communities where existing Ulster Bank branches will reopen under the Permanent TSB name.

This is a good time to reflect on how far the Bank has come in recent years; on the growth in the business, the improvement in its underlying strength and the progress in the new products and the better services that we provide.

For their role in achieving that progress I thank my fellow Board members and the Bank's management team. I acknowledge the assistance that the Department of Finance and Central Bank of Ireland continued to give the Bank throughout 2021.

I thank in particular Eamonn Crowley, our Chief Executive, for his leadership at a time of great challenge for the Bank, the economy and our wider society. I am also very grateful to every member of the Permanent TSB team, whether in our branches, our customer contact centres, our support offices and our headquarters.

In my tenure with the Bank I have always been impressed at the focus on customers and the sense of community that existed within the organisation, but the last two years have shown to me the extent to which customers and the community are at the heart of everything we do.

It is this customer focused mind-set that gives me such confidence the Bank will prosper, building trust, serving customers, being part of the community, and building value for our shareholders.

Robert Elliott
Chairman

It is my honour to present the 2021 Annual Report for Permanent TSB, the second since I was appointed Chief Executive in June 2020.

2021 was an exceptionally difficult year that created upheaval in our personal and professional lives, our society and our economy. The environment in which the Bank operates changed dramatically – but the Permanent TSB community has responded to these changes in a way that we can all be proud of.

Introduction

We are entering the post-pandemic phase with great optimism, as we prepare for the transformational opportunity that the Ulster Bank transaction presents.

I am struck by the sense of excitement that exists in the Bank since we first announced our intention to acquire approximately €7.6 billion in personal and SME lending assets.

It means Permanent TSB will soon be a bigger Bank. An even better Bank. A Bank with many more customers and a branch presence in 25 more communities. This greater reach and greater scale will enable us to compete even more strongly.

It is good news for our existing customers, good news for the 100,000-plus new customers we will be welcoming to the Bank, and good news for the additional communities that Permanent TSB will be joining soon.

It will benefit our shareholders, support much-needed competition in the market and show we mean business when we say our ambition is to be Ireland's best personal and small business bank.

Despite the challenges of the pandemic, I am encouraged to see the Bank looking ahead with such confidence. What makes this possible is the quality of our colleagues.

I think often of the individual struggles faced by each of them over the past two years, both on a professional and a personal level.

Thanks to each of their efforts, the Bank has weathered an unprecedented storm. We emerge from the pandemic as a stronger community, more unified than ever and one that is ready to make the integration of Ulster Bank customers, colleagues and branches a great success.

But while our Annual Report is a good time to think about the future opportunities, it is also a time to reflect on the performance that brought us to where we are today. I will address the main aspects of that performance now.

Business Performance Overview

Funding

Customer Accounts

At 31 December 2021, customer accounts increased to €19,089m from €18,039m at 31 December 2020. Customer account growth accelerated during the pandemic lockdowns, with much of the increase driven by consumers spending less during Covid-related lockdowns and consequently saving more than they normally would.

Retail Deposits

Retail deposit balances remained broadly flat from the prior year, reflecting the stability of the Group's funding sources.

Lending

Total new lending in the financial year 2021 amounted to €2,051m, an increase of 44% from 31 December 2021. The increase largely reflects a strong increase in mortgage lending relative to 2020, when pandemic-related uncertainty caused a fall-off in mortgage activity.

Mortgage lending in 2021 was €1,859m, representing a 45% year on year increase and significantly outperforming the wider market, which grew by 25%. This resulted in our mortgage drawdown market share increasing from 15.3% in 2020 to 17.8% in 2021.

The mortgage market as a whole rebounded strongly in 2021. Pent up demand saw a surge in applications in late 2020 and this strong momentum continued into 2021. Total mortgage drawdowns from all mortgage providers increased from €8.4bn in 2020 to €10.5bn in 2021. However, housing supply continued to be impacted by pandemic-related restrictions on activity, particularly in H1 2021. There were 20.4k completions in 2021, broadly in line with the 20.5k completions in 2020.

SME lending in 2021 was €98m, a 104% increase compared with 2020. The increase was largely driven by lending through the Strategic Banking Corporation of Ireland (SBCI) Future Growth Loan Scheme that launched in late 2020. The Bank will participate in the SBCI Brexit Impact Loan Scheme in 2022.

We recently announced ambitious plans to scale up our SME lending, with the launch of a new €1bn SME lending fund which we aim to deploy over the next 3 years. The Ulster Bank transaction will add significant momentum to our SME growth plans by adding Ulster's asset finance and micro-SME lending businesses to our organic growth.

The Group recorded gross new Term lending of €93m in 2021. This is a 4% decrease compared to 2021, largely driven by reduced consumer demand.

Financial Performance Overview

The Bank reported an underlying Profit Before Tax of €17m[1] for 2021 which represents an improved performance following the €109m loss recorded for 2020. We saw a significant improvement in macro-economic projections but the benefits of this were offset by continued pressures on Net Interest Income.

Impairment
The Bank recorded a flat impairment charge on loans and advances to customers for 2021, compared to a charge of €155m for 2020. The reduction reflects that while the economic outlook has stabilised, uncertainty remains and the Bank retains a cautious outlook.

Operating Income
Net interest income (NII) decreased by €28m (8%) and our Net Interest Margin (NIM) decreased by 22bps to 1.51%. The overall reduction is mainly driven by the impact of reduced income on loans and advances to customers, as a result of deleveraging activity in 2020 and 2021 as well as the impact of rate cuts. The pandemic has impacted the level of excess cash reserves held, resulting in a significant increase in negative interest in the year. This was partially offset by savings in deposit funding costs.

Net fees and commission income was €35m for 2021 compared to €28m in 2020. The increase is mainly due to increased transactional spending during 2021.

Net other income was €13m for 2021 compared to €6m in 2020. This is mainly driven by revaluation gains and gains from the sale of properties in possession.

Operating Expenses
Operating expenses excluding exceptional and other non-recurring items of €345m are higher than prior year, primarily due to the acceleration of investment in the Banks digital banking programme and higher depreciation arising from the significant expenditure on technology and business programmes over the last number of years.

Exceptional and other non-recurring items
The total Exceptional and non-recurring items for 2021 are €38m[1], which consist of €16m relating to restructuring and other costs, €28m in relation to advisory costs incurred in relation to the Ulster Bank business, a €19m net impairment release from deleveraging and €15m in relation to legacy legal cases.

NPLs
Non-performing loans (NPL) as a percentage of gross loans were 5.5% at 31 December 2021, a decrease of 2.1% from 7.6% at 31 December 2020 driven primarily by the deleveraging of a non-performing mortgage portfolio. The Bank continues to actively manage the NPL portfolio and is committed to reducing the NPL ratio to low-single digits in the medium term.

Capital
The Common Equity Tier 1 (CET1) capital ratio was 15.1% and 16.9%, on a pro-forma Fully Loaded[2] and Transitional basis respectively. This compares to the Bank's reported CET1 ratio of 15.1% and 18.1% at 31 December 2020, on a Fully Loaded and Transitional basis respectively.

The reduction in the transitional CET1 ratio (-1.2%) in the year is primarily due to the transitional phasing of the Group's Deferred Tax Asset balance and the prudential phase-in of IFRS9 which was partially offset by an increased capital add-back related to intangible software assets in use, reflecting the investment in the Bank's Digital Banking Programme.

Capital ratios remain above both management and regulatory minima. The Central Bank of Ireland (CBI) has provided additional flexibility to Banks under their supervision in the context of the pandemic to support the sustainable provision of credit to the economy.

"The Bank's Purpose is to work hard every day to build trust with customers by building a sustainable organisation that is transparent and fair with customers."

Culture
From my first day as Chief Executive I have looked to implement a range measures, both small and large, aimed at enhancing the organisational culture within the Bank with the aim of further improving both our colleague and customer experience.

This was due to a number of factors, not least the urgency of the task of building trust with our customers, but it also reflected the extent of the contribution made by colleagues every day to building the Bank and making our ambition a reality.

The onset of the pandemic, however, has highlighted the commitment of our colleagues like never before; every day I have seen evidence of the lengths that our colleagues will go to both to serve customers and to support those working with them. It is not enough just to talk about this. As an organisation, the Bank has a duty to do things that make a real and tangible difference for its people.

That is why we were proud to invest in a range of measures aimed at acknowledging what our people do, the sacrifices they make, their need for greater work/life balance an our collective desire to foster a work environment that contributes to both individual and collective success.

Our Smarter Working Initiative is particularly noteworthy because it offers a range of options that colleagues can tailor to suit their individual circumstances. Among the options we offer are reduced hours; job sharing; giving colleagues greater flexibility to spread their workload over 5 days or 4; sabbaticals and career breaks; and working from home or an alternative office location.

We have repurposed offices in a number of locations to create remote working hubs. We have embraced technology that facilitates people doing their jobs irrespective of where they are. We have cultivated a spirit of collaboration, understanding and teamwork to make new ways of doing things possible. And we have shown that we, as an organisation, are as willing to be as innovative, flexible and resourceful as our colleagues are.

We are far from finished in this regard. Through initiatives such as Every Voice Counts, our forum for collecting and applying feedback throughout the Bank; Living as Leaders, a programme to foster better leadership at all levels; and our intensive engagement with and support for the Irish Banking Culture Board, we are demonstrating the importance of our culture and how serious we are about making it better.

Digital Transformation
We are a Bank that is deeply committed to the personal service that we offer to our customers. This customer service ethos is embedded for more than 200 years from our building society and trustee savings bank roots.

But we never lose sight of the fact that, as our customers' needs and their ways of doing business with us change, we need to be ready to adapt to give them what they want – whether in person, by phone or online.

That means we must strive to offer customers the best of both worlds in modern banking, combining outstanding personal service in branches and contact centres with the best digital banking services available in the market.

This requires investment that we are only too happy to make. We have already committed to investing €150m in major upgrades of our digital capabilities and this is translating into significant improvements in our digital offering.

The Digital Banking Transformation Programme is well underway and significant progress was made last year in enhancing our digital offering for customers. Actions taken include; modernising our technology architecture, renovating our core banking platforms; enhancing security for customers; introducing new digital customer journeys, such as our digital current account and digital mortgage application journey.

We also indicated plans to hire 300 additional colleagues in support of better IT and support systems, enhanced customer-facing operations, an even better banking app, and new and easier ways to apply for our products from a PC, tablet or phone. In 2022, we will also be hiring an additional 200 colleagues to support the on boarding of new customers to the Bank.

We will never lose sight of the advantage that we have thanks to the people in our branches and contact centres – indeed, we are matching our words with actions by increasing our branch footprint by 30% as part of the Ulster Bank transaction. But we can further differentiate ourselves through excellence in digital and I am pleased to say that journey to consolidate that excellence will continue.

To customers who have not yet tried our digital banking services, I would urge you to consider them – not to replace your existing experience with us but to enhance it. And to the 570,000 customers who are already actively using these services on a regular basis, up from 500,000 in 2020, I offer a steady pipeline of improvements that we are planning over the coming years, reflecting the huge importance that we attach to digital. Our exciting new Digital Current Account is just the start.

We will also build out key new digital capabilities for our SME customers, reflecting the importance of this sector for our growth plans.

Outlook

Looking to the year ahead, I will reiterate what I have said in the past about what we try to do every day:

- We aim to keep increasing the trust, advocacy and loyalty of our customers;
- We continue to enhance our digital capabilities;
- We enhance a culture of growth that is both open and inclusive;
- We continue our work of simplifying our business to the greatest extent possible; and
- We strive to deliver better and more sustainable profitability.

And ultimately we are building a sustainable organisation for the future.

We have learned over the past two years that the world can change quickly and in ways few people could ever have foreseen. But we have also learned that our ability to deal with disruption, change and the unexpected is far greater than we would have imagined.
I would like to echo the Chairman's comments on the great resilience displayed by our people and to pay tribute to the commitment, flexibility, ingenuity and passion that are on display every day throughout the Bank.

Now we are on the cusp of another big change, with the Ulster Bank transaction propelling us towards a future with greater resources and scale to serve our customers in new and better ways, to bring even greater competitive force to everything we do, to keep building trust with our customers, and to realise our ambition of being Ireland's best personal and small business bank.

It is a change we can look forward to, embrace and thrive on.

Eamon Crowley

Eamonn Crowley
Chief Executive

1 See table 8 on page 61 for a reconciliation of underlying profit to operating loss on an IFRS basis.
2 Includes c.0.4% uplift for 'Glenbeigh III' NPL sale completed in Q1'22

Market Context

Retail Banking Trends In Ireland

Over the last year we have been working hard on becoming a bank that brings technology and people together to make everyday banking easy, and enable customers to do big things. As a bank we are focused on what's next and the opportunities that lie ahead. The Covid-19 pandemic continues to challenge us on how we think and operate to ensure we protect and serve our customers, colleagues and our businesses.

With significant structural changes proposed in the Irish Financial market, this will result in 1.4m underserved customers and leaving Permanent TSB as one of only three remaining full-service Retail banks in Ireland. These changes have resulted in significant opportunities while creating new resource demand. Arising from these challenges and opportunities, we have updated our strategy to better meet the needs of our customers and look at ways on how we can keep them protected. Our Retail Bank Strategy brings to life the Bank's Ambition & Purpose by delivering on our promise bring technology and touch together through strategic initiatives to meet the banking needs of our customers.

Permanent TSB are making significant progress on our digital banking journey as our customer's Digital expectations have rapidly grown over the course of the pandemic. With the easing of restrictions, card transaction volumes have increased by over 50%. While cash transactions experienced a slight increase in line with easing of restrictions, overall transaction levels continue to decrease in line with pre-pandemic levels. We recently launched Google Pay, completing our mobile payment portfolio for our Personal and SME customer base. Since the launch of Apple Pay in November 2020 and Google Pay in October 2021, transaction count has exceeded 10.5m and transaction spend just over €265m. The use of digital channels continues on the upward trajectory with over 87m logins on our Open 24 app where our customers can complete applications for a Current Account, Overdraft, Credit Card and Term Loan. Our App has received over 44k in customer product applications since January 2021.

We continue to deliver directly to our customers by offering a combination of Tech & Touch sales and services through our nationwide network covering 76 Branches, Intermediary Channel and Digital & Direct Channels. Retail Banking continues to evolve the channel mix by moving more towards Digital Channels while maintaining the crucial role the physical network (Branch & Phone) plays in on boarding, lead generation & supporting customers that fall off Digital journeys. In 2021, we updated our Digital Capabilities to offer Current Accounts, Mortgages and Business Banking through our Voice and Online Channels.

Strong economic growth is expected and is attributed to the easing of Covid-19 restrictions following the rollout of the government vaccination programme. The 2021 mortgage market has bounced back from the impact of Covid-19 last year. Mortgage Pay-outs across the market are up 32% YOY. This pay-out growth is expected to continue into 2022 and beyond, as we are also seeing strong growth in applications and approvals. Applications are up 22% YOY. There has been a significant increase in approvals which are up 46% YOY. One of the most notable changes to the mortgage market in 2021, was the announcement that 2 major lenders will be exiting the mortgage market. This leaves 3 main lenders in the market with a number of non-bank lenders operating through the Intermediary market, some of which have announced plans to expand beyond the intermediary market with a direct mortgage offering, which is expected sometime in 2022.

To conclude, whilst challenges will continue to arise in the banking sector, our main purpose and ambition is to continue to work hard to build trust with our customers and work towards a simplified, intuitive customer experience.

SME Banking Trends In Ireland

The Irish economy is recovering swiftly, with domestic economic activity expected to reach its pre-pandemic level by the end of this year. Covid-19 continues to be a challenge for businesses, particularly those operating in the hospitality sector, with many requiring temporary support during the Covid-19 pandemic. The recovering economy is forecast to generate around 160k jobs, which in turn will reduce the unemployment rate and support continued growth in the SME market.

The most significant challenge impacting the SME market across all sectors is staffing, with companies requiring to recruit and attract talent from abroad. Further to this Brexit continues to disrupt key supply chains in the SME sector. SME credit demand remained low during the pandemic compared to previous years, with SMEs borrowing to meet liquidity demands in favour of investment spend. A key challenge for SME is how they adapt their sustainability agenda to meet the demands of ESG conscious customers. There is an opportunity for Permanent TSB to support SMEs to become more sustainable, particularly in Agricultural sectors.

Annualised gross new lending to non-financial non-real-estate SMEs was €3bn for the trailing 12 months to Q3 2021, which was on a par with the same period in 2020. While total loan repayments have exceeded new lending resulting in an overall decline in SME loan balances in the industry, new lending in the sector continues to grow steadily. Permanent TSB has continued to grow its business lending activity through the period while providing support to borrowers in financial difficulty. The Bank increased new SME lending by 100% during the year and its business lending portfolio is appropriately spread across industry sectors.

During 2021 we continued to invest in and grow our Business Banking team capabilities, Permanent TSB now have an experienced team of specialists in place to support the market and position Permanent TSB as one of 3 Business Banks in the market.

Our Strategy

Introduction

As part of the Bank's operating rhythm, Our Strategy is refreshed on an annual basis, allowing us flexibility and adaptability to market changes. The annual refresh solidifies our Strategy, and ensures it is fit for purpose, supporting Permanent TSB as a key player in an evolving market place. The Bank's current Strategy - re-articulated in full in 2020 and refreshed most recently in Q4 2021 - builds on the strong foundations that have been laid in recent years. It provides a direct focus over the coming years on key strategic areas such as Customer Journeys & Experience, Digital Platforms, Cyber-Security & Resilience and, Data. It also ensures that the Bank is positioning strategically to make the most of the opportunity presented by the exit of Ulster Bank and KBC from the domestic market, both through the Ulster Bank transaction as well as organic growth opportunities. The Bank's Strategy, when executed in full, will support delivery of the Bank's Purpose and Ambition:

Our Purpose

To work hard every day to build trust with our customers – We are a community serving the community

Our Ambition

To be Ireland's Best Personal and Small Business Bank

Developing The Bank's Strategy

The Integrated Planning Process (IPP) is an annual process, which considers, on an integrated basis, the Bank's Strategic Plan, Financial Plan and Budget, Funding Plan, ICAAP, ILAAP, Recovery Plan and Risk Appetite Statement (RAS); it is the primary vehicle through which the Bank's Strategy is reviewed and updated.

By undertaking this process on an annual basis, the Bank is in a position to review and flex its priorities in response to changes in the external market or internal environment. Most notably in 2021, this has included the departure of two significant challenger banks from the market in Ulster Bank and KBC Ireland, as well as the continued impact of Covid-19 on the economy and for our customers, colleagues and communities.

Input during the Strategic Planning Process is invited from subject matter experts from all areas of the business. The first step in the IPP is the approval of the Bank's Risk Appetite Statement (RAS), facilitating a clear, risk aware culture during strategy development, and ensuring that the Bank's Corporate and Business Unit level strategies are developed within the strict boundaries set out in the RAS.

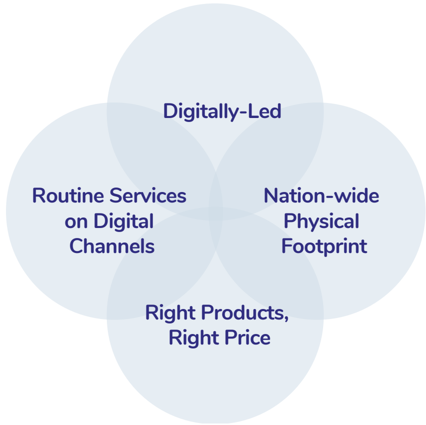
Our Strategic Vision For 2024

Permanent TSB's Strategic Vision for 2024 has been developed with our customers at its heart, and in consideration of all other stakeholders (i.e. our Colleagues, Shareholders, Investors, Regulators and the broader Irish community). Our Strategic Vision is articulated through: 1. Our Business Model, i.e. 'what' the organisation will look like in 2024; and, 2. Our Strategy, i.e. 'how' we will get there.

Our 2024 Business Model – The 'What'

Digitally-Led
An opti-channel approach, with digital capabilities on key sales and service customer journeys

Routine Services on Digital Channels
Everyday, routine transaction services are digitally enabled, ensuring that they're available at a time that is convenient for our customers



Nation-wide Physical Footprint
A continued physical presence in our communities in Ireland, helping our customers in person when they need our sales support

Right Products, Right Price
The right propositions, at the right price, with strong market shares in our target segments

Our Strategy – The 'How'
Our Business Model defines the 'What' of our Strategic Vision, while Our Strategy defines the 'How'. We will deliver our Strategy through five Strategic Pillars and three Foundational Capabilities. The five pillars represent the key themes in the Bank's overarching Strategic Vision for 2024 and are: Customer, Digital, Culture, Simplification and Profitability. Underpinning our Strategic Pillars are foundational capabilities in Information Security and Operational Resilience, Data and Analytics, and Risk and Regulation:

Purpose	We work hard every day to build trust with our customers. We are a community serving the community				
Ambition	To be Ireland's best Personal and Small Business Bank				
Strategic Pillars	**Customer** Increasing Trust, Advocacy and Loyalty among Customers	**Digital** Enhancing Digital Capabilities	**Culture** Embedding a Risk-Aware, Open & Inclusive Growth Culture	**Simplification** Simplifying our Business	**Profitability** Growing Sustainable Profitability
Foundational Capabilities	Risk & Regulation				
	Information Security & Operational Resilience				
	Data & Analytics				

Our Strategy Brought To Life

Over the medium-term horizon, our Strategy will be executed through a series of high priority Strategic Programmes, aligned to our Strategic Pillars. The highest value, highest priority strategic and regulatory programmes are included within this Strategic Portfolio. This ensures that management time and bank resources are directed towards executing the right combination of Programmes to deliver our strategy.

Strategic Pillar

Customers
Increasing Trust, Advocacy and Loyalty Amongst Customers

Our Strategic Ambition

Superior Customer Experience

- Building a deep understanding of our customer base, with defined strategies for key segments
- Developing propositions which meet our customers' needs, supported by fair and transparent pricing
- Reinforcing our position as a recognised and trustworthy brand in the market
- Optimising our mix of sales and service channels
- Issuing efficient and effective customer communications

KPIs / Measures of Success - by Y/E 2024:

- 98 Branches (29% increase)
- 1.4m customers (27% increase)
- 1.01m Current Accounts, 880k of which are engaged, 38% increase from 640k who are engaged today
- 650k Active Digital Customers (30% increase)
- Balance Sheet growth of ~€10bn, a significant portion of which will come from the SME business following the announcement of our €1bn loan fund.

2021 Achievements:

- 76 Branches
- 1.1m customers
- 783k Current Accounts (82% engaged)
- €1.86bn in new Mortgage Lending (18% market share)
- €98m in new SME lending (up 104% from 2020)
- €93m in new Term Lending (down 4% from 2020)
- 36,000 new Current Account customers (up 46% from 2020)
- Transformation of 44 Branches
- Introduced JAM Card and Sunflower Lanyard to support our Vulnerable Customers

Payments & Lifestyle Banking

- Giving our customers control over their lifestyle banking needs
- Aligning benefits received by customers for services offered to the fees and charges associated with those services
- Supporting the implementation of the Bank's Payments Strategy and identifying additional opportunities to provide an enhanced payments service to our customers in a manner that generates value for the Bank

KPIs / Measures of Success - by Y/E 2024:

- Synch Person to Person Mobile Payments (joint investment with AIB, BOI and KBC to develop a mobile phone app which will facilitate instant mobile payments for Irish banking customers)
- Persistent Debt - Proactive engagement with credit card customers to drive education and awareness with regards to fees and charges
- Enhanced Control and Financial Management Capability
- Enhanced Mobile and Digital Offering
- Revamped and enhanced rewards

2021 Achievements:

- New in-app Current Account Customer Journey which means customers now have a full Personal Banking suite available E2E online
- Launch of Google Pay in November 2021 to complete mobile payment offering
- Strong Customer Authentication (SCA) enhancements which ensures greater protection for our customers in line with PSD2 regulation

Strategic Pillar	**Digital** Enhancing Digital Capabilities	
Our Strategic Ambition	**Digital Banking** · Delivering a market leading digital platform and new digital propositions for our customers · Transforming the customer journey - combining digital with a human touch · Renovating and integrating existing legacy systems · Enhancing analytical capabilities to support improved customer engagement and generating customer-focused insights	
	KPIs / Measures of Success - by Y/E 2024: · 650k active Digital customers · 65% of sales originating via Digital Channels · 87% of Service transactions carried out via Digital Channels · A modern and resilient Digital platform that enables future growth · Improved Customer experience with a new, modern and consistent web and mobile channel, designed with simplicity, usability and enhanced self-service capabilities in mind · End-to-end digital journeys for Mortgage, Consumer and SME products	**2021 Achievements:** · 570k active Digital Customers · 81% of FY21 new Term Lending drawdowns through our direct channels, a 6% increase YoY and 15% increase since 2019 · €50 million investment in technology and digital services announced in April · End-to-end Digital Current Account launched in May enabling existing and new customers to open an account in c.6 minutes on the PTSB Mobile App · Digital Mortgage Application journey launched on a phased basis in September 2021 enabling customers to complete their mortgage application and upload all supporting documentation online · Customer Correspondence Management (CCM) platform, successfully migrating c. 500k customer letters to the new platform

Strategic Pillar	**Cultural** Embedding a Risk Aware, Open and Inclusive Growth Culture

Our Strategic Ambition

Culture, Brand and Reputation

- Building a customer-centric, open, inclusive, risk integrated, growth culture characterised by integrity, innovation and accountability
- Empowering all colleagues to develop as leaders
- Fostering a mind-set of accountability and risk awareness in all teams, and at an individual level; senior leaders recognise significance of own accountabilities
- Celebrating and encouraging diversity; embedding a culture of openness throughout the Bank. Evolving our culture to ensure that our colleagues feel psychologically safe and empowered to share their voice
- Striving to grow a Speak Freely environment where it is safe and acceptable to raise genuine concerns about practices, processes or behaviours that do not meet our standards or align with our Purpose

KPIs / Measures of Success - by Y/E 2024:

- Achieve a Culture Index of 70% or above on an annual basis
- Achieve the next level of Diversity & Inclusion maturity - Integration
- +1% Speak Freely measure by 2025 – aligned to employee honesty, integrity, accountability and compliance
- Strive towards 50:50 Gender Balance at Senior Leadership by 2025 (striving for a year on year improvement in female participation from a baseline of 36% F : 64% M)

2021 Achievements:

- Culture Index is at 71% (+1%)
- Over 1,500 colleagues have participated in the LIFT Ireland 'Living As Leaders' Roundtables which will continue in 2022
- Accreditation to the Business Working Responsibly Mark, awarded by Business In The Community Ireland
- Winner of the CIPD Employee Empowerment and Trust – 2021
- Current Gender Balance at Senior Leadership is 36% F : 64% M

Sustainability

- Embedding our recently launched Sustainability Strategy, recognising our significant role in supporting our stakeholders to navigate the green transition and to embrace the opportunities that sustainability brings
- Our Sustainability Strategy is built around four pillars:
  - Addressing Climate Change & Supporting The Transition To A Low Carbon Economy
  - Elevating Our Social Impact & Connecting With Local Communities
  - Enhancing Our Culture & Investing In Our People
  - Championing Small Business & Creating A Bank That Is Fit For The Future

KPIs / Measures of Success - by Y/E 2024:

- Embedding our Sustainability Strategy
- Launching a green product to the market
- Introducing a Climate Risk Management Framework
- Engaging a rating agency to produce an ESG Risk Rating for the Bank
- Introducing a Sustainable Procurement Framework and Sustainable Supplier Charter
- Elevating our social impact through partnerships and continuing to support local communities through the Permanent TSB Community Fund
- Continuing to implement and embed our Culture and Diversity and Inclusion Strategy (D&I) across all areas of our business, as we focus on evolving our maturity level from 'Awareness' to 'Integration' by 2023
- Partnering with small businesses through our refreshed Business Banking Strategy, not just in terms of supporting their banking needs, but through acting as advisers to help them to grow their business

2021 Achievements:

- Introduction of a Sustainability Strategy and the mobilisation of a Sustainability Committee
- Signature to: 'Low Carbon Pledge', committing to setting science-based carbon emission reduction targets by 2024; and, the Task Force on Climate-Related Financial Disclosures (TCFD)
- Disclosure through Carbon Disclosure Project
- Delivered a 1% reduction in Scope 1 and 2 carbon emission intensity in 2021 (a cumulative reduction of 56% since 2009)
- Winner in the Excellence in the Community – Community Programme Category for our partnership with Ó Cualann Cohousing Alliance, Chambers Ireland Sustainable Business Impact Awards, 2021
- Achievement of the Guaranteed Irish symbol for the Bank's contribution to local communities

Strategic Pillar	**Simplification** Simplifying Our Business

Our Strategic Ambition

Hybrid Workforce Capability

- Building a sustainable, future-fit, digitally connected, customer centric organisation
- Optimising our workforce planning, capabilities and tooling, to respond to changing needs of colleagues and customers

KPIs / Measures of Success - by Y/E 2024:

- Design a Fit for the Future Operating Model in line with our Strategic ambitions
- Implement Strategic Workforce Capability Management

2021 Achievements:

- Significant Bank-Wide Organisational Redesign completed
- Significant Investment in new skills and capabilities across the organisation
- Launch and implementation of SMART working options for colleagues, including home working, job share and compressed hours – c.1,300 colleagues on hybrid arrangements

Operational Excellence

- Driving end to end automation of targeted processes and sub-processes, reducing manual risk, generating resource and capacity efficiencies, and improving overall customer and colleague experience

KPIs / Measures of Success - by Y/E 2024:

- Embed a culture of continuous change and improvement across our business so we are constantly evolving and changing in pace with our customer's needs

2021 Achievements:

- Continued expansion of robotic processing of high volume back office tasks to drive efficiency
- Deployed automated capacity planning toolkit across back office teams
- Redesign of online SFS to improve speed of processing for customers
- Based on customer feedback, we redesigned our bereavement services processes and introduced a dedicated change of address team to simplify the customer outcome
- Finalised the design for deploying eStatements for Credit Cards in H1 2022, allowing 100,000 customers switch over from paper

Strategic Pillar

Profitability
Growing Sustainable Profits

Our Strategic Ambition

Asset Management

- Managing assets in a way which protects and generates value for the Bank
- Managing sustainable capital maintained on an ongoing basis

KPIs / Measures of Success - by Y/E 2024:

- Net Interest Margin of ~1.9%
- Cost Income Ratio ~65%
- Return On Equity >5%
- Balance Sheet Growth ~+€7 billion in relation to the Ulster Bank transaction
- NPL Ratio of <5%
- CET1 >14%
- €22bn of performing assets (57% increase from €14bn today)

2021 Achievements:

- Signed legally binding agreement with NatWest regarding the acquisition of c.€7.6bn assets from Ulster Bank DAC
- Agreed sale of €0.4bn Non Performing Loans in November
- €250m raised through issuance of Tier2 bonds in May 2021

Cost Transformation

- Embedding a cost-aware culture at all levels of the organisation
- Realising real-time savings through key process reviews
- Transforming structures to ensure long-term sustainability

KPIs / Measures of Success - by Y/E 2024:

- Operating costs of c.€400m reflecting normalised base for enlarged organisation
- CIR (based on Operating Costs) of 65% (or 59% based on Underlying Operating Costs)

2021 Achievements:

- Completion of 'Enterprise Transformation' programme which will result in c.300 FTE exiting the Bank (Full Year Savings of c. €18 million)
- Completion of Wave 1 and Wave 2 of 'Cost Optimisation' programme with full year savings embedded of c. €11m by 2023
- PTSB's procurement partnership with Efficio nominated at The National Procurement Awards

Strategic Pillar

Information Security & Operational Resilience

Our Strategic Ambition

Information Security & Operational Resilience

- Building and maintaining modern, enduring information and technology systems and capabilities throughout the Bank
- Protecting our customers with robust and resilient cyber-security processes

KPIs / Measures of Success - by Y/E 2024:

- Maintain the availability and resilience of the Bank's critical IT exceeding business defined SLAs
- Enhance cyber maturity benchmark in line with global banks

2021 Achievements:

- Enhanced cyber security control environment
- Safe adoption of public cloud in support of enhanced customer experience
- Upgrade completed of Online Banking and Open Banking channels enhancing the resilience, performance and capacity of these channels

Strategic Pillar	**Data & Analytics**
Our Strategic Ambition	**Data & Analytics** · Deepening our understanding of our customers, leading to improved customer engagement and defined, value-generating strategies for key segments · Embedding an enterprise wide approach, where data is accurate, up to date, and utilised to support better decision making in all areas

KPIs / Measures of Success - by Y/E 2024:	**2021 Achievements:**
· Significant IT Infrastructure and software licencing savings · Analytics integrated into digital platforms, helping to personalise customer journeys, and driving next best actions · Trusted Data Hub · New revenue streams	· Detailed development of a medium-long term Data & Analytics Strategy which will commence implementation in 2022 · Orion platform investment which provides a single source of the truth for data and supports PTSB in serving customers faster and more accurately

Managing Risk Through Our Strategy

Business Model

Description	Mitigation Through Our Strategy
With the easing of almost all Covid-19 restrictions in Ireland in January, the outlook for the domestic economy in 2022 is positive. As a result, the CBI has forecasted growth in the domestic economy of 7% for 2022; however, challenges do remain at a macro-economic level. Inflation is expected to average out at 4.5% in 2022 and unemployment remains high across a number of sectors. Such challenges pose a threat to our Business Model from financial risk, market risk and customer acquisition perspectives.	Through our annual planning process and resulting Strategy refresh, the Bank focuses on ensuring its Business Model is fit for the future and sustainable over the longer term. Our financial plan underpins our Strategy. Through preparation of the medium-term financial plan which projects our income statement and market position over a 4-year horizon, the Bank continues to manage and respond appropriately to cost, capital, macro and regulatory challenges. The purpose of the Bank's Strategic Portfolio is to execute strategies that enhance our business model and ensure that we remain relevant to the market, communities and customers we serve. The Superior Customer Experience programme ensures that we both attract new customers to the Bank, as well as enhance our existing customer relationships, with defined segmental strategies and customer focused propositions. Our Simplification programme ensures that our processes and services – both internal and customer facing – are efficient and cost effective. The recent agreement for the acquisition of certain elements of the Ulster Bank business provides a significant example of how we are strengthening our current Business Model, by enhancing our long term sustainability, both from a financial and customer acquisition perspective. This agreement also enhances our position in the SME sector, providing more diversification to our offerings.

Our Strategy, Business Model and Culture (continued)

Increased Competition

Description	Mitigation Through Our Strategy
While two incumbent banks are leaving the Irish Financial Services Market, competition remains high from elsewhere in the banking and financial services sector, in terms of attractive FinTech propositions, potential disruption from BigTech players and lower barriers to entry brought on by certain regulatory developments over the past 12-24 months. This has led to increased competition for new business, particularly in the everyday banking and consumer lending market segments. It also challenges the Bank's ability to remain an attractive proposition for new customers while continuing to retain existing customers.	Each element of our strategy will enhance PTSB's ability to respond to the ever increasing competition in the Irish financial services sector. Our strategy builds on the areas where we feel we have an existing competitive advantage: our 200 year heritage in Ireland; our smaller scale and local presence, which enables us to develop deeper, personal relationships with our customers; and, our support for customers in their home buying journey. Additionally, one of the core pillars of our Strategy is the delivery of new and enhanced Digital capabilities that allow us to compete across all channels. This will also enable our customers to do business with the Bank via the channel of their choice. Where opportunities exist to do so, we'll seek to work with FinTechs to enhance existing and future capabilities, rather than viewing them explicitly as our competitors. An example of this can already be seen from our partnership with FIS in the Summer of 2021 for the benefit of our Business Banking customers. Finally, our relentless focus on being a safe, secure and resilient organisation from an IT and Data perspective will provide comfort to our customers that new competitors may be unable to provide.

People and Culture

Description	Mitigation Through Our Strategy
The success of an organisational strategy and the delivery of fair and transparent outcomes for all customers is predicated on building a culture that: protects our staff; ensures adequate skills and resources across each business unit; and, consistently applies adequate succession planning processes across the Bank. An ineffective organisational culture can result in poor outcomes for customers, unethical behaviours and increased attrition, all of which contribute to negative reputational impacts and excess costs (e.g. legal fees, regulatory breaches, increased recruitment etc.)	PTSB continues to invest heavily from a cost, time and resource perspective to ensure a diverse, inclusive and risk aware culture is embedded and maintained throughout the organisation. 'Culture' is one of the Strategic Pillars for the organisation, ensuring it will be a key focus for Senior Management and all Colleagues. The Bank's People Strategy is focused on: Ways Of Working; Organisational Design; and, Leadership Behaviours. Employee Engagement and Experience is tracked through regular staff surveys and feedback, and in 2022, industry benchmarks will be used to assess PTSB's relative performance in the market. In addition, a significant strategic programme has commenced in preparation for the Senior Executive Accountability Regime (SEAR) and Individual Accountability Framework (IAF) which will be integral elements of PTSB's effective organisational culture. Corporate Development (CD) & HR continues to work closely with ExCo, Board and the wider business to deliver four core initiatives that serve to propel our Trust-led Culture: Brand, Culture and Reputation; Customer Strategy and Experience; Hybrid Workforce Capability; and, Sustainability.

Regulatory Compliance

Description	Mitigation Through Our Strategy
Ever increasing regulatory expectations throughout the financial services sector continue to challenge Permanent TSB's ability to ensure full compliance, while delivering on its strategic ambitions. Climate Change Risk and Operational Resilience have emerged as two key areas of focus for regulators and legislators in 2021, with a consequential increase in regulations. Failure in this space would be of significant consequence to PTSB.	PTSB has made a firm commitment in its strategy to continue to comply with all regulatory requirements. There is a renewed focus on identifying requirements in a timely manner, through an upstream reporting process governed by two Risk committees (GRC and BRCC) to ensure effective Regulatory Compliance. In addition, two critical strategic programmes of work, namely 'Regulatory Projects & Assurance' and 'Mandatory' Programmes have been refreshed within our Strategic portfolio for 2022 under which all key Regulatory and Compliance related programmes of activity can be executed, tracked and reported on. The tracking of these programmes within our Strategic Portfolio will ensure high-priority and maximum visibility amongst senior management. The Bank continues to maintain pro-active, on-going communication channels with the Central Bank and other key regulatory stakeholders.

Cyber Security

Description	Mitigation Through Our Strategy
Cyber fraudsters continue to pose a threat to all sectors, not least to Banking and Financial Services, both in terms of sophistication and volume. Covid-19 and the Ulster Bank transaction have provided further challenges for the Bank in protecting our customers against cyber fraud. In addition, a move towards Cloud based capabilities presents new and unknown challenges for Banks. Failures in cyber-security could impact both the Bank and its customers, financially and, perhaps most consequentially, from a reputation and trust perspective.	Information Security and Operational Resilience is a key foundational Programme on our Bank's Strategic Portfolio. It provides an increased focus on the threat of cyber security, and other Technology related risks. A number of Projects within this Programme exist together to enhance our cyber security effectiveness, including the Cyber Security Roadmap project, Critical Service Resilience Project and updates to our core systems. Our primary focus in this regard is to build modern, effective and enduring IT systems that protect our customers.

Data Management Risk

Description	Mitigation Through Our Strategy
Recent years have witnessed the fast-paced adoption of new technologies, both in businesses and in our personal lives. As a result, the role of Data Management in the Financial Services industry has never been so important. If not managed effectively, customers' trust will be breached, regulatory obligations can be impacted and financial and reputational penalties can impact an organisation's overall sustainability.	Data is a critical component of our Bank's strategy, underpinning every strategic decision we make. We hold a privileged position as custodians of our customers' data. In addition, the data we hold represents a significant opportunity for us to better understand our customers, and offer them the right propositions and services to them at the right time. To ensure we are optimising our approach to Data Management, the Bank undertook a significant Data & Analytics Strategy project in 2021. The programme of work that will deliver new capabilities, technology solutions, and develop our skills and culture will commence implementation in 2022. The programme will ensure robust Data Management processes, controls and transparent reporting. As a result, we expect to see a reduction in the risk of data quality issues, data breaches and incorrect use of data. The Bank now has a clear pathway over the medium to longer term in respect of Data & Analytics management, focused on enhancing our customer experience, reducing errors and maximising the value our data can deliver within the boundaries we are set.

Climate Risk

Description	Mitigation Through Our Strategy
With the increased focus on climate-related and environmental risks across all sectors, there is an expectation on companies to contribute to the transition to a low-carbon economy. With the level of spotlight becoming greater in this regard, it is important that we manage such levels of risk and exposure.	In Q4 2021, the Bank launched its first Sustainability Strategy, demonstrating our commitment to the sustainability of our communities, country and planet. While significant steps have been taken in recent years to enhance our position in respect of ESG issues, 2022 will mark the formal commencement of the execution of our Sustainability Strategy. A core component of this is the Bank's commitment to play our part in reducing the impact globally of climate change. The Bank will actively reduce its carbon footprint, having signed the Low Carbon Pledge, where we have committed to setting science-based carbon emission reduction targets by 2024. We'll continue to demonstrate our transparency and commitment for change through our signature to the Task Force on Climate-Related Financial Disclosures (TCFD).

Our Culture – Bringing the Lived Experience to Life

We want to build on the progress already made and continue to improve our culture, to consistently live our Values every day.

Culture is a word that can cause confusion. Simply put, it gives organisations a sense of identity. It defines the way in which 'things are done around here', divined from many things; our heritage, behaviours, beliefs, Values, processes and language. It includes both how we say we get things done, and the reality of how we really get things done. In PTSB, our Purpose, Ambition and Values orient our culture and how we evolve our culture. It is our behaviours, and the way colleagues work together, with our customers and our communities. It is how we handle day-to-day operations, our everyday communication and tasks that create the PTSB way. Our culture is made up of many sub-cultures; whether that be from our heritage, various acquisitions and mergers, geographies, or the different leadership styles. We aspire for a consistent cultural experience for all colleagues at Permanent TSB. We want a culture that preserves all the positive elements of our heritage, whilst actively changing any poor habits and behaviours that do not align to our Values. We have been proactively committed to improving our culture since 2015, and as we look forward, our goal for culture remains to preserve those positive aspects of the culture that makes us unique, whilst altering any habits and behaviours that impede both the re-building of trust in the Bank and the delivery of Purpose and Ambition.

We want to build a culture of trust.

A culture where we care for our customers, communities, and each other – where we are proud to work for PTSB. A culture where we work hard to live our Values every day through our actions and our words. A culture where ethical decision making, fair customer outcomes and risk awareness are integrated into everything that we do every day.

Trust is the foundation of all relationships.

All strong relationships are built on trust. Real and genuine trust is the single most important element of any relationship; personal or professional. Trust is at the heart of all meaningful communication and without it, no relationship can survive. It is our privilege to be the custodian of our customers' financial interests. This honour is based on the principle of trust; being our ability to demonstrate to our customers that we consider their interests in all that we say and do, every day.

We are making improvements to our culture.

Good culture makes a difference. We are doing a lot, and have more to do to ensure that everyone has the same colleague experience regardless of where they work thereby improving trust with our customers.

2021 Culture Reflection

We are building a responsible & sustainable business to deliver for our customers, colleagues & communities. We are committed to building on the cultural improvements made, and to achieve our cultural goal to have a customer-centric, open, inclusive, risk integrated, growth culture characterised by, integrity, innovation and accountability.

In 2020, our new CEO re-purposed the organisation **"To work hard every day to build trust with our customers – we are a community serving the community".** We developed a **new diagnostic** (our Every Voice Counts Engagement Survey) to enable Permanent TSB to assess colleague culture, engagement, eNPS and trust on a holistic and periodic basis. As a member of the Irish Banking Culture Board (IBCB), we participated in the Éist Staff Survey to listen to and take action on colleague feedback on the culture within the Bank.

We are making improvements to our culture:

Our Purpose and Values are resonating with colleagues	Over 85% of colleagues tell us that they understand our Purpose and Values.
We have improved our culture Index	It is 71% (+70% for the past 2 years) however we have inconsistencies by function which we are focused on addressing (Source: Every Voice Counts 2021).
We are committed to improving our Gender Pay Gap	It is 16.5% compared to the national average of 14.4%, below the latest ROI reported score of Retail Banks (23.8%) and below the latest aggregated score of major UK financial institutions (33.4%) (Source:Reuters.com)
We have achieved a Diversity & Inclusion (D&I) status of Awareness.	We're making progress towards becoming a more inclusive organisation moving from Compliance in 2018 to Awareness in 2020, with an ambition for Integration by 2023. Our progress is assessed by an external independent third party (Source: EY D&I Audit 2020). We were also awarded the bronze award for investors in D&I in 2021 from the Irish Centre for Diversity.
Our People Managers are supporting colleagues, the PTSB community, to increase Trust in our Bank	81.8% (+4.7%) of colleagues believe our People Managers genuinely care about colleagues at a time of global turbulence. (Source: Every Voice Counts 2021). We won the CIPD Award for Employee Empowerment and Trust for our 'Ways of Working' programme.

Our colleagues have told us that our Purpose and Values resonate strongly with them (85% of colleagues understand our Purpose and Values). Colleagues understand their role and want to serve customers, and they believe that the leadership team is moving the Bank in the right direction.

As an evolution from our Banking Blueprint, in April 2021, the Board approved our 'Culture Charter' which sets out our cultural ambition for PTSB. Our Culture Charter outlines our goal for culture, and the enablers necessary for us to achieve our Purpose and Ambition, whilst overcoming any cultural blockers which might impede our success. We want to have a customer-centric, open, inclusive risk integrated, growth culture characterised by integrity, innovation and accountability. The Culture Charter has been launched across the organisation to every colleague, to help them connect and understand the role of each of our cultural enablers and the part that they can play individually and collectively to build trust with our customers.

Making Permanent TSB a Place for Everyone

At permanent tsb we want to build a culture of trust, with each other and with customers. A culture where we work hard to live our Values every day through our actions, behaviours and words. Living our Values builds trustworthiness, honours our customer promise and is central to how we will achieve our Ambition to be Ireland's best personal and small business bank.

We will enable this by nurturing an open and welcoming environment where you can safely be yourself, your best self. An environment where you are respected, valued and recognised for your contribution. A psychologically safe environment, where you feel safe to speak up without fear of negative consequences and where diverse thinking leads to constructive debate. It is a privilege to be the trusted custodian of our customers' financial wellbeing and our ability to demonstrate to our customers that we consider their interests in all that we say and do is at the heart of our customer promise.

In building a culture of trust, we will consistently deliver ethical decision making, fair customer outcomes and integrate risk management into everything that we do.

We are building a Permanent TSB for everyone. One PTSB.

Purpose	We work hard every day to build trust with our customers. We are a community serving the community.
Ambition	To be Ireland's best Personal and Small Business Bank.
Our Values	Lived Every Day through Our Behaviours

Customer Focus	Courageous	United	Open	Straightforward
We take due care and consideration for our customers always.	We Speak Freely without fear of negative consequences & welcome diverse perspectives to mitigate group think.	We reinforce accountable leadership through our behaviour.	We innovate and continuously improve.	We aim to get it right first time every time.

We have focused on improving our culture by embracing the enablers and being committed to identifying and over-coming the blockers. Our dynamic culture diagnostic, enables us include transparent tracking, measurement and reporting of Engagement, Culture and eNPS on a sustained basis as part of our Risk Appetite.

These cultural enablers will help shape and guide our cultural journey include:

Living as Leaders - Join the Conversation

2021 marked the second year of our partnership with LIFT Ireland (Leading Ireland's Future Together) for our 'Living As Leaders' Programme, which aims to promote and encourage the right leadership behaviours across all levels of the organisation, aligned to our Purpose and Values.

LIFT Ireland is a Not for Profit Organisation with a vision to make Ireland a better place to live by creating better leaders across our society and in our communities. LIFT's philosophy aligns closely with that of Permanent TSB's, as they believe that each of us is a potential leader; whether that is within our families, our peer groups, our schools, our sports teams or our businesses. LIFT believe that by developing personal leadership qualities within each individual, we can develop a generation of stronger and better leaders.

Since the launch in 2020, over 1,500 colleagues across the organisation have participated. This programme isn't about titles or positions; it's about embracing a growth mind-set and being open to improving how our colleagues do things for themselves, each other, our customers and our communities. We believe that the consistent actions and behaviours of everyone, every day is essential in creating a better future for one another and for our Bank. Our Living as Leaders Programme is part of our Induction Programme for all new joiners and will continue in 2022.

"It's a privilege to lead people and leadership is really about positively influencing people whether that is at home, in our communities, with our peers, in our relationships and in our workplace. What matters more than anything else in leadership is the character – the integrity, accountability and dependability - of our people leaders".

Ger Mitchell, Chief Human Resources and Corporate Development Director

Speak Freely – Change Behaviour By Starting The Conversation.

Our goal is to evolve our culture to ensure that our colleagues feel psychologically safe and empowered to share their voice. As an organisation, we are striving to grow a Speak Freely environment where it is safe and acceptable to raise genuine concerns about practices, processes or behaviours that do not meet our standards or align with our Purpose. Our Speak Freely Procedure protects colleagues who wish to raise a concern or to make a protected disclosure, relating to an actual or potential wrongdoing in the workplace, and ensures that they can do so without any fear of retribution or penalisation. We have a number of different channels through which a concern can be raised. The Bank has in place procedures to deal with any protected disclosures that may arise as part of Speak Freely and reports to the Executive Committee and Board on a half yearly basis. Our "Speak Freely Pledge" invites colleagues to show their commitment to creating psychological safety by encouraging a mind-set shift from awareness to action and personal accountability. As part of our ongoing series of communications surrounding Speak Freely and through our Every Voice Counts – 'Speak Freely' Micropulse, colleagues had asked us to provide examples of Speak Freely concerns raised and the actions taken as a result. In response, we developed a series of illustrations based on actual Speak Freely concerns which occurred in the past to help explain how the concern was raised, what happened and the ultimate result.

The spokesperson in this illustration is Saoirse, meaning 'freedom' in Irish.

To continue our embedding plan in 2021 we delivered a number of initiatives to further educate, track and highlight examples of speaking up, including:

- Training People Managers and Speak Freely Champions on Speak Freely and Protected Disclosure procedures,
- Completion of Colleague Conduct Training by all colleagues which included further awareness and focus on Speak Freely.
- Implementation of the Irish Banking Culture Boards' DECiDE Framework on ethical decision making,
- Regular Reporting on Speak Freely concerns to the Board, and
- Developing and sharing of Speak Freely Management Information with colleagues and the launch of a bank-wide Every Voice Counts – 'Speak Freely' Micro-Pulse survey and subsequent focus groups.

Ways of Working (Hybrid Working)

Since the onset of the pandemic, Permanent TSB has worked at pace to adapt to and embrace new ways of working. We are committed to creating an environment for our colleagues which is "Safe, Supported and Connected". Our Ways of Working was launched over three phases:

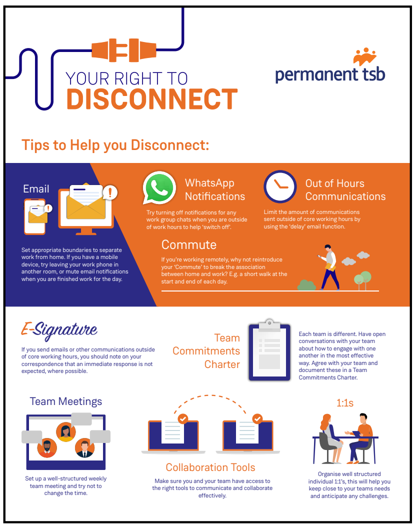
1. Respond and Stabilise
2. Adapt and Support
3. Review and Evolve

As we continue to evolve the organisation to be dependable, capable and relevant, in 2020 the Bank introduced a Smarter Working Programme to enable optionality and to provide more flexible ways of working for colleagues, while encouraging the use of a broader range of technology at all levels of the organisation.

Over 1,280 colleagues have opted for Smarter Working, with the range of options available including: reduced hours; job sharing; compressed hours; sabbaticals and career breaks; home working or working from an alternative office location.

To support our colleagues as we transitioned to a new way of working, Team Commitment Charters were developed and rolled out across every team, empowering colleagues to agree how to work and communicate together in a hybrid environment. Further supports including a weekly 'no meeting slot' and a series of new ways of working infographics, including tips for remote working, your right to disconnect, and tips for holding effective meetings and one to ones, have been created to help colleagues adapt. To support our wider community, we also shared all of our ways of working infographics across our social media channels.

In recognition of our 'Ways of Working' programme, Permanent TSB won the prestigious CIPD Award for Employee Empowerment and Trust in 2021. We will continue to assess and evolve our colleague offering, and corresponding



policies, supports and technology, with a view to ensuring that we are driving openness and collaboration, while delivering optionality for our people.

Our colleagues tell us that the culture and people is what they enjoy most about working for Permanent TSB. As a community-minded, collaborative and people-focused organisation, we are working hard to ensure that our culture continues to be at the heart of what makes us who we are, whether that be in person, virtually or hybrid. As the world of work continues to evolve and the pace and impact of digitisation continues, we are placing our customers, colleagues and communities at the centre of our decision making to ensure that we continue to build trust and make a positive impact in their lives.

Values in Practice Awards

At Permanent TSB our colleague recognition programme, the 'Values In Practice' or 'VIP' Awards, recognises colleagues from across the organisation who are living the Bank's Values and are making a positive impact to the business, our customers and the community. Our annual VIP Awards, enables colleagues to recognise each other for their great work over the year. 2021 witnessed the second successive year where over 1000 nominations were received. Colleagues from all across the organisation were recognised by their peers under our five 'Values' categories, and the additional categories of Community Impact Award and Living as Leaders Award. In 2021, we extended our annual Values in Practice (VIP) Programme, with the launch of the VIP Every Day Programme, to create a culture of on-going recognition throughout the year. Since launch in May 2021, there have been over 900 VIP Every Day Recognitions.

The Irish Banking Culture Board (IBCB)

Set up in 2018, the IBCB is an independent industry initiative, established and funded by the five retail banks in Ireland, with the aim of rebuilding trust in the sector through demonstrating a change in behaviour and overall culture. 2021 saw the continued contribution to and support of the Irish Banking Culture Board (IBCB) and its programme of work by Permanent TSB. As one of the five member banks, Permanent TSB is committed to its mission of re-building trust in the banking sector by delivering a positive change in behaviour and overall culture.

In 2021, we participated in the IBCB Éist Staff Survey to continue to listen and act upon the feedback from our colleagues on culture within the Bank and the industry as a whole. Éist is an Irish language word which means listen. The IBCB expressly selected this word as since the establishment of the IBCB, one of the most consistent pieces of feedback received from bank staff and bank customers alike is that they want banks to listen to them more and to then act on that feedback. Along with the other member banks, Permanent TSB is committed to listening to this feedback and working collectively and individually to address this through actions aimed at rebuilding trust in the Irish banking sector.

Over 55% (+6pt v's sector) of colleagues in Permanent TSB colleagues shared their views on culture in the Bank. The results for Permanent TSB were very positive, with colleagues saying that we have a highly customer-focused, friendly culture, where colleagues act ethically and work with purpose. This feedback from our colleagues demonstrates the impact of the improvements made which form the basis of a healthy and customer focused culture in the Bank.

The Bank has supported colleague participation in the IBCB workshops, including vulnerable customers, services to bereaved customers, respectful and transparent communications, and financial education and awareness to name but a few. In addition, Permanent TSB has support the initiatives of the IBCB, and has adopted the DECiDE (Ethical Decision Making) framework, as part of our Code of Ethics as well as the IBCB Change Framework.

We look forward to continuing our work with the IBCB in 2022 and beyond, as we work hard to re-build trust in the banking sector together.

What our colleagues said -
71% (+5pts v's sector) of the words used to describe our culture were positive including:

- Customer/ Client Focused
- Friendly
- Risk Aware
- Always looking to improve
- Learning/ Development
- Collaboration
- Supportive
- Respectful

29% (-5pts v's sector) of words colleagues used were negative:

- Long hours
- Bureaucratic
- Hierarchical

Culture in 2022 and Beyond

We are committed to living our Values every day, as they orient our behaviours and guide our decision making. We will continue our culture journey in 2022, to support the delivery of our Purpose and our Ambition by creating an Open, Inclusive, Risk Aware and Growth Culture.

Our key activities to continue our culture evolution will include:

- **Living as Leaders:** Partnering with LIFT Ireland to continue the roll-out of our Living as Leaders Programme to embed our purpose, Values and Leaderships Behaviours for all colleagues at Permanent TSB.
- **Speak Freely:** Continuing to embed communications, training and awareness initiatives to create an environment where colleagues feel psychologically safe and empowered to share their voice and have increased trust in the process.
- **Diversity & Inclusion:** Creating a more inclusive Permanent TSB, and continuing to nurture an environment and culture where colleagues can bring their best self to work, safe in the knowledge that they are welcomed and encouraged to share their voice and views as we seek to progress from 'Awareness' to 'Integration' on the Diversity and Inclusion maturity curve by the end of 2023.
- **Smart Working Framework:** Embracing a blended workplace of the future, and continuing to assess and evolve our colleague offering, to ensure that they have the tools, technologies, supports and flexibility for hybrid work.
- Wellbeing: Supporting our colleagues in bringing their best selves to work, improving the colleague experience and creating a resilient workforce.
- **Customer Focus:** Building trust-based relationships with customers with due care and consideration always, and making a difference in the lives of our customers.
- **Integrating Risk Awareness:** Promoting risk culture & awareness to ensure fair customer outcomes across the Bank, by providing colleagues with the right supports and tools, and integrating risk awareness into all aspects of our behaviour and actions.
- **Strong Stakeholder Engagement:** Continuing proactive engagement with all our stakeholders to align our colleagues, customers and communities.
- **Quality Communications (Internal):** Connecting with our colleagues on key messages and embedding the Culture Charter across the organisation to ensure consistency of understanding and alignment on our strategy.
- **Reputation Management (External):** Proactively engaging and managing our reputation in the market to build a responsible and sustainable Bank for the future.
- **Brand:** Achieving our ambition of becoming Ireland's best personal and small business bank by having a distinctive and relevant positioning in the market.
- **Culture Measurement:** Leveraging our culture diagnostic to deliver actionable insights to support the delivery of our Purpose and Ambition.

Making a positive and lasting impact in our customers' lives has been at the core of Permanent TSB throughout our over 200 year history. Our new Purpose centres on building trust with our customers and connecting with our over 200 year community heritage, as we continue to rebuild trust and make a difference in our customers' lives. As we look towards 2022, and our culture journey, we are committed to delivering the right strategy, the right talent, the right structure and the right culture to best serve our customers - we are a community serving the community.

Our Commitment To Building A Sustainable Business

'Now more than ever businesses, such as Permanent TSB, have a significant role to play in supporting our stakeholders to navigate the green transition and to embrace the opportunities that sustainability brings. Our Purpose is to work hard every day to build trust with our customers – we are a community serving the community. Our Sustainability Strategy gives us an opportunity to put our purpose into action - enabling us to play our part in addressing the global climate crisis, elevate our social impact, enhance our culture, and deliver what matter most to our customers and colleagues. Ultimately, building a sustainable organisation that is fit for the future.'

Eamonn Crowley, Chief Executive

Our Impact In Action

The launch of a **new Sustainability Strategy for the Bank**

Signature to the Task Force on **Climate-related Financial Disclosures** (TCFD)

1% reduction in carbon emission intensity last year (a cumulative reduction of 56% since 2009)

- Sustainability Committee and a Permanent TSB Green Team
- An increased focus on Climate Risk Management
- Signature to the 'Low Carbon Pledge', committing to setting science-based carbon emission reduction targets (SBT's) by 2024
- Disclosed through CDP
- Co-sponsor of the Sustainability Revolution Virtual Conference Series

c.€600,000 in financial contributions to Irish community organisations in 2021

Accreditation to the **'Business Working Responsibly Mark'**

A commitment to **maintaining our branch presence** in communities across Ireland

- A partnership with DCU Access Programme
- 7,000 financial reviews completed last year, supporting customers in taking control of their financial future
- A 5 year partnership with Social Entrepreneurs Ireland, tackling some of Ireland's most important social issues
- A 3 year partnership with Ó Cualann Cohousing Alliance, supporting the development of affordable housing schemes in communities across the country
- 2021 Winner of the Chambers Ireland Sustainable Business Impact Award in the Excellence in Community Category for our partnership with Ó Cualann Cohousing Alliance

New hybrid ways of working and the creation of 300 new positions across key growth areas

36% of Senior Leadership Positions are filled by Women

87% of employees feel comfortable to be themselves at work regardless of background or life experiences

- Winner in the Employee Empowerment and Trust Category, CIPD Awards, 2021
- 2.5 training days delivered per employee last year, with more than 400 employees enrolled in banking education programming
- Partnered with LIFT Ireland to deliver 'Living as Leaders' to more than 1500 colleagues, bringing our Values to life
- c.1,000 nominations to our Values In Practice (VIP) Awards, the Bank's colleague recognition programme
- A Diversity and Inclusion Strategy supported by 5 Employee Resource Groups – LIFE, PRISM, DiCE, Better Balance and The Change Collective
- 71% Culture Index Score

The first Irish Retail Bank to be awarded the Guaranteed Irish Symbol, recognising our contribution to local communities across the country

Significant improvement in the Bank's reputation score moving up 24 places to 69th position in the annual Ireland RepTrak Top 100 List**

A further €50 million investment in technology infrastructure and digital services

- +10 Relationship Net Promoter Score* (RNPS), placing Permanent TSB in second position among the retail banks in Ireland
- Expansion of our Business Banking offering through new partnerships with Bibby Financial Services, the Strategic Banking Corporation of Ireland, Digital Business Ireland and Worldpay
- €30 million committed to branch refurbishments in our Retail Network, introducing the latest technology and enhancing our customer service offering
- A new Digital Current Account and the introduction of Apple Pay and Google Pay
- A focus on cyber security and data protection with training delivered to all colleagues

* A Relationship Net Promoter Score (RNPS) is a measure of customer advocacy towards a brand and indicates the willingness of a customer to recommend a company's products or services to others. The question asks customers how likely they are to recommend their bank to friends or family on the basis of their own experience. The range for the scoring is -100 to +100.

** The annual Ireland Reptrak study is the largest and longest running study of reputation in Ireland and is based on the perceptions of over 6500 members of the public. The study measures the level of trust, respect, admiration and esteem the public has for 100 organisations in Ireland, along with close to 100 other reputation and brand indicators.

Increasing Our Focus On Sustainability

Permanent TSB has a long banking history in Irish communities, with roots that stretch back over 200 years. Throughout this time, our focus has been on delivering exceptional customer service and connecting with our local communities. Our experiences over two centuries shape our culture and influence how we do things today.

Given the increased focus on sustainability not only in Ireland, but around the world, the Bank commissioned a third party to conduct a comprehensive sustainability assessment of Permanent TSB in 2020.

The comprehensive assessment covered a number of topics, including; climate risk; carbon impact and supporting the transition to a low carbon economy; setting science-based targets; green products and services; sustainable procurement; developments in the regulatory landscape; reporting and alignment with disclosure frameworks; and, everything in between. It highlighted the things we are doing well across the organisation, but more importantly, provided insight into our areas of opportunity – the places where we can focus our attention to drive change and deliver lasting impact.

Following the assessment, the Bank mobilised a Sustainability Committee with representation from senior leaders from every area of our business.

The Sustainability Committee commenced work on turning the findings into an overarching Sustainability Strategy for the organisation last year, beginning with engaging our stakeholders to conduct an exercise in materiality.

Engaging With Our Stakeholders

At Permanent TSB, we recognise that building strong relationships with our stakeholders, and ensuring that we engage with them regularly, plays a fundamental role in informing our Business Strategy. It guides our reporting, allows us to identify risk and emerging trends, while helping us to prioritise investment and resourcing - ultimately, enabling us to conduct and manage all areas of our business in a more sustainable way.

In 2021, we completed a materiality assessment to support us in identifying the Environmental, Social and Governance (ESG) issues that are not only material to our business, but important to our stakeholders. The assessment was undertaken by an independent third party to ensure complete confidentiality and

"At Permanent TSB, we recognise that building strong relationships with our stakeholders, and ensuring that we engage with them regularly, plays a fundamental role in informing our Business Strategy."

impartiality. It used both quantitative and qualitative tools and was completed across the following three phases:

Phase 1	**Conducting Desktop Research And Developing A Survey** Conducting research into existing documentation, including, our business strategy, strategic priorities, purpose, values, existing internal and external stakeholder surveys, peer benchmarking and current and emerging regulation. Determining the extent of stakeholder engagement required across each stakeholder group.
Phase 2	**Assessing Stakeholder Engagement Needs** Mapping stakeholders and identifying stakeholder engagement channels. Conducting surveys and 1:1 interviews with key stakeholders.
Phase 3	**Identifying Materiality** Analysing data from documentation and stakeholder engagement to identify key themes Developing a materiality matrix, whereby material topics were mapped

As part of the process, we worked with the third party to compile a longlist of topics that are material to our business. These topics were comprehensive and wide ranging.

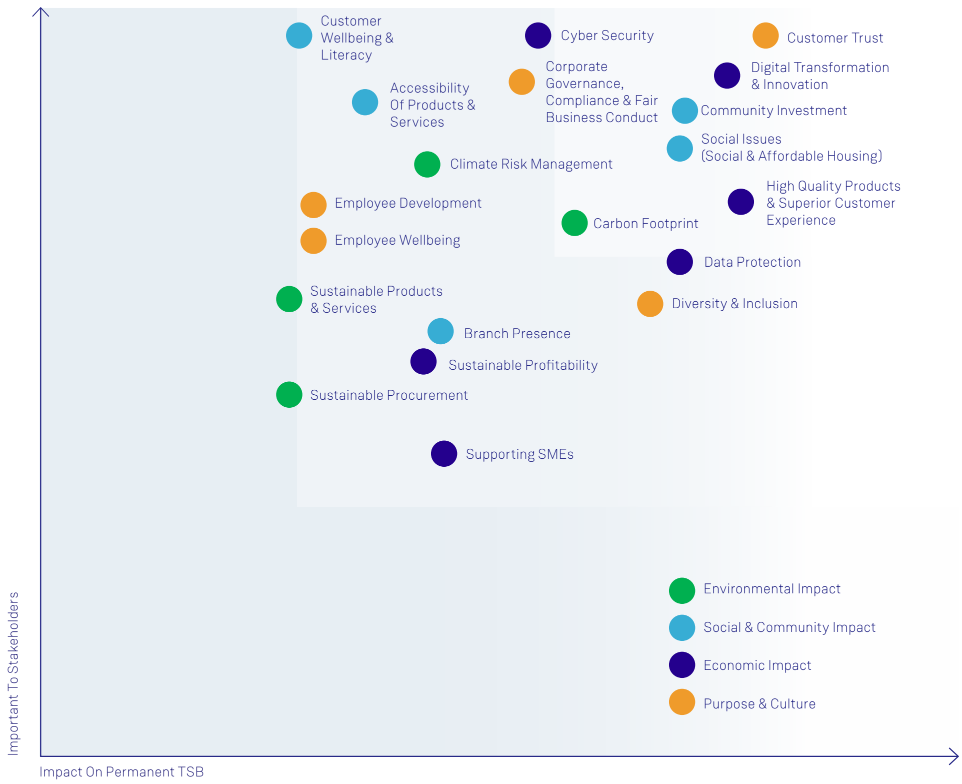
Using the longlist of topics, our stakeholders were asked for their perspectives on what they felt were the most important issues that the Bank should be considering. Stakeholders were also invited to put forward any topics that may have not been represented on the list in order for us to capture a holistic view. c.200 of our stakeholders participated in the materiality exercise.

Permanent TSB's Materiality Matrix

The findings of the materiality assessment exercise with stakeholders were consolidated to form a materiality matrix, with the position of material issues being plotted relative to the degree of stakeholder importance and potential business impact.

It is important to note, that the 20 issues that were deemed as being material to our stakeholders, are also considered as important areas of focus for us at Permanent TSB, regardless of their position within the matrix.

As such, each material issue has been given representation, in one form or another, in our overall Sustainability Strategy.



Our Sustainability Strategy

The materiality assessment findings and associated stakeholder insight have played an important role in the development of an overarching Sustainability Strategy for the organisation across 4 key areas.

Sustainability Strategy

4 Key Areas Of Focus	Addressing Climate Change & Supporting The Transition To A Low Carbon Economy	Elevating Our Social Impact & Connecting With Local Communities	Enhancing Our Culture & Investing In Our People	Championing Small Business & Creating A Bank That Is Fit For The Future
We're Committed To	· Managing Climate Risk · Delivering sustainable products and services · Ensuring responsible procurement practices · Minimising our carbon impact and managing our wider environmental footprint · Ensuring transparency through reporting	· Maintaining our branch presence · Enabling accessibility of our products and services · Encouraging customer financial wellbeing and literacy · Investing in local community initiatives · Addressing social issues, such as social and affordable housing	· Encouraging the right cultural behaviours · Embedding our values and creating a culture of 'Speaking Freely' · Focusing on Diversity and Inclusion · Investing in employee learning and development · Fostering employee wellbeing	· Delivering high quality products and a superior customer experience · Supporting our Business Banking customers · Investing in digital transformation and innovation · Ensuring cyber security · Managing data protection · Delivering long-term, sustainable profitability

OUR STRATEGY IS UNDERPINNED BY

Living Our Purpose And Ensuring Strong Corporate Governance, Compliance And Fair Business Conduct

The 6 United Nations Sustainable Development Goals (SDGs) At The Core Of Our Strategy

4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 11 SUSTAINABLE CITIES AND COMMUNITIES · 13 CLIMATE ACTION

The Sustainable Development Goals

The United Nation's Sustainable Development Goals (SDGs) were launched in 2015 to provide a plan of action for people, planet and prosperity. The 17 goals act as an urgent call for action for countries to work together to develop strategies to tackle some of the world's most critical issues. While we recognise that we may contribute to all 17 SDGs in some way, the following 6 have been identified as being core to our Strategy.

4 QUALITY EDUCATION — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

8 DECENT WORK AND ECONOMIC GROWTH — Ensure inclusive and sustainable economic growth, employment and decent work for all

11 SUSTAINABLE CITIES AND COMMUNITIES — Make cities and human settlements inclusive, safe, resilient and sustainable

5 GENDER EQUALITY — Achieve gender equality and empower all women and girls

10 REDUCED INEQUALITIES — Reduce inequality in and among countries

13 CLIMATE ACTION — Take urgent action to combat climate change and its impacts

The following is a summary of progress made under each of the 4 pillars of the Bank's Sustainability Strategy in 2021.

Addressing Climate Change & Supporting The Transition To A Low Carbon Economy

Overview

The Bank recognises our environmental impact and is mindful that making a positive contribution to the economy through consideration of environmental issues across each channel of our organisation is fundamental to running our business in a responsible and sustainable way. In order to achieve this, we are focussed on managing climate risk, supporting the transition to a low carbon economy, taking action to reduce our own environmental footprint and continuing to disclose transparently.

Highlights:

- An increased focus on Climate Risk
- 1% reduction in Scope 1 and 2 carbon emission intensity in 2021, a cumulative reduction of 56% since 2009
- Signatory to the Task Force on Climate-Related Financial Disclosures (TCFD)
- A Sustainability Committee and a Permanent TSB Green Team
- Signatory to the 'Low Carbon Pledge', committing to setting science-based carbon emission reduction targets by 2024
- Co-sponsor of the Sustainability Revolution Virtual Conference Series

Sustainability Revolution

In October 2021, Permanent TSB was proud to be a co-sponsor of the Sustainability Revolution, a three day virtual conference series aimed at providing the insight needed to help sustain the business transformation required to address the climate crisis.

Led by Business in the Community Ireland, the conference was delivered across three key themes, Revolutionary Leadership, Revolution in Action and Revolutionary Conversations and included a mix of panel discussions and presentations by leading industry experts all focussed on embedding sustainability at the heart of businesses and driving appropriate action.

Climate Risk

We are conscious of the effect that climate change has on the Bank and view it as manifesting itself in two ways, firstly, through the operations of our business and secondly the financial risk it brings to the economy in the longer term.

Climate Risk is a key area of focus for Permanent TSB and is an integral part of the Bank's Sustainability Strategy under the 'Addressing Climate Change & Supporting the Transition to a Low Carbon Economy' Pillar.

We made good progress in 2021, including:

- Mobilising a Sustainability Committee. The Deputy Chair of the Committee is the Chief Risk Operating Officer who has overall responsibility for Climate Risk within the Bank;
- Introducing Climate Risk as a sub-risk category within the Bank's Operational Risk and Credit Risk Frameworks;
- Establishing procedures to assess new business applications through an ESG lens, enabling the Bank to identify factors which may impact the Sustainability of the trading cash flow of the business and/or presence on the proposed exclusion list; and,
- Increasing transparency by adding our signature to the Task Force on Climate-Related Financial Disclosures (TCFD).

Climate Change presents both risks and opportunities to meet new customer needs for Permanent TSB and we are preparing for both with a dedicated programme of work in place for 2022.

You can read more about our commitment to Climate Risk on page 19.

The Task Force On Climate-Related Financial Disclosures

In 2021, Permanent TSB became a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

The TCFD is a voluntary climate-related financial disclosure framework designed to promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

The disclosure recommendations are structured around four thematic areas that represent core elements of how an organisation operates including, governance, strategy, risk management, metrics and targets.

We look forward to issuing our first disclosure aligned to the TCFD as part of our 2022 annual reporting cycle.

Taxonomy Regulation

In accordance with Article 8 of the EU Taxonomy Regulation and the underlying Disclosures Delegated Act, Permanent TSB is required to disclose the proportion of taxonomy-eligible and taxonomy non-eligible activities related to the environmental objectives of climate change adaptation and climate change mitigation for year-end 2021. The Disclosures Delegated Act came into force on 1 January 2022. As the Bank continues to develop an accurate classification of assets to adhere to this taxonomy and other climate related disclosures, we have assumed that all covered assets are non-eligible for the purposes of this disclosure. The percentage of eligible activities is therefore expected to increase in future reporting periods.

Taxonomy Regulation – Mandatory reporting at 31 December 2021 in % Content of Regulatory Metric:

As at 31 December 2021	%	Exposures in the on-demand interbank market divided by total covered assets
1. Taxonomy-eligible activities as a proportion of total covered assets	0	**Activities with Financial and Non-financial corporates subject to NFRD, households and local governments covered by the EU Taxonomy Climate Delegated Act divided by total covered assets**
2. Taxonomy non-eligible activities as a proportion of total covered assets	100	**Activities with Financial and Non-financial corporates subject to NFRD, households and local governments not covered by the EU Taxonomy Climate Delegated Act divided by total covered assets**
3. Exposures to sovereigns as a proportion of total covered assets	40	**Exposures to sovereigns divided by total covered assets. Sovereigns include exposures to central governments, central banks and supranational issuers**
4. Derivatives as a proportion of total covered assets	0	**Derivatives in the non-trading portfolio divided by total covered assets**
5. Exposures to corporates not subject to NFRD as a proportion of total covered assets	1	**Exposures to entities not obliged to report under the NFRD divided by total covered assets**
6. Trading book as a proportion of total covered assets	0	**Exposures in the trading book divided by total covered assets**
7. On-demand interbank exposures as a proportion of total covered assets	0	**Exposures in the on-demand interbank market divided by total covered assets**
8. Total covered assets (millions)	15,197	**Total assets excluding exposures to sovereigns and trading book**

Carbon Impact And The Transition To A Low Carbon Economy

In November 2018 the Bank signed Business in the Community Ireland's (BITCI) 'Low Carbon Pledge', committing to reduce our scope 1 and 2 carbon emission intensity by 50% by 2030.

To deepen our commitment, in 2020 the Bank conducted a review of our value chain from a scope 3 perspective and implemented a programme of work to measure and track our impact in relation to selected indirect emissions (water, waste and business travel).

Using employee FTE as an intensity measure, we estimate that we have achieved a 56% reduction in scope 1 and 2 carbon emission intensity per employee since 2009, our baseline year for the Pledge. This reduction reflects an increase in the use of renewable energy by electricity providers, efficiencies in energy use by the business through projects such as our LED lighting upgrade and the impacts of Covid-19 last year, which saw a large portion of our workforce continue to work remotely.

We are committed to going further and reset our target last year, now aiming to reduce our scope 1 and 2 emission intensity by 60% by 2024.

Science Based Targets (SBTs)

In 2021, we deepened our commitment to long-term sustainability and committed to new climate action goals by signing Phase 2 of the Low Carbon Pledge. The refreshed Pledge focusses on setting carbon emissions reduction targets based on science by 2024 and will include measuring and reducing our entire carbon footprint in line with the Paris Agreement and the latest IPCC findings.

The Bank was proud to add our signature to the Pledge, joining 67 other Irish businesses in committing to set robust carbon emissions reduction targets based on science, ultimately achieving a net-zero economy by 2050.

Climate Disclosure Project (CDP)

In 2021, we continued to further our to environmental transparency by disclosing the Permanent TSB's environmental impact through CDP, the non-profit that runs the world's leading environmental disclosure platform.

By completing CDP's annual request for disclosure on climate change, the Bank is demonstrating the transparency and accountability vital to tracking progress toward a thriving, sustainable future.

We will continue to disclose our carbon emissions as part of our annual reporting process and as part of CDP each year.

Energy Usage

Energy Consumption	2018 GWh	2019 GWh	2020* GWh	2021 GWh
Electricity - Total	9.2	9.2	8.8	8.7
Gas	2.3	2.4	2.4	2.9
Oil (GWh equivalent)	0.1	0.1	0.1	0.0
Motor Fuels	2.9	2.7	2.0	1.4
Total Energy Consumption	**14.5**	**14.4**	**13.3**	**13.1**
CO2 Emissions (tonnes)	**4,283**	**3,928**	**3,262**	**3,077**
Average FTE	**2,416**	**2,386**	**2,429**	**2,318**
CO2 Emissions per FTE (tonnes)	**1.77**	**1.65**	**1.34**	**1.33**

Estimates are used where actual data is not available
*As restated

At Permanent TSB, we know that the use of energy is the biggest contributor to our emission intensity, accounting for c.70%.

With this in mind, in 2021 we took additional action to minimise the carbon impact of our operations through continuing to invest in energy efficiency initiatives and programming, including:

- Using a 100% renewable energy supply for the Bank;
- Completing comprehensive energy audits across all of our office and branch locations in accordance with SI426 energy regulation;
- Finalising the upgrade to energy efficient LED lighting across all of our office locations, replacing more than 3000 lightbulbs across our business;
- Implementing LED lighting across our branch network as part of our ongoing branch refurbishment process;
- Controlling our head office locations by movement sensors, ensuring that all our non-essential lighting remains off when the areas are not in use; and,
- Celebrating Earth Hour, raising awareness and encouraging our colleagues to reduce their energy consumption both in the office and at home.

Waste Management

A large part of reducing our environmental impact is minimising waste, with a target to reduce our impact by 5% annually.

Permanent TSB's waste management supplier is committed to maintaining their environmental ethos by ensuring that no waste goes to landfill and that it is diverted and recycled through multiple resources.

The Bank has in place recycling facilities across all of our sites, including our head office building, administration sites, customer services centres as well as recycling facilities in our branch network.

Actions taken in 2021 include:

- Continuing our focus on 'Go Paperless', an initiative to encourage customers to select the eStatement option in an effort to manage paper consumption, limit waste and further reduce the Bank's environmental footprint. More than c.900,000 customer accounts are now registered for eStatements, resulting in an on-going reduction of paper by c.6 million pages of paper annually;
- Ongoing integration of a new customer correspondence management tool, delivering a range of new functionality to enable us to migrate our customer correspondence to digital channels, thereby allowing us to further reduce our reliance on paper;
- Engaging shareholders to encourage them to receive the Annual Report by electronic means. The Bank has c.130,000 shareholders. In 2021, we issued c.1,000 units of the Annual Report in hardcopy. The remaining copies were issued in digital form, saving more than 16 million pages of paper;
- Monitoring water consumption in all of our branch and administrative sites; and,
- Celebrating Earth Day, raising awareness and encouraging our colleagues to reduce, reuse and recycle, both in the office and at home.

At the end of 2021, we commenced a programme of work on a recycling programme refresh with a view to further reduce our impact. The programme will roll out across all areas of our business during 2022, and include an awareness campaign for colleagues designed to encourage a shift in mind set and behaviour aligned to our waste management objectives.

Waste Generation	2018 Tonnes	2019 Tonnes	2020 Tonnes	2021 Tonnes
General Waste	86	138	86	84
Recycling Waste	139	86	40	42
Recycled Confidential Shred Waste	322	280	218	191
Recycled Used Cooking Oil	1.4	1.8	1.0	0.9
Recycled Grease	2.8	2.9	2.8	3.0
Recycled Lamps	0.6	0.4	12.6*	0.2

*LED Lighting upgrade completed in 2020

Responsible Procurement

Permanent TSB continues to enhance its Procurement and Sourcing Frameworks to ensure that they support our sustainability goals and objectives. Our Procurement Policy sets out a framework for engaging with our suppliers including a commitment to procure goods, services and works from suppliers who can support the needs of our business in a sustainable manner. It sets out the key social, ethical and environmental standards that we want our suppliers to achieve and is supported by our procurement processes, supplier on boarding procedures and ongoing due diligence practices including, adherence to our Third Party Risk Management Policy and our Supplier Code of Conduct. In addition we hold membership to the Financial Supplier Qualification System (FSQS), an online platform where suppliers submit their compliance data and information relating to their organisation, allowing us to have a consistent view of our suppliers to ensure they meet our minimum standards.

The Bank's Procurement Policy is reviewed annually, communicated as required and made available to our colleagues on our internal website.

At the end of 2021, we commenced a gap analysis of our supply chain in order to limit our exposure an impact. The findings have informed a programme of work which is currently underway, focussed on integrating and embedding sustainability criteria further into our procurement processes, segmenting our suppliers based on mission criticality and potential risks to our service delivery and introducing a Sustainable Procurement Framework and Sustainable Supplier Charter.

Green Team

Permanent TSB has in place an employee led Green Team, a cross functional working group who together, work on green initiatives and awareness campaigns that support our green agenda.

With the support of the wider Sustainability Committee, the team are focused on environmental programming including, energy efficiency and transition to a low carbon economy, use of resources and recycling, green procurement, biodiversity and green space, volunteering initiatives with an environmental impact and communication and awareness.

Environmental Policy Statement

Permanent TSB's Environmental Policy Statement outlines the Bank's commitment to environmental sustainability through the ongoing identification, management and improved efficiency of those significant environmental impacts associated with our business activities, including: energy management; carbon impact and the transition to a low carbon economy; use of natural resources (paper, water, oil and natural gas); and, recycling and waste management.

The Environmental Policy Statement is reviewed annually as part of senior management review of all Sustainability Programming. Progress against our Strategy is reported upward to the Chief Executive, Executive Committee and the Nominations, Culture and Ethics Board Committee on a quarterly basis.

Elevating Our Social Impact & Connecting With Local Communities

Overview

With a presence in more than 76 locations nationwide, Permanent TSB is a local community bank whose purpose is to work hard every day to build trust with our customers. We are a community serving the community and our commitment to maintaining our branch footprint, ensuring the accessibility of our products and services and investing in local communities initiatives across the country is a demonstration of that purpose in action.

Highlights:

- A commitment to maintaining our branch footprint in communities across Ireland
- c.€600,000 in financial contributions to Irish community organisations in 2021
- Launch of the JAM Card
- c.€200,000 in charitable giving through the Permanent TSB Community Fund, which included matched funding by the Bank
- A five year partnership with Social Entrepreneurs Ireland
- Winner of a 2021 Chambers Ireland Sustainable Business Impact Award in the Excellence in the Community – Community Programme Category for our partnership with Ó Cualann Cohousing Alliance

Maintaining Our Branch Footprint

In 2021, we announced our commitment to maintaining our branch presence in communities across Ireland. We will continue to invest in digital transformation and innovation in order to provide our customers with a seamless digital experience online, but providing a personal service will remain at the heart of everything we do.

Encouraging Financial Wellbeing

At Permanent TSB, we recognise that we have a responsibility to enable financial wellbeing among our customers.

As part of our partnership with Irish Life, all customers are offered a free financial review, focused on supporting them in making informed financial decisions. The financial health check is undertaken by Irish Life and was traditionally completed by making an appointment at any of our branch locations nationwide. In 2021 we completed more than 7000 financial reviews, both in person and through our digital channels, to support customers in taking control of their financial future.

Enabling Accessibility Of Our Products And Services

Permanent TSB is committed to understanding the needs of our customers and to ensuring that the products and services we provide allow all people, including those who may be vulnerable or underrepresented, equal opportunity to access them.

To support the above, the Bank has in place a set of Vulnerable Customer Guiding Principles, to enable us to remove barriers, meet the needs of customers who may require additional support and care and to provide guidance and support to our colleagues.

In 2021, we introduced additional programming in order to provide appropriate access and support. Actions taken include:
Ongoing participation in the BPFI's Vulnerable Customer Forum;

- Participating in the development and launch of the BPFI's industry wide 'Guide to Opening Bank Accounts in Ireland' for those seeking asylum, or who have been granted status under the International Protection Act 2015;
- Updating our account opening processes and corresponding documentation to support those seeking asylum, or who have been granted status under the International Protection Act 2015, and providing training to all of our customer facing colleagues;
- Embedding a cross functional working group focused on developing appropriate supports for customers, including those who may be vulnerable;
- Conducting an accessibility review of our main customer processes;
- Commencing an accessibility review of both our office and branch locations;
- Promoting and raising awareness of the Sunflower Lanyard, a lanyard that discretely indicates to those around them that the wearer has a hidden disability, and as such they may need a little extra support or time to complete their transaction;
- Launching the 'Just A Minute' (JAM) Card across our 76 locations nationwide;
- Continuing to provide priority banking hours across our Retail Network and our Customer Contact Centres;
- Rolling out communication campaigns to drive awareness for colleagues on such items as fraud prevention, safeguarding and financial abuse awareness and prevention; and,
- Delivering comprehensive Diversity and Inclusion training to all colleagues, with an added layer of training for our customer facing teams and those in people management positions.

Permanent TSB ensures that accessibility standards are embedded into our online and mobile channels, as well as in the development of its digital platforms.

In our retail network, our new branches are designed with accessibility in mind. In 2021, we reviewed the in-branch SSBM (Self Service Banking Machine) customer experience, with a view to enhancing the service for all customers.

JAM Card

In 2021, Permanent TSB was proud to launch the 'Just A Minute' (JAM) Card across our 76 locations nationwide.

JAM Card is a growing initiative that allows customers with a learning difficulty, autism or communication barrier tell others they need 'Just A Minute' discreetly and easily when in public settings like shops, public transport or their local Permanent TSB branch.

The JAM Card is a welcome addition to the Bank's growing supports for vulnerable customers, allowing our customer facing teams to give JAM Card users a bit of extra support and time when conducting their transaction.

Dublin City University Access Scholarship Programme And Access To The Workplace Programme

In 2021, Permanent TSB was proud to partner with Dublin City University's (DCU) Access Scholarship Programme, providing funding support that enables DCU to put students through 3rd level education programming and realise their full potential.

As part of the partnership, the Bank are also actively involved in the DCU Access to the Workplace Programme, providing paid work placement opportunities and professional career guidance and support to talented students from socioeconomically disadvantaged backgrounds.

The Access to the Workplace Programme was established in 2019, with the aim of providing Access students high quality internship opportunities within leading Irish businesses, in order to support them in gaining work experience that is related to their degree endeavours. To complement the above, Access to the Workplace provides students with a range of personal, financial and academic support to enable students to thrive and excel in their studies during their time at DCU.

More than 1200 students went through the programme during the 2020/2021 academic year making it the largest of its kind in Ireland.

Tackling Social Issues Through Our Partnership With Social Entrepreneurs Ireland

Permanent TSB entered into a five year partnership with Social Entrepreneurs Ireland (SEI) in 2017, contributing both financial support – €375,000 over five years – and also implementing an extensive employee engagement programme between SEI and employees of the Bank.

Social Entrepreneurs take an entrepreneurial approach to solving social issues such as improved mental health and wellbeing, social inequality, food waste, climate action and everything in between.

Over the past 17 years, SEI has supported c.435 social entrepreneurs and their programmes, invested €7.5 million in social projects, and provided extensive pro-bono expertise to entrepreneurs worth on average c.€500,000 per year.

Investing In Local Community Initiatives Through The Community Fund

The Community Fund was established in 2019 to support communities by providing funding to community organisations that are having a positive and meaningful impact on the ground and who are working hard to make a difference.

With more than 150,000 votes cast by the Irish public through both our website and mobile App, in 2021 the Bank was proud to announce Women's Aid, Royal National Lifeboat Institution (RNLI), Solas Cancer Support (South Eastern Cancer Foundation), Irish Guide Dogs For The Blind, Oranmore Maree Coastal Search Unit and Breast Cancer Ireland as its Community Fund Partners for the fundraising year.

Numerous fundraising events were organised and managed by our colleagues from around the Bank throughout the year including: the At Your Own Pace Race Series; Payroll Giving Campaign; Christmas Mega Raffle; and, the Dive For Donations – a fundraising skydive which saw 20 of our colleagues jump from a plane in support of our Community Fund Partners .

All money raised during the year was match funded by the Bank, for an overall donation to our Community Fund Partners of c.€200,000.

During 2021, the Bank worked closely with SEI to deepen our partnership by getting our colleagues involved in SEI's annual Awards review and selection process, broadening our impact through our sponsorship of the Community Connect Programme and continuing to offer pro-bono support to the SEI community of Alumni, whereby we match the skills of our people with the organisations that need them most.

> "Permanent TSB entered into a five year partnership with Social Entrepreneurs Ireland (SEI) in 2017, contributing both financial support – €375,000 over five years"

Chambers Ireland Sustainable Business Impact Awards

The Sustainable Business Impact Awards showcase best practice in sustainable development and social responsibility undertaken by companies of all sizes across Ireland. The United Nations Sustainable Development Goals are at the heart of the Awards, celebrating sustainable business practices and championing Chambers Ireland's alignment with the Goals.

In September 2021, Permanent TSB was proud to win a Sustainable Business Impact Award in the Excellence in Community – Community Programme Category for our partnership with Ó Cualann Cohousing Alliance, recognising our commitment to addressing the affordable housing crisis in Ireland and supporting the Agency's important work.

The Bank was also shortlisted in an additional category at the event in the Excellence in Community – Partnership with Charity Category for the Concert4Cancer, in partnership with the Marie Keating Foundation.

We are honoured to have been recognised at the Awards, alongside so many other deserving organisations, whose programmes are having a positive and meaningful impact on communities across Ireland.

The Sustainability Team and the Community Fund Committee manage the engagement with our charity and community partners, and ensure that effective governance is in place via the implementation of comprehensive partnership agreements. In addition, the Bank has in place a Community Fund Constitution, a document which governs how we engage with charities, manage relationships and includes processes for completing effective due diligence at regular intervals.

Progress against KPIs is reported upward to the Chief Executive, Executive Committee and the Nominations, Culture and Ethics Board Committee on a quarterly basis.

Addressing Affordable Housing Through Our Partnership with Ó Cualann Cohousing Alliance

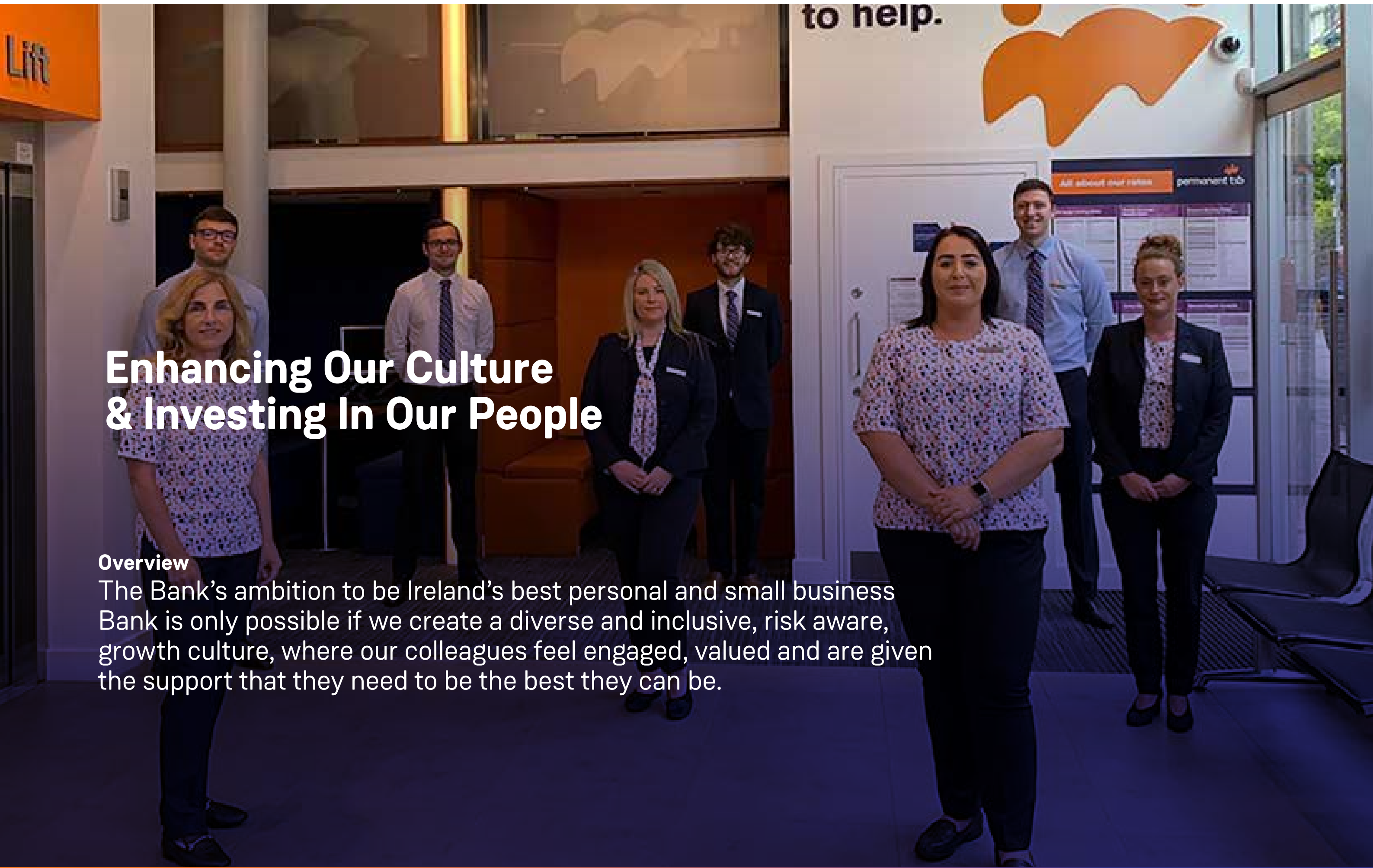
In 2021, Permanent TSB entered the second year of a three year partnership with Ó Cualann Cohousing Alliance to support the agency's work developing fully integrated, co-operative and affordable housing schemes in communities across the country.

As part of the partnership, the Bank will provide €350,000 to Ó Cualann, which will be used to fund the resources required to accelerate its development plans, building more than 1,800 houses across Ireland over the next three years.

The Ó Cualann Cohousing Alliance was founded in 2014 with the aim of providing fully integrated, co-operative, affordable housing in sustainable communities. By December 2018, all 49 houses of Ó Cualann's inaugural project in Poppintree in Ballymun were completed and handed over to residents.

Ó Cualann is a member of the Social Entrepreneurs Ireland Alumni Network and is an SEI Impact Programme Awardee – a programme recognised as having the potential to grow and scale its impact.

"In September 2021, Permanent TSB was proud to win a Sustainable Business Impact Award in the Excellence in Community – Community Programme Category for our partnership with Ó Cualann Cohousing Allianc"



Enhancing Our Culture & Investing In Our People

Overview

The Bank's ambition to be Ireland's best personal and small business Bank is only possible if we create a diverse and inclusive, risk aware, growth culture, where our colleagues feel engaged, valued and are given the support that they need to be the best they can be.

Highlights:

- 87% of employees feel comfortable to be themselves at work regardless of background or life experiences
- 2.5 training days delivered per employee in 2021, c.300 colleagues received an Institute of Banking (IOB) accreditation, with c.400 employees enrolled in banking education programming
- 71% Culture Index Score
- Delivering 'Living as Leaders' to more than 1500 colleagues, bringing our values to life in partnership with LIFT Ireland
- 36% of Senior Leadership Positions are filled by Women
- Winner of the CIPD Award for Employee Empowerment and Trust

Irish Banking Culture Board

Permanent TSB is an actively involved in improving culture across the banking industry as a member of the Irish Banking Culture Board (IBCB). In 2018, the five Irish Retail Banks came together to establish the IBCB, aimed at rebuilding confidence in the Irish banking sector.

The IBCB, which operates as an independent body chaired by Justice John Hedigan, helps to ensure the industry is focused on fair outcomes for our customers and employees, thereby rebuilding a sustainable banking sector. The Board includes representation from all five of the Irish Retail Banks.

Throughout 2021, we continued our contribution to and support of the IBCB and its programme of work, including:

- Playing an active role in a number of IBCB workshops focussed on addressing key challenges across the sector;
- Participating in the IBCB Éist Staff Survey to continue to listen and act on feedback from our colleagues on culture within the Bank, and across the industry as a whole; and,
- Adopting and embedding the industry wide DECiDE (Ethical Decision Making) Framework, as part of our Code of Ethics.

For more on the progress made in our cultural evolution during 2021, please visit page 24.

Living As Leaders

We believe that the consistent actions and behaviours of everyone, every day is essential in creating a better future for one another and for our Bank.

With that in mind, in 2021, Permanent TSB were proud to partner with LIFT Ireland (Leading Ireland's Future Together) for the second year to continue our 'Living As Leaders' Programme, which aims to promote and encourage the right behaviours across all levels within the organisation.

LIFT Ireland is a Not for Profit Organisation with a vision to make Ireland a better place to live by creating better leaders across our society and in our communities. LIFT's philosophy aligns closely with that of Permanent TSB's, as they believe that each of us is a potential leader; whether that is within our families, our schools, our sports teams or our businesses. LIFT believe that by developing personal leadership qualities within each individual, we can develop a generation of stronger and better leaders.

More than 1500 colleagues have taken part in the Living as Leaders Programme to date; embracing a growth mind-set and being open to improving how they do things for themselves, our customers and our communities. The Programme will continue into 2022.
For more on Living as Leaders, please visit page 22.

Ways Of Working (Hybrid Working)

As we work to renew and rebuild the Bank for the future following the onset of the global pandemic, it is critical that we continue to evolve the organisation to be dependable, capable and relevant. As part of the next phase of our journey, the Bank has embraced the introduction of smarter and more flexible ways of working for colleagues at all levels of the organisation.

In 2021, Permanent TSB continued embedding our Smarter Working Programme to enable optionality and more flexible ways of working for colleagues, while encouraging the use of a broader range of technology.

The range of Smarter Working Options available to colleagues include: reduced hours; job sharing; compressed hours; sabbaticals and career breaks; and, home working or working from an alternative office location.

In recognition of our 'Ways of Working' Programme, Permanent TSB were proud to win the prestigious CIPD Award for Employee Empowerment and Trust in 2021.

Programme rollout will continue into 2022 as part of our new Hybrid Workplace. We will continue to assess and evolve our colleague offering, and corresponding policies, supports and technology, with a view to ensuring that we are driving openness and collaboration, while delivering optionality for our people. For more on Ways of Working, please visit page 23.

Listening To Employees And Acting On Feedback

The Every Voice Counts Employee Engagement Survey is conducted at regular intervals and is designed to give our people an opportunity to provide feedback on what is working well across the organisation, while identifying areas for improvement.

Permanent TSB's most recent Every Voice Counts Survey results showed that we maintained our Culture Index at 71%, +1% above our Culture Index Target of 70%. A selection of our survey results include:

- 2 out of 3 employees trust Permanent TSB to do what is right;
- 3 out of 4 employees feel engaged in the company and are proud to work for Permanent TSB; and,
- 87% of employees feel comfortable to be themselves at work regardless of background or life experiences.

With a focus on continuous improvement, Permanent TSB is focused on addressing the feedback and will implement action plans across the business during 2022.

The Bank recognises the importance of checking in and staying connected with our colleagues at regular intervals throughout the year outside of our Every Voice Counts cycle. With that in mind, in 2021 we launched a series of micro-pulse surveys to check in with our people and to get insight into how we could assist them further in their role.

The micro-pulse surveys covered a number of key themes including, Wellbeing, Recognition and Speaking Freely. The findings enabled us to evolve our action plans, ensuring that we were focussed on the right things in order to support our colleagues.

Investing In Learning And Development

Permanent TSB recognises that both personal and professional training and development of the workforce plays a critical role in delivering on our purpose and ambition.

With a clear focus on equipping our people with the skills and behaviours necessary to adapt and thrive in the changing financial services landscape, the Bank provides training, education and personal and professional development opportunities to our colleagues at all levels of the organisation. Our people are supported both financially and with study leave in order to pursue professional qualifications and to assist in their career development. We are recognised as approved employers by ACCA, Chartered Accountants Ireland and CIMA and have been recognised at a national level for excellence in learning and development in financial services.

With the onset of the Covid-19 pandemic in 2020, the Bank worked to successfully migrate all of our learning programming onto digital platforms. The migration proved successful, ensuring that all colleagues were able to take part in learning and development opportunities, regardless of where they were located. We continued to deliver our programming via digital platforms throughout 2021.

Creating A High Performance Culture

The Bank's Performance Management Strategy is designed to cultivate an environment in which employees are valued, developed and motivated to use their talents to the best of their ability, empowered to perform at their best and provided with regular coaching and open two-way feedback. Performance for each employee is evaluated under three criteria:

- What You Do;
- How You Do It; and,
- How Your Role and Performance Delivers the Bank's Strategic Performance Priorities.

To complement this, the Bank has in place a set of core competencies for all colleagues, relevant to their role within the business. These competencies are aligned to our Organisational Values - Courageous, United, Straightforward, Customer Focused, and Open – and describe the mind-set and behaviours required for all colleagues within the Bank. The competencies are an integral part of our Career Development Framework, supporting our colleagues' development and on the job career growth trajectory.

Permanent TSB has in place an online performance management system, Performance COMPASS, to encourage quality conversations and to streamline the completion of the performance management process.

Pay And Reward

The Bank has a Pay and Reward Policy which targets base pay to an acceptable range around the market median. This policy is reviewed on a regular basis, including assessing the competitiveness of total reward arrangements against market norms and taking account of State agreements.

The Bank is committed to ensuring the ongoing alignment of remuneration with our overall business strategy and sustainability objectives, by linking pay outcomes directly to individual performance (what our colleagues achieve but also the manner in which they achieve it), and how their contribution strengthens both our shared culture and the long term sustainability of our business.

Values In Practice Awards

The Bank's employee recognition programme, the 'Values in Practice' or 'VIP' Awards, recognises employees from across the organisation that are living the Bank's Values and are positively impacting the business.

In 2021, more than 1,000 nominations were received, with representation from all parts of the business. In addition to our five 'Values' categories, the Bank has two additional award categories, the Community Impact Award and the Living as Leaders Award, recognising those who are having a positive and meaningful impact on their local communities, and those who consistently live all five of our Values each and every day.

In 2021, we built on the success of the 'VIP' Awards and introduced 'VIP Every Day' Programme, enabling colleagues to recognise each other's outstanding contribution all year long, and outside of our annual award cycle. Since launch, more than 900 colleagues have been recognised for their contribution through 'VIP Every Day'.

Diversity And Inclusion

Permanent TSB is an equal opportunities employer committed to creating a professional environment in which our employees feel valued, included and empowered to succeed in their career, regardless of gender, age, sexual orientation, race, religion, ability/disability, background or life experiences.

In 2018, we launched our Diversity and Inclusion Strategy to support the above ambition, with a vision to evolving our level of maturity on the Ernst and Young (EY) Global Maturity Model.

We have made great progress and actions we took in 2021 include:

- Signing 'Elevate', Business in the Community Ireland's 'Inclusive Workplace Pledge';
- Embedding our Equality Through Diversity and Inclusion Charter and rolling out initiatives such as our Gender

"The Bank's employee recognition programme, the 'Values in Practice' or 'VIP' Awards, recognises employees from across the organisation that are living the Bank's Values and are positively impacting the business."

- Transitioning Guidelines and Pronoun Usage Guidelines;
- Delivering comprehensive Diversity and Inclusion training to all colleagues, with an added layer of training for our customer facing teams and those in people management positions;
- Continuing to introduce Smarter Working Options through our Hybrid Working Model to enable greater flexibility;
- Completing a review of all people-related processes in order to ensure they were inclusive;
- Taking action on the findings of our accessibility review programme that was conducted in 2020;
- Introducing supports for parents, as well as delivering coaching for people managers of new parents, to help them support their team members as they enter a new stage of life;
- Promoting a culture of psychological safety through Speak Freely, our channel for encouraging colleagues to speak up and raise a concern;
- Publishing our Gender Pay Gap and setting gender balance targets; and,
- Receiving a Bronze accreditation from the Irish Centre for Diversity, recognising the progress made across Diversity and Inclusion.

In 2022, we will focus on further implementing and embedding our Diversity and Inclusion Strategy across all areas of our business as we continue to focus on evolving our maturity on EY's Global Maturity Model from 'Awareness' to 'Integration' by 2023.

Employee Resource Groups

To support the delivery of the Diversity and Inclusion Strategy, the Bank has in place a number of Employee Resource Groups (ERGs), whose aim is to enable employees to join together based on shared characteristics or life experiences. The ERGs help diverse groups obtain a collective voice within the organisation and serve as an organised and established platform that our people can utilise to promote change.

There are currently five ERGs in place:

- **PRISM** – Our LGBTQ+ Network for colleagues and allies. The Network promotes and values individual differences no matter how our people identify;
- **Better Balance** – The Network works with us to strive for gender balance within our organisation;
- **LIFE** – The Network aims to promote and improve work-life balance and experience for all colleagues through positive connection and support;
- **DiCE** – The Network promotes and celebrates people of all races, ethnicities, nationalities and cultural heritage; and,
- **Change Collective** – A collective for our Millennial and Gen Z colleagues who want to take action and make positive change happen for our customers, colleagues and communities.

The ERGs continue to champion the cause of each group, promoting and encouraging conversations with colleagues, while celebrating key dates such as International Women's Day, International Men's Day, PRIDE, National Coming Out Day and Cultural Diversity Day, to name a few.

The Elevate Inclusive Workplace Pledge

In 2021, Permanent TSB added our signature to Business in the Community Ireland's 'Elevate Pledge', committing to building inclusive workplaces that are representative of all members of our society.

Workplaces have become more diverse, incorporating a multiplicity of backgrounds, experiences and identities. This has brought huge benefits to Irish business.

However, diversity alone is not enough. Workplace inclusion is about creating a culture where everyone feels welcome, has access to opportunities and is supported to thrive. By signing the Pledge, we are committing to building a truly inclusive workplace, while supporting the broader values of inclusion, equality and opportunity in Irish society.

Gender Balance In The Workplace

Permanent TSB is a member of the 30% Club, a group of c.200 Chairs and CEOs committed to better gender balance at all levels of their organisations. The Club's focus is on gaining visible and practical support for gender balance from business leaders in private, public, state, local and multinational companies as well as other interested groups.

The Bank is a member of Triple FS (Female Fast Forward – FS Women in Leadership) and has actively championed women in leadership development through our partnership with the Irish Management Institute (IMI). In addition, the Bank has in place an Early Career Development Programme, supporting our female colleagues who are only just beginning their career.

Permanent TSB supports Balance for Better Business, and played an active role in the development of the Banking and Payment Federation of Ireland's (BPFI) Women in Finance Charter.

The WorkEqual Campaign

To further support the work of our Diversity and Inclusion Strategy, in 2021 Permanent TSB entered year two of our three year partnership with the WorkEqual Campaign, promoting gender equality in workplaces across Ireland.

The WorkEqual campaign is NGO-led and aims to both raise awareness of workplace gender inequalities and related issues and develop solutions to address them.

During November, WorkEqual delivered a series of events in support of the above ambition, culminating in their flagship seminar which took place virtually at the end of the month. 'Entitled 'Reimagining Childcare Provision', the event explored how Ireland can learn from other countries to improve our childcare system and promote family-friendly work cultures. It featured international guest speakers, showcasing best practice in public childcare provision and was open to anyone who wished to attend, free of charge.

With the increased challenges of Covid-19, there has never been a more important time for businesses across Ireland to focus on addressing the barriers to women's and men's full and equal participation in the workplace, taking direct and proactive steps to make this a reality across society. This is the responsibility of every employer and we are proud to contribute to this national effort, in partnership with the WorkEqual campaign.
Analysis of our workforce by gender and type of contract is as follows:

	2021
Total Headcount At Year End	**2318**

*excluding Non-Executive Directors and Subsidiaries

Analysis By Type Of Contract	2019	2020	2021
Permanent	89%	90%	**94%**
Fixed Contract	11%	10%	**6%**

Gender Analysis	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Total	47%	53%	47%	53%	**48%**	**52%**
Senior Management*	63%	37%	63%	37%	**64%**	**36%**
Part-Time/Job Sharers	12%	88%	12%	88%	**9%**	**91%**

* Senior Management include the Senior Leadership Team and their direct reports.

Gender Pay Gap

We believe in being transparent about our gender pay gap and the journey we are on.

As a purpose driven organisation, Diversity and Inclusion is a core pillar of our culture. For the second year in a row, we are proud to publish our gender pay gap voluntarily, and in advance of the introduction of relevant legislation. This forms part of our commitment to hold ourselves accountable by tracking our progress against our action plan which we put in place as part of our Board approved Diversity and Inclusion Strategy.

Our 2021 gender pay gap sits at 16.5%. The nationally reported gender pay gap is 14.4% in Ireland.

While there is no reported mean pay gap for the Irish Financial Services Sector, our position compares favourably to the reported mean pay gap in the Financial and Insurance Sector in the United Kingdom in 2021, which stood at 33.4%.

We acknowledge that we have more to do to close our gap and have a dedicated action plan in place as part of our Board approved Diversity and Inclusion Strategy.

Encouraging Employee Health, Safety And Wellbeing

The wellbeing of our employees throughout all stages of their career and personal lives is of paramount importance to us. As part of Permanent TSB's investment in employee wellbeing, we offer a range of programmes and benefits to assist and support our people.

As part of our Employee Proposition, our people are provided with a range of financial, physical and emotional health and wellbeing programmes and benefits as outlined:

Wellbeing Offering

Financial	Physical/Emotional/Mental Health
Pension Plan	Health Screening
Income Protection Benefit	Eye Testing
Sick Pay Scheme	Employee Assistance Programme For Colleagues And Their Spouse, Adult Dependent Children And Dependent Parents (Counselling Service)
Staff Banking	Mental Health Training Addressing A Variety Of Themes
Cycle To Work Scheme	A Range Of Health And Wellbeing Related Information Sessions
Annual Travel Pass Scheme	Lifestyle/Wellbeing Workshops
Employee Discount Scheme	Work Station Assessments (Both In Office And At Home)
Holiday Fund	Education Support
	Paid Maternity And Paternity Leave
	MyLife App

The Bank has an Employee Health Screening Programme that is made available to all colleagues on an annualised basis. We continued our commitment to this programme by investing in a free flu vaccination programme last year in order to further safeguard the health, safety and wellbeing of our people.

"The wellbeing of our employees throughout all stages of their career and personal lives is of paramount importance to us. As part of Permanent TSB's investment in employee wellbeing, we offer a range of programmes and benefits to assist and support our people."

Wellbeing Committee

The Bank has in place an employee led Wellbeing Committee that includes representation from all areas of the business. Together, the committee focus on areas of employee wellbeing and support in the delivery of programming for our colleagues, including:

- The management of an Employee Wellbeing Homepage on our internal intranet, Connect;
- The mobilisation of Wellbeing Month in October, with a series of events and communications dealing with topics such as pension planning, bereavement, reflexology and more; and,
- The launch of the 'At Your Own Pace Race Series' for a second year, a series of virtual running events that engaged our colleagues throughout Q3 and Q4, while raising money for our Community Fund Partners.

The Bank has a safety statement in place which documents how the highest standards of Health and Safety Management are maintained across the organisation. The Safety Statement, and associated policies and processes, have been prepared in accordance with Section 20 of the Safety, Health and Welfare at Work Act, 2005 (The Act). The Safety Statement is reviewed on a regular basis and is revised as necessary.

Representative Body Relationships And Employee Consultation

Permanent TSB operates under an established partnership model with our formally recognised Representative Bodies – Unite, Mandate and SIPTU. In addition, we meet with the Management Association, which is affiliated to the FSU on a regular basis in relation to items of interest to our management population.

Company representatives meet with the internal committees and the full time officials on a regular basis. This allows for matters to be discussed in a structured way and provides an opportunity to deal with anything that may arise at inception, greatly increasing the chances of internal resolution.

All material organisational changes, including changes to terms and conditions of employment (to the extent they arise), are discussed and negotiated in advance with the Representative Bodies.

Throughout the Covid-19 Pandemic we increased our communication frequency with our Representative Bodies as we sought their input to Health and Safety related matters and to resolve any concerns arising as a result of the pandemic.

All employees receive regular updates on organisational matters through a diverse range of communication mechanisms.

Championing Small Business & Creating A Bank That Is Fit For The Future

Overview

Our ambition is to be Ireland’s best personal and small business bank. Best doesn’t necessarily mean the biggest, but it does mean the being the best at what we do for both our personal and small business customers. We are committed to understanding our customers and delivering what matters most to them through every stage of their financial journey.

Highlights:
Relationship Net Promoter Score

- A customer brand tracking survey carried out in December 2021 indicated a Relationship Net Promoter Score* (RNPS) of +10, up 2 points on last year and placing Permanent TSB in second position among the retail banks in Ireland
- c.116 million logins on our digital channels in 2021
- A further €50 million investment in technology infrastructure and digital services
- Expansion of our Business Banking offering through partnerships with Bibby Financial Services, the Strategic Banking Corporation of Ireland, Digital Business Ireland and Worldpay
- The introduction of a new Digital Current Account
- The first Irish Retail Bank to achieve the Guaranteed Irish Symbol, recognising our contribution to local communities across the country

*A Relationship Net Promoter Score (RNPS) is a measure of customer advocacy towards a brand and indicates the willingness of a customer to recommend a company’s products or services to others. The question asks customers how likely they are to recommend their bank to friends or family on the basis of their own experience. The range for the scoring is -100 to +100.

Delivering High Quality Products And A Superior Customer Experience

Our purpose is to work hard every day to build trust with our customers – we are a community serving the community. In order to deliver on our purpose, we are focused on developing trusted banking relationships with customers through listening to what they have to say, developing products that matter most to them and delivering a great customer service experience, whether that be in our network of branches, through our customer service centres, online or via mobile.

We are committed to continuing to provide an essential service for our customers and have kept our business open throughout the pandemic, including all of our branches and customer contact centres. From time to time throughout the year, the Bank experienced increased spikes in customer calls, largely due to the pandemic. Customer service wait times have now normalised and we are continuing to monitor call volumes to ensure that we can meet any increase in demand into the future.

Examples of our commitment to delivering high quality products and a superior customer experience include, the ongoing delivery of our Voice of the Customer Programme, our enhanced focus on digital transformation, the continued investment into our branch network and our commitment to supporting our Personal and Business Banking customers.

Listening To Our Customers And Acting On Their Feedback

Permanent TSB has in place a customer listening programme called Voice of the Customer (VOC), designed to give our customers a voice and create a channel for two-way communication and feedback.

VOC enables us to collect customer feedback from everyday interactions in our Customer Contact Centres, Retail Network and Digital channels in real time and turn that insight into action.

The data received from the VOC surveys provides the Bank with a valuable look at what we are doing well, but more importantly, highlights the areas of opportunity available to improve both our customer service offering and processes.

VOC feedback is reported weekly to key stakeholders, including our customer facing teams, Senior Leadership Team and Executive Committee.

Investing In Digital Transformation And Innovation

Customer behaviour is changing. Customers want the ability to interact with us at a time and place that works for them, and through the optimal channel.

In 2021, our customers continued to increase their engagement with us through digital channels:

- c.570,000 active users of Open24 Web and App
- c.116 million logins on both Open24 Web and App
- 87% of our Term Lending applications are now being completed online
- 100 million contactless payments made by Permanent TSB customers last year

Personal service will remain at the heart of everything we do. However, as customer needs have changed so profoundly, digital is playing an ever increasing role in our service offering.

Permanent TSB has embarked on a journey to deliver a Digital Transformation Programme and in 2021 committed a further €50 million investment in technology infrastructure and digital services.

The Digital Banking Transformation Programme is well underway and significant progress was made last year in enhancing our customers' digital offering. Actions taken include:

Digital Support For Our Customers

- Modernising our technology architecture;
- Renovating our core banking platforms;
- Enhancing security for customers in our mobile app and online portal services;
- Deploying new digital payment tools, such as Apple Pay and Google Pay;
- Introducing new digital customer journeys, such as our Digital Current Account and our 'Own A Home' Digital Mortgage application journey; and,
- Leveraging Artificial Intelligence (AI) technology within some of our key customer journeys.

Digital Support Across Our Workplace

- Continuing to retrofit our branches to include the latest in digital technology;
- Embedding of a new digital collaboration platform to enable more agile ways of working;
- Ongoing introduction of digital workplace technology to support our colleagues as they transition into our new hybrid working model; and,
- Introducing PITCH, our first bankwide colleague innovation programme, inviting new ideas and encouraging new ways of thinking.

These new service offerings allow us to support our customers further, allowing them to bank in a way that is more convenient, flexible and secure. We look forward to building on this momentum with further digital rollouts planned for the year ahead, including: the introduction of the next generation of our mobile app and online banking portal; and, the implementation of the first release of our digital customer journey for SMEs.

Transforming Our Retail Network

At Permanent TSB, we believe that our branches are a vital part of our business model and the key to safeguarding their future is to make them efficient and give customers valid reasons for using them. That's less about cash in this day-and-age and more about delivering digital services and providing in-person support.

Over the last number of years, Permanent TSB has committed more than €30 million in funding to transform our branches, allowing us to better serve our customers via a channel of their choosing.

Our refurbished branches now have enhanced digital capabilities including, digital marketing screens that reduce our reliance on print marketing, iPads with supporting phone lines into our customer service centre, Open24, state of the art, purpose-built customer meeting areas and the latest ATM and SSBM technology.

In addition, the Bank has introduced additional ATM functionality that allows us to now accept cash and cheque lodgements across many branches in our network 24/7. The introduction of new ATM technology is ongoing.

We remain committed to providing a personal service for customers, and combining that personal service with the best that digital technology has to offer. We look forward to building on this momentum with further refurbishments planned this year.

Introducing A New 4-Year Fixed Rate Mortgage Product

In 2021, Permanent TSB was proud to launch a new 4-year fixed rate mortgage product for new customers.

The updated offering followed feedback from our customers, who told us that they wanted to choose the mortgage that worked best for them based on their preferences, and would be willing to forego cash back in return for a lower rate. This new offer still enables customers to benefit from the 2% monthly cashback when they pay their mortgage using an Explore Current Account, but offers no lump sum cash back at drawdown.

As part of rollout, the Bank introduced a new rate options comparison document into the sales journey in order to increase transparency. The document advises customers of the products available to them and includes detail on important, relevant information, in order to support them in making more informed financial decisions.

Supporting Our Business Banking Customers

Permanent TSB's Business Banking Strategy is focused on partnering with small businesses, not just in terms of supporting their banking needs, but through acting as advisers to help them to grow their business. Business Banking is a key area of focus for Permanent TSB and we have ambitious growth plans.

In 2021, we continued the expansion of our business customer offering through deepening our partnership with the Strategic Banking Corporation of Ireland (SBCI), committing €32 million in low-cost loans under the Irish Government's Brexit Impact Loan Scheme for SMEs. The additional funding brings our total commitment to €82 million, to date.

Through the partnership, SMEs will benefit from lower borrowing rates and more attractive borrowing terms as the loans will be 80% guaranteed by the SBCI, which was set up by the Irish Government to enhance access to low-cost finance for SMEs through banks and other lenders.

The partnership has proven successful with more than €38 million in funding drawn down during 2021.

Additional actions taken to support our Business Banking customers last year include:

- Collaborating with new partners to enable us to broaden our service offering, including Bibby Financial Services for invoice finance and Worldpay for merchant acquiring;
- Renewing our partnership with Digital Business Ireland (DBI) for a second year, supporting our SMEs to migrate their business to online channels through the supports offered by DBI;
- Sponsoring the 2021 National Digital Business Ireland Awards;
- Supporting the Small Firms Association (SFA) National Business Manufacturing Category Award, encouraging innovation and driving new business in what was a challenging year; and,
- Ongoing recruitment of sector and market expertise to help us further support our customers.

In 2022, we are committed to going further, with a dedicated programme of work planned which will include a focus on digital innovation and the introduction of new products, propositions and services. We will continue to improve our existing Current Account proposition by focusing on enhancing our Business customers' payments capability online, with a view to introduce additional capability in the first quarter of the year.

To support the above, in 2021 the Bank announced the creation of 300 new positions across both senior and graduate level in key growth areas, including: Technology; Business Banking; Risk Management; and, Data Analytics. These new positions will support the rollout of the next phase of the Bank's Digital and Business Banking Growth Strategy, as it prepares for a significant expansion of personal and business customers and services over the coming years.

> "In 2022, we are committed to going further, with a dedicated programme of work planned which will include a focus on digital innovation and the introduction of new products, propositions and services."

Digital Business Ireland

In 2021, we were proud to announce the renewal our partnership with Digital Business Ireland (DBI), Ireland's dedicated e-business representative body, for a second year.

Through the partnership, Permanent TSB provides programme funding to support Digital Business Ireland, as it continues to work in tandem with its membership, to help businesses grow, scale and digitally transform, post-pandemic.

The ongoing collaboration between the Bank and DBI will enable the agency to further grow its extensive network of over 6000 members, providing an enhanced suite of supports and opportunities. These include its complimentary advisory services, training events, and its annual National Digital Awards programme, of which Permanent TSB is the title sponsor.

Throughout the last year, we have built a really special partnership with DBI delivering supports for Irish Business throughout the pandemic, including:

- c.800 businesses received training on digital strategy which helped them to turbo-charge their online growth;
- 5 bricks and mortar businesses were able to pivot their business to a digital sales channel through support provided by Permanent TSB;
- 1000s of SMEs received advice and support, through collaboration with Digital Business Ireland affiliate membership bodies;
- More than 300 businesses entered the National Digital Business Ireland Digital Awards, proudly supported by Permanent TSB, with 26 winners and runners-up spotlighted across three categories; Website, Innovation and People; and,
- The launch of the 'Click Green, Buy Nearby' campaign to encourage consumers to purchase from Irish businesses during the holiday period.

We look forward to building on this momentum and continuing to support Irish businesses to scale and grow.

Sustainability Guide For SMEs

In 2021, Permanent TSB joined forces with Digital Business Ireland (DBI) to publish a Sustainability Guide for SMEs.

The Guide was produced in collaboration with Sustainability Works, a consultancy on a mission to help Ireland unlock the financial, economic and social opportunities that come from sustainability, and aims to highlight the opportunities that adapting to sustainability practices will present for Irish businesses.

The onset of the global pandemic has elevated the sustainability agenda not only in Ireland, but around the world. We see it in the continued shift in consumer trends and the growing demand for sustainable products and services – not only in the financial services industry, but more broadly across other sectors. The Bank was proud to support DBI with the launch of their Sustainability Guide, encouraging SMEs to harness the opportunity sustainability brings to meet consumer demand, while supporting them to grow and scale their business in a responsible way.

> "In 2021, we were proud to announce the renewal our partnership with Digital Business Ireland (DBI), Ireland's dedicated e-business representative body, for a second year."

Guaranteed Irish

In 2021, Permanent TSB was proud to be awarded the Guaranteed Irish Symbol for our contribution to local communities across the country.

Since 1974, Guaranteed Irish has been a business membership networking champion in Ireland. Their network consists of 1,600 member businesses, employing over 100,000 people across the country and generating an annual combined Irish turnover of €10 billion. The Guaranteed Irish Symbol is only awarded to businesses that contribute to Irish communities, make a commitment to Irish provenance and support local jobs.

Throughout our 200 year history we have been committed to delivering exceptional customer service and connecting with local communities. We are honoured to be the first Retail Bank to have received the prestigious Guaranteed Irish Symbol.

We look forward to deepening our partnership with Guaranteed Irish through our support of the inaugural Guaranteed Irish Business Awards in 2022, celebrating businesses that support jobs, communities and provenance, while contributing to Ireland, its people, and its economy on a national scale.

Cyber Security

The Irish banking landscape is changing rapidly and the Bank recognises the fundamental role that we play in protecting both our customers and our business from online security threats. The Covid-19 environment increased threat levels, as cyber-attackers continued to evolve their techniques, tactics and targets. Led by our Chief Technology Officer, our Technology Team constantly monitor cyber security threat levels, in addition to completing horizon scanning.

Based on threat intelligence, the Bank prioritises investment in cyber defences and implements preventative measures accordingly. Proactive planning, ongoing vigilance and enhanced monitoring are key to our approach to cyber safety within the organisation.

In order to set out our commitments to protect both customers and the Bank, control requirements are defined within Permanent TSB's Information Security Policy.

Additionally, to support our colleagues in navigating the online world in a safe and responsible way, the Bank continues to invest in learning and development, with compulsory cyber security training and awareness campaigns delivered each year.

Data Protection

At Permanent TSB, building trust with customers is at the heart of our purpose. In today's digital era, and with the unique challenges brought on by the global pandemic, data protection threat continues to evolve. As such, protecting and safeguarding our customers' and our colleagues' personal data remains one of our key priorities.

Our day-to-day business activities require the processing of personal data. While Data Protection is a fundamental right under the EU Charter of Fundamental Rights, protected by both European and Irish legislation of which the Bank complies, Permanent TSB has its own Data Protection Policy in place which sets out our approach.

Complying with the requirements and principles of the Policy is a condition of employment for our people. The Bank has in place procedures to deal with data security breaches and reports regularly to the Executive Committee and Board.

Implementing organisation-wide programmes, raising awareness and providing ongoing education and training to our people are critical ways in which we mitigate against data protection risk. Data Protection training was delivered to all colleagues last year.

Responsible Marketing And Research

All marketing and communications activity in the Bank is guided by regulation, including the Consumer Protection Code 2012, the Advertising Standards Association of Ireland (ASAI) Code 7th Edition and, the values and operating principles set by the Association of Irish Market Research Organisations (AIMRO).

> "In today's digital era, and with the unique challenges brought on by the global pandemic, data protection threat continues to evolve. As such, protecting and safeguarding our customers' and our colleagues' personal data remains one of our key priorities."

Living Our Purpose & Ensuring Strong Corporate Governance

The Board of Directors approved the Sustainability Strategy and ensures Management have comprehensive plans in place for achievement of the Bank's sustainability objectives. Permanent TSB's Chief Executive receives regular updates regarding the implementation of the Strategy, and progress against KPIs is reported upward to both the Executive Committee and the Nominations, Culture and Ethics Board Committee on a quarterly basis.

To support the above, the Bank has in place a Sustainability Committee (SusCo) which operates as a Sub-Committee of the Executive Committee. The SusCo is chaired by the Chief Human Resources and Corporate Development Director and includes representation from Executive Committee members and Senior Leaders representing business units across the organisation. The Committee meets at regular intervals throughout the year to review and direct the development of programming, with a clear focus on the Environmental, Social and Governance (ESG) factors that are core to operating our business in a responsible and sustainable way.

A dedicated Sustainability Team is in place to provide leadership and coordinate enterprise-wide activity, with the support of the SusCo.

For more on Governance, please refer to the Directors' Report on page 96.

Operating Responsibly

Permanent TSB is committed to operating responsibly and conducting our business to the highest ethical and professional standards. We are similarly committed, under our Sustainability Strategy, to rebuilding trust and playing an active role in communities across the country.

We are focussed on upholding the highest standard of conduct and behaviour among our people. This is not just a 'nice-to-have' – it is a commitment that underpins how we work together, our relationship with society, and, most importantly, how we build trust with our customers and play an active role in the communities in where we live and work.

Colleague Conduct Policy

The Bank has in place a Colleague Conduct Policy, an overarching framework which includes the policies and procedures that are integral to upholding high standards of colleague conduct across the organisation. The Policy sets out the behaviours expected of our people, and lays out the requirements for the effective management of those behaviours within the Bank to ensure that our customers and colleagues are treated in the right way.

Permanent TSB has a zero tolerance for inappropriate colleague conduct. A colleague conduct paper is produced and presented to the Board on a bi-annual basis that gives qualitative and quantitative updates on key colleague related policies and procedures over the period, in line with our Colleague Conduct Policy.

The Colleague Conduct Policy takes into consideration a number of other documents that encourage appropriate colleague conduct and behaviour, including our Code of Ethics and Speak Freely.
In addition, the Colleague Conduct Policy gives consideration to our Dignity and Respect Code and our Equality through Diversity and Inclusion Charter, recognising the responsibility we have to respect and protect the human rights of every individual that works for us.

Code Of Ethics

The Bank has in place a Code of Ethics that provides a general framework for expected behaviour and guides our workforce in doing the right thing. It codifies how best to interact with our stakeholders and provides standards that colleagues must follow in both their professional life, and in conducting their own personal financial affairs. It is there to protect us from unacceptable behaviour and minimise opportunities for misconduct.

Complying with the requirements and principles of the code is a condition of employment for our people. The Bank has in place procedures to deal with breaches of the Policy and reports to the Executive Committee and Board on a half-yearly basis.

The Board supports a very low to zero risk appetite for deliberate and/or repeated poor or unfair customer outcomes (financial or non-financial), or any market impact which arises through inappropriate actions, or inactions in the execution of our business. Any instances of breaches are reported throughout the year.

To further support the above, in 2021 the Bank introduced the industry wide DECiDE (Ethical Decision Making) Framework. This was incorporated into Ethics training which was delivered virtually to all employees last year.

Speak Freely

To support the cultural evolution of Permanent TSB, the Bank has developed an alternative approach to simplifying and clarifying the channels by which an employee can speak up and raise a concern; namely, Speak Freely.

Speak Freely, and associated procedures, protects employees who wish to make a protected disclosure, relating to an actual or potential wrongdoing in the workplace.

The Bank has in place procedures to deal with any protected disclosures that may arise as part of Speak Freely and reports to the Executive Committee and Board on a half-yearly basis.

You can read more about our commitment to Speak Freely in 2021 on page 23.

Human Rights

Permanent TSB recognise our responsibility to respect the human rights of every individual. The Bank ensures the protection of our colleagues' human rights through its Dignity and Respect Code and Equality through Diversity and Inclusion Charter. The Code and the Charter focus on the prevention of discrimination, the provision of equal opportunities and ensure that employees are treated with dignity and respect in the workplace.

We acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights and the eight fundamental conventions on which the United Nations Guiding Principles on Business and Human Rights are based.

In order to mitigate against human rights risk, or violations that may occur, the Bank has comprehensive due diligence procedures in place, which include: the implementation of a Colleague Conduct Policy that establishes the requirements for the effective management of appropriate behaviours within the Bank; procedures for ensuring that we meet all relevant human rights legislation in the jurisdictions in which we operate; and, a suite of reporting mechanisms through our Speak Freely channels to support the timely reporting of issues.

The Human Resources Team monitor all nonadherences to the Code and the Charter. Procedures are in place for dealing with suspected human rights allegations and reported instances are addressed on a timely basis.

In addition, the Bank has in place additional requirements set out in other policy documents that help to encourage the right behaviour, including: Conflict of Interest; Anti-Money Laundering (AML)/Terrorist Financing; Sanctions and, Anti-Bribery and Corruption.

Conflict Of Interest

Conflict of Interest occurs when an employee's personal relationships, participation in external activities or interest in another venture influence or could be perceived to influence a business decision. Permanent TSB has in place a Conflict of Interest Policy to provide guidance to employees and to ensure that the Bank proactively manages both personal and organisational Conflict of Interest.

Every employee is responsible for identifying, reporting and managing Conflict of Interest and, in doing so, must comply with the letter and spirit of the Policy.

The Bank has in place procedures to deal with Conflict of Interest that may arise. The Human Resources Team monitors adherence to this Policy and reports to the Executive Committee and Board on a half yearly-basis.

Financial Crime Compliance

Permanent TSB maintains an overarching Financial Crime Compliance Framework, which includes three supporting policy documents relating to Money Laundering/ Terrorist Financing, Sanctions and Bribery and Corruption Risk. The Framework and related Policies set out how the business adheres to all laws and regulations relating to financial crime compliance and how these risks are managed within the Bank.

An assessment of the specific Money Laundering/Terrorist Financing and Sanctions Risk faced by the Bank is undertaken annually, and a review of the Bribery and Corruption Risk relevant to the Bank's business is also completed on a periodic basis. Financial crime compliance training, which covers Money Laundering/ Terrorist Financing, Sanctions and Bribery and Corruption Risk, is provided to all employees each year, with tailored training provided to the Board of Directors and members of the Executive Committee.

Permanent TSB is committed to managing and mitigating the financial crime compliance risk associated with its business activities and complying with all applicable Money Laundering/ Terrorist Financing, Sanctions and Bribery and Corruption laws and regulations in the jurisdictions in which it operates. In order to mitigate against any financial crime compliance related risk that may occur, the Bank has comprehensive due diligence procedures in place, which include requesting documents such as proof of identity and proof of address at account opening and at intervals thereafter, conducting enhanced due diligence reviews and undertaking PEPs and Sanctions screening in accordance with our Policies.

Policy Governance

Permanent TSB is committed to mitigating the environment, social and governance risks associated with its business activities and complying with all laws and regulations in the jurisdictions in which it operates. We manage our environment, social and governance risk through the effective implementation of our Sustainability Strategy outlined in this report and through the effective application of policies and procedures that are integral to operating our business in a responsible way.

All policies that the Bank has in place to protect our workforce meet the relevant regulatory requirements, adhere to Permanent TSB's Document Management Standards and Procedures Policy and are reviewed and updated, as appropriate, on an annual basis.

Policies are monitored by their respective policy owners, communicated as required and made available to our colleagues on our internal website.

Looking Ahead

As we look to continue to elevate our impact and grow our programming through 2022 and beyond, our focus is on long term sustainability, the role that the Bank will play in tackling climate change and supporting the transition to a low carbon economy. We are similarly conscious of the regulatory landscape and the legislative changes that shape non-financial reporting.

We will provide annual updates on our sustainability programming through this Non-Financial Report.

Financial Review

The Group's financial performance has remained steady during 2021 with a focus on continuing to manage the quality of the Bank's loan book through deleveraging and maintaining strong capital and liquidity positions. As the Bank prepares for a step change in 2022 with the purchase of certain elements of Ulster Banks Retail, SME and Asset Financing business in the Republic of Ireland there has been an impact on the short term profitability of the Group.

As the Bank's excess liquidity has continued to grow, it has resulted in downward pressure on the Group's NIM through negative interest charges. Further to this, the Bank has absorbed a significant amount of acquisition costs in 2021 on the Ulster Bank transaction. These costs have resulted in the Bank making a loss in 2021.

The Bank continues to invest in its Opti-channel offerings resulting in continuing high operating costs, however, the Group has continued to manage the costs line with a significant reduction in staff costs as a result of the successful voluntary severance programme over the past two years.

The Bank's asset quality has remained stable with strong provisioning across our loan books, this is evidenced through recent loan sales at close to net book value. The Group's impairment stack has also remained stable in 2021, with a flat charge reflecting caution around latent uncertainties as the Irish economy recovers and enters the post-pandemic phase.

The Banking sector continues to be impacted by the low interest rate environment, which continues to pressure the NIM however the Bank is well poised to improve its profitability significantly if interest rates increase in the future.

Ulster Bank Transaction

On 17 December 2021, the Bank entered into a legally binding agreement with NatWest Group Plc to acquire approximately €7.6 billion of the Ulster Bank Retail, SME and Asset Finance business in the Republic of Ireland. The transaction is due to complete and control will transfer in the second half of 2022, subject to necessary regulatory and shareholder approvals. As such, the business and assets have not been recognised in the Group's statement of financial position as at 31 December 2021. The Bank incurred costs of c€28m on the transaction in 2021, these costs have been recognised as exceptional costs in the income statement.

Basis of preparation

The financial review is prepared using International Financial Reporting Standards (IFRS) and Non-IFRS measures to analyse the Group's financial performance for the financial year ended 31 December 2021.

Non-IFRS measures are used by Management to assess the financial performance of the Group and to provide insights into financial and operational performance on a consistent basis across various financial years. They also provide details regarding the elements of performance which the Group considers important in its performance assessment and which it can influence.

Non-IFRS measures are however not a substitute for IFRS measures and IFRS measures should be preferred over Non-IFRS measures where applicable.

The Group has a tightly drawn accounting policy for exceptional items (see note 1) and exceptional items are considered to include:

- Profit/loss on disposal of businesses;
- Profit/loss on material deleveraging including any increase in impairment arising solely due to the sale of NPLs becoming part of the Group's recovery strategy
- Material restructuring costs; and
- Material transaction, integration and restructuring costs associated with acquisitions (including potential acquisitions).

However, from time to time certain material non-recurring items occur which do not meet the definition of exceptional items as set out in the accounting policy. To assist the users of the financial statements and to ensure consistency in reporting with other financial institutions, these items are disclosed separately from underlying profit in the financial review. These items are clearly identified as Non-IFRS items and reconciled back to the IFRS income statement.

A reconciliation between the underlying profit and operating profit on an IFRS basis is set out on page 61.

Management has provided further information on IFRS and Non-IFRS measures including their calculation in the Alternative Performance Measurements (APM) section on pages 264 to 270.

Basis of calculation

Percentages presented throughout the financial review are calculated using absolute values and therefore the percentages may differ from those calculated using rounded numbers.

Management performance summary consolidated income statement

	Table	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Net interest income	1	**313**	341
Net fees and commissions income	3	**35**	28
Net other income	4	**13**	6
Total operating income		**361**	375
Total operating expenses (excl. exceptional items and other non-recurring items, bank levy and other regulatory charges)*	5	**(295)**	(280)
Bank levy and other regulatory charges		**(50)**	(49)
Underlying profit before impairment		**16**	46
Impairment write-back/(charge) on loans and advances to customers	6	**1**	(155)
Underlying profit/(loss) before exceptionals and other non-recurring items		**17**	(109)
Exceptional and other non-recurring items comprises:	7	**(38)**	(57)
Restructuring and other costs		**(14)**	(31)
Advisory costs incurred in relation to Ulster Bank transaction		**(28)**	-
Impairment arising from deleveraging of loans		**19**	(26)
Charges in relation to legacy legal cases		**(15)**	-
Loss before taxation		**(21)**	(166)
Taxation		**1**	4
Loss for the year		**(20)**	(162)

* See table 8 on page 61 for a reconciliation of underlying profit to operating profit on an IFRS basis.

Management performance summary consolidated income statement - key highlights

- **Total operating income** has decreased by €14m during 2021 primarily due to:
  - **Net interest income** decreased by €28m (8%) during 2021 to €313m. The reduction is mainly driven by deleveraging activity resulting in lower interest income and a significant increase in negative interest on excess cash reserves due to an increase in customer deposits.
  - **Net fees and commission income** was €35m for the year ended 31 December 2021 compared to €28m at 31 December 2020. The increase is mainly due to increased transactional spending during 2021.
  - **Net other income** was €13m for the year ended 31 December 2021 compared to €6m at 31 December 2020. This is mainly driven by revaluation increases and gains on sale of properties in possession totalling €6m. Other income also includes €3m generated as a result of the early redemption of the retained note in the Glenbeigh 2018-1 securitisation in November 2021.
- **Operating expenses (excl. exceptional items and other non-recurring items, bank levy and other regulatory charges)** are €295m for the year ended 31 December 2021 compared to €280m at 31 December 2020. The increase is driven by significant investment in digital and strategic projects in 2021 and increased amortisation of capitalised digital costs from previous years. This is offset by a reduction in staff costs stemming from the effects of the Group's 2020 voluntary severance programme.
- **Underlying profit before impairment** has decreased by €30m since 31 December 2020. This is due to a decrease in total operating income while operating expenses have increased.
- **Impairment write-back** is €1m on loans and advances to customers for the year ended 31 December 2021, compared to a charge of €155m for the year ended 31 December 2020. The reduction reflects that while the economic outlook has improved, uncertainty remains and the bank retains a cautious outlook.
- **Exceptional and other non-recurring items** for the year ended 31 December 2021 of €38m, comprises €28m of costs related to the Ulster Bank transaction, €14m in relation to restructuring and other costs relating to the Group's voluntary severance programme and costs arising in respect of previous disposals of business and €15m relating to legacy legal cases. This is offset by a gain of €11m on the deleveraging of loans due to the Glenbeigh III transaction and an €8m gain relating to write-back of provisions on past deleveraging activity.
- **Loss before tax** of €21m for the year ended 31 December 2021 is €145m lower than the year ended 31 December 2020 primarily due to the improvement in the macro-economic projections in the current period offset by the continued pressures on NII.

Net interest income	Net interest margin
€313m	**1.51%**

Table 1: Net Interest Income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Interest income	**354**	382
Interest expense	**(41)**	(41)
Net interest income	**313**	341
Net interest margin (NIM)	**1.51%**	1.73%

Interest income
Interest income of €354m for the year ended 31 December 2021 decreased by €28m (7%), compared to the prior year. This is mainly driven by the impact of reduced income on loans and advances to customers as a result of deleveraging activity in 2020 as well as the impact of rate cuts.

Interest expense
Interest expense remained in line with the prior year. Deposit costs reduced by €14m as a result of active management of the deposit funding costs through a reduction in deposit rates. This was offset by a significant increase in negative interest of €10m as a result of excess liquidity as well as additional wholesale funding costs of €5m relating to increased debt issuances in 2021.

Table 2.1: Average balance sheet

	Year ended 31 December 2021			Year ended 31 December 2020		
	Average Balance €m	Interest €m	Average Yield/ Rate %	Average Balance €m	Interest €m	Average Yield/ Rate %
Interest-earning assets						
Loans and advances to customers	**14,258**	**346**	**2.43%**	15,083	371	2.46%
Debt securities and derivative assets	**2,533**	**7**	**0.28%**	2,410	11	0.46%
Total average interest-earning assets	**16,791**	**353**	**2.10%**	17,493	382	2.18%
Negative interest earning assets						
Loans and advances to banks	**3,940**	**(14)**	**(0.36%)**	2,087	(4)	(0.19%)
Total average negative interest earning assets	**3,940**	**(14)**	**(0.36%)**	2,087	(4)	(0.19%)
Interest earning assets	**20,731**	**339**	**1.64%**	19,580	378	1.93%
Interest-bearing liabilities						
Customer accounts	**18,606**	**14**	**0.08%**	17,689	26	0.15%
Debt securities in issue	**705**	**8**	**1.13%**	863	11	1.27%
Lease liabilities	**31**	**-**	**-**	37	0	-
Subordinated Liabilities	**155**	**5**	**3.23%**	-	-	-
Total average interest bearing liabilities	**19,497**	**27**	**0.14%**	18,589	37	0.20%
Negative interest earning liabilities						
Deposits by banks	**134**	**(1)**	**(0.75%)**	10	-	-
Total average negative interest earning liabilities	**134**	**(1)**	**(0.75%)**	10	-	-
Interest-bearing liabilities	**19,631**	**26**	**0.13%**	18,599	37	0.20%
Total average equity attributable to owners	**1,853**			1,961		
Net Interest Margin	**1.51%**			1.73%		

* The above table is based on the average balances of assets and liabilities and will not agree to gross interest income and gross interest expense. The overall interest amount will agree to NII.

Net interest margin

NIM decreased by 22bps to 1.51% for the year ended 31 December 2021 compared to 1.73% for the prior year. The Group's NIM has mainly reduced as a result of deleveraging activities in 2020 and 2021 and the low interest rate environment. This has impacted yields on the new treasury assets and growth in liquid assets resulted in elevated negative interest charges on deposits with the CBI. This has been partially offset by the lower deposit funding costs.

The main drivers for the 22bps reduction in the NIM include:

Table 2.2: Volume drivers

	(€m)	Impact on NIM (bps)
Increase in volume of excess liquidity	**1,853**	(3)
Impact from net deleveraging	**(825)**	(6)
Yield drivers	**(€m)**	**bps**
Net impact from deleveraging	**(13)**	5
Reduction in interest income as a result of mortgage rate cuts	**(5)**	(8)
Increased cost of excess liquidity	**(10)**	(4)
Reduced income from treasury assets due to the lower interest rate environment	**(3)**	(5)
Reduction in Consumer Finance Lending	**(3)**	-
Increase cost of Tier 2 issuance	**(5)**	(3)
Other adjustments	**(5)**	(7)
Reduction in NII during the year	**(44)**	(22)
Saving through deposit rate cuts	**12**	7
Wholesale funding	**4**	2
Increase in NII during the year	**16**	9
Overall net reduction NII	**(28)**	(13)
Overall movement in the NIM		(22)

Yield/Average interest earning assets

- The average balance of loans and advances to customers reduced by €825m mainly due to deleveraging activity in 2020 (Glenbeigh II) and 2021 (Glenbeigh III). There was also a reduction in the average Consumer Finance balances in 2021 due to lower consumer finance lending during the pandemic. This is partly offset by increases in origination of new mortgage lending business.
- The yield on loans and advances to customers decreased in the year due to rate reductions on certain mortgage products, an increase in deferred acquisition costs and provisions relating to legacy business issues. This is partly offset by an increase in yield due to the sale of lower yielding loans in the capital accretive Glenbeigh II loan sale in 2020.
- The average balance of loans and advances to banks increased by €1,853m during the year. This balance consist of excess cash reserves with the CBI, its movement is driven primarily by increases in customer deposits along with proceeds from deleveraging activity.
- The yield on loans and advances to banks decreased during the year due to the increase in excess cash reserves with the CBI. This increased the balance subject to negative interest rates in the year.
- The yield on debt securities reduced during the year due to higher yielding debt securities being replaced by lower yielding assets due to the lower for longer interest environment.

Yield/Average interest bearing liabilities

- The yield on customer accounts decreased during the year despite the average balance increasing by €917m in the year. The reduction in yield is due to rate cuts on retail deposits.
- The average balance of subordinated liabilities increased during the year due to the issuance of €250m of Tier 2 notes in May 2021.

Average equity attributable to owners

- The average equity attributable to owners decreased in the year mainly due to the call of the AT1 security issued in 2015 on its first call date 1 April 2021.

Net fees and commission income

€35m

Table 3: Net fees and commissions income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Fees and commission income		
Retail banking and credit card fees	**52**	43
Brokerage and insurance commission	**11**	9
Other fees and commissions income	**1**	1
Fees and commission income	**64**	53
Fees and commission expense*	**(29)**	(25)
Net fees and commission income	**35**	28

* Fees and commission expenses primarily comprises retail banking and credit cards fees.

Net fees and commission income was €35m for the year ended 31 December 2021 compared to €28m at 31 December 2020. The increase is mainly due to increased transactional spending during 2021.

Net other income

€13m

Table 4: Net other income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Other income	**13**	6
Net other income	**13**	6

Net other income was €13m for the year ended 31 December 2021 compared to €6m at 31 December 2020. This is mainly driven by a revaluation gain on properties in possession during the year and gains on sale of properties in possession totalling €6m and the recognition of a gain of €3m on the early redemption of the retained note in the Glenbeigh 2018-1 securitisation in November 2021.

Total operating expenses [(1)]	**Adjusted cost income ratio**
€345m	**82%**

(1) Excluding exceptional and other non-recurring items.

Table 5: Operating expenses

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Staff costs		
Wages and salaries including commission paid to sales staff	**115**	122
Social insurance	**14**	15
Pension costs	**13**	14
Total staff costs	**142**	151
General and administrative expenses	**106**	92
Administrative, staff and other expenses	**248**	243
Depreciation and impairment of property and equipment	**21**	22
Amortisation of intangible assets	**26**	15
Total operating expenses (excluding exceptional and other non-recurring items and regulatory charges)	**295**	280
Bank levy	**22**	24
Regulatory charges	**28**	25
Total operating expenses (excluding exceptional and other non-recurring items items)	**345**	329
Headline cost to income ratio*	**96%**	88%
Adjusted cost to income ratio**	**82%**	75%
Closing staff numbers***	**2,236**	2,435
Average staff numbers	**2,286**	2,429

* Defined as total operating expenses (excluding exceptional and other non-recurring items) divided by total operating income.
** Defined as total operating expenses (excluding exceptional, other non-recurring items, bank levy and regulatory charges) divided by total operating income.
***Closing staff numbers are calculated on a FTE basis.

Operating expenses

Staff costs
Total staff costs have decreased by €9m (6%) from €151m for the year ended 31 December 2020 to €142m for the year ended 31 December 2021 primarily as a result of the staff cost savings due to the Group's 2020 voluntary severance programme.

General and administrative expenses
General and administrative expenses increased by €14m for the year ended 31 December 2021 to €106m. Other general and administrative expenses include legal and professional fees, technology costs, property costs and business as usual administrative expenses. The year on year increase is primarily due to the Group's focus on accelerating spending on digital investments.

Depreciation of property and equipment
Depreciation of property and equipment is in line with the charge for the year ended 31 December 2020.

Amortisation of intangible assets
The increase in the amortisation expense of €11m reflects increased capital spending in software development as a result of various digitisation projects that the Group commenced in prior years and continues to invest in. The increase in amortisation reflects the utilisation of the capital spending from previous years.

Adjusted cost income ratio
Operating costs (excluding exceptional and other non-recurring items and regulatory charges) of €295m and operating income of €361m for the year ended 31 December 2021 led to an adjusted cost income ratio of 82% for 2021, compared to an adjusted cost income ratio of 75% for the year ended 31 December 2020. The increase in adjusted cost income ratio was due to both lower income in the period as well as an increase in costs due to ongoing investment.

Bank levy and other regulatory charges

Bank levy and other regulatory charges amounted to €50m for the year ended 31 December 2021. Other regulatory charges include €17m for the Deposit Guarantee Scheme (DGS) (31 December 2020: €15m). The Single Resolution Fund (SRF) costs for the year ended 31 December 2021 was €4m (31 December 2020: €5m).

Impairment

€(1)m

Table 6: Impairment

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Total impairment (write-back)/charge on loans and advances to customers	**(1)**	155

The impairment write-back is €1m on loans and advances to customers for the year ended 31 December 2021, compared to a charge of €155m for the year ended 31 December 2020. The reduction reflects that while the economic outlook has improved, uncertainty remains and the bank retains a cautious outlook.

Exceptional and other non-recurring items

€38m

Table 7: Exceptional and other non-recurring items

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Restructuring and other costs	**14**	31
Advisory costs incurred in relation to Ulster Bank transaction	**28**	-
Impairment arising from deleveraging of loans	**(19)**	26
Charges in relation to legacy legal cases*	**15**	-
Exceptional and other non-recurring items	**38**	57

*Included in IFRS administrative, staff and other expenses.

Exceptional and other non-recurring items as viewed by Management for the year ended 31 December 2021 of €38m comprise:

Restructuring and other costs
Restructuring and other costs of €14m relate to costs incurred as a result of the phase 2 of the Group's voluntary severance programme and costs arising in respect of a previous disposal of a business.

Advisory costs incurred in relation to Ulster Bank business
Advisory costs of €28m relate to costs incurred on advisory fees in relation to the Ulster Bank transaction.

Impairment arising from the deleveraging of loans
Impairment write-back arising from deleveraging of loans for the year ended 31 December 2021 was €19m, of which €11m was as a result of the Glenbeigh III loan transaction as well as a €8m write-back of provisions in respect of legacy deleveraging activities.

Underlying profit in the management income statement is stated before exceptional items and other non-recurring items whereas operating profit in the IFRS income statement is stated after these items.

Table 8: Reconciliation of underlying profit to operating loss on an IFRS basis

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Operating loss per IFRS income statement	**(21)**	(166)
Other exceptional items in IFRS total operating expenses	**42**	31
Exceptional impairment in IFRS credit impairment write-back/charge	**(19)**	26
Non-IFRS adjustments		
Charges in relation to legacy legal cases*	**15**	-
Underlying profit/(loss) per management income statement	**17**	(109)

* Included in IFRS administrative, staff and other expenses

Summary consolidated statement of financial position

	Table	31 December 2021 €m	31 December 2020 €m
Assets			
Home loans		**12,456**	12,145
Buy-to-let		**1,325**	1,649
Total residential mortgages		**13,781**	13,794
Commercial mortgages		**143**	128
Consumer finance		**332**	291
Total loans and advances to customers (net of provisions)	9	**14,256**	14,213
Debt securities	11	**2,494**	2,583
Remaining asset balances	12	**5,485**	4,190
Total assets		**22,235**	20,986
Liabilities and equity			
Current accounts		**7,104**	5,779
Retail deposits		**10,637**	10,516
Corporate & institutional deposits		**1,348**	1,744
Total customer accounts	13	**19,089**	18,039
Debt securities in issue	14	**524**	809
Other liabilities	15	**833**	187
Total liabilities		**20,446**	19,035
Total equity		**1,789**	1,951
Total equity and liabilities		**22,235**	20,986
Liquidity coverage ratio (1)		**274%**	276%
Net stable funding ratio (minimum 100%)(2)		**170%**	160%
Loan to deposit ratio (3)		**75%**	79%
Return on equity (4)		**0.97%**	(5.4%)

(1) Calculated based on the Commission Delegated Regulation (EU) 2015/61.
(2) Defined as the ratio of available stable funding to required stable funding.
(3) Defined as the ratio of loans and advances to customers compared to customer accounts as presented in the statement of financial position.
(4) Defined as (loss)/profit for the year after tax (before exceptionals and other non-recurring items) as a percentage of total average equity.

Summary consolidated statement of financial position - key highlights

The Group maintains a strong capital, liquidity and funding position.

The Group has significantly reduced NPL balances over the past three years and continues to invest in a high quality and resilient asset base.

- **Loans and advances to customers (net of provisions)** were €14,256m as at 31 December 2021, an increase of €43m from €14,213m at 31 December 2020, which is mainly due to net new lending in 2021, offset by deleveraging activity from the Glenbeigh III transaction.
- **Customer accounts** were €19,089m at 31 December 2021, an increase of €1,050m from €18,039 at 31 December 2020. This is due to the Covid-19 restrictions which impacted customer spending resulting in higher average customer balances during the year.
- **Remaining asset balances** were €5,485m as at 31 December 2021, an increase of €1,295m from €4,190m at 31 December 2020, which is due to increased balances held with the CBI arising from net issuances of capital instruments and higher customer account balances and a loan sale receivable for the Glenbeigh III transaction.

Loans and advances to customers

Table 9 (a): Summary of movement in loans and advances to customers

	31 December 2021 €m	31 December 2020 €m
Gross loans and advances to customers 1 January	**14,855**	16,389
New lending*	**1,956**	1,332
Redemptions and repayments of existing loans	**(1,607)**	(1,418)
Write-offs and restructures	**(65)**	(53)
Net movement from non-performing and other	**(394)**	(1,395)
Gross loans and advances to customers 31 December	**14,745**	14,855

* New lending during the year is stated net of repayments during the year.

Table 9 (b): Composition of loans and advances to customers

	31 December 2021 €m	31 December 2020 €m
Residential mortgages:		
Home loans	**12,568**	12,338
Buy-to-let	**1,623**	2,009
Total residential mortgages	**14,191**	14,347
Commercial	**196**	181
Consumer finance	**358**	327
Total measured at amortised cost	**14,745**	14,855
Of which are reported as non-performing loans	**817**	1,128
Deferred fees, discounts and fair value adjustments	**115**	86
Provision for impairment losses	**(604)**	(728)
Total loans and advances to customers	**14,256**	14,213

Total loans and advances to customers (net)

€14,256m

Total loans and advances to customers (after provisions for impairment) of €14,256m at 31 December 2021 increased by €43m when compared to the year ended 31 December 2020. This increase is mainly due to the strong performance of new business in the year to 31 December 2021 offset by deleveraging activity from the Glenbeigh III transaction.

New lending has increased by €624m at 31 December 2021 from €1,332m at 31 December 2020 to €1,956m, as a result of increased mortgage lending in 2021.

Total new lending (gross)

€2,051m

Total new lending in the financial year 2021 amounted to €2,051m, an increase of 44% from 31 December 2020. The increase largely reflects the increase in mortgage lending after the uncertainty in 2020 due to the Covid-19 pandemic. The Group's mortgage lending in FY21 was €1,859m, representing a 45% year on year increase. The Group's mortgage drawdown market share is up from 15.3% in 2020 to 17.8% in 2021, indicating that the Group's growth (+45%) out-stripped broader mortgage market growth (+25%).

The Irish mortgage market re-bounded in 2021 after 2020 was severely impacted by the Covid-19 pandemic. Pent up demand saw a surge in applications in the market in late 2020 and momentum continued into 2021. Mortgage drawdowns in the market grew by 25% in 2021, increasing from €8.4bn in 2020 to €10.5bn in 2021. Housing supply however continued to be impacted by the restrictions imposed to halt the spread of Covid-19, particularly in H1 2021. There were 20.4k completions in 2021, broadly in line with the 20.5k completions in 2020.

SME Lending in 2021 is €98m, which is a 104% increase compared with 2020. The increase is largely driven by lending through the Strategic Banking Corporation of Ireland (SBCI) Future Growth Loan Scheme that launched in late 2020. The Group will participate in the SBCI Brexit Impact Loan Scheme in 2022.

The Group recorded gross new Term lending of €93m in 2021. This is a 4% decrease compared to 2020, largely driven by reduced consumer demand.

NPLs	**NPLs as a % of gross loans**
€817m	**5.5%**

Table 10: NPLs

	31 December 2021 €m	31 December 2020 €m
Home Loans	**420**	658
Buy-to-let	**339**	418
Commercial	**44**	35
Consumer finance	**14**	17
Non-performing loans	**817**	1,128
NPLs as % of gross loans	**5.5%**	7.6%
Foreclosed assets*	**28**	30
Non-performing assets (NPAs) **	**845**	1,158
NPAs as % of gross loans	**5.7%**	7.8%

* Foreclosed assets are defined as assets held on the balance sheet, which are obtained by taking possession of collateral or by calling on similar credit enhancements.
** Non-performing assets are defined as NPLs plus foreclosed assets.

The Group's asset quality has remained stable and it continues to invest in high quality originations under strict credit underwriting standards.

NPLs as a percentage of gross loans was 5.5% at 31 December 2021, a decrease of 2.1% from 7.6% at 31 December 2020 driven primarily by the deleveraging of the Glenbeigh III portfolio in the second half of 2021.

Debt securities

Table 11: Debt securities

	31 December 2021 €m	31 December 2020 €m
Government bonds	**2,434**	2,477
Corporate bonds	**60**	106
Total debt securities	**2,494**	2,583

There were no acquisitions of debt securities in the year ended 31 December 2021. During the year the Glenbeigh securitisation 2018-1 DAC was wound up. This resulted in the Group's retained note in this securitisation being called in November 2021. The gain on the call was recognised in Other income (€3m). The remaining movement is due to the amortisation of Residential Mortgage Backed Securities (RMBS) securities held.

Remaining asset balances

Table 12: Remaining asset balances

	31 December 2021 €m	31 December 2020 €m
Loans and advances to banks	**4,174**	3,312
Assets classified as held for sale	**28**	31
Other assets	**1,283**	847
Total	**5,485**	4,190

Loans and advances to banks has increased by €862m during 2021 primarily due to increased balances on customer accounts and the tier 2 capital issuance in Q2 2021.

Other assets increased due to the amount due from the purchaser of the Glenbeigh III loan transaction.

Liabilities

The Group continues to optimise its funding profile through capitalising on cost efficient sources of funding while ensuring appropriate diversification in its funding base. The target growth in customer accounts with a reduction in deposits by banks reflects its core focus on liquidity management.

Customer accounts

€19,089m

Table 13: Customer accounts

	31 December 2021 €m	31 December 2020 €m
Current accounts	**7,104**	5,779
Retail deposits	**10,637**	10,516
Total retail deposits (including current accounts)	**17,741**	16,295
Corporate deposits	**1,348**	1,744
Total customer deposits	**19,089**	18,039
Loan to deposit ratio*	**75%**	79%

*Defined as the ratio of loans and advances to customers compared to customer accounts as presented in the SOFP.

At 31 December 2021, customer accounts increased to €19,089m from €18,039m at 31 December 2020. Customer account growth accelerated during the pandemic lockdowns as a result of a reduction in consumer spending.

Retail deposits balances remained broadly flat from the prior year reflecting the stable funding source for the Group.

Debt securities in issue

€524m

Table 14: Debt securities in issue

	31 December 2021 €m	31 December 2020 €m
Bonds and medium-term notes	**352**	351
Non-recourse funding	**172**	458
Debt securities in issue	**524**	809

Debt securities in issue decreased by €285m for the year ended 31 December 2021. The reduction in non-recourse funding is a result of natural amortisation of mortgage backed securitisations as well as the winding up of a securitisation in October 2021. There has been no material movement in bonds and medium-term notes in 2021.

The Group continues to hold sufficient liquidity resulting in a decreased requirement for secured funding.

Remaining liabilities

Table 15: Remaining liability balances

	31 December 2021 €m	31 December 2020 €m
Deposits by banks	**347**	-
Accruals	**8**	2
Current tax liability	**1**	1
Provisions	**55**	77
Other liabilities	**170**	107
Subordinated liabilities	**252**	-
Total	**833**	187

The remaining liability balances increased by €646m in the year ended 31 December 2021 primarily due to the Tier 2 capital issuance of €250m in May 2021 and an increase in sale and repurchase agreements funding during the year.

Funding Profile

The Group's funding profile for the year ended 31 December 2021 is broadly in line with the position at year end 31 December 2020. The Group is predominantly funded by retail deposits, which the Group considers a stable source of the funding. Refer to note 37 for further details on funding profile.

While the Group is significantly funded by customer accounts, it is cognisant to diversify and optimise its funding base and continuing to manage the NIM in the low interest rate environment in which the Group operates.

Capital Management

Capital Management Objectives and Policies

The objective of the Group's Capital Management Policy is to ensure that the Group has sufficient capital to cover the risks of its business, support its strategy and at all times to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital. The capital adequacy requirements, set by the Regulator, are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that all regulatory requirements are met.

Regulatory Framework

The Group's regulatory capital requirements, are contained within EU Regulation 575/2013 ('the CRR'), which is directly applicable in all EU countries and Directive 2013/36/EU ('CRD IV') which was transposed into Irish law through S.I. No. 158 of 2014, as well as various technical standards and EBA guidelines. Under these requirements, the Group's total capital for Pillar 1 must be adequate to cover its credit, market and operational risks, including capital buffers. The Group must also hold sufficient capital to cover the additional risks identified under the Pillar 2 process including any add-on's imposed on the Group as part of the Supervisory and Evaluation Process (SREP) assessment.

Implementation of the CRR and CRD IV commenced on a phased basis from 1st January 2014. The CRD IV regulations include transitional rules which resulted in a number of deductions from CET 1 capital being introduced on a phased basis, all of which are now fully implemented, with the exception of the Deferred Tax Asset (DTA) (dependent on future profitability) deduction which, in the case of the Group, is phased to 2024. The ratios outlined in this section reflect the Group's interpretation of the CRR/CRD IV rules and subsequent clarifications, including ECB regulation 2016/445 on the exercise of options and discretions.

Regulatory Capital Developments

The revised Capital Requirements Regulation ('CRR 2') and amendments to the Directive ('CRD V') came into effect during 2021. The CRR2 amendments include but are not limited to:

- A minimum 3% Leverage Ratio requirement; and
- A revised Large Exposure limit which is now capped at a maximum of 25% of the Bank's Tier1 Capital rather than eligible own funds.

The amendments are in addition to those changes introduced in April 2020 as part of the "CRR quick-fix" which brought forward certain CRR 2 changes in light of the challenges posed to the banking sector by the Covid-19 crisis.

The key measures in the CRR quick fix include an extension of the IFRS 9 transitional arrangements by two years, the introduction of a prudential filter on sovereign bonds held at fair value, the acceleration of CRR2 amendments to exempt certain software assets from capital deduction and the revision of the SME supporting factors.

In October 2021, the European Commission published the long awaited legislative proposal, in the form of amendments to the CRR and CRD, to implement the final revisions to the Basel Framework which, amongst other things, will see changes to the Credit Risk and Operational Risk capital requirements frameworks. The Commission expects the new rules will ensure that EU banks become more resilient to potential future economic shocks while contributing to Europe's recovery from the Covid-19 pandemic and the transition to climate neutrality. The expected application date for the implementation of these changes is 1st January 2025.

The Group monitors these changes and other emerging developments as they relate to regulatory capital to ensure compliance with all requirements when applicable.

Flexibility provided by the Central Bank of Ireland in the context of the COVID-19 crisis

The CBI continues to provide flexibility to banks under its direct supervision when meeting its capital requirements. As well as allowing banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance ("P2G") and the Capital Conservation Buffer ("CCB"), the CBI recently reiterated that the reduction of the Countercyclical Capital Buffer ("CCyB") rate on Irish exposures to 0% at the beginning of April 2020 remains appropriate at year end.

Regulatory capital requirements

The Group's 2021 capital requirements remain unchanged relative to the prior year as set out below.

The Group's Common Equity Tier1 (CET1) minimum requirement of 8.94% is comprised of a Pillar 1 Requirement of 4.5%, Pillar 2 Requirement (P2R) of 1.94%, and a Capital Conservation Buffer (CCB) of 2.5%. The Group's Total Capital minimum requirement of 13.95% consists of a Pillar 1 CRR requirement of 8%, P2R of 3.45%, CCB of 2.5%.

These requirements exclude Pillar 2 Guidance (P2G) which is not publicly disclosed.

Capital ratios at 31 December 2021

As at 31 December 2021, the regulatory transitional CET1 ratio was 16.9% (31 December 2020: 18.1%) and Total Capital ratio 21.8% (31 December 2020: 21.0%), exceeding the Group's 2021 minimum requirements of 8.94% and 13.95% respectively.

The reduction in the transitional CET1 ratio (-1.2%) in the year is primarily due to the transitional phasing of the Groups Deferred Tax Assets, the prudential phase-in of IFRS9, and loss in the year primarily driven by exceptional spend on Ulster Bank transaction and restructuring-related exceptional costs. This was partially offset by an increased capital add-back related to intangible software assets in use reflecting the investment in the Bank's Digital Banking Programme. The Commission Delegated Regulation (EU) 2020/2176 published at the end of 2020 allows intangible software assets in use to be amortised over 3 years rather than deducted in full from CET1 capital.

In Q2 2021 the Bank successfully executed a Tier 2 subordinated debt issuance of (+€250m incl. c.€1m transaction costs). Following regulatory approval, the Tier 2 instrument has been recognised in the Groups Own Funds, increasing the Total Capital ratio by c.+3.0%.

This was partially offset by the Q1 2021 redemption and derecognition of the AT1 Securities (€125m issued in April 2015).

In Q4 2021 the Bank successfully recalled the loan-backed securities under the Glenbeigh I loan disposal, resulting in an uplift of c.+30bps in transitional CET1 ratio. In the same quarter, the Bank also successfully executed a €390m loan disposal known as Glenbeigh III, at a gain of €11m before tax, resulting in an uplift of c.+60bps in the transitional CET1 ratio, the majority of which (+50bps) will be recognised in Q1 2022 when the remaining proceeds are received and the underlying risk weighted assets are derecognised.

On a fully loaded basis, the CET1 ratio was 14.7% (31 December 2020: 15.1%) and the Total Capital ratio was 19.5% (31 December 2020: 18.2%).

The December 2021 leverage ratio on a fully loaded and transitional basis amounted to 6.3% and 7.1% respectively (31 December 2020: 7.1% and 8.2%). The movement in the leverage ratio was primarily due to a reduction in Tier 1 capital, driven by the redemption and derecognition of the 2015 AT1 securities and increased exposures through Balance Sheet growth in the year.

The following table outlines the Group's regulatory (transitional) and fully loaded capital positions under CRDIV/CRR.

Table 16: Regulatory capital

	31 December 2021		31 December 2020	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
Capital Resources:				
Common Equity Tier 1	**1,457**	**1,265**	1,535	1,282
Additional Tier 1*	**123**	**123**	190	198
Tier 1 Capital	**1,580**	**1,388**	1,725	1,480
Tier 2 Capital	**290**	**290**	54	59
Total Capital	**1,870**	**1,678**	1,779	1,539
Risk Weighted Assets	**8,600**	**8,603**	8,480	8,471
Capital Ratios:				
Common Equity Tier 1 Capital	**16.9%**	**14.7%**	18.1%	15.1%
Tier 1 Capital	**18.4%**	**16.1%**	20.3%	17.5%
Total Capital	**21.8%**	**19.5%**	21.0%	18.2%
Leverage Ratio**	**7.1%**	**6.3%**	8.2%	7.1%

* The amount of Additional Tier 1 (AT1) Capital and Tier 2 instruments included within the 2020 consolidated capital of the holding company is restricted within the limits laid down under the CRR. Effective January 2018, these restrictions are now fully phased in. These restrictions do not apply in 2021 as the current AT1 and Tier2 instruments are issued out of the Holding Company (HoldCo)

** The leverage ratio is calculated by dividing Tier 1 Capital by gross balance sheet exposure (total assets and off-balance sheet exposures).

The following table reconciles the statutory shareholders' funds to the Group's regulatory (transitional) and fully loaded CET1 Capital.

Table 17: CET1 Capital

	31 December 2021		31 December 2020	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
Total Equity	**1,788**	**1,788**	1,951	1,951
Less: AT1 Capital	**(123)**	**(123)**	(245)	(245)
Adjusted Capital	**1,665**	**1,665**	1,706	1,706
Prudential Filters:				
Intangibles	**(53)**	**(53)**	(72)	(72)
Deferred Tax	**(249)**	**(347)**	(213)	(343)
IFRS 9 (Transitional adjustment)*	**94**	**-**	122	-
Others	**-**	**(1)**	(8)	(9)
Common Equity Tier 1	**1,457**	**1,265**	1,535	1,282

* The CET1 transitional impact to the Group as a result of EU Regulation 2017/2395 mitigating the impact of the introduction of IFRS 9 own funds.

Capital Management
(continued)

Transitional (regulatory) capital
The December 2021 transitional CET1 capital reduced by (€78m) to €1,457m (31 December 2020: €1,535m). This reduction was primarily due to the phasing of the prudential filters (-€64m), loss in the year (-€20m) and other reserves movements (-€13m) (incl. AT1 Distributions) partially offset by an increased capital add-back in respect to intangible software assets (+€19m).

Fully loaded capital
The December 2021 fully loaded CET1 capital reduced by (€17m) to €1,265m (31 December 2020: €1,282m). This reduction was primarily due to loss incurred in the year (-€20m), and other reserves movements (incl. AT1 Distributions) (-€16m) partially offset by an increased capital add-back of intangible software assets (+€19m).

Risk weighted assets
The following table sets out the Group's risk weighted assets (RWAs) at 31 December 2021 and 31 December 2020.

Table 18: Risk weighted assets

	31 December 2021		31 December 2020	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
RWAs				
Credit risk on customer loans	**6,823**	**6,823**	6,958	6,958
Counterparty credit risk*	**380**	**380**	137	137
Securitisation risk**	**12**	**12**	165	165
Operational risk	**639**	**639**	672	672
Other credit risk***	**746**	**749**	548	539
Total RWAs	**8,600**	**8,603**	8,480	8,471

* Counterparty credit risk includes Glenbeigh III receivable (RWAs €240m) Treasury, Repo & CVA RWAs
** Redeemed the loan-backed securities relating to the Glenbeigh I loan disposal (RWAs €160m)
***Other credit risk consists primarily of Property and Equipment and Prepayments

The December 2021 RWAs increased by €120m (on a transitional basis) to €8,600m (31 December 2020: €8,480m). This was primarily driven by an increase in Credit Risk (+€105m) due to new lending volumes and Other RWAs (+€198m) partially offset by a reduction in Securitisation RWAs (-€153m) primarily attributable to the recall of the Glenbeigh I V-Note and Operational Risk RWAs (-€33m).

The increase in Counterparty Credit Risk (+€243m) is primarily due to the Glenbeigh III receivable (which settled in February 2022) and is offset by a decrease in Credit Risk due to the derecognition of the underlying mortgage loans from the balance sheet.

Risk Management

The information in Section 3.1, 3.2 and 3.3 on pages 84 to 95 in Risk Management identified as audited (with the exception of the boxed parts of these sections clearly identified as unaudited), forms an integral part of the audited financial statements as described in the basis of preparation on page 167. All other information in Risk Management is additional information and does not form part of the audited financial statements.

1. Risk Management and Governance

The nature of risk taking is fundamental to a financial institution's business profile. It follows that prudent risk management forms an integral part of the Group's governance structure.

Within the boundaries of the Board-approved Risk Appetite Statement (RAS), the Group follows an integrated approach to Risk Management, to ensure that all risks faced by the Group are appropriately identified and managed. This approach ensures that robust mechanisms are in place to protect and direct the Group in recognising the economic substance of its risk exposure.

The Group implements a Risk Management process, which consists of the following key aspects:

- Risk Identification;
- Risk Assessment and Measurement;
- Risk Mitigation and Control;
- Risk Monitoring and Testing; and
- Risk Reporting and Escalation.

Enterprise Risk Management Framework (ERMF)

Within the Internal Control Framework (ICF) the Enterprise Risk Management Framework (RMF) is the Group's overarching Risk Management Framework articulating the management process governing risks within the following key risk categories: Capital Adequacy Risk; Liquidity and Funding Risk; Market Risk; Credit Risk; Strategic Business Risk; Operational Risk; Information Technology ('IT') Risk; Model Risk; Regulatory Compliance Risk (including AML); Conduct Risk; and Reputational Risk.

The RMF outlines the Group-wide approach to the identification; assessment and measurement; mitigation and control; monitoring and testing; and, reporting and escalation of risks across the outlined risk categories. The Group manages, mitigates, monitors and reports its risk exposure through a set of risk management processes, activities and tools.

The Board Risk and Compliance Committee (BRCC) provides oversight and advice to the Board on risk governance and supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, assessed, mitigated, monitored and reported and that the Group's strategy is consistent with the Group's Risk Appetite.

Risk Appetite and Strategy

The Group's RAS documents are owned by the Board, supported by the Chief Risk Officer (CRO), and describe the Group's risk appetite at the enterprise level. The RAS serves as a boundary to business, support, and control function leaders; enables a consistent approach to risk management; endorses risk discipline; and, integrates risk management into decision making at all levels of the organisation. The RAS further ensures the Group's risk is communicated clearly and well understood by both Senior Management and Group employees so that risk management is continually embedded into the Group's culture.

The structure of the RAS enables the Group to maintain robust discussions of risk taking and risk management and provides a commonly understood baseline against which management recommendations and decisions can be debated and effectively and credibly challenged.

The RAS is an articulation of how the Group's appetite for and tolerance of risk will be expressed. This comes in the form of qualitative statements about the nature and type of risk that the Group will take on, and quantitative limits and thresholds that define the range of acceptable risk. The RAS includes component risk appetite statements for each of the distinct key risk categories, including qualitative expressions of risk appetite as well as quantitative measures which translate the qualitative expressions of risk appetite into actionable metrics (RAS Metrics). This further outlines key risk indicators (KRIs) which can be monitored and reported to ensure prompt and proactive adherence with the Board-approved risk appetite.

The Group has a straight forward business model to deliver a full-service Retail and SME Bank with a low risk appetite exclusively focused on the Republic of Ireland. In light of this, the risk appetite is not decomposed into individual business unit-specific statements of risk appetite.

Risk Governance

The Group's risk governance structure establishes the authority, responsibility, and accountability for risk management across the Group and enables effective and efficient monitoring, escalation, decision-making, and oversight with respect to risks by appropriate Board and management-level governing bodies.

The responsibilities set out below relate to risk management activities. Further roles and responsibilities are documented in the ICF, the Board Manual and the committees 'Terms of Reference'.

The design of the Group's risk governance structure is informed by a set of risk governance principles which are based on relevant regulatory guidelines.

These principles include:

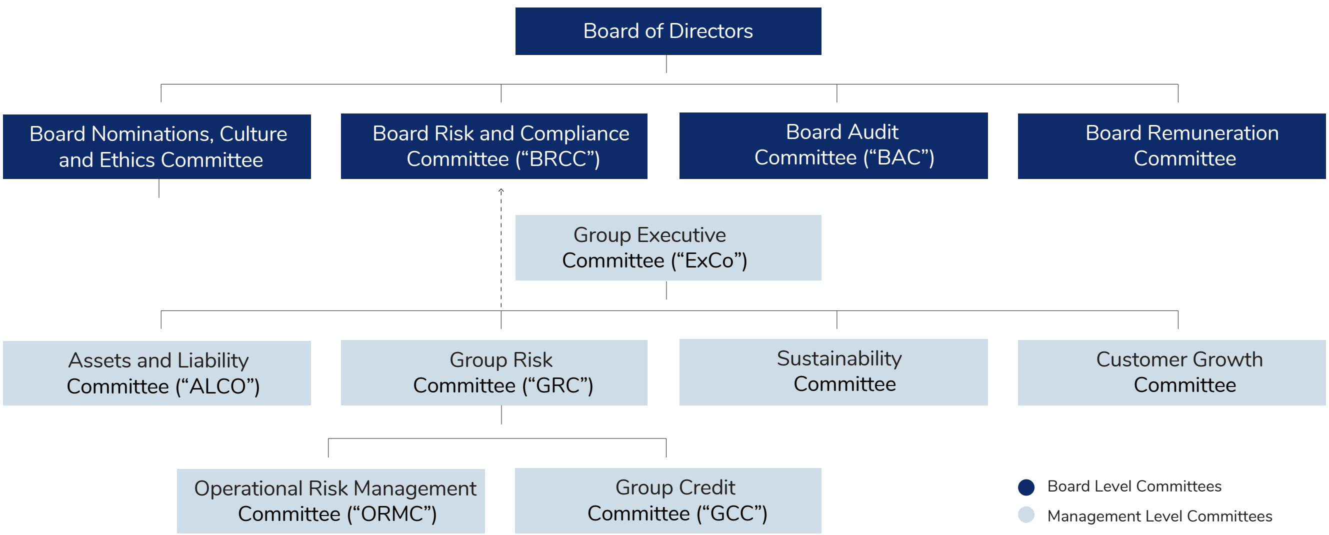
- **Committee Structure:** The number of committees at Board and Management levels reflects the nature and types of risk faced by the Group. Criteria for establishing risk sub-committees gives due consideration to the: purpose of the committee; duration of the committee; proposed membership; committee reporting line and flight path for outputs from the committee.
- **Board Committees:** Made up of Non-Executive Directors (NEDs) whose role is to support the Board in overseeing risk management and overseeing and challenging Senior Management's decisions.
- **Management Committee:** Bring together Senior Managers in the Group who individually and collectively possess the requisite skills, expertise, qualifications, knowledge and experience to exercise sound, objective judgement, commensurate with the risk profile of the Group.
- **Independence Safeguards:** The risk governance structure features safeguards to protect the independence of key relationships between the Senior Executives and the Board. In this respect ExCo may not override or modify decisions of the Asset and Liabilities Committee (ALCO), Group Risk Committee (GRC) or the Group Credit Committee (GCC), but may appeal

decisions to the Board (or relevant Board committee). Additionally, the CRO is assigned the right to refer/appeal planned management action agreed by ExCo risk sub-committees, where the CRO considers such action to be inconsistent with adherence to the Board-approved risk appetite.

- **Flow of Risk Information:** The risk governance structure establishes independent reporting lines which facilitate effective risk oversight by the Board via the BRCC.
- **Communication of Risk Information:** Risk information is prioritised and presented in a concise, fully contextualised manner, to enable robust challenge and informed decision-making throughout the risk governance structure.
- **Appropriateness:** The number of overall governance committees/fora in the Group, the length of time per meeting, the number of meetings per year, and the number of meetings each Director/Executive attends is appropriate to the Group's resources and business model. This is reviewed on a regular basis and the feedback of the committee members sought.

The diagram below depicts the Group's risk governance structure.

Risk Governance Structure



Key Risk Governance Roles and Responsibilities

Committee/Role	Key Responsibilities
Board Responsible for the Group's business strategy, financial soundness, key personnel decisions, internal organisation, governance structure and practices, risk management and compliance obligations.	A key role of the Board is to ensure that risk and compliance are properly managed in the business. Key risk responsibilities of the Board include, but are not limited to: · Understanding the risks to which the Group is exposed and establishing a documented Risk Appetite for the Group; · Defining the strategy for the ongoing management of material risks; and · Ensuring that there is a robust and effective ICF that includes well-functioning independent internal risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.

Committee/Role	Key Responsibilities
Board Risk and Compliance Committee (BRCC) Oversees and provides guidance to the Board on risk governance and strategy. This guidance includes recommendations to the Board on current and future risk exposure, tolerance and appetite. The committee oversees Management's implementation of risk strategy including capital and liquidity strategy, the setting of risk and compliance policies and the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk and compliance.	The Committee supports the Board in carrying out its responsibilities of ensuring that risks are properly identified, assessed, mitigated, monitored and reported, and that the Group is operating in line with its approved Risk Appetite. Key activities of the BRCC include, but are not limited to: · Reviewing and making recommendations to the Board on the Group's risk profile, both current and emerging, encompassing all relevant risks categories as described in the RMF; · Reviewing and making recommendations to the Board in relation to the Group's RMF, RAS and the Group Recovery and Resolution Plan; · Monitoring and escalating positions outside Risk Appetite to the Board, within agreed timeframes and approving and overseeing proposed Remediation Plans aimed at restoring the Group's risk profile to within the approved Risk Appetite; · Reviewing and approving the key components of the Group's Risk Management Architecture and relevant supporting documents; · Communicating all issues of material Group reputational and operational risk directly to the Board; · Reviewing and approving Credit Policy, Credit related strategy and any material amendments to Credit Policy; · Reviewing and making recommendations to the Board on the adequacy of capital and liquidity in the context of the Group's current and planned activities (via reviewing relevant outputs from Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), including in relation to proposed mergers, acquisitions or disposals; and · Promoting a sound risk culture across the Group.
Executive Committee (ExCo) ExCo is the Senior Management Executive Committee for the Group, and is the custodian of the Group's collective Management Agenda, Financial Plans and Risk Management Architecture as developed through the annual Integrated Planning Process (IPP). ExCo is the accountable body for the Group's operations, compliance and performance; defining the Group's organisational structure; ensuring the adoption, application and maintenance of all standards set by the Board; and a forum for Group-wide colleagues and other functional issues and ensuring that a robust and resilient operating framework exists within which the Group's activities are undertaken. The committee is chaired by the Chief Executive Officer (CEO) who is accountable to the Board.	In the context of Risk Management, ExCo is primarily responsible for: · The oversight of strategic risk associated with the development and execution of the Group's Management Agenda and Financial Plans. The GRC is a Committee of ExCo with delegated responsibility for Group-wide risk management issues. The ExCo is the ultimate point of escalation for Group-wide specific issues saved for those matters reserved for the Board or its Committees; and · Ensuring that the operations, compliance and performance (through delivery of the Management Agenda and Financial Plans, as well as policies, practices and decisions of the Group) are carried out appropriately, are correctly aligned to the Group Strategy and the interests of its shareholders while operating within applicable regulatory and legal requirements.

Committee/Role	Key Responsibilities
Assets and Liabilities Committee (ALCo) ALCo reviews, and is responsible for overseeing, all activities relating to Asset & Liability Management (ALM), Treasury and Market Risks (including Liquidity Risk, Interest Rate Risk, Treasury Counterparty risk and Foreign Exchange (FX) Risk), and Capital Management. ALCo is the body accountable for the evaluation of other potential drivers of earnings volatility, including, but not limited to, competitive and external market pressures, and for approving optimisation and hedging strategies against those risks. ALCo is a sub-committee of ExCo.	Key activities of the ALCo include, but are not limited to: · Maintaining, monitoring and enforcing adherence to the Group's Risk Management Frameworks and Policies for all Liquidity, Market, and Capital related risks; · Overseeing and monitoring the ALM, Treasury and Market and Capital risks to which the Group is exposed and to consider and approve strategies to mitigate such risks; · Maintaining and assessing the ALM, Treasury and Market and Capital Risk profiles against set limits and propose remediation plans to restore Risk Appetite where required; · Monitoring the minimum capital requirements set by the Group's Regulators, and the Basel III minimum Solvency rules, as implemented by the CRD IV Directive and Regulations; · Approve Funds Transfer Pricing (FTP) methodology, and ensuring such process is economically fair, transparent and incentivises appropriate behaviour in accordance with FTP Policy; and · Responsible for overseeing Resolution Planning activity which includes delivering prescribed templates/annual submissions.
Group Risk Committee (GRC) GRC is an ExCo sub-committee chaired by the CRO, who has unfettered access to the BRCC. It serves as a forum for Group-wide risk management issues and maintains oversight across all of the Bank's key risk categories, excluding those which fall under the remit of the ALCO.	The GRC monitors and enforces adherence to the Group's Risk Frameworks, Risk Policies and Risk Limits. It is the guardian of the Group's Risk Register and Risk Appetite and is responsible for monitoring the total risk position of the Group. Key activities of GRC include, but are not limited to: · Measuring and monitoring the total risk position of the Group and maintaining a Risk Register of Top and Emerging risks facing the Group, together with an assessment of the probability and severity of those risks; · Monitoring and reporting on regulatory developments and upstream/horizon risk in relation to all relevant risk categories and communicating all material issues to the BRCC or the Board as appropriate; · Monitoring and assessing the Group's risk profile and action trackers against risk appetite and recommending remediation plans to restore risk appetite where required; · Reporting any breaches of approved thresholds in accordance with agreed protocol; · Recommending proposed changes to the Group's risk appetite for Board approval; and · Maintaining, monitoring and enforcing adherence to the ERMF, for all key risk categories excluding those which fall directly under the remit of the ALCo.
Customer Growth Committee Customer Growth Committee is a sub-committee of ExCo and is chaired by the Retail Banking Director. The purpose of the Committee is to support commercial growth while ensuring that fair customer outcomes remain at the forefront of decision making, in the context of building customer trust and executing a purpose-led, customer growth strategy.	To ensure that consideration of the customer is a key part of its decision making process, the Committee allocates sufficient time to facilitate meaningful discussions of the customer, with the aim of improving customer experience, delivering better outcomes and enabling relationship growth. It has a number of key remits, namely to: · Prioritise opportunities, resources and capabilities in order to deliver sustainable commercial growth; · Provide guidance to Executive Management (including ExCo and ExCo sub-committees) on business and commercial proposals which may have a material impact on customers and on the endorsement of such proposals; · Review and action, where required, customer performance indicators; · Review relevant significant customer events, issues and complaints, when escalated by relevant sub-committees and forums, in order to provide guidance on significant issues/events, and in order to delegate appropriate action by relevant sub-committees; · Review and action, where required, Conduct Risk indicators that exist within the Bank against the Board-approved Conduct Risk Appetite and Principles; and · Serve as the central oversight body for all significant customer matters ensuring fair treatment of customers.

Committee/Role	Key Responsibilities
Sustainability Committee (SusCo) Led by the Board, and on delegated authority from the ExCo, the Sustainability Committee is in place to provide oversight of all activity relating to the Environmental, Social and Governance (ESG) factors that are core to operating our business in a responsible and sustainable way. SusCo is chaired by the Corporate Development and HR Director and includes representation from both ExCo members, and Senior Leaders representing business units across the organisation.	The Sustainability Committee is responsible for the delivery of Permanent TSB's Sustainability Strategy by ensuring that there is sufficient governance, oversight, and challenge of activity across the key area of focus of the Bank's Sustainability Programme. Key activities of SusCo include, but are not limited to: · Supporting the execution of the Bank's Sustainability Strategy by ensuring that there is a comprehensive plan in place to deliver on strategy, objectives and sustainability regulatory requirements, including reporting; · Prioritising sustainability activity and ensuring that there is a focus on the ESG activity that will drive change and deliver lasting impact for our customers, colleagues, communities and environment; · Assigning business owners to manage and deliver sustainability programming across the material issues set out within the Sustainability Strategy; · Developing Sustainability KPIs and implementing processes that enable the Bank to effectively measure, manage and report progress against Sustainability objectives; and · Monitoring and reporting progress to the Board and Executive Committees at regular intervals throughout the year.
Group Credit Committee (GCC) GCC is the body accountable for the execution and delivery of the Group's system of Portfolio Credit Risk Management, encompassing the identification, measurement, monitoring and reporting of Portfolio Credit Risks. GCC ensures that the appropriate operating frameworks governing the portfolio credit risk management activities of the Group are approved and are enforced. It operates as the forum for Group-wide Portfolio Credit Risk Management issues across the full Credit Risk Management Lifecycle. GCC is a sub-committee of GRC.	The GCC is responsible for developing and implementing portfolio credit policy within the Group. The policy addresses all material aspects of the full credit lifecycle, including Credit Risk assessment and mitigation, collateral requirements, collections and forbearance and the risk grading of individual credit exposures. Key activities of the GCC include, but are not limited to: · Recommending the relevant portfolio credit risk elements of the Group's RAS for approval by the Board; · Recommending approval following challenge of the proposed impairment charge and approach to higher authorities (BRCC/BAC) for reporting periods; · Monitoring adherence to the Group's Credit Policy, including discretion limits and structure for underwriting, scoring, collections, recoveries and provisioning within the boundaries of the Group's RAS (as approved by the Board); · Monitoring the portfolio credit risks to which the Group is exposed; · Maintaining and assessing the portfolio credit risk profile against set limits and proposing remediation plans to restore risk appetite/limits where required; · Reporting any breaches of approved limits in accordance with agreed protocol; and · Acting as the gateway through which decisions required from higher authorities are reviewed prior to submission (e.g BRCC/Board) and they are the forum review of Group-wide credit risk management issues.

Committee/Role	Key Responsibilities
Operational Risk Management Committee (ORMC) ORMC is the body responsible for supporting GRC in monitoring Operational and IT Risks and overseeing risk mitigation performance and prioritisation related to the management and control of these risks. ORMC is a sub-committee of GRC	The ORMC reviews and discusses the outputs and results of the Risk and Control Self-Assessment (RCSA) Process, Operational Risk Event Reporting and various other assessment, monitoring and testing activities to create awareness of commonly experienced Operational and IT risk matters, to share learnings and to enhance the control environment across the Group. The key responsibilities of the ORMC include, but are not limited to: · Oversee the implementation of the Bank's Operational and IT Risk Management Frameworks, including compliance with relevant Operational and IT risk policies and procedures; · Review and approve Operational and IT policies, as agreed with the Chair of GRC, (via delegated authority from GRC) and recommend approval of Operational and IT Risk Frameworks to the GRC (and subsequently BRCC); · Review and recommend approval of qualitative and quantitative Operational and IT risk appetite metrics and limits / thresholds to the GRC; report any breaches in accordance with agreed protocol and recommend remediation plans to restore Risk Appetite regarding Operational & IT risk where required; · Review and approve the top ten Operational and IT risks facing the Group for reporting to the Regulator; · Appraise significant Operational and IT risk events, identify and report on the underlying root causes of these events, share lessons learned and ensure that measures or controls have been put in place to mitigate the occurrence and severity of any future risk events; · To develop, review and recommend approval of scenarios relating to potential Operational and IT risk events in order to inform the Group's capital assessment processes (e.g. ICAAP and Stress Testing) and submit these to the GRC for their review and approval; · Promote a bank-wide culture of responsibility for Operational and IT risk, and customer focus, across every member of staff; and · Oversight and assessment of the outputs from Customer Impacting Errors (CIE) and Customer Complaints, including identification of any required reviews or negative trends.

Role of the CRO

The CRO has overall responsibility for overseeing the development and implementation of the Group's risk function, including overseeing development of the risk management framework, supporting frameworks, policies, processes, models and reports and ensuring they are sufficiently robust to support delivery of the Group's strategic objectives and all of its risk-taking activities.

The CRO has independent oversight of the Group's risk management activities across all key risk categories. The CRO is responsible for independently assessing, monitoring and reporting all material risks to which the Group is, or may become, exposed. The CRO is a member of the ExCo and directly manages the Group's risk function.

The CRO is accountable for the development of the Group's RAS, which the CRO submits to GRC for recommendation to BRCC, who in turn recommend approval to the Board. The CRO is responsible for translating the approved risk appetite into risk limits which cascade throughout the business. Together with Management, the CRO is actively engaged in monitoring the Group's performance relative to risk limit adherence and reporting this to the Board. The CRO's responsibilities also encompass independent review and participation in the Group's IPP, capital and liquidity planning and the development and approval of new products.

Specifically, the CRO is tasked with:

- Providing second line of defence assurance to the Board across all risk categories;
- Providing independent advice to the Board on all risk issues, including the risk appetite and risk profile of the Group;
- Monitoring and enforcing Group-wide adherence to frameworks, policies, and procedures, with the aim of ensuring that risk-taking is in line with Board approved risk appetite;
- Monitoring material risks to which the Group is, or may become, exposed, and overseeing development of risk mitigating responses as appropriate;
- Developing and submitting the ICAAP, ILAAP, Recovery Planning and Resolution Planning for Board approval; and
- Developing and maintaining the Group's risk management organisation.

In connection with these responsibilities, the CRO is assigned the right of appeal over planned management action agreed by ExCo Risk Sub-Committees (such as ALCO and the GCC) when the CRO considers such action to be inconsistent with adherence to the Board approved risk appetite.

Three Lines of Defence

A 'Three Lines of Defence' model has been adopted by the Group as defined in the ICF for the effective oversight and management of risks across the Group.

Line Of Defence	High-Level Roles And Responsibilities
First Line of Defence Functions and teams in the first line undertake frontline commercial and operational activities. In their day-to-day activities, these teams take risks which are managed through the effective design and operation of mitigating controls. Each Head of first line function/team is responsible for ensuring that activities undertaken are within the Board-approved risk appetite.	**First Line – Business Units** · Embedding Risk Management Frameworks and sound Risk Management practices into standard operating procedures. This includes creating explicit links between maintaining and delivering robust governance, and risk and control processes to performance management, with clear consequences for non-adherence; · Developing business unit control frameworks in line with the Risk Management Framework; · Adhering to appropriate risk frameworks, policies and procedures; · Complying with regulatory and legal obligations; · Identifying, assessing, measuring, monitoring and reporting on Risk Management performance in activities; and · Accounting for the effectiveness of Risk Management in operation including ensuring that procedures and controls are operated effectively.
Second Line of Defence The Group Risk Function is an independent Risk Management function, under the direction of the CRO, and is the key component of the Group's Second Line of Defence. The Group Risk Function is responsible for the on-going assessment, monitoring and reporting of risk-taking activities across the Group.	**Second Line – Group Risk Function** · Developing and monitoring the implementation of Risk Management frameworks, policies, systems, processes and tools; · Ensuring that Risk Management frameworks, policies, systems, processes, procedures and tools are updated and reviewed regularly and that these are communicated effectively to the First Line; · Ensuring that the above frameworks and tools cover risk identification, assessment, mitigation, monitoring and reporting · Monitoring the effectiveness of the control framework; · Influencing or challenging decisions that give rise to material risk exposure; and · Reporting on all these items, including risk mitigating actions, where appropriate.
Third Line of Defence Group Internal Audit (GIA) comprises the Third Line of Defence. It plays a critical role by providing independent assurance to the Board over the adequacy, effectiveness and sustainability of the Group's internal control, risk management and governance systems and processes, thereby supporting both the Board and Senior Management in promoting effective and sound risk management and governance across the Group. All activities undertaken within, and on behalf of, the Group are within the scope of GIA. This includes the activities of risk and control functions established by the Group. The Head of GIA reports directly to the Chair of the Board Audit committee (BAC), thus establishing and maintaining independence of the function.	**Third Line – Group Internal Audit** · Undertaking a risk-based, independent assessment of the adequacy and effectiveness of the Group's governance, risk management and control processes, with the ultimate objective of providing an opinion on the control environment to the BAC; · Periodically assessing the Group's overall risk governance framework, including but not limited to, an assessment of: the effectiveness of the Risk Management and Compliance Functions; the quality of risk reporting to the Board and Senior Management; and the effectiveness of the Group's system of internal controls; · Providing independent assurance to the BAC on the above; · Recommending improvements and enforcing corrective actions where necessary; · Tracking the implementation of all internal audit recommendations and external audit management points; and · Reporting to the BAC on the status and progress of the above.

2. Principal Risks and Uncertainties

Risk registers, containing details of current and emerging risks, from each of the Group Risk functions utilise the 'top down' Risk Identification and 'bottom up' RCSA processes and form the basis of the Group's 'Top and Emerging Risks' report. The 'Top and Emerging Risks' report is presented to Board, BRCC and GRC quarterly, and is used to ensure identification, measurement, management and monitoring of all material risks.

The following describes the risk factors that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects for the next 12 months and over the medium term.

The risk factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant, but which may become significant. As a result of the challenging conditions in global markets due to COVID-19, the growing threat from cyber-attack and unknown risks, the precise nature of all risks and uncertainties that the Group faces cannot be predicted as many of these risks are outside of the Group's control.

At 31st December 2021 we have three emerging risks within the Top & Emerging Risks report 'New Digital Based Banks', 'Geopolitical Risk (Tax Implications)' and Energy Supply Shortages'.

- New Digital Based Banks - Developments in the FinTech space and Open Banking mean there is increased competition for new business and challenge our ability to retain existing customers. Our Digital Transformation will help ensure that we maintain pace in offering digital services to our customers and enable us to compete and leverage the same/similar data of other institutions under Open Banking.
- Geopolitical Risk (Tax Implications) - The country's corporation tax will increase to 15% for companies with a turnover of more than €750m. High levels of government debt levels are becoming a greater cause for concern in light of rising inflation levels and the prospect of higher interest rates. Additionally, supervisory authorities have noted concerns around corporate debt levels and excessive risk-taking/ asset price bubbles in certain markets. The impact of this risk is indirect, any impact would likely be felt through a reduction domestic economic activity and the second-order impacts that it might have on employment levels and property prices. As the risk relates to matters beyond the control of Management, mitigation will likely need to focus on managing its impact should it materialise. Our existing stress testing programme, part of which incudes consideration of contingency plans to protect capital, captures general economic downside risks of this nature.
- Energy Supply Shortages - There is currently high demand on energy supply in Ireland, due to an increase in data centres, hybrid cars etc., combined with power plant shutdowns, low wind speeds and the export of a large quantity of electricity to the UK. If this trend continues and the frequency of power outages increase, there is an increased risk of data loss, reduced productivity, security breaches and potentially a negative consequence on profits.

Strategic Business Risk

Strategic Business Risk is the risk to earnings and capital (viability/sustainability of the Group) arising from adverse strategic decisions, inadequate or insufficient implementation of decisions or a lack of responsiveness or adaption to external environmental changes.

Business risk is typically assessed over a one-year horizon while strategic risk generally relates to a longer timeframe and pertains to volatilities in earnings arising from a failure to develop and execute an appropriate strategy. Business Units are responsible for the delivery of their business plans and management of such factors as pricing, sales/lending volumes, operating expenses and other variables that may impact earnings volatility. Pricing decisions, and changes thereto, are reviewed and approved by the Bank's Assets and Liabilities Committee. The development of new markets, products and services and significant changes to existing ones is addressed under the Group's New Product Approval process.

Business Unit strategy is developed within the boundaries of the Group's Strategy as well as the Group's Risk Appetite. The Group reviews Strategic Business risk as part of the risk identification process.

COVID-19

The economic shock as a result of the COVID-19 virus outbreak posed a significant challenge to businesses in Ireland and globally. The outlook is becoming clearer with the high levels of vaccination contributing to the country reopening. However, the long-term consequences are largely dependent on the ensuing timeline over which business activity and employment levels continue to recover and the potential occurrence of new variants.

In light of the current more positive economic outlook and the level of forward-looking impairment taken in 2020, a net impairment release of €1m has been booked on the Group's loan book for the year to December 2021 (€155m charge December 2020). The risk of greater impairment is driven by uncertain economic outcomes, particularly inflation, rather than actual observed portfolio deterioration to date.

As the recovery continues to gather pace, uncertain economic outcomes including inflation is now the largest threat to the continued pace of the global recovery.

Economic Outlook & Growth

Despite the emergence of the Omicron wave of Covid-19, the economy overall is proving resilient. Continued strong growth in output and employment are forecast, with the economy converging on its potential level of activity. The ESRI (Economic & Social Research Institute) notes that Modified Domestic Demand (MDD) - which it suggests is the most accurate indicator of domestic economic activity - increased by 6.2% in 2021. The Central Bank forecasts that MDD, having surpassed its pre-pandemic level by the end of 2021, will expand by more than 17% from 2022 to 2024, "buoyed in the main by a recovery in personal consumption." It expects consumption to be supported by "growth in disposable incomes, the normalisation of savings rates, and the unwinding of some savings accumulated during the pandemic." Davy highlights the "enormous decline in jobless claims".

The ESRI expects GDP to grow by 7.0% in 2022 having grown by 13.6% in 2021. The growth is driven by the multinational sector. However, the indigenous sector, which had yet to recover to pre-pandemic levels by end-2021, is expected to recover as consumer spending rebounds.

Government Finances
The Central Bank anticipates the deficit on the General Government Balance will reduce from 3.7% of Gross National Income (GNI) in 2021 to 1.5% in 2022 before moving to a surplus of 1.3% and 1.8% in 2023 and 2024, respectively. This will see the General Government Gross Debt decline from 102.1% of GNI% in 2021 to 84.9% in 2024. As the Irish Fiscal Advisory Council cautioned: "Given low interest rates, strong growth and the improving general government balance, government debt is projected to fall at a steady pace but to remain high." While gross government debt has risen from €204 billion in 2019 to €238 billion in 2021, an increase of 16%", the Central Bank commented the decline in the General Government Gross Debt percentage "reflected the favourable impact of the interest-growth differential, with nominal GNI growing at a very strong pace and the effective interest rate remaining low."

The Government continues to benefit from favourable debt market developments. The NTMA reported that the average interest rate on the stock of debt was 1.4% at end-2021, down from 2.2% in 2019. It further notes that the average maturity of Ireland's debt is one of the longest in Europe. The ECB's Pandemic Emergency Purchase Programme (PEPP) has helped keep interest rates low. The country's improved fiscal position has prompted Fitch and DBRS to raise Ireland's sovereign rating to AA-.

The ESRI commented that the "combination of robust economic activity allied to the sharp decline in the unemployment rate means that the COVID-19 related pressures on the public finances have eased considerably." The General Government Balance is significantly less than what had been expected a year ago. But it notes that if "inflation continues to increase, public expenditure may be under pressure to increase social payments to assist lower-income households."

The Department of Finance reported tax revenue of €68.4bn in 2021, a record high and up 19.7% year on year. This resulted in an Exchequer deficit of €7.4bn, an almost €5bn improvement on 2020. It noted: "At €26.7 billion, income tax receipts have recovered to above pre-pandemic levels reflecting inter alia the ongoing recovery in the labour market, alongside the strength of wages in sectors less affected by the pandemic. Reflecting the rebound in consumer spending, VAT receipts were €15.4 billion, up 24% on the same period in 2020. Corporation tax receipts remained very strong last year at €15.3 billion, up almost 30% on 2020."

Employment
The Central Bank commented that "the overall strength of the labour market recovery has been encouraging." By Q3 2021, some 113,000 more were employed than before the pandemic. Employment grew by 5.5% in 2021 to 2.47 million, and labour force participation increased strongly. It noted that female labour force participation, at 60.1%, is at its highest level on record, with "this increase being driven by those with a third-level education entering full-time jobs in high-skilled sectors." It forecast employment would grow by 3.1% in 2022, 2.1% in 2023 and 1.7% in 2024, generating 167,000 new jobs and bringing the unemployment rate down to 4.6% by end-2024.

As the labour market has begun to tighten, staff shortages are beginning to emerge across a number of sectors. The job vacancy rate has increased to a high of 1.5%. The Central Bank noted "the emergence of further and more broad-based wage growth over time" and expects real incomes to rise through 2023 and 2024. It saw wage inflation of 2.3% in 2021 and expects wage inflation of 3.3%, 4.5% and 5.0% in 2022, 2023 and 2024, respectively.

Inflation
The CSO reported that prices on average, as measured by the EU Harmonised Index of Consumer Prices (HICP), increased by 5.7% in December 2021 compared with a year earlier. The most notable changes in the year were Transport (+18.5%), and Housing, Water, Electricity, Gas & Other Fuels (+14.1%). It commented: "This is the largest annual change in prices since April 2001."

While the NTMA comments that "there are transitory and pandemic elements" to this increase, it warns that core inflation is also rising. However, it suggests that inflation is unlikely to remain above 4%. The Central Bank comments: "Disruption to global supply chains, surging demand and the rise in energy prices remain key factors in explaining the higher rates of consumer price inflation in Ireland and the euro area. These are expected to remain relevant over much of 2022, but still to ease later in the year. Therefore, while the rate of inflation is expected to decline, it will remain above pre-pandemic levels and risks to the inflation forecast are judged to be on the upside." It noted in particular that "the prices of construction materials like concrete, steel, timber and cement have increased substantially as global demand surged."

The Central Bank estimates average annual HICP inflation was 2.4% in 2021, and will be 4.5% in 2022, 2.4% in 2023 and 2.1% in 2024.

Banking
The Central Bank data confirms that banks remained under pressure in 2021 as deposits continued to surge while lending volumes remain subdued.

While the annual deposit growth rate had declined from its pandemic high of 14% in early 2021 to 8.8%, nevertheless the stock of household deposits was €22 billion greater at the end of 2021 than at the start of the pandemic. The level of household lending has recovered from the lows seen in 2020, driven by a recovery in the level of mortgage lending. The Central Bank notes that the "volume of new mortgage agreements in recent months is in line with seasonal pre-pandemic volumes" but comments that "the recovery in consumer lending has not materialised." It surmises that households "may, in part, be using accumulated savings in place of consumer loans (e.g. cars, education, and travel)." The decline in the number of properties available for purchase, and hence new sale completions, "is likely constraining the volume of new mortgage lending."

Net lending to businesses in 2021, it noted, "has been positive, if somewhat subdued". It contrasted with 2020, "when companies deleveraged with repayments significantly outpacing drawdowns of new credit." It commented: "The rate of deposit accumulation by businesses has slowed throughout 2021 relative to the rapid accumulation of saving observed during the height of the pandemic." It surmises that "the recovery in consumption towards its trend, as well as higher consumer price inflation, will gradually bring the savings ratio just below 8% in 2024.

The mortgage market is unlikely to be affected by the tapering of income supports, "as mortgage borrowers are employed in sectors that have been less exposed to the economic disruption caused by COVID-19", it notes. "Mortgage borrowers have also proved resilient since the expiry of payment breaks, with mortgage arrears levels falling throughout the pandemic, and new flows into either loan default or forbearance falling sharply since March 2021."

The Central Bank noted that profitability "continues to be hampered by long-standing structural challenges relating to a reliance on net interest income, falling interest margins in the context of the low-rate environment, and a high-cost base". It continued: "The decline in the Irish NIM has been particularly pronounced in 2021 falling from 1.9% in 2020 Q4 to 1.64% in 2021 Q2, which is now only marginally higher than the European median of 1.53% at the same point in time. The sharp decline in the NIM over the past year has largely been the result of the sector absorbing a large surge in deposits in light of increased liquidity in the real economy. Higher deposits have largely been funnelled into central bank reserves and sovereign bonds." It further noted "the structural challenges facing the sector as well as the pandemic-related excess liquidity" and highlighted that "system-wide RoE stood at 5% in 2021 Q2, which remains lower than the level observed between 2015 and 2018." It commented: "The solvency position of the sector remains resilient with ample headroom above regulatory minima, reflected in participating banks' capacity to absorb the adverse scenario in the EBA stress test."

The European Commission noted the challenge facing banks: "As a result of the higher credit loss experience, and difficulties enforcing collateral in Ireland, banks' internal risk models attach elevated risk weights to Irish mortgages, leading to a high risk weighted asset density compared to most other European countries, and consequently increasing their cost of capital. This is further compounded by the difficulties enforcing collateral in Ireland. High capital requirements have also likely played a role in the decision by two foreign-owned banks to announce their intention to withdraw from the Irish market."

Housing
The CSO reported that there were 20,433 houses built in 2021, down from 20,526 in 2020. "The number of apartments completed rose 30.3% to 5,107 in 2021, with apartments accounting for a quarter of all completions, the highest proportion since the series began in 2011". Meanwhile, the Property Services Regulatory Authority (PRSA) indicates that there were approximately €18.5bn of residential transactions in 2021, up from €16.2bn in 2020.

The Central Bank forecasts approximately 25,000 houses will be built in 2022, 30,000 in 2023 and 35,000 in 2024. "With substantial increases in both public and private outlays on housing expected in the years ahead, capacity constraints and other factors could limit the extent to which increased expenditure translates into more housing units", it cautions.

BPFI reported that 43,494 mortgages to a value of €10.5bn were drawn down in 2021. First-time buyers remained the single largest segment by volume (54.4%) and by value (54.2%). The data show lending volumes are now slightly above pre-pandemic levels, with house price inflation adding to the size of the mortgage market. The average approval for house purchase rising to a fresh cyclical high of €272,000, up 7.5%.

Davy forecast new lending of €12.0bn and €14.2bn in 2022 and 2023, respectively. The stock of mortgages, which fell from €90.2bn in 2020 to €89.4bn in 2021 is expected to rise to €91.2bn and €94.6bn in 2022 and 2023.

House Prices
House price inflation has returned in 2021. The CSO reports: "Residential property prices increased by 14% nationally in the year to November. This compares to an increase of 13.3% in the year to October and an increase of 0.4% in the twelve months to November 2020." The average housing transaction in 2021 was €342,000, up from €329,000 in 2020 and €317,000 in 2019.

Daft.ie comments: "Fewer than 11,500 homes were available to buy online on 1 December 2021, the lowest figure recorded since the rise of online listings ... The underlying dynamic of weak supply given strong demand hasn't gone away. While supply seems set to improve over coming years, easing pressure in the market, we will no doubt see more signs of a system under pressure before things turn."

Davy elaborates: "The lack of housing supply in Ireland is well understood, with the 21,500 completions we expect in 2021 still well below structural demand of 30-35,000 units per annum. However, it is becoming clearer that Ireland's strong labour market performance is contributing to pressure on housing. Employment is already above pre-pandemic levels with pay growth now running at 5%. In October 2021, the average mortgage approval was €269,000, up 8% on the year. This demonstrates that jobs growth in highly paid sectors is adding to housing demand, pushing up prices." Davy reckons its forecast for 4.5% RPPI inflation in 2022 is "now looking conservative."

BPFI comments that "the lower-than-estimated supply, due to the pandemic, in 2020 and 2021 has put further pressure on average prices and affordability is becoming challenging with average rents also at their highest levels, more than one third higher than their peak in 2008."

Overall Position
Ireland has been less adversely affected by Covid-19 than most other countries. It has been better able to withstand this crisis than the 2008 crisis because, as the NTMA notes, household debt stood at 135% of GNI in 2008 whereas now it's 68%. The Central Bank comments: "Both aggregate debt to income ratios and interest payment burdens have continued their downward trends since the end of the previous financial crisis." The latest data from the Quarterly Financial Accounts for Q2 2021 show household net worth at a new series high of €935 billion, or 13% higher than prior to the beginning of the pandemic (end-2019).

The Central Bank notes: "The economy continued to pick up momentum during most of the second half of 2021, with strong employment growth and domestic spending. The resilience of the economy through the pandemic, alongside positive surprises in corporation tax revenues, has seen the public finances recover markedly. With the favourable economic outlook over the coming years, a surplus on the General Government Balance is now expected to emerge sooner, in 2023, with a larger surplus and related improvement in the debt position in 2024."

The European Commission comments: "All in all, Ireland's economy is set to grow very strongly, driven by both the domestic and multinational sides. The domestic recovery is clearly gathering speed. High frequency indicators signal strong growth in the third quarter of 2021. Pent-up demand, coupled with ample private sector financial buffers, elevated economic confidence and a tentatively improving external environment have set the preconditions for strong growth in the final quarter of 2021 and into 2022. At the same time, exports of multinational corporations that had been the driving force behind positive growth in 2020 remained very strong in the first half of 2021."

However, as IFAC notes, there's no cause for complacency: "Ireland faces several medium-term challenges, including an ageing population, alongside tackling climate change, and improving public services. The over-reliance on corporation tax receipts to fund public services that has built up in recent years should be reduced. One-in-five euros of tax receipts were from corporation tax in 2020, and more than a half of those receipts were from ten corporate groups."

The ESRI highlights its concerns: "The ongoing negotiations between the British Government and the European Union concerning the Withdrawal Agreement and the implementation of the Northern Ireland Protocol has led to more uncertainty in terms of the nature of the trade relationship between the EU and the UK and the UK and Ireland. The possibility of significant disruption in EU-UK trade would have particularly adverse implications for the Irish economy given its small open nature."

It identifies "persistence in high inflation rates" as a key risk. "Given longer-term persistence, inflation may feed into wage setting, with workers demanding compensation for past and future expected inflation. There is some evidence that wage pressures have already materialised where the gap between supply and demand is most acute."

The Central Bank notes that the outlook for bank NIM "will be affected by the evolution of the stock of deposits accumulated over the pandemic. To the extent that households and businesses begin to unwind their savings to fund consumption and investment amid an improving economic outlook, this should provide support to Irish NIMs".

Climate Risk

PTSB is committed to climate risk management aided by regulatory guidance and a willingness to play our part as corporate citizens. Understanding of how best to respond to climate change is continually evolving and with this our knowledge of associated risks continues to develop.

We are conscious of the effect that climate change has on the Bank and view it as manifesting itself in two ways, firstly, through the operations of our business and secondly the financial risk it brings to the economy in the longer term. Climate change presents both risks and opportunities to meet new customer needs for Permanent TSB and we are preparing for both.

There are two climate-related risks, these are physical risk and transition risk. Both risk types may impact the financial services sector to varying degrees over the short, medium and long term. The extent to which the impact of physical and transition risk might impact a financial services firm will vary depending on firm business model, customer base, location as well as the transition process to a low-carbon economy.

Physical risk is the risk of economic costs and financial losses resulting from more extreme weather events brought about by climate change. For a financial institution, property values might be impacted depending on property location, for example, located in a low-lying coastal areas.

Transition risk is the risk of economic or policy changes resulting from the transition to a low-carbon economy. For example, certain sectors might be more vulnerable to transition risk as the economy and customer demand alters during the transition.

We have a team dedicated to developing our Sustainability agenda considering the Bank's approach to environmental, social and governance (ESG) issues (See page 29), and the Group Risk Function is closely aligned with this initiative.

Managing Climate Risk is a key area of focus under the 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy' Pillar of the Bank's Sustainability Strategy.

We have increased our focus on Climate Risk and added Climate Risk as a sub-risk category within the Bank's Operational Risk and Credit Risk Frameworks.

In 2022 we will implement the following actions:

- Develop of a climate risk definition tailored to the Bank with clear examples of both transition and physical climate risks for consideration and the impact that these may have on the bank's portfolio and business model
- Establish climate risk as its own risk category within the Bank's Risk Management Framework
- Identification of climate risk factors relevant to the Bank and high-level potential impacts
- Introducing a suite of climate risk metrics
- Introduce a new key risk category for climate risk and an associated framework to identify climate risk factors that may impact loan portfolios
- Develop an approach to measure the impact Assessment of climate risk (including data requirements and identification of data proxies from external sources) on the business model.
- Consider a Sustainability exclusion category for our Credit Policy, which will limit exposures to entities which we believe cause irreversible environmental and/or social harm to our local communities and wider society; and,
- Monitor the regulatory landscape and beginning to align with.

The Bank will consider these risks in 2022 against our business model as part of the work to be completed and design a framework for assessing the impact of these risks on the Bank.
You can read more about our commitment to climate risk on page 32.

The Task Force on Climate-Related Financial Disclosures

In 2021, Permanent TSB became a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

The TCFD is a voluntary climate-related financial disclosure framework designed to promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

The disclosure recommendations are structured around four thematic areas that represent core elements of how an organisation operates including, governance, strategy, risk management and metrics and targets.

We look forward to issuing our first disclosure aligned to the TCFD as part of our 2022 annual reporting cycle.

Credit Risk

Credit Risk is defined as the risk of financial loss due to the failure of a customer, guarantor or counterparty, to meet their financial obligations to the Bank as they fall due.

The Group's customer exposures are originated and managed in Ireland. The Group's principal exposure is to residential mortgages secured firstly by a first legal charge on the property. Economic uncertainty, as well as the socio-political environment adversely impact or cause further deterioration in the credit quality of the Group's loan portfolios. This may give rise to increased difficulties in relation to the recoverability of loans or other amounts due from borrowers, resulting in further increases in the Group's impaired loans and impairment provisions.

As losses from customer credit risk are the principal financial risk to which the Group is exposed more detailed analysis of the risks, risk management policies and current portfolio segmentation is provided in section 3.1 of this review.

Capital Adequacy Risk

Capital Adequacy Risk is the risk that the Group does not have sufficient capital to cover the risks of its business, support its strategy, and comply with regulatory capital requirements at all times.

The Group's business and financial condition could be negatively affected if the amount of its capital is insufficient due to:

- Materially worse than expected financial performance;
- Increases in Risk Weighted Assets;
- Changes in the prescribed regulatory framework; or
- Sales of assets.

The core objective of the Group's capital management framework is to ensure it complies with regulatory capital requirements (Capital Requirements Regulation (CRR and CRR2), Capital Requirements Directive IV (CRD IV) and the Banking Recovery and Resolution Directive (BRRD)) and that it maintains sufficient capital to cover its business risks and strategy.

As outlined in the Group's RAS, the Group undertakes an ICAAP to ensure that it is adequately capitalised against the inherent risks to which its business operations are exposed and to maintain an appropriate level of capital to meet the minimum regulatory and Supervisory Review and Evaluation Process (SREP) capital requirements. The ICAAP is subject to review and evaluation by the CBI as part of its Supervisory Review and Evaluation Process (SREP).

The management of capital within the Group is monitored by the BRCC, ExCo and ALCO in accordance with the Board approved framework.

While the key elements of the Basel III requirements commenced in January 2014 and further rollout is expected to continue on a phased basis until 2023, the Group closely monitors other potentially significant changes to the requirements including measures which may result in Basel IV regulations replacing or supplementing Basel III.

Government Control and Intervention

In 2011, the Minister for Finance of Ireland became the owner of 99% of the issued ordinary shares of the Group which reduced to c.75% following the successful capital raise in 2015.

The risk is that the Irish Government through its direct shareholding of the Group, uses its voting rights or intervenes in the conduct and management of the business in a way that may not be in the best interests of the Group's other stakeholders.

The Minister for Finance and the Group entered into a Relationship Framework Agreement dated 23 April 2015. The Framework Agreement provides that the Minister will ensure that the investment in the Group is managed on a commercial basis and will engage with the Group, including in respect of the manner in which he exercises his voting rights, in accordance with best institutional shareholder practice in a manner proportionate to the shareholding interest of the State in the Group.

Current and future budgetary policy, taxation, the insolvency regime and other measures adopted by the State to deal with the economic situation in Ireland may have an adverse impact on the Group's customers' ability to repay their loans, the Group's ability to repossess collateral and its overall pricing policy.

Liquidity and Funding Risks

Liquidity Risk is the risk that the Group has insufficient funds to meet its financial obligations and regulatory requirements as and when they arise either through inability to access funding sources or monetise liquid assets.

Funding Risk is the risk that the Group is not able to achieve its target funding mix, is too dependent on particular funding instruments, funding sources (retail/wholesale) or funding tenors, fails to meet regulatory requirements and, in extremis, is not able to access funding markets or can only do so at excessive cost and/or Liquidity Risk.

These risks are inherent in banking operations and can be heightened by other factors including changes in credit ratings or market dislocation. The level of Liquidity Risk further depends on the size and quality of the Bank's liquidity buffer, the maturity profile of funding, as well as broader market factors such as depositor and investor sentiment/behaviour.

It is likely that risks would be further exacerbated in times of stress. Given the nature of the Group's retail focus which stems from its business model; liquidity and funding risk will arise naturally due to the maturity transformation of primarily short term contractual deposits, albeit recognising behavioural stickiness, into longer term loans predominantly mortgage lending.

The levels of Liquidity and Funding risk within the Group have been positively impacted by the increase in Retail Deposit balances, the execution of the NPL strategy and will continue to benefit from further NPL deleveraging in the years ahead.

For further details on Funding and Liquidity Risk, see section 3.2.

Market Risk

Market risk can be defined as 'the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. Often market risk cannot be fully eliminated through diversification, though it can be hedged against.

From the Group's perspective, Market Risk consists of three components being

Interest Rate Risk, Credit Spread Risk and FX Risk.

The Group's RAS and the associated Market Risk Framework set out the Group's approach to the management of market risk, including the Group's approach to Market Risk identification, assessment, measurement, monitoring, mitigation and reporting. The Market Risk Framework is approved by the BRCC on the recommendation of the ALCo.

All market risks arising within the Group are subject to strict internal controls and reporting procedures and are monitored by the ALCo, ExCo and BRCC on a regular basis. Group Treasury is responsible for the management of market risk exposures on the balance sheet. Group Risk and GIA provide further oversight and challenge within the Market Risk Framework.

The London Interbank Offered Rate (LIBOR), the Euro Interbank Offered Rate (EURIBOR) and other benchmark rates and indices are the subject of recent international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others remain to be implemented. These reforms may cause such benchmarks to perform differently from the past or disappear entirely or have other consequences that cannot be predicted.

The impact was considered and the outcome of Managements internal processes concluded that the impact was minimal given the low level of exposure. All relevant changes have been successfully implemented in advance of regulatory guidance.

Model Risk

Model risk is defined by the Group as an adverse outcome (incorrect or unintended decision or financial loss) that occurs as a direct result of weaknesses or failures in the design, implementation or use of a model. The consequences of a poorly functioning model can include inappropriate levels of impairment allowances or capital and inappropriate credit or pricing decisions causing adverse impacts to funding or liquidity and causing damage to the Group's reputation.

In terms of risk appetite, the Group expects that all material models function as intended. The key factors which influence model risk within PTSB include:

- Macro-economic risk – the Group's suite of models is built on data that spans the period immediately prior to the Global Financial crisis through the recent recovery. The degree to which the impacts of a new economic downturn (particularly the current pandemic) will mirror the last is uncertain. The degree of risk increases with the speed and volatility of economic change;
- Regulatory change – the pace of evolution of regulation and guidance increases the burden of maintaining the Group's regulatory models;
- Competition for skills – significant competition exists within the Irish market for those with the experience and expertise to build, implement and interpret models; and
- Data – encouraging customers to share their data, particularly in the area of environment and sustainability is a strategic area of focus for the Group in enhancing model risk management.

Model risk is managed in accordance with the Group's Model Risk Framework. This framework provides the foundation for managing and mitigating model risk within the Group. Accountability is cascaded from the Board and senior management via the Group RMF. This provides the basis for the Group Model Governance Policy, which defines the mandatory requirements for models across the Group, including:

- the scope of models covered by the policy, including model materiality;
- roles and responsibilities, including ownership, independent oversight and approval;
- key principles and controls regarding data integrity, development, validation, implementation, ongoing maintenance and revalidation, monitoring, and the process for non-compliance; and
- the model owner taking responsibility for ensuring the fitness for purpose of the models and rating systems, supported and challenged by an independent specialist function within Risk that reports directly to the CRO.

The above ensures all models in scope of policy, including those involved in IFRS 9 and regulatory capital calculation, are developed consistently and are of sufficient quality to support business decisions and meet regulatory requirements.

The Group Model Governance Committee (MGC), a sub-committee of the GRC is the primary body for overseeing model risk. The Group RAS requires that key performance indicators are monitored for every model to ensure they remain fit for purpose or appropriate mitigation is in place. Material model issues are reported to Group and Board Risk Committees monthly with more detailed papers as necessary to focus on key issues.

Operational Risk and IT Risk

Operational Risk is defined as the risk of loss or unplanned gains resulting from inadequate or failed processes, people, and systems or from external events. This includes business continuity; outsourcing and third party; business process; climate; fraud; legal; people; and property risk.

IT Risk includes risks associated with poor IT governance, oversight and risk management as well as security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security. Industry related risks are also a focus from a cyber threat perspective and the Group collaborates across financial services to ensure we understand and remediate vulnerabilities.

Risks from both these risk categories are inherently present in the Group's business. Any significant disruption to the Group's IT systems, including breaches of data security or cyber security could harm the Group's reputation and adversely affect the Group's operations or financial condition materially.

The Group has a low appetite for Operational Risk and IT Risk and aims to minimise the level of serious disruption or loss caused by Operational or IT issues to its customers, employees, brand and reputation. The Group has no tolerance for data or cyber security breaches which may result in significant damage to customer confidence and financial stability. The Group has no appetite for non-conformance with laws.

The ORMC monitors the Operational and IT risks to which the Group is exposed and oversees risk mitigation performance and prioritisation related to the management and control of these risks. In fulfilling this role, the ORMC reviews and discusses the outputs and results of the RCSA Process, control testing, and Operational Risk Event Processes to create awareness of commonly experienced Operational and IT risk matters, to share learnings and to enhance the control environment across the Group. Furthermore, the ORMC reviews and monitors Operational and IT risk KRIs, the Operational and IT RAS, emerging risks and other relevant Operational and IT risk metrics on an ongoing basis.

External events can have a major impact on the Group's Operational and IT Risk profile. 2020 saw an unprecedented world-wide COVID-19 pandemic which has continued into 2021. During this time, the Banking industry has experienced an increased risk of external fraud and cybercrime as criminals try to exploit the situation.

External fraud is elevated with customers of Financial Institutions being targeted through fraudulent SMS messages, phone calls and accessing fake websites. 2021 saw a significant increase in fake Permanent tsb websites shut down, when compared to last year. In 2021, the Group along with other Irish Issuers and as part of a BPFI initiative signed up to a one year Trial of a Mobile Ecosystem Forum designed to reduce the impact of Smishing on customers.

While the PTSB cyber defences have proven robust to-date, the external threat environment is challenging and for this reason cyber risk is considered to be elevated. Continuous improvement in our cyber defences is a strategic priority with investment accordingly to enhance the control environment. A number of measures were implemented throughout 2021, including:

- The Vulnerability Management Improvement Programme;
- Information Security Awareness communications;
- Increased use of penetration testing;
- Enhanced monitoring for threats; and
- Increased Information Security Governance and reporting

Work continues to ensure business critical services perform without disruption and enhancements are being made to our various platforms and fraud systems throughout this year. Enhancements to our system progressed in H1 to make remote working more effective across the Group and continued cyber security awareness training is also a focus.

Operational & IT Risk continuously review Group Technology IT incidents, including cyber, and there were no breaches of data security or cyber security that could significantly harm the Group's reputation and adversely affect the Group's operations or financial condition materially.

Scenario testing is performed on an annual basis, as outlined in the RMF, for critical processes including but not limited to: Payments Systems Failure, Information Security, Cyber Security, Internal Fraud, Business Disruption and IT Resilience to ensure existing processes support timely recovery. Monitoring and incident management processes are in place to detect and recover from both cyber-attacks and IT issues which may affect the availability of critical IT systems. Regular disaster recovery testing of critical systems is conducted in order to test IT resilience. Any changes made to the Group's IT systems or applications are governed by a change management process.

From a people perspective, in 2021 a Bank-wide Enterprise Transformation Programme was put in place to support our purpose of building trust with customers and delivering our strategic priorities; reassessing how work is allocated, how we are organised and how work gets done. Work continues across the Group to help achieve the deliverables with a dedicated Programme Office in place to support the business in managing the transition to the new operating model. An enhanced Change Risk oversight Framework is being developed along with recruitment within Operational and IT risk to ensure change oversight is robust across the most significant changes being undertaken within PTSB.

The Group's Operational Risk and IT Risk Management Frameworks outline the Group's approach to managing Operational and IT risks and are applicable Group wide. The framework defines the roles and responsibilities for the oversight of Operational and IT risks, along with the ownership and processes in place for the identification, assessment, mitigation, monitoring, testing and reporting of Operational and IT risks in the Group.

An RCSA methodology is used to identify, measure and control Operational Risk, IT Risk, Compliance Risk, Conduct and Reputational Risks across the Group which aids the consistent approach to risk management and aids the business in their decision making process. It also supports tracking of deficiencies related to control design and control effectiveness and any associated remediation plans. The RCSA methodology outlines the actions, procedures, roles and responsibilities relating to the Group's RCSA process. We have enhanced our processes in this area as we progress plans have implemented a new Governance Risk & Compliance (GRC) system for the management of Operational and IT risk. The RCSA methodology outlines the actions, procedures, roles and responsibilities relating to the Group's RCSA process.

The Group acts to mitigate potential risk found in existing procedures through the use of controls. A control is any process, policy, device, practice or other action that mitigate potential risks found in existing procedures.

Internal controls are tested on a continual basis to provide assurance on the design effectiveness and operating effectiveness of controls captured in the RCSA process. This system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. Effective controls will work to reduce the likelihood of a risk occurring and/or the impact should the risk materialise.

Independent risk based control assurance reviews are also undertaken mainly in relation to key processes to provide an assessment of how effective associated risks are controlled and managed.

Weakness in the Group's internal control system or breaches/alleged breaches of laws or regulations could result in increased regulatory supervision, enforcement actions and other disciplinary action, and could have a material adverse impact on the Group's results, financial condition and prospects. To quantify the potential impact of weaknesses in this regard, and to strengthen the Group's system of internal controls through the consideration of unexpected events, scenario analysis and stress testing are conducted on a regular basis.

A key objective of the Group's Risk Management approach is to create a culture of risk awareness where all staff have an understanding of Operational and IT risk and the role they each play in ensuring that any impacts/losses are minimised.

Third Party Service Providers

The Group may engage the services of third parties to support delivery of its objectives or to complement its existing processes. The risk associated with these activities is categorised as 'Outsourcing and Third Party' risk and is defined as the current or prospective risk of loss or reputational damage connected with the engagement and management of Third Parties contracted internally or externally (for example, for the purposes of customer engagement, data processing, systems development, Cloud services or Information & Communication Technology (ICT) systems), including lack of third party diversification, inadequate third party business continuity plans or insufficient monitoring and oversight of the engagement.

The Group's Third Party Risk Management Policy sets out the minimum requirements and roles and responsibilities necessary to ensure consistent and continuous management of Third Party and Outsourcing risks across the Group, as defined in the Group's RMF, and Operational and IT Risk Management Frameworks. The policy outlines the processes and controls required for identifying, assessing, mitigating and managing third party risks.

Conduct and Reputational Risk

Conduct Risk is the risk that the conduct of the Group towards customers or the market leads to poor customer outcomes, a failure to meet customers' or regulators' expectations, or breaches of regulatory rules or laws.

Conduct Risk can occur in every aspect of the Group's activities, including through:

- The strategy of the Group and how it is executed;
- The way the Group is run and managed;
- The existence of group think or localised cultures;
- The design type and pricing of products/ services offered, the customers to whom they are offered and the distribution channels used;
- The way sales are made or transactions are executed;
- The post-sales fulfilment process throughout the life of the product; and
- Interactions with customers throughout the lifetime of the relationship, including when customers make complaints either directly or through the Financial Services and Pensions Ombudsman or where customer-impacting errors occur. See note 31 and note 42 to the financial statements for further information on legacy legal cases.

The Group recognises that the management and mitigation of Conduct Risk is fundamental and intrinsically linked to the achievement of our purpose 'To work hard every day to build trust with our customers - we are a community serving the community'. It recognises that Conduct Risk can occur in every aspect of the Group's activities and is committed to continuing to achieve best practice in this area.

The Group's Senior Management are responsible for the identification and management of Conduct Risk in their business areas and for ensuring fair customer outcomes. The Group has a team within its Regulatory Compliance function responsible for second line Conduct Risk oversight. This team is guided by a Conduct Risk Management Framework, including a Board-approved Risk Appetite and Conduct Risk Principles for the Group. Its purpose is to help ensure that the Group achieves its strategic objectives by acting honestly, fairly and professionally in the best interests of its customers and the integrity of the market, and acts with due skill, care and diligence. In doing so, the Group is placing the achievement of fair outcomes for its customers at the heart of its strategy, governance and operations.

Board and Senior Management have ensured that there is regular reporting of metrics and Key Risk Indicators against the Conduct Risk Appetite as well as events that could affect or have already impacted on customers. The primary governance body responsible for Conduct issues is the Group Customer Growth Committee (a sub-committee of ExCo).

Reputational Risk is the risk of brand damage and/or financial loss arising from a failure to meet stakeholders' expectations of the Group or the failure of organisational structure and governance arrangements within the Group to embed desired behaviours and culture. The reputation of PTSB is founded on trust from its employees, customers, shareholders, regulators and from the public in general. Isolated events can undermine that trust and negatively impact the Group's reputation. Negative public opinion can result from the actual or perceived manner in which the Group conducts its business activities, from the Group's financial performance, the level of direct and indirect Government support or actual or perceived practices in the banking and financial industry. It is often observed that reputational risk is in fact a consequence of other risks. Negative public opinion may adversely affect the Group's ability to keep and attract customers which in turn may adversely affect the Group's financial condition and operations. The Group cannot be sure that it will be successful in avoiding damage to its business from reputational risk.

Compliance Risk

Compliance risk is the risk of material financial loss or liability, legal or regulatory sanctions, or brand damage arising from the failure to comply with, or adequately plan for, changes to official sector policy, laws, regulations, major industry standards, compliance policies and procedures, or expectations of customers and other stakeholders.

As a financial services firm, the Group is subject to extensive and comprehensive legislation and regulation by a number of regulatory authorities. The Group is classed as a Less Significant Institution (LSI) and is directly supervised by the Central Bank of Ireland, as the National Competent Authority.

The Board is responsible for overseeing the management of compliance risk, with senior management having a primary responsibility to effectively manage compliance with applicable laws and regulations and for ensuring that the Group has and effectively employs the resources, procedures, systems and controls, including monitoring, necessary to ensure compliance with all existing and forthcoming legislation.

The Regulatory Compliance and Conduct Risk function is responsible for second line oversight, including the updating of the Regulatory Compliance Framework. This Framework supports the Group to achieve its strategic priorities while managing regulatory compliance risks within the Board-approved Regulatory Compliance risk appetite. In addition, it sets out how the Group manages current and emerging regulatory compliance risk, details the key principles, objectives, and primary components of the Group's approach to regulatory compliance risk management, and sets out regulatory compliance risk management responsibilities across the three lines of defence model.

The Group is exposed to many forms of risk in connection with compliance with such laws and regulations, including, but not limited to:

- The risk that changes to the laws and regulations under which the Group operates will materially impact on the Group's liquidity, capital, profitability, product range, distribution channels or markets;
- The risk that the Group is unable to respond to the scale of regulatory change and implement all required changes in full or on time, or the challenge of meeting regulatory changes will impact the Group's abilities to undertake other strategic initiatives;
- The level of costs associated with the regulatory overhead including, but not limited to, the industry funding levy, funding the resolution fund established under the Single Resolution Mechanism or levies in respect of applicable compensation schemes (including the Investor Compensation Scheme and the Deposit Guarantee Scheme (DGS));
- Non-compliance with organisational requirements, such as the requirement to have robust governance arrangements, effective processes to identify, manage, monitor and report the risks the Group is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems;
- The possibility of mis-selling financial products or the mishandling of complaints related to the sale of such products by or attributed to an employee of the Group, including as a result of having sales practices, complaints procedures and/or reward structures in place that are determined to have been inappropriate or the risk that previous practices are deemed inappropriate when assessed against current standards;
- Breaching laws and requirements relating to data protection, the detection and prevention of money laundering, terrorist financing, sanctions, bribery, corruption and other financial crime; and
- Non-compliance with legislation relating to unfair or required contractual terms or disclosures.

Regulatory Developments

The level of regulatory change remains high and continues to be an area of focus. Sustainable Finance is a key priority for Governments and regulators. The EU Action Plan on Sustainable Finance sets out the EU's strategy to integrate ESG considerations into its financial policy framework and mobilise finance for sustainable growth. The Plan is broad and encompasses many elements including: measures to develop a common European taxonomy or "classifications system" for sustainable finance, enhanced disclosure rules to make sustainability risks fully transparent to investors and measures to make ESG considerations part of investment advice.

The European Commission has introduced draft legislation on Operational Resilience, recognising increased reliance on third parties and outsourcing. In addition, it presented a package of legislative proposals designed to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules.

The Irish Government has published legislation, to introduce an Individual Accountability Regime for Banks and other regulated entities, via a Senior Executive Accountability Regime (SEAR). This regime will also include Conduct Standards for Staff and enhancements to both the Fitness and Probity and the Administrative Sanctions Regimes. Following the enactment of the legislation the Central Bank will undertake a consultation process. In addition, the Central Bank has commenced a review of the Consumer Protection Code (CPC) and is expected to undertake a consultation process during 2022.

Regulators continue to emphasise the importance of culture, conduct risk, diversity practices, IT resilience, cyber security, financial crime and climate risk.

Group Risks

The Board has overall responsibility for the establishment and oversight of the GRMF. The Board has established the BRCC, which is responsible for oversight and advice on risk governance, the current risk exposures of the Group and future risk strategy, including strategy for capital and liquidity management and the embedding and maintenance of a supportive culture in relation to the management of risk throughout the Group. The BRCC, in turn, delegates responsibility for the monitoring and management of specific risks to committees accountable to it such as the GRC, GCC and the ALCO.

The BAC, consisting of members of the Board, oversees how Management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Group in consultation with the BRCC. The BAC is assisted in its oversight role by GIA. GIA undertakes both routine and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

In line with IFRS 7, the following risks to which the Group is exposed are discussed in detail below:

- Credit Risk;
- Liquidity Risk; and
- Market Risk (including foreign currency exchange risk, credit spread risk and interest rate risk).

The key financial risks arise in the underlying subsidiary companies of Permanent TSB Group Holdings plc (PTSBGH). All of the Directors of PTSBGH are also Directors of the Board of Permanent TSB plc (PTSB).

3.1 Customer Credit Risk - Audited

Definition of Customer Credit Risk

Customer credit risk is defined as the risk of financial loss due to the failure of a customer, guarantor or counterparty, to meet their financial obligations to the Bank as they fall due. This risk includes but is not limited to default risk, concentration risk, migration risk, collateral risk and climate risk.

Default Risk

Credit Default Risk is the risk that a customer will not be able to meet the required payments on their debt obligation to the Bank when they become due. An increase in the risk of default may be as a result of one or a number of factors including, but not limited to:

- Deterioration observed in an individual borrower's capacity to meet payments as they become due;
- Deterioration observed or expected in macroeconomic or general market conditions;
- Regulatory change; and
- Environmental factors that impact on the credit quality of the counterparty.

Concentration Risk

Concentration Risk is the risk of excessive credit concentration to an individual, counterparty, group of connected counterparties, industry sector, geographic area, type of collateral or product type leading to above normal losses.

Migration Risk
Migration Risk is the risk for loss due to a ratings (internal/external) downgrade which indicates a change in the credit quality of an exposure.

Collateral Risk
Collateral Risk is the potential risk of loss arising from a change in the security value or enforceability due to errors in nature, quantity or pricing of the collateral.

Climate Risk
Climate Risk has been defined within the Bank's Credit Risk Management Framework as the risk of a decline in the value of the Bank's collateral on customer loans due to the impacts from climate change, and the imposition of increased capital requirements if the Bank's borrowers do not comply with the Stakeholder, Regulatory and Legislative expectations to contribute to the transition to a low carbon economy.

Climate related risk modelling capabilities are still evolving and in it's infancy. However, the Bank currently has low exposure to SME lending when considering high risk sector exposure to Climate Risk, with the majority of the Bank's portfolio comprising Residential mortgages.

Lending officers do consider Climate and Sustainability Risks on each SME lending application, and assessment criteria for new Residential property lending incorporate an evaluation of potential physical risks including flood, subsidence, coastal and environmental risks as part of the valuation process. Lending should not proceed where the Valuer identifies risks at individual property level which might potentially restrict the customer's ability to obtain home insurance.

Governance
Credit Risk Appetite defines the Group's tolerance for risk and its willingness to grant credit based on product type, customer type, collateral concerns and various other risk factors. The Board is ultimately responsible for the governance of credit risk across the Group, setting the Risk Appetite and ensuring that there are appropriate processes, systems and reporting lines in place to monitor and manage risks against the appetite.

The BRCC, a sub-committee of the Board provides oversight to the Board on the setting and monitoring of the Risk Appetite and risk governance. The Group Credit Risk Management Framework specifies those Credit policies that require approval by the BRCC. Under the Group Credit Risk Management Framework the BRCC may also delegate to the GRC, who in turn delegates to the GCC, the authority to approve certain Credit policies, subject to these policies remaining within specified policy boundaries. Any amendment to policy which results in a policy breaching these boundaries requires the BRCC's approval.

The GCC is responsible for the execution and delivery of the Group's system of Portfolio Credit Risk Management. The Board has granted authority to the BRCC to approve a delegated framework of lending authority within which the GCC and Customer Credit function operate.

Credit Risk Management
The Group's credit risk management approach is focused on detailed credit assessment at underwriting together with early borrower engagement where there are signs of pre-arrears or delinquency with a view to taking remedial action to prevent the loan becoming defaulted. Where a borrower is in pre-arrears, arrears or default the Group will consider offering treatments/options which apply to the borrower's circumstance cognisant of affordability and sustainability.

The Group's system of Portfolio Credit Risk Management incorporates the following key components:

- Credit policy;
- Lending authorisation;
- Credit risk mitigation;
- Credit risk monitoring;
- Arrears management and forbearance; and
- Credit risk measurement.

Credit Policy
To aid in the management of credit risk, the Group has put in place credit policies which set out the core values and principles governing the provision and management of credit. These policies take account of the Group's RAS, applicable sectorial credit limits, the Group's historical experience and resultant loan losses, the markets in which the business units operate and the products which the Group provides. Each staff member involved in assessing or managing credit has a responsibility to ensure compliance with these policies and effective procedures are in place to manage the control and monitoring of exceptions to policy.

Lending Authorisation
The Group's credit risk management systems operate through a hierarchy of lending authorities. Exposures above certain predetermined levels require approval by the GCC or the Board. Below the GCC level, a tiered level of discretion applies with individual discretion levels set to reflect the relevant staff members' level of seniority, expertise and experience and the Group's operational needs. All mortgage lending is currently approved by experienced credit risk professionals assisted by scoring models. For Group unsecured personal lending portfolios, scoring models and automated processes are utilised to support the credit decision process for those segments that present a lower credit risk. Exposures that present a higher credit risk, but remain within Risk Appetite are manually reviewed prior to approval.

Credit Risk Mitigation
The granting of a loan in the first instance is always assessed based on the borrower's repayment capacity and proven ability. Credit risk mitigation forms a key supplementary element of the credit granting process. Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product, as set out in the Group's policies and procedures. The Group takes collateral as a secondary source, which can be called upon if the borrower is unable or unwilling to service and repay the debt as originally assessed. At portfolio level, credit risk is assessed in relation to name, sector and geographic concentration.

Collateral
The nature and level of collateral required depends on a number of factors including, but not limited to, the amount of the exposure, the type of facility made available, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or probability of default (PD).

Various types of collateral are accepted, including property, securities, cash and guarantees etc., grouped broadly as follows:

- Real estate;
- Financial collateral (lien over deposits, shares, etc.); and
- Other collateral (guarantees etc.).

Valuation Methodologies

The valuation methodologies for the Group's key portfolios of collateral held are adjusted for costs to sell, as appropriate:

- Residential property valuations are based on the CSO RPPI or on a recent valuation from a professional valuer. In respect of residential property securing performing loan exposures of greater than €0.5m, the Group policy is to ensure an independent valuation is updated within the last 3 years. For residential property securing NPL exposures of greater than €0.3m, the Group policy is to ensure an independent valuation is updated within the last year.
- Commercial property valuations are based on opinions from professional valuers, the Investment Property Database Index, local knowledge of the properties, benchmarking similar properties and other industry-wide available information, including estimated yields discount rates. In respect of commercial property securing performing loan exposures of greater than €0.5m, the Group policy is to ensure an independent valuation is updated within the last 3 years. For commercial property securing NPL exposures of greater than €0.3m, the Group policy is to ensure an independent valuation is updated within the last year.

The valuation methodologies outlined above are determined as close to the SOFP date as is feasible and are therefore considered by the Group to reflect its best estimate of current values of collateral held.

The Group's requirements in respect of collateral in relation to (i) completion; (ii) taking of security; (iii) valuation; and (iv) ongoing management are set out in credit policies.

The following table details the loan balance distribution by indexed Loan to value (LTV) band for the Group's residential mortgage portfolio (home loan and buy-to-let).

Residential Mortgage Exposures by Indexed LTV
31 December 2021

	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	**9,048**	**778**	**9,826**
71% to 90%	**3,146**	**333**	**3,479**
91% to 100%	**157**	**182**	**339**
Subtotal	**12,351**	**1,293**	**13,644**
Greater than 100%	**217**	**330**	**547**
Subtotal	**217**	**330**	**547**
Total Residential Mortgages	**12,568**	**1,623**	**14,191**
Commercial			**196**
Consumer Finance			**358**
Total loans and advances to customers			**14,745**
Deferred fees, discounts and fair value adjustments			**115**
Gross loans and advances to customers			**14,860**

31 December 2020

	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	7,119	783	7,902
71% to 90%	4,186	306	4,492
91% to 100%	455	189	644
Subtotal	11,760	1,278	13,038
Greater than 100%	578	731	1,309
Subtotal	578	731	1,309
Total Residential Mortgages	12,338	2,009	14,347
Commercial			181
Consumer Finance			327
Total loans and advances to customers			14,855
Deferred fees, discounts and fair value adjustments			86
Gross loans and advances to customers			14,941

Credit Risk Monitoring
Credit Risk Appetite Metrics and Limits are designed to align with the strategic objectives of the Group to maintain stable earnings growth, stakeholder confidence and capital adequacy. This is achieved through setting concentration limits for higher risk product segments, ensuring new business meets pricing hurdle rates and through monitoring default rates and losses. Limits are also set in the context of the peer group, regulatory and economic landscape, to ensure the Group does not become an outlier in the market. Monthly updates are presented to the GCC and the BRCC which include an overview, trends, limit categories and detail on mitigation plans proposed where a particular parameter is close or at its limit.

Credit Risk Appetite is considered an integral part of the annual planning/ budget process and reviewed at various checkpoints in the year to ensure the appetite is being met and is not expected to be breached during the budget time frame.

Arrears Management and Forbearance
Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan ("forbearance measure"), for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred where the concession or agreed change to a loan does not arise from actual or apparent financial distress.

The Group is committed to supporting customers that are experiencing financial difficulty and seeks to work with those customers to find a sustainable solution through proactive arrears management and forbearance. Group credit policy and procedures are designed to comply with the requirements of the CBI Code of Conduct on Mortgage Arrears (CCMA), which sets out the framework that must be used when dealing with borrowers in mortgage arrears or in pre-arrears.

The Group's forbearance strategy is built on two key factors namely affordability and sustainability. The main objectives of this strategy are to ensure that arrears solutions are sustainable in the long term, that they comply with all regulatory requirements and where possible keep customers in their home.

Types of forbearance treatment currently offered by the Group include short term temporary arrangements (such as a payment moratorium) and term appropriate treatments (such as reduced payment, arrears capitalisation and term extension). Requests for concessions in recent years are arising as a result of temporary cash flow problems and an inability to repay at contractual maturity, whereas during the 2008 financial crisis such requests reflected more in-depth long-term affordability issues. This is further reflected in the change in the volume and nature of forbearance measures availed.

A request for forbearance is a trigger event for the Group to undertake an assessment of the customer's financial circumstances prior to any decision to grant a forbearance treatment. Where a borrower has been granted a forbearance treatment, the loan is considered to have experienced a significant increase in credit risk (SICR) and is classified as Stage 2 for Expected Credit Loss (ECL) assessment purposes under IFRS 9. The customer assessment may also result in the customer being classified as Stage 3, credit impaired as a result of the requirement for a specific impairment provision.

Further deterioration in the individual circumstances of the borrower or where expected improvement in the borrower's circumstances fails to materialise may result in non-compliance with the revised terms and conditions of the forbearance measure. In such circumstances the Group may consider a further forbearance request or the loan may ultimately prove unsustainable.

The effectiveness of forbearance measures over the lifetime of the arrangements are subject to ongoing management and review. A forbearance measure is considered to be effective if the borrower meets the modified terms and conditions over a sustained period of time resulting in an improved outcome for the borrower and the Group.

During 2020, in response to the COVID-19 pandemic, in accordance with the European Banking Authority (EBA) guidelines, the Bank implemented a number of measures for customers financially impacted by the crisis. Subject to certain criteria, impacted residential mortgage customers were eligible to apply for a COVID-19 loan payment break, a temporary repayment arrangement where the customer makes no payment, or a partial loan payment break where the customer repays an amount they can afford on their mortgage for a period of up to six months (initial period of three months with the option to extend up to six). Personal loan customers and personal current account holders were also eligible to apply for a COVID-19 term loan payment break for up to six months.

SME and Commercial customers who experienced a significant fall in income or had to temporarily close a business as a result of COVID-19 were eligible to apply for a new or additional overdraft facility and/or COVID-19 loan payment break for up to six months on their commercial mortgage or term loan.

For all customers who were granted a COVID-19 loan payment break, at the end of the loan payment break their repayments are adjusted so that the mortgage or loan will be repaid within its original term or alternatively the customer has the option of extending the term of the mortgage or loan by the number of months they availed of the COVID-19 payment break.

Customers experiencing financial difficulty on exit from a payment break are assessed on a case by case based on their individual circumstances prior to any decision to grant a forbearance treatment. For customers who have no certainty of future income at present, we are offering shorter-term alternative arrangements (c.9 months) to help with their immediate challenge, while working with them to assess their financial circumstances with regular ongoing interactions and individual one-to-one engagements. Such arrangements are classified as Stage 3.

All payment breaks have expired at 31 December 2021. For information, at 31 December 2021, the IFRS 9 classification by loan balance in respect of those facilities previously granted a COVID-19 payment break was €871m classified as Stage 1 (31 December 2020: €833m), €374m classified as Stage 2 (31 December 2020: €598m), and €178m classified as Stage 3 (31 December 2020: €181m).

Credit Risk Measurement
Applications for credit are rated for credit quality as part of the origination and loan approval process. The risk, and consequently the credit grade, is reassessed monthly as part of a continuous assessment of account performance and other customer related factors.

Credit scoring plays a central role in the ratings process. Credit scoring combined with appropriate portfolio risk segmentation is the method used to assign grades, and in turn the PDs to individual exposures under each framework.

The Group, as approved by the Central Bank of Ireland, has adopted the standardised approach for calculation of Risk Weighted exposure amounts for the Commercial, Corporate and SME portfolios.

Internal Ratings Based Models

Scorecards have been designed for each portfolio based on the drivers or characteristics of default associated with that portfolio. Typical scoring characteristics include financial details, bureau information, product, behavioural and current account data. For portfolios where there is not enough data to develop statistical models, expert judgement-based models are used.

For each of the Group's key residential home loan and buy-to-let mortgage portfolios, a scorecard combining application and behavioural factors has been developed which allows for the consistent ranking of exposures for risk through time. These scorecards are used consistently across IFRS 9 and IRB models to assign grades and in turn PD, 12 month and lifetime, to individual exposures.

For capital purposes and in accordance with the CRR, all of the Group's exposures are mapped to a risk rating scale (master scale) which reflects the risk of default. The assignment of an exposure to a grade is based on the probability of an exposure defaulting in the next year. The credit risk ratings employed by the Group are designed to highlight exposures requiring Management attention. The Group uses the Basel 25 point scale for the internal ratings based approach (IRB) for credit risk. The scale ranges from 1 to 25 where 1 represents the best risk grade or lowest PD and 25 represents the defaulted exposures or PD equal to 100% for credit risk. All of the Group's exposures are mapped to the rating scale based on PD.

Credit grading and scoring systems are used by the Group to assist in the identification of vulnerabilities in loan quality in advance of arrears. Changes in scoring information are reflected in the credit grade of the borrower and where there is a significant deterioration may result in a reclassification of the exposure into Stage 2 for ECL assessment purposes.

The Group's material scorecards and models used for risk origination and ongoing measurement purposes are subject to annual review by an independent MVT to ensure that they remain fit for purpose.

The following information has not been subject to audit by the Group's independent auditor.

Satisfactory and above can primarily be expected to be classified as IFRS 9 Stage 1

- Investment grade (IRB ratings 1 to 7) – includes very high quality exposures.
- Excellent risk profile (IRB ratings 8 to 16) – includes exposures whose general profiles are considered to be of a very low risk nature.
- Satisfactory risk profile (IRB ratings 17 to 21) – includes exposures whose general profiles are considered to be of a low to moderate risk nature. Accounts are considered satisfactory or above if they have no current or recent credit distress, are not more than 30 days in arrears and there are no indications they are unlikely to pay.

Fair can primarily be expected to be classified as Stage 2

- Fair risk profile (IRB ratings 22 to 24) – Accounts of lower quality and considered as less than satisfactory are categorised as fair and include the following;
  - Emerging: Accounts exhibiting weakness and are deteriorating in terms of credit quality and may need additional management attention e.g. missed payments, deteriorating savings performance;
  - Recovery: Includes accounts with recent default experience, accounts which are performing as a result of forbearance measures and need to complete a probationary period and accounts with significant terminal payments; and
  - Latent: Accounts that are performing but exhibit underlying credit characteristics which could threaten recoverability should they become non-performing e.g. interest only accounts which are projected to be in negative equity at maturity.

Non-performing will align to Stage 3

Defaulted (IRB rating 25) – Accounts that are considered as defaulted or non-performing.

Credit Exposure

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table outlines the maximum exposure to credit risk before collateral held or other credit enhancements in respect of the Group's financial assets as at the statement of financial position date.

	Notes	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Cash and balances with central banks	13	**57**	71
Items in course of collection	13	**20**	20
Loans and advances to banks	14	**4,174**	3,312
Other assets (Loans sale receivable)	16	**310**	-
Debt securities	18	**2,494**	2,583
Derivative assets	15	**1**	-
Loans and advances to customers	21	**14,256**	14,213
		21,312	20,199
Commitments and contingencies	42	**1,181**	1,069
		22,493	21,168

Further detail on loans and advances to customers is provided in note 37, Financial Risk Management.

The following tables outline the Group's exposure to credit risk by asset class

Debt securities

The Group is exposed to the credit risk on third parties where the Group holds debt securities (including sovereign debt). These exposures are subject to the limitations contained within the Board approved policies, with sovereign debt restricted to those countries that have an External Credit Assessment Institution (ECAI) rating of investment-grade.

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on the ratings prescribed by Moody's Investor Services Limited. There are no impaired debt securities as at 31 December 2021 or at 31 December 2020, with the exception of the corporate bond.

Debt securities neither past due nor impaired

	31 December 2021 €m	31 December 2020 €m
Rating		
Aaa	**60**	67
A2	**1,463**	1488
Baa1	**506**	515
Baa3	**465**	474
Unrated	**-**	39
Total	**2,494**	2,583

The following table discloses, by country, the Group's exposure to sovereign and corporate debt as at:

	31 December 2021 €m	31 December 2020 €m
Country		
Ireland	**1,523**	1,594
Spain	**465**	515
Portugal	**506**	474
Total	**2,494**	2,583

Loans and advances to banks

The Group has a policy to ensure that loans and advances to banks are held with investment grade counterparties, with any exceptions subject to prior approval by the BRCC. The following table gives an indication of the level of creditworthiness of the Group's loans and advances to banks and is based on the internally set rating that is equivalent to the rating prescribed by Moody's Investor Services Limited and Standard & Poors for the Central Bank of Ireland.

	31 December 2021 €m	31 December 2020 €m
Rating		
Aaa	**3,709**	2,813
Aa2	**199**	209
Aa3	**258**	254
A1	**2**	32
A2	**6**	3
Baa2	**-**	1
Total	**4,174**	3,312

Loan Impairment

Under IFRS 9 an entity is required to track and assess changes in credit risk on financial instruments since origination and determine whether the credit risk on those financial instruments has increased significantly since initial recognition. The change in credit risk should be based on the change in the risk of default and not changes in the amount of ECL which may be expected on a financial instrument.

The standard is a 3-stage model for impairment, based on changes in credit risk quality since initial recognition:

Stage 1

Financial assets that have not had a SICR since initial recognition are classified as Stage 1. For these assets, 12-month ECL is recognised. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months of the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Therefore all financial assets in scope will have an impairment provision equal to at least 12-month ECL.

Stage 2

Financial assets that have had a SICR since initial recognition but that do not have objective evidence of impairment are classified as Stage 2. For these assets, lifetime ECL is recognised, being the expected credit losses that result from all possible default events over the expected life of the financial instrument.

At each reporting date, the Group has relied on the following measures to identify a SICR in relation to an exposure since origination, and classification as Stage 2 within the IFRS 9 ECL framework:

- **Delinquency** – greater than 30 days past due;
- **Forbearance** – reported as currently forborne in accordance with European Banking Authority (EBA) NPL guidelines;
- **Risk Grade** – accounts that migrate to a risk grade which the bank has specified as being outside its Risk Appetite for origination;

- **Change in remaining lifetime PD** – accounts that have a remaining lifetime PD that is in excess of the risk at which the bank seeks to originate risk. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses expected to be incurred; and
- **PD at maturity** - For interest only exposures, all home-loan and commercial exposures together with those buy-to-let exposures in excess of 70% LTV have been assessed as presenting an increased risk of default at maturity and are consequently classified as Stage 2.

The assessment of SICR is performed on a relative basis and is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant

Transition from Stage 3 to Stage 2
Movements between Stage 2 and Stage 3 are based on whether financial assets meet the definition of default as at the reporting date.
Certain long-term forbearance treatments may transition from Stage 3 to Stage 2 in line with the definition of default but would not be expected to transition from Stage 2 to Stage 1 without an unwind of the forbearance treatment e.g. part capital and interest treatments.

Transition from Stage 2 to Stage 1
No longer 30 days past due – transition automatically (i.e. without probation), where other criteria are met.
Forborne exposures where certain criteria are met (e.g. no longer classified as EBA forborne).

Stage 3

Financial assets that have objective evidence of impairment at the reporting date are classified as Stage 3, i.e. are credit impaired. For these assets, lifetime ECL is recognised.

The definition of default used in the measurement of ECL for IFRS 9 purposes is aligned to the regulatory definition of default used by the Group for credit risk management purposes, and which has been approved for use for capital management. For the Group's main Mortgage Portfolio, this is the definition of default approved for use under Targeted Review of Internal Models (TRIM) from 31 December 2018. The definition of default was implemented under IFRS 9 with effect from 1 January 2018 in anticipation of this approval. This definition of default has been designed to comply with Regulatory requirements and guidelines on default, NPLs and forbearance.

IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. The Group did not rebut this presumption for any portfolio.

Under the Group's definition of default an exposure is considered defaulted and is classified as Stage 3 credit-impaired where an account is greater than 90 days past due or any material credit obligation or is otherwise assessed as unlikely to pay. Where a material amount of principal on interest remains outstanding at the reporting date, the counting of days past due commences from the first date that a payment, or part thereof, met materiality thresholds and became overdue.
Key indicators of unlikely to pay include:

- Accounts that have, as a result of financial distress, received a concession from the Group with respect to terms or conditions. Such exposures will remain in Stage 3 until certain exit conditions are met and for a minimum probationary period of 12 months before moving to a performing classification;
- Accounts that have, as a result of financial distress, received a concession from the Group with respect to terms or conditions which result in a significant terminal payment. Such exposures must fulfil additional conditions in relation to that terminal payment before moving to a performing classification; and
- Accounts where the customer is assessed as otherwise unlikely to pay, including bankruptcy, personal insolvency, assisted voluntary sale, disposal etc.

Exception to the general three stage impairment model

Purchased or originated credit impaired assets (POCI) are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted effective interest rate (EIR) basis. ECLs are only recognised or released to the extent that there is a subsequent change in expected credit losses. The Group purchased the credit impaired Newbridge Credit Union (NCU) portfolio in 2013, the NCU portfolio is accounted for on a POCI basis under IFRS 9.

Low credit risk exemption

A low risk exemption can be availed for financial instruments under IFRS 9 for which the Group can demonstrate objective evidence that these financial instruments are not subject to a SICR.

The Group considers credit risk on a financial instrument low if it meets the following conditions:

- Strong capacity by the borrower to meet its contractual cash flow obligations in the near term;
- Adverse changes in economic business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations; and
- External rating of investment grade or an internal credit rating equivalent.

Modified financial assets

Where a financial asset is modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the financial asset should be derecognised. If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition. If the terms are not substantially different, the modification does not result in derecognition and the date of origination continues to be used to determine SICR.

ECL Framework

The Group's IFRS 9 models leverage the systems and data used to calculate expected credit losses for regulatory purposes. In particular, key concepts such as the definition of default and measurement of credit risk (i.e. ranking of exposures for risk) have been aligned across the impairment (accounting) and regulatory frameworks. IFRS 9 models, however, differ from regulatory models in a number of conceptual ways (e.g. the use of 'through the cycle' (TTC) (regulatory) versus 'point in time' (IFRS 9) inputs, 12 month ECL (regulatory) versus lifetime ECL (IFRS 9)) and as a result the Group did not leverage the outputs of its regulatory models, but instead developed statistical models tailored to the requirements of IFRS 9.

Measurement

For all material portfolios, the Group has adopted an ECL framework that takes cognisance of industry best practice, as set out in the Global Public Policy Committee paper, and reflects a component approach using PD, Loss Given Default (LGD) and Exposure at default (EAD) components calibrated for IFRS 9 purposes. To adequately capture life-time expected losses, the Group also modelled early redemptions as a separate component within the ECL calculation.

IFRS 9 PD

For estimating 12 month and lifetime default, the Group uses a statistical model methodology that allows the Group to estimate the risk that a loan will default at a given point in time, through grouping exposures with similar risk characteristics and measuring the historic rate of default for exposures of this type. This technique effectively provides a TTC measure of likelihood of default. To translate this TTC probability to a Point in Time probability and to reflect forward looking information (FLI) at the balance sheet date, the Group calibrates the starting point for the projection to the current Observed Default Rate (ODR). The Group then uses an economic response model to reflect future expected macroeconomic conditions.

Behavioural scorecards, containing key loan performance indicators for each customer are used for the purpose of grouping exposures with similar risk characteristics as described above. A PD is calculated for each group (internally referred to as risk grades) which drives the PD used for the ECL process. All components of PD, risk grade, ODR and economic response model are independently monitored by the Group's MVT to confirm ongoing fitness for purpose.

IFRS 9 LGD

For the Group's key mortgage portfolios, LGD assumes that the Group will have recourse to collateral in the event that an exposure fails to return to a performing state. The LGD model incorporates the probability of each defaulted account returning to performing together with the estimated loss rate should they return to performing and the estimated loss rate should they not return to performing. The Group uses a consistent approach for LGD estimation for both 12 month and lifetime.

IFRS 9 EAD

For performing loans, the EAD is calculated for each future period based on the projected loan balance (after expected capital and interest payments) at that future period. A Credit Conversion Factor (CCF) is then applied to calculate the percentage increase in balance from the point of observation to the point of default including accrued missed interest payments and any related charges. The CCF is segmented by the accounts' repayment type.

Expected life

When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options, extension and rollover options. For most instruments, the expected life is limited to the remaining contractual life, adjusted as applicable for expected prepayments.

For certain revolving credit facilities that do not have a fixed maturity (e.g. credit cards and overdrafts), the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by Management actions. For instruments in Stage 2 or Stage 3, loss allowances will cover expected credit losses over the expected remaining life of the instrument.

Effective Interest Rate

The discount rate used by the Group in measuring ECL is the EIR (or 'credit-adjusted effective interest rate' for POCI financial assets) or an approximation thereof. For undrawn commitments, the EIR, or an approximation thereof, is applied when recognising the financial assets resulting from the loan commitment.

Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery or on foot of a negotiated settlement. Indicators that there is no prospect of recovery include the borrower being deemed unable to pay due their financial circumstances or the cost to be incurred in seeking recovery is likely to exceed the amount of the write-off. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier than collateral realisation. Write-off on those financial assets subject to enforcement activity will take place on conclusion of the enforcement process.

In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the income statement.

Governance

The Group has a detailed framework of policies governing development, monitoring and validation of Models. Model Governance Committee (MGC) oversees the execution of this framework and approves model changes and model validation reports prior to their consideration by the GRC and/or the ALCo and the BRCC, where appropriate.

The GCC is responsible for oversight of changes to credit policies, data or post model adjustments that would affect model outcomes. The Impairment Reporting Review Forum (IRRF), a sub-committee of the GCC, is accountable for the review and recommendation for approval of the monthly and cumulative year-to-date actual impairment charge for the Group.

IFRS 9 ECL methodologies are subject to formal review by IRRF and approval by the GCC on a monthly basis and by the BRCC on a half-yearly basis. The adequacy of ECL allowance is reviewed by the BAC on a half-yearly basis.

Forward looking information (FLI)
IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a SICR since origination.

Measurement of ECLs at each reporting period should reflect reasonable and supportable information.

The requirement to incorporate a range of unbiased future economic scenarios, including macroeconomic factors, is a distinctive feature of the ECL accounting framework, which increases both the level of complexity and judgement in the measurement of allowance for credit losses under IFRS 9.

The Group has developed the capability to incorporate a number of macroeconomic impacts and scenarios into the ECL models.

The process to determine the FLI applied in the ECL models leverages existing ICAAP processes while recognising that IFRS 9 scenarios are not stress scenarios. The methodology to incorporate multiple economic scenarios into the ECL models considers, amongst other things, the Group's IPP and the views of policy makers on longer term economic prospects and key risks. In developing the methodology, the Group has referenced publically available information for key economic indicators including the RPPI, unemployment, interest rates and publically available external macroeconomic forecasts including from the Department of Finance (DoF), the CBI and ESRI. The Group employs the services of an independent economist to determine forecast macroeconomic scenarios. The governance and oversight process includes the review and challenge by ALCo of FLI and its onward recommendation to the BRCC for approval.

In general, a review and update of macroeconomic variables takes place at least bi-annually. Macroeconomic scenarios were most recently updated in December 2021. Continued high levels of monetary and fiscal support for the global economy have driven better than expected economic outturns in 2021, offsetting the continued extreme impact of COVID. As a result of the strength of the economic rebound, all major economic indicators are strongly ahead of expectations from December 2020.

The Group has adopted three macroeconomic scenarios for ECL purposes. The Group's approach applies extreme-but-plausible economic scenarios (i.e. underpinned by historical evidence) to estimate the distribution of ECL to which the Group is exposed. The central scenario is at the 50th percentile of the distribution of scenarios (implying a 50% probability that the actual outcome is worse than the central forecast and a 50% probability that the outcome is better). The Upside scenario is at the 5th percentile and the Downside scenario is at the 95th percentile. IRRF reviewed the scenario probabilities and recommended them to the BRCC, where they were approved. Using statistical techniques combined with expert credit judgement, the Group then formulates an unbiased probability weighted estimate of ECL at the reporting date (see note 2, Critical accounting estimates and judgements for further detail).

Expert Credit Judgement
The Group's ECL accounting framework methodology, in line with the requirements of the standard, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting period dates (see note 2, Critical accounting estimates and judgements for further detail).

At 31 December 2021, the impairment provision included €118m of Management's adjustments to modelled outcomes.

3.2 Funding and Liquidity Risk - audited

Funding Risk is the risk that the Group is not able to achieve its target funding mix, is too dependent on particular funding instruments, funding sources (retail/wholesale) or funding tenors, fails to meet regulatory requirements and, in extremis, is not able to access funding markets or can only do so at excessive cost and/or Liquidity Risk

Liquidity Risk is the risk that the Group has insufficient funds to meet its financial obligations as and when they fall due, resulting in an inability to support normal business activity and/or failing to meet regulatory liquidity requirements. These risks are inherent in banking operations and can be heightened by a number of factors, including over reliance on a particular funding source, changes in credit ratings or market dislocation.

The level of risk is dependent on the composition of the balance sheet, the maturity profile and the quantum and quality of the liquidity buffer. It is likely that these risks would be further exacerbated in times of stress. Given the nature of the Group's retail focus which stems from its business model, liquidity and funding risk will arise naturally due to the maturity transformation of primarily short term contractual deposits (albeit recognising behavioural stickiness) into longer term loans (predominantly mortgage lending). With 94% of the balance sheet being deposit funded at the year end, exposure to a potential deposit run represents the primary liquidity and funding risk.

The following information has not been subject to audit by the Group's independent auditor.

(i) Regulatory Compliance
The Group is required to comply with the liquidity requirements of the CBI and the full spectrum of European regulatory requirements including CRR2, CRD V and associated Delegated Acts such as the Liquidity Coverage Ratio (LCR) Delegated Act.

The primary ratios calculated and reported are the LCR and the Net Stable Funding Ratio (NSFR). In addition, supplementary liquidity and funding metrics are measured and monitored on a regular basis.

Under the Bank Recovery and Resolution Directive (BRRD), the Group is required to adhere to an MREL target. The Group has proactively engaged with the CBI to determine the Group's MREL requirement, which represents a quantification of the eligible liabilities required to act as a buffer in the event of a resolution scenario. MREL targets have been formally communicated and compliance becomes binding in 2022. The Group has a senior unsecured issuance strategy to ensure ongoing compliance with the MREL requirement.

(ii) Risk Management, Measurement and Monitoring

Group Treasury are responsible for the day to day management of the Group's liquidity position and ensuring compliance with the regulatory requirements. In carrying out this responsibility, the principal objective is to ensure that adequate liquid assets are available at all times to meet the operational and strategic liquidity needs of the Group under both normal and stressed conditions. Liquidity management focuses on the overall balance sheet structure together with the control of risks arising from the mismatch in contracted maturities of assets and liabilities, undrawn commitments and other contingent liabilities.

Liquidity risk is measured on a daily basis using a range of metrics against the internally as well as regulatory prescribed limit framework. The Group primarily monitors its liquidity position through the LCR. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It achieves this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash in order to meet the liquidity needs for a 30-calendar day liquidity stress scenario.

NSFR and Liquidity Stress Survivability constitute additional core liquidity and funding metrics within the overarching Liquidity and Funding Risk Management Framework that are measured, monitored and reported within the Group.

The Group also actively monitors a comprehensive suite of Key Risk Indicators (KRIs) and Early Warning Indicators (EWIs) covering a range of market wide and Group specific events. The purpose of these metrics is to provide forewarning of any potential liquidity trigger events, ensuring the Group has sufficient time to intervene and mitigate any emerging risk.

The Contingency Funding Plan (CFP) outlines the strategy and action plan to address liquidity crisis events. The CFP identifies processes and actions incremental to the existing daily liquidity risk management and reporting framework to assist in making timely, well-informed decisions.

Stress testing forms a key pillar of the overall liquidity and funding risk framework and is conducted from both an economic and normative perspective (as guided by the EBA). Overall, the Group takes a prudent approach in setting the inflow and outflow parameters at a level which is appropriate for each stress scenario with due consideration of the Group's business model, liquidity and funding risk exposures and the liquidity risk drivers, including those outlined in the EBA SREP Guidelines. The stress testing framework is designed to reflect the liquidity and funding impact under idiosyncratic, systemic and combined stresses.

The full suite of liquidity and funding metrics and stress test results are regularly reported to the ALCo, the BRCC and the Board.

In addition, the Group Internal Liquidity Adequacy Assessment (ILAAP) provides a holistic view of the Group's liquidity adequacy. The ILAAP examines both the short and long term liquidity position relative to the internal and regulatory limits. Through the ILAAP process, the Board attests to the adequacy of the Group's liquidity position and risk management processes on an annual basis.

(iii) Liquidity Risk Management Framework

The exposure to liquidity and funding risk is governed by the Group's Liquidity and Funding Risk Management Framework and underlying policies, RAS and associated limits. The framework and policies are designed to comply with regulatory standards with the objective of ensuring the Group holds sufficient counterbalancing capacity to meet its obligations, including deposit withdrawals and funding commitments, as and when they fall due under both normal and stressed conditions. The process establishes quantitative rules and targets in relation to the measurement and monitoring of liquidity risk. The Liquidity and Funding Risk Management Framework is approved by the BRCC on the recommendation of the ALCo. The effective operation of liquidity policies are delegated to the ALCo, while Group Risk and GIA functions provide further oversight and challenge and ensure compliance with the framework.

The Liquidity and Funding Risk Management Framework outlines the mechanisms by which liquidity and funding risk is managed within the Board approved Risk Appetite and is in line with the overarching liquidity and funding risk principles as follows:

- Liquidity: maintain a prudent liquid asset buffer above the internally determined or regulatory mandated (whichever is greater) liquidity requirement such that the Group can withstand a range of severe yet plausible stress events; and
- Funding: develop a stable, resilient and maturity-appropriate funding structure, with focus on customer deposits augmented by term wholesale funding sources.

(iv) Minimum Liquidity Levels

The Group maintains a sufficient liquidity buffer comprising both unencumbered High Quality Liquid Assets (HQLA) and non-HQLA liquidity capacity to meet LCR and stress testing requirements.

The Group measures and monitors the NSFR which is designed to limit over-reliance on short-term funding and promote longer-term stable funding sources. The NSFR became binding from a regulatory perspective in June 2021.

(v) Liquidity Risk Factors

Over reliance and concentration on any one particular funding source can lead to a heightened liquidity impact during a period of stress. The Group relies on customer deposits to fund its loan portfolio. The ongoing availability of these deposits may be subject to fluctuations due to factors such as the confidence of depositors in the Group, and other certain factors outside the Group's control including, for example, macroeconomic conditions in Ireland, confidence of depositors in the economy in general and the financial services industry, specifically the competition for deposits from other financial institutions.

The availability and extent of deposit guarantees are of particular importance especially for a Retail bank. The Irish Deposit Guarantee Scheme (DGS) protects deposits up to a balance of €100,000. The national DGS together with the establishment of the European Deposit Insurance Fund is designed to maintain depositor confidence and protect against a potential deposit run. A significant change to the operation of the DGS could adversely affect the Group's ability to retain deposits under a severe stress event.

The Group remains active in capital markets, be it secured or unsecured transactions, and any restrictions on the Group's access to capital markets could pose a threat to the overall funding position. The inability to adequately diversify the funding base could lead to over concentration on the remaining funding sources.

The Group maintains a significant liquidity buffer split between HQLA sovereign bonds, deposits placed with the Central Bank and ECB eligible retained securitisations which can be monetised quickly to safeguard against a liquidity event. While the quantum of the buffer is sufficient to provide capacity to withstand a significant liquidity stress event there is a concentration in Irish based assets which could reduce overall capacity in the event of an idiosyncratic Irish stress event.

Significant progress has been made in reducing the encumbrance levels that were reached in the period following the financial crisis. Following the successful NPL deleveraging programme and the execution of the Treasury Funding Plan, encumbrance is now at a low base historically and well within the target level. A clear and defined strategy has been developed to ensure an encumbrance level consistent with its economic plan is maintained by the Group. Disruption to unsecured funding sources and a requirement to revert to an overreliance on secured funding channels could potentially pose a threat to this ratio and unsecured creditors.

A series of liquidity and funding early warning indicator's (EWI's) are in place in order to alert the Group to any potential liquidity trigger event therefore allowing sufficient time for mitigating actions to be taken.

(vi) Credit Ratings

The Group's credit ratings have been subject to change and may change in the future, which could affect its cost or access to sources of financing and liquidity. In particular, any future reductions in long-term or short-term credit ratings could: further increase borrowing costs; adversely affect access to liquidity; require the Group to replace funding losses arising from a downgrade, which may include a loss of customer deposits; limited access to capital and money markets; and trigger additional collateral requirements in secured funding arrangements and derivatives contracts. These issues are factored into the Group's liquidity stress testing.

During 2021, DBRS upgraded PTSB Plc's and PTSB Group Holdings senior unsecured credit ratings outlook to stable from negative and S&P upgraded the outlook to positive from negative. These outlook upgrades reflect: the view that the financial disruptions of the Covid-19 pandemic on the Group has been less severe than initially anticipated; the continued progress on reducing the stock of NPLs; and the potential material opportunities following the signing of legal agreements for the acquisition of certain elements of Ulster Bank's business.

The ratings for PTSB plc are as follows:

- Standard & Poor's (S&P): Long-Term Rating "BBB-" with Outlook "Positive";
- Moody's: Long-Term Rating "Baa2" with Outlook "Stable"; and
- DBRS: Long-Term Rating "BBBL" with Outlook "Stable".

The ratings for PTSB Group Holdings are as follows:

- Standard & Poor's (S&P): Long-Term Rating "BB-" with Outlook "Positive";
- Moody's: Long-Term Rating "Ba1" with Outlook "Stable"; and
- DBRS: Long-Term Rating "BBH" with Outlook "Stable".

For further details on liquidity and funding risk see note 37.

3.3 Market Risk - audited

Market Risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. From the Group's perspective, market risk consists of three components being Interest Rate Risk, FX Risk, and Credit Spread Risk. Often market risk cannot be fully eliminated through diversification, though it can be hedged against.

The Group's RAS and the associated Market Risk Framework set out the Group's approach to management of market risk. The Framework is approved annually by the BRCC on the recommendation of the ALCo.

All market risks arising within the Group are subject to strict internal controls and reporting procedures and are monitored by the ALCo and the BRCC on a regular basis. Group Treasury is responsible for the management of market risk exposures on the balance sheet. Group Risk and GIA provide further oversight and challenge of Group Treasury's compliance with the Market Risk framework and associated Policies.

(i) Interest rate risk

Interest rate risk is the risk to earnings or capital arising from a movement in the absolute level of interest rates, the spread between rates, the shape of the yield curve or in any other interest rate relationship. The risk may be subdivided into gap, option and basis risk. In line with regulatory standards, the approved Interest Rate Risk in the Banking Book (IRRBB) methodology determined that the Group's interest rate risk exposure must be derived from both an earnings (accrual) (Earnings at Risk (EaR)) and economic value perspective (EV).

The Group separately calculates the contractual Basis Risk exposure which is factored into the Pillar II ICAAP process. The risk position is added to the most severe of EV or EaR risk levels in order to ensure all material sources of Interest Rate Risk are capitalised for.

Interest rate gap analysis is used to capture re-price risk, the EV approach measures yield curve risk while EAR is utilised to calculate the risk to earnings.

The following information has not been subject to audit by the Group's independent auditor.

In defining the level of interest rate risk the Group applies the most severe of the 13 core stress scenarios inclusive of the six scenarios prescribed by the Basel and EBA Guidelines on the Management of IRRBB, under both EV and Ea models and subject to interest rate flooring assumptions. The results are measured and reported against the Board approved risk limits.

The Group also monitors PV01 (impact of 0.01% movement in interest rates), duration mismatches and NII sensitivity when assessing interest rate risk.

The aim of modelling several types of interest rate shock scenarios is to measure the Group's vulnerability to loss under multiple stressed market conditions.

The 31 December 2021 interest rate risk level, based on the EV calculation (more severe than EaR), was calculated as €40m (31 December 2020: €44m). The risk position has reduced as the Bank has reduced its net liability position for terms greater than one year.

Based on the internally derived Basis Risk calculation methodology, the 31 December 2021 risk level stands at €14m. A floor of ECB Refi minus 25bps is applied for the ECB refinance rate and -100bps for Euribor positions.

(ii) Foreign Exchange Risk

Foreign currency exchange risk is the volatility in earnings resulting from the retranslation of foreign currency denominated assets and liabilities. Consistent with its business model as a domestically focused Retail bank, the Group is predominantly exposed to GBP and USD positions arising from customer deposits denominated in these currencies or branch bureau activities.

Derivatives (FX swaps and forwards) are executed to minimise the FX exposure. Overnight FX positions are monitored against approved notional limits. It is the responsibility of both Group Treasury and Group Risk to measure and monitor exchange rate risk and maintain the exposure within approved limits. The aggregate euro denominated 31 December 2021 FX position was €0.8m (31 December 2020 €1.9m).

(iii) Credit Spread Risk

Credit Spread Risk is defined as the risk of a decline in the value of an asset due to changes in the market perception of its creditworthiness. This risk applies to the portion of the Group's bond portfolio which is classified as Hold to Collect and Sell (HTC&S) under IFRS9 classifications.

The Group's strategy is to hedge, as much as is practical, the interest rate risk element of the HTC&S bond volatility. The remaining Mark-to-Market (MTM) volatility represents the Group's Credit Spread Risk exposure.

The Group held no HTC&S bonds as at 31 December 2021 (31 December 2020: nil) and as such had no exposure to credit spread risk.

For further details on market risk see note 37.

The Directors present their Annual Report and audited Group and Company financial statements to the shareholders for the year ended 31 December 2021.

Results

The Group's loss for the year was €20m (2020 loss: €162m) and was arrived at as presented in the consolidated income statement.

Dividends

No dividends were paid in 2021.

Review of the Business and likely Future Developments

A detailed review of the Group's business activities, performance for the year and an indication of likely future developments are set out in the Strategic Report. Information on the KPIs and principal risks and uncertainties of the business are provided as required by the European Accounts Modernisation Directive (2003/51/EEC). The Group's KPIs are included in the Strategic Report section. The principal risks and uncertainties are outlined under "risk factors" in the Risk Management section and under "Longer Term Viability" within the Board Audit Committee section of the Corporate Governance Statement.

Accounting Policies

The principal accounting policies, together with the basis of preparation of the financial statements are set out in note 1 to the consolidated financial statements.

Corporate Governance

The Corporate Governance Statement, as outlined in the Corporate Governance section, forms part of the Directors' Report.

Principal Risks and Uncertainties

Information concerning the principal risks and uncertainties of the Group are set out in the risk management section of the Strategic Report on page 76 of the Annual Report.

Financial Instruments

The financial instruments and use thereof are outlined in the risk management section, financial risk management note 37 and derivative financial instruments note 15.

Going Concern

The Group's financial statements have been prepared by the Directors on a going concern basis having considered that it is appropriate to do so. The going concern of the Group has been considered in Note 1 of the financial statements and further information on the assessment of the going concern position is also set out in the Governance Statement on page 135 under the Board Audit Committee's 2021 significant financial reporting judgments and disclosures.

Longer Term Viability

Taking account of the Group's current position and principal risks, the Directors have assessed the prospects of the Group over the period 2022-2024. The Directors confirm that it is their reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period. Further detail on the assessment of the Group's longer term viability is set out in the Corporate Governance Statement on page 135 under the Board Audit Committee's 2021 significant financial reporting judgements and disclosures.

Directors' Compliance Statement

As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The Directors have drawn up a compliance policy statement and have put in place arrangements and structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. A review of these arrangements was conducted during the year.

Statement of Relevant Audit Information

In preparing and approving the 2021 Annual Report and in accordance with Section 330 (1) of the Companies Act 2014, each of the current Directors of the Company confirm that;

- So far as the Directors are aware, there is no relevant audit information of which the statutory auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and have established that the statutory auditors are aware of that information.

Audit Committee

In accordance with Section 167(3)(a) of the Companies Act 2014, the Directors confirm that the Board has established an audit committee.

Directors

The names of the Directors, together with a detailed description of the key strengths, skills, expertise and experience of each Director, are set out in the Board of Directors section on pages 107 to 112 of the Annual Report. Celine Fitzgerald was appointed as a Non-Executive Director on 30 March 2021. Anne Bradley was appointed as a Non-Executive Director on 30 March 2021. In January 2022, the Board Chairman Robert Elliott advised the Board that he will not seek an extension to his term of office which is due to expire in March 2023 and a recruitment and selection process has commenced to identify his successor. Further information on the appointment process is included in the Nomination, Culture and Ethics Committee section of the Corporate Governance Statement.

All of the Directors stood and were re-appointed by election at the 2021 Annual General Meeting (AGM). All of the Directors will stand for re-appointment by election at the Group's 2022 AGM.

Information on Directors' remuneration is detailed in the Directors Report on Remuneration on pages 146 to 150 of the Annual Report and Directors' and Secretary interests in shares are outlined in note 43 to the financial statements.

Other than the Directors' and Secretary's interests as set out in note 43, there were no other interests disclosed to the Company in accordance with the market abuse regulations occurring between the period under review and up to 01 March 2022.

Share Capital and Shareholders

Under the terms of the Credit Institutions (Stabilisation) Act 2010 (the "Act") the Minister for Finance could, in certain circumstances, direct the Company to undertake actions that could impact on the pre-existing legal and contractual rights of shareholders. The Act had an original expiry date of 31 December 2012. However, the Act was subsequently extended to 31 December 2014, but has not since been extended. The expiry of the Act does not affect any order already made, or the variance, termination, enforcement, variation or revocation of any existing order nor does it affect the ability of the Minister to impose certain conditions on any financial support provided under or in connection with the Act.

Relationship Framework with the Minister for Finance

The Minister for Finance of Ireland owns and controls 74.92% of the Company's issued ordinary share capital. Under the terms of the Relationship Framework entered into between the Minister for Finance and the Company, the Minister for Finance expects the Board and Management team of the Group to conduct the Group's commercial operations in a prudent and sustainable manner which seeks to create a commercially oriented credit institution that recognises the need to encourage and enforce implementation of lessons learned from the financial crisis.

The Minister for Finance recognises that the Group remains a separate economic unit with independent powers of decision and that its Board and Management team retain responsibility and authority for determining the Group's strategy and commercial policies (including business plans and budgets) and conducting its day-to-day operations. The Minister for Finance will ensure that the investment in the Group is managed on a commercial basis and will not intervene in day-to-day management decisions of the Group (including with respect to pricing and lending decisions).

Transactions and arrangements between the Group and the Minister for Finance or associates of the Minister for Finance will be conducted at arms-length and on normal commercial terms. The Minister will not, in his capacity as a shareholder in the Company, take any action that would have the effect of preventing the Group from complying with its obligations under applicable law and regulations, including, but not limited to, the Listing Rules and will not propose or procure the proposal of a shareholder resolution which is intended to circumvent the proper application of regulatory requirements.

The Minister engages with the Group, including in respect of the manner in which he exercises his voting rights, in accordance with best institutional practice in a manner proportionate to the shareholding interest of the State in the Company. The views of the Minister for Finance and the DOF are expected to be appropriately considered by the Group as part of any consultation process under the Relationship Framework. However, the Board and Management team have full responsibility and authority for determining the Group's strategy and commercial policies.

The Relationship Framework also provides that the Minister for Finance and the Company will review the Relationship Framework from time to time when either party reasonably considers that changes to the Relationship Framework or to the State Agreements (as defined therein) would be necessary or desirable to ensure that the Relationship Framework continues to reflect certain principles specified in the Relationship Framework and to enable the Group to continue to comply with its obligations under applicable law and regulations, including, but not limited to, the Listing Rules.

The Relationship Framework also imposes restrictions on the Group undertaking certain actions without where specified, providing information to, consulting with, or obtaining the consent of the Minister for Finance. The principal restrictions are set out in the Relationship Framework, a copy of which is available on the Group website www.permanenttsbgroup.ie.

The Board is satisfied that the Company has complied with the relevant independent provisions set out in the Relationship Framework. The Board is also satisfied, in so far as it is aware, that the Minister for Finance has complied with the relevant independence provisions set out in the Relationship Framework.

Authorised Share Capital

The authorised share capital of the Company is €775,000,000 divided into 1,550,000,000 ordinary shares of €0.50 each.

Issued Ordinary Shares

At 31 December 2021, the Company had 454,695,492 ordinary shares of €0.50 each in issue (2020: 454,695,492). Ordinary shares represent 100% of the Company's issued share capital value. No ordinary shares were issued in 2021. Each ordinary share carries one vote and the total number of voting rights at 31 December 2021 is 454,695,492 (2020: 454,695,492).

At 31 December 2021, the Company holds, through an employee benefit trust, 4,580 (2020: 4,580) ordinary shares of €0.50 each.

Additional Tier 1 Equity Securities

On 23 November 2020, the Company issued €125m of AT1 securities. These AT1 Securities contain no conversion rights in to ordinary shares of the Company.

European Union Bank Recovery and Resolution Directive

The BRRD was implemented into Irish law by the EU (Bank Recovery and Resolution) Regulations 2015. BRRD provides European national resolution authorities with comprehensive and effective powers for dealing with failing banks and certain investment firms. BRRD grants a set of early intervention powers to the Irish national resolution authority (CBI) that include the write-down or cancellation of equity and/or the conversion of certain eligible liabilities into equity. Further information on BRRD is available on the CBI website: https://www.centralbank.ie/regulation/how-we-regulate/resolution-framework.

Variation of Rights

Whenever the share capital is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of the class, and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.

Allotment of Ordinary Shares

Subject to the provisions of the Articles of Association relating to new shares, the shares shall be at the disposal of the Directors and (subject to the provisions of the Articles and the Acts) they may allot, grant options over, or otherwise dispose of them to such persons on such terms and conditions and at such times as they may consider to be in the best interests of the Company and its shareholders, but so that no share shall be issued at a discount and so that, in the case of shares offered to the public for subscription, the amount payable on application of each share shall not be less than one-quarter of the nominal amount of the share and the whole of any premium thereon.

Holders of Ordinary Shares Resident in the USA

The Board may at its discretion give notice to certain holders resident in the USA calling for a disposal of their shares within 21 days or such longer period as the Board considers reasonable. The Board may extend the period within which any such notice is required to be complied with and may withdraw any such notice in any circumstances the Board sees fit. If the Board is not satisfied that a disposal has been made by the expiry of the 21 day period (as may be extended), no transfer of any of the shares to which the notice relates may be made or registered other than a transfer made pursuant to a procured disposal of the said shares by the Board, or unless such notice is withdrawn.

Refusal to Transfer

The Directors in their absolute discretion and without assigning any reason therefore may decline to register:

- any transfer of a share which is not fully paid save however, that in the case of such a share which is admitted to listing on London or Euronext Dublin Stock Exchanges, such restriction shall not operate so as to prevent dealings in such share of the Company from taking place on an open and proper basis;
- any transfer to or by a minor or person who is adjudged by any competent court or tribunal, or determined in accordance with the Company's Articles, not to possess an adequate decision-making capacity;
- any instrument of transfer that is not accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer, if the instrument of transfer is in respect of more than one class of share; and
- any transfer of shares in uncertificated form only in such circumstances as are permitted or required by Section 1086 of the Companies Act 2014.

General Meetings

Under the Articles of Association, the power to manage the business of the Company is generally delegated to the Directors. However, the shareholders retain the power to pass resolutions at a general meeting of the Company which may give direction to the Directors as to the management of the Company.

The Company must hold a general meeting in each year as its AGM in addition to any other meetings in that year and no more than fifteen months may lapse between the date of one AGM and that of the next. The AGM will be held at such time and place as the Directors determine. All General Meetings, other than AGMs, are called Extraordinary General Meetings. Extraordinary General Meetings shall be convened by the Directors or on the requisition of members holding, at the date of the requisition, not less than five per cent of the paid up capital carrying the right to vote at General Meetings and in default of the Directors acting within 21 days to convene such a meeting to be held within two months, the requisitionists (or more than half of them) may, but only within three months, themselves convene a meeting. An Extraordinary General Meeting of the Company convened by the Directors was held on 12 February 2021 for the purposes of passing resolutions to facilitate the migration of the share settlement system used by the Company from CREST to Euroclear Bank Belgium.

No business may be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote at such meeting constitutes a quorum.

In the case of an AGM or of a meeting for the passing of a special resolution or the appointment of a director, 21 clear days' notice at the least, and in any other case 14 clear days' notice at the least (assuming that the shareholders have passed a resolution to this effect at the previous year's AGM), needs to be given in writing in the manner provided for in the Company's Articles of Association to all the members (other than those who, under the provisions of the Articles of Association or the conditions of issue of the shares held by them, are not entitled to receive the notice) and to the Auditor for the time being of the Company. The Company's Articles of Association may be amended by special resolution passed at a General Meeting of shareholders. Special resolutions must be approved by not less than 75% of the votes cast by shareholders entitled to vote in person or by proxy.

Substantial Shareholdings

As at 31 December 2021, the Directors have been notified of the following substantial interests in the voting rights of Ordinary shares held:

Name	Interest	Date Notified
Minister for Finance of Ireland	74.92% 340,661,653 shares	5 May 2015
Janus Henderson Group plc	3.77% 17,181,881 shares	31 May 2017

There were no other changes to substantial interests in the voting rights of ordinary shares reported to the Directors as at 01 March 2022.

Voting Rights of Ordinary Shares

No person holds securities carrying special rights. There are no particular restrictions on voting rights. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of its shares or on voting rights.

Voting rights at General Meetings of the Company are exercised when the Chairman puts the resolution at issue to the vote of the meeting. A vote may be decided on a show of hands or by poll. A vote taken on a poll for the election of the Chairman or on a question of adjournment is also taken forthwith and a poll on any other question or resolution is taken either immediately, or at such time (not being more than 30 days from the date of the meeting at which the poll was demanded or directed) as the Chairman of the meeting directs. Where a person is appointed to vote for a shareholder as proxy, the instrument of appointment must be received by the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the appointed proxy proposes to vote, or, in the case of a poll, not less than 48 hours before the time appointed for taking the poll.

Voting at any General Meeting is by a show of hands unless a poll is properly demanded. On a show of hands, every member who is present in person or by proxy has one vote regardless of the number of shares held. On a poll, every member who is present in person or by proxy has one vote for each share of which they are the holder. A poll may be demanded by the Chairman of the meeting or by at least five members having the right to vote at the meeting or by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. It is current standing practice at the AGM that voting is conducted on a poll.

The holders of the ordinary shares have the right to attend, speak, ask questions and vote at General Meetings of the Company. The Company, pursuant to Section 1105 of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68/1996), specifies record dates for General Meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend and vote at the meeting.

Pursuant to Section 1104 of the Companies Act 2014, a shareholder, or a group of shareholders who together hold at least 3 per cent of the issued share capital of the Company, representing at least 3 per cent of the total voting rights of all the members who have a right to vote at the meeting to which the request for inclusion of the item relates, have the right to put an item on the agenda, or to modify an agenda which has been already communicated, of a general meeting. In order to exercise this right, written details of the item to be included in the general meeting agenda must be accompanied by stated grounds justifying its inclusion or a draft resolution to be adopted at the general meeting together with evidence of the shareholder or group of shareholders' shareholding must be received, by the Company, 42 days in advance of the meeting to which it relates.

The Company publishes the date of its AGM on its website www.permanenttsbgroup.ie on or before 31 December of the previous financial year or no later than 70 days before the date of the AGM.

Director Appointments

Save as set out below, the Group has no rules governing the appointment and replacement of Directors outside of the provisions thereto that are contained in the Articles of Association. Under the Relationship Framework entered into between the Company and the Minister for Finance, the Board must consult with the Minister for Finance for the appointment or re-appointment of the CEO or Chairman. Upon receipt of written notice from the Minister for Finance, the Board shall appoint up to two nominees of the Minister for Finance as Directors of the Company and the appointment(s) shall be deemed to take effect on the date of the next Board meeting following receipt of the aforementioned notice (and regulatory approval). In 2018, the Board received written notice from the Minister for Finance of his intention to appoint two Directors to the Board. In this regard Marian Corcoran was appointed to the Board on 24 September 2019 and Paul Doddrell was appointed to the Board on 26 November 2020. Celine Fitzgerald was appointed as a Non-Executive Director on 30 March 2021. Anne Bradley was appointed as a Non-Executive Director on 30 March 2021.

Powers Granted to Directors at the AGM

The following is a description of the resolutions passed by members in connection with powers granted to the Directors:

Ordinary Remuneration of Directors
At the AGM held on 14 May 2019, shareholders authorised that the Directors may from time to time determine in accordance with the Articles of Association of the Company, the aggregate ordinary remuneration of the Directors for serving as Directors of the Company at an amount not exceeding €750,000.

Allotment of Shares

The Investment Association has issued guidance which generally supports resolutions seeking authority to allot up to a separate and additional 33.33% of a company's issued share capital (excluding treasury shares) in addition to the 33.33% authority already supported where the additional authority is applied to allot shares pursuant to a rights issue.

At the 2021 AGM held on 19 May 2021, the Directors were generally and unconditionally authorised, pursuant to section 1021 of the Companies Act 2014, to exercise all of the powers of the Company to allot and issue all relevant securities of the Company (within the meaning of section 1021 of the Companies Act 2014) up to an aggregate nominal amount of €150,049,512 representing 66.66% of the issued ordinary share capital of the Company as at 30 March 2021 of which €75,024,756 (representing the separate and additional 33.33% of the issued ordinary share capital of the Company (excluding treasury shares) as at 30 March 2021 referred to above may be applied to allot shares pursuant to a rights issue. The authority conferred commenced on the 19 May 2021 and will expire at the conclusion of the 2022 AGM or 19 August 2022 (whichever is earlier) unless and to the extent that such power is renewed, revoked, or extended prior to such date; provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred by this Resolution had not expired.

Disapplication of Pre-emption Rights

At the 2021 AGM held on 19 May 2021, the Directors were authorised to allot equity securities (within the meaning of section 1023(1) of the Companies Act 2014) for cash as if Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power to be effective from 19 May 2021 and shall expire at the conclusion of the 2022 AGM or 49 August 2022 (whichever is earlier) unless and to the extent that such power is renewed, revoked, or extended prior to such date; and such power being limited to:

(a) the allotment of equity securities in connection with any offer of securities, open for a period fixed by the Directors, by way of rights issue, open offer or other invitation to or in favour of the holders of ordinary shares and/or any persons having a right to subscribe for equity securities in the capital of the Company (including, without limitation, any persons entitled or who may become entitled to acquire equity securities under any of the Company's share option scheme or share incentive plans then in force) where the equity securities respectively attributable to the interests of such holders are proportional (as nearly as may reasonably be) to the respective number of ordinary shares held by them and subject thereto the allotment in any case by way of placing or otherwise of any securities not taken up in such issue or offer to such persons as the Directors may determine; and generally, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems (including dealing with any fractional entitlements and/or arising in respect of any overseas shareholders) under the laws of, or the requirements of any regulatory body or stock exchange in, any territory;

(b) and/or the allotment of equity securities up to a maximum aggregate nominal value of €11,367,387, which represents approximately 5% of the issued ordinary share capital of the Company as at the close of business on 30 March 2021.

The Directors were also empowered to allot equity securities (within the meaning of Section 1023(1) of the Companies Act 2014) for cash as if Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power to be effective from 19 May 2021 and shall expire at the conclusion of the 2022 AGM or 19 August 2022 (whichever is earlier) unless and to the extent that such power is renewed, revoked, or extended prior to such date and such power being limited to:

(a) the allotment of equity securities up to a maximum aggregate nominal value of €11,367,387, which represents approximately 5% of the issued ordinary share capital of the Company as at the close of business on 30 March 2021; and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying the Pre-Emption Rights most recently published by the Pre-Emption Group and in effect prior to 30 March 2021.

Market purchases of own Shares

At the 2021 AGM held on 19 May 2021, members gave the Company (and its subsidiaries) the authority to make market purchases and overseas market purchases provided that the maximum number of ordinary shares authorised to be acquired shall not exceed:

(a) 5% above the higher of the average of the closing prices of the Company's ordinary shares taken from the Euronext Dublin Daily Official List and the average of the closing prices of the Company's ordinary shares taken from the London Stock Exchange Daily Official List in each case for the five business days (in Dublin and London, respectively, as the case may be) preceding the day the purchase is made (the "Market Purchase Appropriate Price"), or if on any such business day there shall be no dealing of ordinary shares on the trading venue where the purchase is carried out or a closing price is not otherwise available, the Market Purchase Appropriate Price shall be determined by such other method as the Directors shall determine, in their sole discretion, to be fair and reasonable; or, if lower,

(b) the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052 relating to regulatory technical standards for the conditions applicable to buy-backs and stabilisation (being the value of such an ordinary share calculated on the basis of the higher of the price quoted for: (i) the last independent trade; and (ii) the highest current independent purchase bid for any number of such ordinary shares on the trading venue(s) where the purchase pursuant to the authority conferred will be carried out). The authority will expire on close of business on the date of the 2022 AGM of the Company or on the 19 August 2022 (whichever is earlier) unless previously varied, revoked or renewed. While the Directors do not have any current intention to exercise this power, this authority and flexibility was sought as it is common practice for companies on the Official List of the Euronext Dublin and/ or London Stock Exchanges. Furthermore, such purchases would be made only at price levels which the Directors considered to be in the best interests of the members generally, after taking into account the Company's overall financial position. In addition, the authority being sought from members would provide that the minimum price (excluding expenses) which may be paid for such shares would be an amount not less than the nominal value of the shares;

(c) the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052 relating to regulatory technical standards for the conditions applicable to buy-backs and stabilisation (being the value of such an ordinary share calculated on the basis of the higher of the price quoted for: (i) the last independent trade; and (ii) the highest current independent purchase bid for any number of such ordinary shares on the trading venue(s) where the purchase pursuant to the authority conferred will be carried out). The authority will expire on close of business on the date of the 2022 AGM of the Company or on the 19 August 2022 (whichever is earlier) unless previously varied, revoked or renewed. While the Directors do not have any current intention to exercise this power, this authority and flexibility was sought as it is common practice for companies on the Official List of the Irish and/or London.

Change of control of the Company

In the event of a change of control of the Company there are no agreements (other than under normal employment contracts) between the Company, its Directors or employees providing for compensation for loss of office that might occur.

Post Balance Sheet Events

Events after the reporting period are described in note 47 to the financial statements.

Accounting Records

The measures taken by the Directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and the employment of competent persons. The accounting records are kept at the Company's registered office, 56-59 St Stephen's Green, Dublin 2.

Disclosure Notice

The Company did not receive a disclosure notice under section 33AK of the Central Bank Act 1942 during 2021.

Political Donations

The Directors have satisfied themselves that there were no political contributions during the year, which require disclosure under the Electoral Act, 1997.

Location of Information required pursuant to Listing Rule 6.1.77

Listing Rule	Information Included*
LR 6.1.77 (12)	The Trustees of the Employee Benefit Trust have elected to waive dividend entitlements.
LR 6.1.77 (14)	As stated on page 80 the Minister for Finance has entered into a Relationship Framework with the Company. A copy of the Relationship Framework is available at www.permanenttsbgroup.ie

* No information is required to be disclosed in respect of Listing Rules 6.1.77 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (13).

Subsidiary Undertakings

The principal subsidiary undertakings and the Company's interests therein are shown in note 45 to the financial statements.

Independent Auditor

In accordance with section 383 (2) of the Companies Act 2014, the Auditor, PricewaterhouseCoopers (PwC) Chartered Accountants and Statutory Audit Firm, will continue in office.

Board Diversity Statement

The Board Diversity Statement, as set out in the Corporate Governance Statement (see page 127) is deemed to be incorporated into this part of the Directors' Report.

Non-Financial Statement

For the purposes of Statutory Instrument 360/2017 EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, the following sections of this Annual Report and any cross references made in the Directors' Report are deemed to be incorporated into this part of the Directors' Report:

Reporting requirements	Policies and standards which govern our approach	Risk management and additional information
Environmental matters	Environmental statement	Addressing Climate Change and Supporting the Transition to a Low Carbon Economy, page 32 Climate Risk, page 33 Task Force on Climate Related Financial Disclosure (TCFD), page 33 EU Taxonomy Regulation, page 33 Science Based Targets, page 34 Energy Management, page 34 Waste Management, page 35 Responsible Procurement, page 35 Environmental Policy Statement, page 35
Social and Employees	Code of Ethics Diversity and Inclusion Strategy Conflicts of Interest Policy Whistleblowing Policy and associated procedures Board Diversity Policy Colleague Conduct Policy	Enhancing our Culture and Investing in our People, pages 40 Code of Ethics, page 52 Listening to Employees and acting on feedback, page 41 Diversity and Inclusion, page 42 Health, Safety and wellbeing, page 44 Conflict of interest, Page 53 Speak Freely, page 23, 53 Board Diversity Policy, page 127 Colleague Conduct Policy, Page 52
Human rights	Human Rights Dignity and Respect Policy Equality Through Diversity Policy	Human Rights Charter, page 53 Living Our Purpose and Ensuring Strong Corporate Governance, page 52

Reporting requirements	Policies and standards which govern our approach	Risk management and additional information
Social matters	Elevating our Social Impact and Connecting with Local Communities	Elevating our Social Impact and Connecting with Local Communities, page 36
Anti-corruption and anti-bribery	Anti-bribery Policy Anti-bribery Policy Statement Anti-money laundering and counter terrorist financing Policy	Financial Crime Compliance, page 53 Data Protection, page 51 Responsible Conduct and Culture, page 52 Operational Risk, page 81 Speak Freely, page 23, 53
Description of principal risks and impact of business activity		Risk Overview, pages 69 Principal Risks, pages 76
Description of the business model		Our Strategy, page 10 Our Business Model, page 11
Non-financial key performance indicators		Non-financial Performance Indicators, page 3 Living our Purpose and Ensuring Strong Corporate Governance, page 52 Championing Small Business and Creating a Bank that is Fit for the Future, page 46 Enhancing our Culture and Investing in our People, page 40 Elevating our Social Impact and Connecting with Local Communities, page 36 Addressing Climate Change and Supporting the Transition to a Low Carbon Economy, page 32

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Ronan O'Neill
Board Audit Committee Chair

Conor Ryan
Company Secretary

Corporate Governance Statement
Chairman's Introduction

Dear Shareholder,
I am pleased to report that the Bank continues to drive commercial momentum notwithstanding the ongoing challenges presented by COVID-19 during the year.

2021 was a busy period for the Board who met on a total of 29 occasions. This increased Board activity was driven by the planned acquisition of certain elements of the Ulster Bank business together with intense focus by the Board on change within the organisation, particularly in the area of technology, workforce strategy, customer service and planning for growth.

During 2021 the Board established a committee of the Board to provide support and guidance to the Board on the process to agree the commercial and legal terms for the acquisition of certain elements of the Ulster Bank business. This committee will remain constituted during 2022 as the Board continues towards finalisation of the transaction announced to the Market in December 2021.

2021 was also a year where preparations commenced for the introduction of the Individual Accountability Framework which is currently progressing through the legislative process. The Board will continue to provide oversight on this important piece of governance legislation to ensure any enhancements required to the Bank's governance processes are effectively implemented in good time.

During 2021 the culture of the Bank continued to evolve centred on our purpose "to work hard every day to build trust with customers – we are a community serving the community". I am very pleased with the work the Board Nomination, Culture and Ethics Committee has carried out in this regard with key focus on diversity and inclusion, culture, colleague wellbeing, sustainability and the reputation of the Bank.

Our customers are at the heart of Board decision making and it has been exciting to see this reflected in new brand, sustainability and customer experience strategies all of which had active Board involvement in their development. But not all developments during the year were satisfactory. The Board acknowledged the levels of customer service through the Bank's call centre channel were, at times, not acceptable and significant Board time was spent in addressing this issue including onsite visits to the call centre by members of the Board. I am pleased that through investment and focus, service levels have considerably improved, but there is more to be done in 2022.

The Board also approved an updated culture charter setting out how Bank would like to evolve its culture and using language that resonates with our colleagues. The Board has also been much focussed on the wellbeing of bank colleagues in what has continued to be a testing year in terms of ongoing remote working coupled with the level of change at the Bank. Listening to the voice of colleagues has been a key activity for the Board during the year.

Change brings risk and this has been a key focus for the Board during the year. It is important that change can be managed in a manner that minimises risk to the organisation and without impacting ongoing business as usual operations that are necessary to support customers in terms of service and safety. During the year, the Board focussed considerable time on strengthening the Bank's change management processes, the continued embedding of risk awareness within change management programmes and ensuring the Bank has capacity to deliver on its ambitions. All of this was achieved through the continued embedding of a risk aware system of governance that responds to the needs of the Bank's stakeholders, while upholding the standards expected of a retail credit institution.

The Board is aware that it needs to have the collective knowledge, experience and skills in order to provide effective governance oversight for the Bank. Therefore, succession planning and Board refreshment is both an active and well defined process. During 2021, the Board appointed Celine Fitzgerald and Anne Bradley to the Board, rotated the chairs of the Board Risk and Audit Committees and made several changes to the Board Committee composition. All of these changes were made to ensure the knowledge, experience and skills of the Board and its committees were maximised to deliver on the Bank's strategic ambitions. Indeed, to ensure an orderly succession for my own position as Chairman, the Board have commenced a process to identify my replacement when I step down from the Board at the end of my term of office in March 2023.

The purpose of this short introduction is to provide assurance to stakeholders that the Board has an engaging and committed approach to corporate governance and, while respecting executive responsibility, has an active role in all key decisions that are made.

The following report sets out the detail of our approach to corporate governance principles and practices, how we implement and endeavour to achieve compliance with the UK Corporate Governance Code and how our Board and its Committees operated during the year.

The reports from the Chairs of the Board Audit, Risk and Compliance, Nomination Culture and Ethics, and Remuneration Committees on pages 133, 138, 130 and 141 respectively highlight the key activities and areas of focus for each Committee.

Robert Elliott
Chairman

CBI Corporate Governance Code

The 2015 Central Bank of Ireland Corporate Governance Requirements for Credit Institutions (the "CBI Code") imposes statutory minimum core standards upon credit institutions, with additional requirements upon entities designated as High Impact Institutions. The Company's retail banking subsidiary, PTSB, was subject to the provisions of the CBI Code during the reporting period. PTSB has been designated as a High Impact Credit Institution under the CBI Code and is subject to the additional obligations set out in Appendix 1 of the CBI Code. PTSB has also been designated as LSI for the purposes of the Capital Requirements Directive (SI 158/2014) and is subject to the additional obligations set out in Appendix 2 to the CBI Code. A copy of the CBI Code is available on the CBI's website www.centralbank.ie.

Compliance Statement with UK Corporate Governance Code and Irish Annex

The Company's shares are admitted to trading on the Main Securities Market of Euronext Ireland and the London Stock Exchange and the Company must comply or explain against the provisions of the 2018 UK Corporate Governance Code (the "UK Code") and the Irish Corporate Governance Annex (the "Irish Annex"). A copy of the UK Code is available on the UK Financial Reporting Council's website www.frc.org.uk and the Irish Annex is available at www.ise.ie.

Details of how the Group applied the main principles and supporting provisions of the UK Code are set out in this Corporate Governance Statement, the Business Model and Strategy section, the Risk Management section and in the Directors' Report on Remuneration. These also cover the disclosure requirements set out in the Irish Annex, which supplement the requirements of the UK Code with additional Corporate Governance provisions. The Board confirms that the Company has complied with the detailed provisions of the UK Code and Irish Annex during 2021, save as set out in the following paragraphs.

Provision 25 of the UK Code requires the audit and risk (where established) committees to consist of Independent Non-Executive Directors. Marian Corcoran is a member of the Board Risk and Compliance committee and Paul Doddrell is a member of the Board Risk and Audit Committees. Both Paul Doddrell and Marian Corcoran were nominated to the Board by the Minister for Finance of Ireland under the terms of a Shareholder Relationship Agreement. Each of the aforementioned committees is chaired by and has a majority of independent non-executive directors within their membership. The Board believes it appropriate to ensure that the aforementioned committees consist of members with appropriate knowledge, experience and skills and, notwithstanding the basis of their appointment, can demonstrate effective contribution through an independent mind-set. The Board Remuneration Committee consists fully of independent Non-Executive Directors following changes to the committee's composition in May 2021.

The Board believes it is in the best interest of the Bank to utilise Mr Doddrell's and Ms Corcoran's considerable risk management experience on the Board Risk and Compliance Committee and on the Board Audit Committee for Mr Doddrell, given his finance and accounting credentials. If the Board complied with the UK Code provision 25 on independence, Mr Doddrell and Ms Corcoran would have to step down from aforementioned committees and this creates a challenge for the Bank in that it would have to recruit to replace their knowledge and experience on the committees (and unnecessarily duplicate same on the Board) and as a consequence would make the size of the Board unwieldy (15 members). The Board is also satisfied that while Mr Doddrell and Ms Corcoran do not meet the criteria for independence under the UK Code, like all Directors, they were positively assessed (annually) for independence of mind (a concept set out in the Capital Requirements Directive).

The basis on which the Minister for Finance conducts his relationship with the Company is set out in a published shareholder agreement which can be viewed on the Company's website www.permanenttsbgroup.ie.

Provision 33 of the UK Code requires that the Remuneration Committee shall have delegated responsibility for setting the remuneration for all executive directors and the chairman. However, under EBA guidelines on sound remuneration practices, the Remuneration Committee is designated as being responsible for the preparation of decisions to be taken by the Board regarding the remuneration for executive directors and other identified staff. The Board's view is that, from a regulatory perspective, the Group is compelled to comply with the EBA guidelines and therefore its Remuneration policy reflects this position.

Provision 38 of the UK Code requires that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. In 2019, the Board approved certain enhancements to staff defined contribution pension schemes where, following a market benchmarking exercise, the maximum employer contributions were increased, with new maximums linked to increases in each employee's own contributions and subject to certain age-based eligibility criteria. In carrying out this review, the remuneration committee paid due cognisance to existing State Agreements relating to remuneration and the Group's ability to provide competitive reward arrangements to retain and motivate executive talent in an increasingly competitive marketplace. Whilst the maximum pension contribution levels are consistent across the workforce, members of the Bank's Executive Committee (including the Executive Directors) were exempted from the age-related eligibility criteria.

"How the Board ensures effective engagement with, and encourages participation from the Company's Stakeholders"

Stakeholder Engagement

A key role of the Nomination, Culture and Ethics Committee is to ensure there is effective engagement with and participation from the Bank's key stakeholders. Reputation management is an integral part of the corporate affairs strategy for the Bank.

What we did in 2021 – Sustainability Materiality Assessment

The Bank takes a number of factors into consideration when assessing where to prioritise resources for its sustainability activity. These include, but are not limited to: the Bank's business model and strategy; principal risks; sector issues; public policy and regulation; and, the impact of the Bank's activities on wider society.

To understand the issues that are important to stakeholders, the Bank engaged a sample of stakeholders to complete a comprehensive Materiality Assessment of the Bank's Sustainability programming.

The assessment offered insight into the relative importance of specific Environmental, Social and Governance (ESG) issues relevant to conducting business in a responsible way, and assisted the Bank in building out a Sustainability Strategy which was launched in November 2021. Central to the Bank's Sustainability Strategy is a focus on climate change and supporting the transition to a low carbon economy.

Reference to the Bank's stakeholders includes the Bank's customers (personal and small business), colleagues (Board, management, employees and unions), the Bank's investors, suppliers, society (community partners and industry influencers) and the Bank's regulators.

Outside of the materiality exercise, the Bank interacts with stakeholders at regular intervals during the year through the following:

- Customers – Voice of the Customer Programme, focus groups, surveys, in person through the branch network and through the Bank's online digital channels (website, App, customer contact centres etc.);
- Colleagues – Every Voice Counts employee engagement survey, regular micro-pulse surveys, team meetings, virtual networking forums, internal intranet platform, a bank-wide newsletter, in-house digital screens, five Employee Resources Groups, People Experience Council and other channels as appropriate;
- Investors – AGM and shareholder services, financial reporting, roadshows, industry conferences and other channels as appropriate;
- Suppliers – Regular supplier engagement processes and procedures, supplier on boarding and contracting and other channels as appropriate;
- Society – Community Partners, Media, Government Officials and industry influencers such as the BPFI and Irish Banking Culture Board; and
- Regulators – Regular engagement and regulatory reporting and other channels as appropriate.

Focus for 2022

The Bank's focus for 2022 will be to build on the progress achieved and to continue to rollout a series of proactive engagements amongst its key stakeholders that will allow the Bank to cultivate relationships, gain trust and build further the reputation of the Bank. The Bank's Corporate Development and HR Function will continue to ensure that feedback from colleagues, customers and communities is measured effectively in line with the Bank's Purpose and that key insights are brought to the Nomination, Culture and Ethics Committee on a regular basis.

Shareholder Engagement

In addition to this, the Bank has a dedicated Investor Relations team, headed by the CFO. The Bank will continue to have an active market engagement programme in place where it reports financial results live through a webcast twice a year typically in March/July and updates the market on trading twice a year typically in May and November. The Bank publishes all results, including the webcasts, on its website. The Bank also reports other relevant information to the market on a timely basis. The Investor Relations team, together with the CEO and the CFO, will continue to provide regular updates to the Board on the types of activities mentioned above, along with market reactions in order to ensure that the members of the Board continue to develop an understanding of the views of major shareholders.

Workforce Engagement

The UK Corporate Governance Code places an obligation on boards to keep workforce engagement mechanisms under review so that they remain effective. Furthermore, the Code also states that where the Board chooses to implement alternative arrangements to those set out in the Code, it should explain in its Annual Report what alternative arrangements are in place and why it considers that they are effective. During 2021, while COVID-19 impacted on the capability of the Board to engage with employees in a face to face manner, the utilisation of electronic communication facilitated this engagement.

There are currently a number of ways the Board engages with the Bank's workforce and hears the employee 'Voice' on an on-going basis through alternative arrangements to those set out in the UK Code. A summary of these alternate arrangements are outlined in the below table:

Mechanism	Detail
Board and Committee Meetings	During 2021 the Board met in total on 29 occasions and this facilitated regular Board engagement with subject matter experts from across the Bank. Throughout 2021 the Board engagement aligned a core principle of ensuring the health safety and wellbeing of all colleagues whilst ensuring a resilient and sustainable Bank.

Mechanism	Detail
Nomination, Culture and Ethics Committee	Dedicated Board Committee with accountability for culture, behaviour, ethics and reputation management oversight in the Bank.
	Biannual review of employee 'Speak Freely' concerns raised through a Colleague Conduct Report.
Employee Events	Attendance at and participation in employee events on an on-going basis.
	Examples include the Employee Resource Group Initiatives such as Wellbeing week, Better Balance Webinars, Values in Practice Awards and Sustainability events.
Living as Leaders Round Table Series	A series of weekly meetings where Non-Executive Directors individually joined small groups of colleagues from all levels and from across the bank to reflect on key leadership themes.
Employee Representative Bodies	CFO bi-annual engagement with Employee Representative Bodies to update them on the organisational trading position, strategy, opportunities and challenges being faced. CEO, introduction to the Employee Representative Bodies to update them on Permanent TSB's new Purpose and on-going Organisational Fit for the Future alignment.
Employee Surveys	The Employee collective voice is shared with the Board Nomination, Culture and Ethics through a variety of employee surveys that are run.
	Examples include the Every Voice Counts Annual Survey and Every Voice Counts Micro-pulse, Irish Banking Culture Board (Éist).
Employee Engagement Group	The Company Secretary (Board Nominee) attends the People Experience Council (PEC) to support the Board and gain a greater understanding of culture / employee sentiment. Nominations Culture and Ethics Committee met with the Bank's People Experience Council incorporating two formal engagements with the Council in 2021.

As noted in the table above a People Experience Council was incepted in 2020 to support the embedding of Culture with a mandate and a set of accountabilities. Their role is to lead out on culture across the Bank, provide a collective voice (qualitative data) to the organisation and solicit People Experience Leads across their functions to champion organisational engagements. Leads are made up of colleagues from all areas of the business, representing a diverse group of employees at all levels. The Nomination Culture and Ethics committee identified an opportunity for the Board to engage with this group and to be updated on the employee sentiment and mood on the ground. As part of this group, the Board not only gains a deeper understanding of the drivers behind the employee engagement survey results (Every Voice Counts, Éist), they also gain diverse perspectives on what actions will address the areas for development and also any emerging areas of discontent from employees. It is intended that periodic attendance by Non-Executive Directors will occur again in 2022.

All material organisational changes are discussed and consulted on in advance with employee representative bodies. It is important in the context of these discussions that colleagues understand and can provide feedback on the financial and strategic position of the Bank over its 5 year planning period. During 2021, the CEO attended engagement sessions with Employee representative bodies to explain and provide context to the Bank's current and medium term outlook as part of negotiations on reward.

Having reviewed the series of employee engagement during 2021, the Nomination, Culture and Ethics Committee was satisfied that this engagement was effective and in compliance with the UK Code.

Board Decision Making

The Board has a clear understanding of the Bank's key stakeholders and how the operations of the Bank effect the environment and communities in which it operates. The Bank's Stakeholder Engagement Programmes facilitate a clear and unfettered information flow to and from the Board. This allows the Board to make informed decisions that are both in the best interest of the Company and facilitate a clear understanding of how decisions impact on the Bank's stakeholders, wider community and environment.

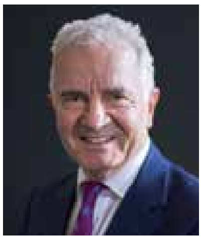
A key focus for the Nomination Culture and Ethics Committee is to ensure that directors are able to make a positive contribution to the long term sustainable success of the Company. Directors are more likely to make good decisions and maximise the opportunities for the Company's success if the right skillsets and breadth of perspectives are present on the Board. The Nomination Culture and Ethics Committee, aligned with the Bank's Purpose and Ambition, considers the appropriate skillsets and perspectives and sets them out in a Board approved Suitability Matrix. Appointments to the Board are recommended in accordance with the Suitability Matrix. The key skillsets and experience that each of the Directors bring to the Board are set out in the Board Biographies section.

Corporate Governance Statement
Board of Directors

A key focus for the Nomination Culture and Ethics Committee is to ensure that directors are able to make a positive contribution to the long term sustainable success of the Company. Directors are more likely to make good decisions and maximise the opportunities for the Company's success if the right skillsets and breadth of perspectives are present on the Board. The Nomination Culture and Ethics Committee, aligned with the Bank's Purpose and Ambition, considers the appropriate skillsets and perspectives and sets them out in a Board approved Suitability Matrix. Appointments to the Board are recommended in accordance with the Suitability Matrix. The key skillsets and experience that each of the Directors bring to the Board are set out in the Biographies below:

ROBERT ELLIOTT (69)

CHAIRMAN NON-EXECUTIVE DIRECTOR INDEPENDENT ON APPOINTMENT



Appointed Chairman:
31 March 2017

Nationality:
British

Committee Membership:
Nomination, Culture and Ethics Committee (Chair)
Remuneration Committee

External Appointments:
Chairman of Saranac Partners Ltd and Chairman of Windship Technology Ltd
Chairman Tonbridge School Ltd

Key Strengths, Skills and Experience

The breadth of Robert's knowledge and experience of advising corporates on strategy and governance, building teams and driving culture, enables Robert to contribute to the strategic, cultural evolution and long-term sustainable success of the Bank. Robert also has extensive legal, banking and leadership experience and a track record of championing greater inclusiveness and diversity.

Robert is an experienced Chairman and Lawyer, having advised on major UK and international banking and restructuring projects. Robert is a former Chairman and Senior Partner of Linklaters LLP, the global law firm with a partnership of 490 members and approximately 5,500 staff. In his role as the firm's ambassador, he also contributed widely to industry and City organisations, think tanks and community-led initiatives. Robert previously chaired the Nomination and Governance Committee for the TheCityUK an industry-led body which represented UK-based financial and related professional services.

EAMONN CROWLEY (52)

CHIEF EXECUTIVE OFFICER

Appointed to Board
10 May 2017

Nationality:
Irish

Committee Membership:
None

External Appointments:
Banking and
Payments Federation Ireland CLG
Institute of Banking

Key Strengths, Skills and Experience

Eamonn brings to the Board extensive international banking, accounting, corporate treasury and leadership experience with a significant customer focus which is reflected in the Bank's Purpose, Ambition and Strategy to build trust and grow a sustainable Bank for the longer-term.

Before joining PTSB as Chief Financial Officer in 2017, Eamonn worked as Chief Financial Officer at Bank Zachodni WBK S.A. ("BZ WBK"), Banco Santander's publicly listed Polish retail and commercial bank. (BZ WBK was formerly 70% owned by AIB. Banco Santander acquired that AIB stake in 2010.) During his period as CFO, Eamonn executed the merger of BZ WBK with Kredyt Bank to form Poland's number three bank, placed over 20% of the bank on the Warsaw Stock Exchange through a Euro 1.2bn secondary IPO and led the acquisition of a controlling stake in Poland's number one Consumer Bank. Prior to joining Santander, Eamonn worked for the AIB Group in a variety of different roles.

- MBA Smurfit Business School
- Certified Accountant (FCCA) and Member of Association of Corporate Treasurers

MIKE FRAWLEY (49)
CHIEF RISK OFFICER

Appointed to Board:
29 October 2019

Nationality:
Irish

Committee Membership:
None

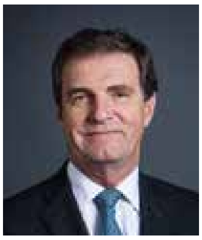
External Appointments:
None

Key Strengths, Skills and Experience
Mike has extensive international risk management and senior management experience in commercial and retail banking sectors. Mike provides the Board with significant risk oversight and regulatory engagement capabilities enabling the Bank to sustain appropriate levels of banking and operational risk in the development of its strategic objectives. Mike's appointment as an Executive Director demonstrates a key focus for the Board in providing robust oversight of risk management and internal control at the Bank.

Mike joined the Bank in December 2018 and has a depth of experience in the Commercial and Retail banking sectors, having spent 19 years with HSBC in positions in Asia, U.K., Latin America, U.S.A. and Bermuda, most recently as Chief Risk Officer at HSBC Bermuda.

- Chartered Financial Analyst (CFA)
- Bachelor of Commerce from UCC
- MBA from Columbia Business School
- Certified Bank Director

RONAN O'NEILL (68)
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
26 July 2016

Nationality:
Irish

Committee Membership:
Audit Committee (Chair)
Nomination, Culture and Ethics Committee

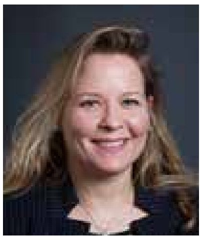
External Appointments:
Woodland Advisers Limited

Key Strengths, Skills and Experience
Ronan, a chartered accountant, brings to the Board extensive banking and leadership experience with a particular competency in finance, risk and treasury. His strong strategic and corporate development insights enable Ronan to provide challenge and support to the development of the Bank's organisational change programmes. His previous experience as a member of the Group Risk Committee at AIB is of particular benefit to the Board Audit Committee which Ronan chairs.

Prior to retiring from AIB in 2013, Ronan was Chief Executive Officer of AIB (UK) plc and a member of the AIB Group Leadership Team. Ronan had responsibility for SME Business in the UK and the retail banking business of First Trust in Northern Ireland. He put in place a strategic plan to revitalise AIB's UK and NI businesses and oversaw its implementation.

- Fellow Chartered Accountants Ireland
- Certified Bank Director
- Bachelor of Commerce from UCD
- Fellow, Institute of Bankers

RUTH WANDHÖFER, (46)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
30 October 2018

Nationality:
German

Committee Membership:
Risk and Compliance Committee
Remuneration Committee

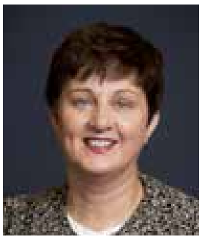
External Appointments:
Director of Digital Identity Net Ltd, Gresham Technologies plc, Leximar Ltd and Sinonyx

Key Strengths, Skills and Experience
Ruth has substantial banking and leadership experience with extensive knowledge of both regulatory and market strategy, and together with her insight on regulatory and financial technology innovation provides invaluable insight for the Board as it provides oversight for the Bank's digital transformation development.

Ruth was Head of Regulatory and Market Strategy at Citi from 2007 to 2018 where she drove regulatory and industry dialogue in addition to developing product/market strategy in line with the evolving regulatory and innovation landscape. Prior to joining Citi, Ruth was Policy Advisor for Securities Services and Payments at the European Banking Federation.

- MA in Financial Economics (UK)
- MA in International Politics (FR)
- LLM in International Economic Law (UK)
- PhD Finance
- Certified Bank Director

MARIAN CORCORAN, (57)
NON-EXECUTIVE DIRECTOR



Appointed to Board:
24 September 2019

Nationality:
Irish

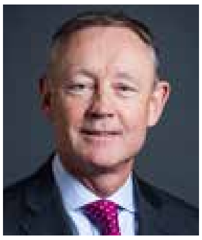
Committee Membership:
Risk and Compliance Committee
Nominations, Culture and Ethics Committee

External Appointments:
Director of IDA Ireland, Member of DCU Governing Authority, and Director of MC2 Change Limited

Key Strengths, Skills and Experience
Marian has broad experience in technology and business transformation, executive leadership and strategy development. Marian brings to the Board wide-ranging experience in advising and leading transformational programmes in multiple industries including banking. Marian's experience of risk management brings invaluable experience to the Board Risk and Compliance Committee. Marian's cross-industry skills in stakeholder management, risk management, corporate governance and technology-enabled transformation benefits the Board as the Bank's strategy and change programmes evolves at an ever increasing pace. Marian has a strong track record in championing inclusion and diversity.

- Marian is an experienced non-executive director and a former executive director and partner in Accenture Ireland. Marian has extensive experience in strategy delivery, delivery of technology-enabled change and business transformation both locally and internationally. During her career in Accenture Ireland she operated in a number of key senior executive positions including as Executive Director on the Board. Marian serves on the Board of IDA Ireland, is a member of the Governing Authority at DCU and was also a member of the Irish Public Service Pay Commission.
- Chartered Director
- Certified Bank Director
- Professional Certificate in Leadership Coaching
- BSc Biotechnology

DONAL COURTNEY (57)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
3 October 2018

Nationality:
Irish

Committee Membership:
Audit Committee
Risk and Compliance Committee (Chair)

External Appointments:
Director of Dell Bank International and IPUT plc

Key Strengths, Skills and Experience
Donal is highly experienced finance, accounting and risk professional across leasing, lending and property financing with a particular competence in financial reporting, governance and internal controls. Donal brings to the Board experience in asset financing and funding vehicle structures such as collateralised loans and securitisations. Donal has extensive risk and audit experience holding audit and risk committee chair positions at Dell Bank International, IPUT plc and formerly at Unicredit Bank Ireland plc.

Donal is a former SVP and CFO at Capmark Bank Europe, a licensed real estate financing bank with operations in UK, France and Germany. Prior to this, Donal held Executive Director roles with the Irish operations of Orix Corporation, Airbus Industrie and GMAC Commercial Mortgage where he gained extensive experience in the aircraft leasing, financing and commercial property sectors. Donal is a qualified Chartered Accountant and started his career with Arthur Andersen where he went on to become a practice manager in its financial services division working with a broad range of clients across the leasing and banking industries.

- Fellow of Chartered Accountants Ireland
- BBS Trinity College, Dublin
- Certified Bank Director
- Accredited Funds Professional, Institute of Bankers

PAUL DODDRELL (54)
NON-EXECUTIVE DIRECTOR

Appointed to Board:
26 November 2020

Nationality:
British

Committee Membership:
Audit Committee
Risk & Compliance Committee

External Appointments:
Director of 3 to 48 Ltd and Cabot Financial Ireland Ltd

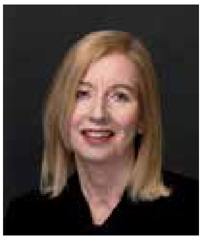
Key Strengths, Skills and Experience
Paul has significant executive leadership experience spanning finance, asset servicing, lending, operations, sales with specific management expertise in business strategy development and execution; risk management and change management. Paul's strategic insights and experience particularly in the area of mortgage servicing and credit provide core skills which the Board requires.

Paul is a highly experienced financial services executive and Board member who has successfully operated at executive management level in a number of organisations globally. Paul served as Pepper Group's Managing Director for Shared Services, and led the successful establishment and growth of Pepper's financial services operations in Ireland. Previously Paul held a number of key executive roles at GE Capital. Paul is currently a Non-executive Director and chair of the Audit and Risk committees at Cabot Financial Ireland.

- Chartered Management Accountant – ACMA, CGMA
- Certified Six Sigma Master
- BA(Hons) Business Studies
- Certified Bank Director

CELINE FITZGERALD (59)

NON- EXECUTIVE DIRECTOR



Appointed to Board:
30th March 2021

Nationality:
Irish

Committee Membership:
Nominations, Culture and Ethics Committee
Remuneration Committee

External Appointments:
Director of Vhi Health And Wellbeing DAC
and of Vhi Health And Wellbeing Holdings DAC
Chair, Pieta House

Key Strengths, Skills and Experience

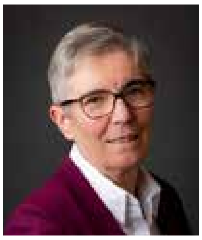
Celine is a former Non-Executive Director at the commercial semi-state company Ervia and has previous senior executive experience in the telecommunications (senior executive at Vodafone 1999 – 2007) and the managed services (CEO of Rigney Dolphin 2007 - 2012) industries. Celine was a Non-Executive Director on the VHI Main Board between 2010 and 2020 and was General Manager at the charity Goal between 2016 and 2018. Celine has also contributed her time to many other charitable foundations and is the current Chair of the charity Pieta House.

Celine is an experienced senior executive and Independent Non-Executive Director and has led culture transformation in challenging environments. Celine has had practical experience of handling ethical challenges in the charity sector during her time as Managing Director of Goal. Celine has an in-depth understanding of strategic differentiation to deliver customer value. Celine's knowledge and experience will be of significant benefit for the Board in its role to lead on evolving an open ethical, risk aware and inclusive culture which is focussed on building trust with customers, colleagues and communities.

- BA Management
- Chartered Director

ANNE BRADLEY (63)

NON-EXECUTIVE DIRECTOR



Appointed to Board:
30th March 2021

Nationality:
Irish

Committee Membership:
Audit Committee
Risk and Compliance Committee

External Appointments:
Director of Northern Trust International Fund Administration Services Ireland Ltd
Director Pieta House

Key Strengths, Skills and Experience

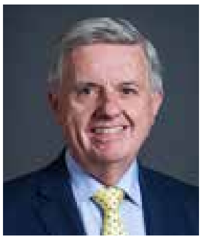
Anne's experience is centred on transformation and business change and her cross industry knowledge and experience will support the Board as the Bank continues to implement its digital transformation strategy while maintaining resilient and reliable IT systems.

Anne's has extensive experience in technology and has operated at senior levels, leading on IT resilience, emergency response, technology evaluation, crisis management, operational efficiency and IT infrastructure.

Anne worked with Aer Lingus/IAG Group until 2020 where, during a 40 year career she held a number of senior executive roles. Between 2015 and 2018 she was Director of IT with Aer Lingus and thereafter Head of Group IT Delivery/Digital Development (2018 -2020) with IAG Group. Anne was an Independent Non-Executive Director at Bus Eireann from 2015 to 2018 and more recently joined the Board of Northern Trust International Fund Administration Services Ireland Ltd.

- Fellow of the BCS The Chartered Institute for IT
- Chartered Director Certified Bank Director

KEN SLATTERY (73)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
30 August 2013

Nationality:
Irish

Committee Membership:
Nomination, Culture and Ethics Committee
Remuneration Committee (Chair)

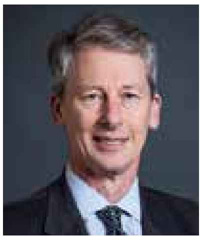
External Appointments:
Director of Home Building Finance Ireland, Home Building Finance Ireland (Lending) DAC, National Shared Services Office, Acorn Housing, Choice Housing Ireland Ltd and Oaklee Housing Trust

Key Strengths, Skills and Experience
Ken has wide-ranging experience of the Irish Financial Services landscape and his retail banking experience complements the key markets in which the Bank operates. Ken has a deep understanding of the legal and regulatory environment for Irish Banks and his previous role at MABS provides the Board with the customer advocacy skills in order to fulfil PTSB's purpose to build trust and grow a responsible and sustainable business. Ken also has significant experience serving as chair and member of various Board Committees which is of particular benefit as Chair of the Board Remuneration Committee and is well versed in the challenges of ensuring employee talent is both attracted to and retained by the Bank.

Ken is an experienced banker having retired from Bank of Ireland in 2006 following a career spanning 40 years in Corporate, Commercial and Retail banking. Ken has held non-executive director positions with a number of Irish and Northern Ireland government departments, including chair positions on audit and risk committees. He is also a former director of MABS and Realex Financial Services where he was chair of the Company's audit and risk committees until 2013.

- Fellow, Institute of Bankers
- Certified Bank Director

ANDREW POWER (65)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
26 September 2016

Nationality:
British

Committee Membership:
Audit Committee
Remuneration Committee

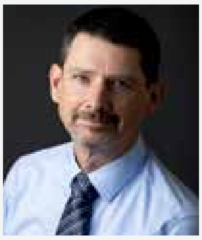
External Appointments:
Director of Andrew Power Consultancy Limited and The Tennis & Rackets Association Ltd.

Key Strengths, Skills and Experience
Andrew has wide-ranging experience as industry subject matter expert across banking, insurance, wealth management and investment management. Andrew's extensive retail financial services experience particularly around strategy development, operational model transformation and process improvement is a major benefit to the Board's collective skillset.

Andrew is a former partner in the Consulting arm of Deloitte UK, where he specialised in providing strategic advice. Andrew has advised many of the world's major financial services companies and has significant know-how of major financial markets and the regulatory landscape around the globe.

- MBA Harvard Business School
- MA Economics
- Certified Bank Director

CONOR RYAN,
COMPANY SECRETARY



Conor joined the Bank in 1989 and was appointed Company Secretary in 2017. As Company Secretary and Head of Corporate Governance, Conor is responsible for advising the Board, through the Chairman, on all governance matters. The role of Company Secretary is to align the interests of different parties around the boardroom table, facilitate dialogue, gather and assimilate relevant information, and support effective decision-making. Conor is a fellow of the ICSA: The Governance Institute and was President of the Institute in Ireland from 2014 to 2016.

2021 Board Meeting Attendance and Directorships

Member	Appointed	Ceased	Number of Years on Board	2021 meetings	Number of Directorships held
Non-Executive Directors					
Robert Elliott	31 Mar 2017	-	4.9	29/29	7/3
Ken Slattery	30 Aug 2013	-	8.4	29/29	5/3
Paul Doddrell	26 Nov 2020	-	1.1	29/29	6/2
Ronan O'Neill	26 Jul 2016	-	5.5	28/29	3/2
Andrew Power	26 Sep 2016	-	5.3	28/29	4/1
Donal Courtney	03 Oct 2018	-	3.3	28/29	6/3
Ruth Wandhöfer	30 Oct 2018	-	3.2	28/29	7/3
Marian Corcoran	24 Sep 2019	-	2.3	29/29	5/2
Anne Bradley	30 Mar 2021	-	0.8	22/22	4/2
Celine Fitzgerald	30 Mar 2021	-	0.8	22/22	5/2
Executive Directors					
Eamonn Crowley	10 May 2017	-	4.7	29/29	8/1
Mike Frawley	29 Oct 2019	-	2.2	28/29	2/1

Notes:
PTSB is the sole direct subsidiary of PTSBGH. During 2021, the composition of the Boards of PTSBGH and PTSB were identical. Meetings of the Boards of PTSB and PTSBGH run concurrently. Concurrent Board meetings or consecutive Board meetings of PTSB or PTSBGH held on the same day are counted as a single attendance above.

Number of Directorships: the first number stated is the total number of directorships held and the second number is the number of directorships as counted under Article 91(3) and (4) of Directive 2013/36/EU (for the purposes of calculating these directorships, multiple directorships within a group are counted as a single directorship and directorships in organisations which do not predominantly pursue commercial objectives are also not included). Directorships are those held at 31 December 2021 or at time of cessation from the Board.

Division of Responsibilities

The roles and responsibilities of the Board collectively, the Executive and Non-Executive Directors, the Chairman, Senior Independent Director and Company Secretary, are clearly laid out and documented in a Board Manual, which is reviewed and updated on a regular basis by the Board and at least annually.

The Chairman

Robert Elliott's responsibility as Chairman is to ensure the efficient and effective working of the Board. His role is to lead and manage the business of the Board, promoting the highest standards of corporate governance and ensuring accurate, timely and clear information for the Board, and to lead the process for the annual performance evaluation of the Board, its Committees and the Non-executive Directors. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular, and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman has a strong working relationship with the CEO, Eamonn Crowley, and acts as a confidential sounding board for the Directors. Robert Elliott is also Chairman of the Nomination Culture and Ethics Committee.

The Senior Independent Director

Ronan O'Neill is the Board's Senior Independent Director and his primary role is to support the Chairman on all governance related matters. In addition, he specifically leads the annual appraisal of the Chairman's performance, acts as an intermediary for other Directors, and ensures that the views of the Non-Executive Directors are heard. He is available to shareholders, should they wish to raise any matter directly.

The CEO

The Board delegates executive responsibility to Eamonn Crowley, the CEO, for the Bank's operations, compliance and performance. The role of the CEO is to select and lead an effective team to manage the Bank. The executive management team is called the Executive Committee, details of which are set out on pages 115 to 116. The CEO is responsible for the formulation of the Group's strategic, operating and financial plans, for review and presentation to the Board, and for the implementation of these plans. The CEO is also required to provide information to the Board that is reliable, relevant, timely, clear and balanced, in order to assist the Board in monitoring the performance of the Group and in making well informed and sound decisions.

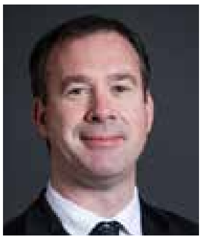
The Company Secretary

Conor Ryan, Company Secretary and Head of Corporate Governance, assists the Chairman in promoting the highest standards of corporate governance. He supports the Chairman in ensuring Directors receive timely and clear information so that the Directors are properly equipped for constructive debate and informed decision making. He is a central source of guidance and advice on policy, procedure and governance. He co-ordinates, when necessary, access to independent professional advice for Directors. He oversees compliance with all of the Group's governance related legal and regulatory obligations. In addition, he has responsibility for providing a high quality service on all shareholder related matters. All Directors have access to the advice and services of the Company Secretary and Head of Corporate Governance.

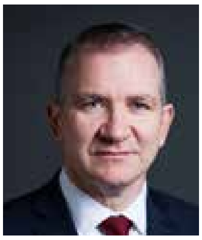
EXECUTIVE COMMITTEE

EAMONN CROWLEY
CHIEF EXECUTIVE

MIKE FRAWLEY
CHIEF RISK OFFICER

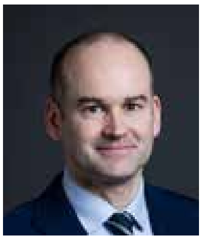


GER MITCHELL
CHRO & CORPORATE DEVELOPMENT DIRECTOR



Ger has been a member of the Executive Committee since 2012. Ger is an experienced commercial leader who has held a number of senior retail, commercial and customer roles prior to his appointment as HR Director in 2017. In 2020 Ger's role was expanded to include 'Corporate Development' which brings the strategic disciplines of; marketing, brand, corporate affairs, customer experience, sustainability and communications together with organisation design, talent development, people experience and culture evolution. The HR and Corporate Development Function leads the embedding of the Bank's Purpose; to build trust by making a difference in the lives of customers, colleagues and communities, every day. HR and Corporate Development lead a number of strategic programmes focused on Brand, Culture and Reputation; Customer Strategy and Experience; Enterprise Transformation, including Hybrid Workplace; and Sustainability.

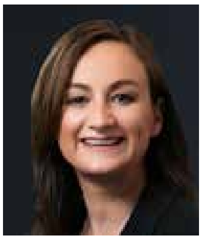
ANDREW WALSH
LEGAL COUNSEL



Andrew has extensive legal advisory experience, in both private practice and in-house roles. Andrew joined the Bank in 2014 and became a member of the Executive Committee in 2015. Prior to joining the Bank, Andrew was a partner in a leading corporate Irish law firm, where he worked for over 10 years. While in private practice, Andrew advised a number of Irish and international banks and financial services institutions.

In his role as Legal Counsel, Andrew leads the Bank's Legal function. The Legal function is responsible for overseeing all legal aspects of the Bank's business, as well as inputting into the Bank's strategic decisions and identified growth opportunities. The Legal function also provides support to ensure that the Bank's operations, products and service strategies are designed to consistently adhere to legislative/regulatory requirements and best practice.

CLAIRE HEELEY
HEAD OF INTERNAL AUDIT



Claire, a Chartered Accountant with over 20 years' experience, joined the Bank in 2021 as the Bank's Head of Group Internal Audit from KPMG, where her most recent role was Managing Director, Risk & Regulatory Consulting. In this role Claire led major risk transformation projects and the delivery of internal audit services to a portfolio of financial services clients for over six years. Prior to her role as Managing Director, Risk & Regulatory Consulting, Claire held a number of senior roles including: Retail Division Audit Partner in the Group Internal Audit division of Bank of Ireland and Deputy Group Secretary of Bank of Ireland.

Internal Audit provides independent assurance to the Board over the adequacy and effectiveness of the governance, risk management and control processes in operation across the Bank. Claire is a regular attendee at Group Executive Committee meetings but, in accordance with good governance practice, has no voting rights. Claire has a direct reporting line to the Chairman of the Board Audit Committee.

DECLAN NORGROVE
CHIEF FINANCIAL OFFICER (interim)

Declan joined the Bank in 1982 and was appointed Interim Chief Financial Officer in 2021. Declan is an accomplished finance leader having previously held a number of senior risk and finance roles at the Bank including Group Head of Finance and Head of Risk Governance & Strategy. Declan has proven expertise in financial reporting, financial management, regulatory reporting, treasury, risk management and has provided leadership on many of the corporate action programmes undertaken by the Bank over the last decade.

The Group Finance Function includes the following span of operations: Investor Relations; Finance Operations; Central Data Office; Treasury; Financial Reporting; Financial Accounting, Statutory Reporting and Tax; and, Regulatory Reporting.

TOM HAYES
CHIEF TECHNOLOGY OFFICER

Tom is an experienced business change and IT leader with wide experience of Digital and Technology enabled transformation. Tom joined the Bank in 2017 from AIB where he had worked since 1992, and where he was most recently Head of Digital Transformation Delivery. Tom has held various senior technology leadership roles including: Head of Customer Engagement Technology, AIB Digital and Group Head of IT Infrastructure & Operations.

Group Technology has responsibility for the development and implementation of the Bank's Technology strategy, the implementation of the Digital Transformation roadmap and the full portfolio of IT Change Delivery. This involves close collaboration with the Retail Banking and Group Operations teams to design and deliver on the Bank's Digital Transformation. The Division also has responsibility for the day-to-day critical operations and protection of technology enabled customer services.

PATRICK FARRELL
RETAIL SALES DIRECTOR

Patrick has over 25 years' experience across the banking industry. Patrick joined the Bank in December 2018 as Retail Banking Director. Patrick has previously held senior management roles in Strategy, Product and Proposition Development, Marketing, Private Banking and, Retail Sales and Service Distribution.

The Retail Banking Division is responsible for all sales and service channels and the Bank's product management strategy. The Function has multi-channel oversight across sales and service with a focus on improving customer experience, meeting customer needs and wants, enabling income growth and delivery. The division closely collaborates with the Corporate Development and HR Team on customer propositions and experience.

PETER VANCE
CHIEF OPERATING OFFICER

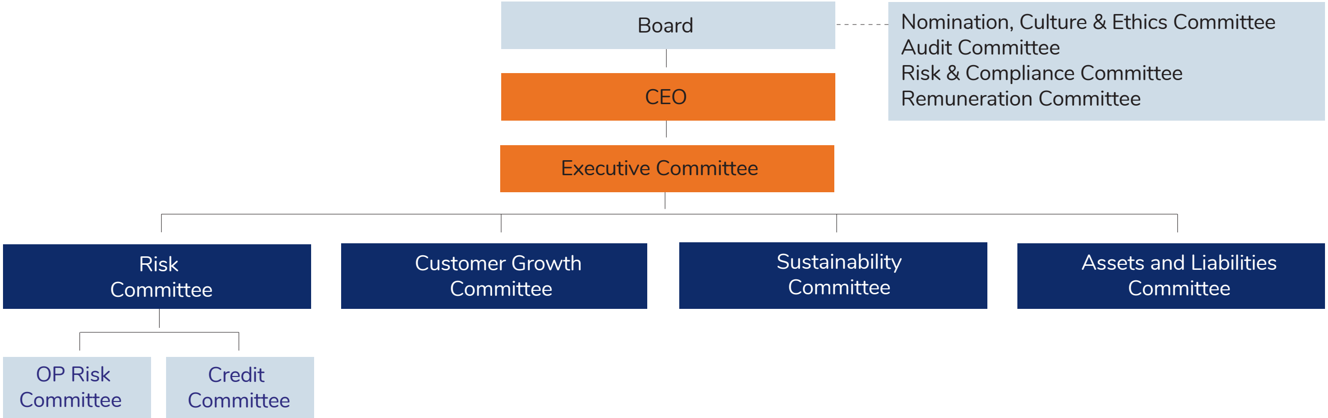
Peter joined the Bank as Chief Operations Officer in 2021 from AIB, where his most recent role was Head of Customer Services. In this role, Peter was responsible for leading multiple activities in both Ireland and the UK including; including; Payments, Treasury services, Financial Crime, SME Lending and the Customer Service Centre. Prior to his role as Head of Customer Services, Peter held a number of other senior executive positions at AIB including; Head of Payments, Cards and Treasury Services, Head of Payments and Head of Payments Transformation.

Group Operations encompasses Banking Operations, Collections & Recoveries and other key functions. The business unit is focussed on consolidating, standardising and simplifying activity so as to enable the Bank to deliver an exceptional customer experience, while also generating efficiencies.

Executive Committee Vacancies

Declan Norgrove was appointed to fill the Chief Financial Officer role on an interim basis, the Bank's recruitment process to fill the position on a permanent basis is progressing.

Corporate Governance Statement
Governance Structure, Roles and Responsibilities



Board
The Board retains accountability for corporate governance within the Bank at all times. The Board has reserved for itself a documented schedule of matters for its own approval. The Board delegates executive responsibility to the CEO for the Bank's operations, compliance and performance. The CEO is the principal executive accountable to the Board for the day to day management of the Bank. The CEO has established the Executive Committee whose terms of reference are approved by the Board.

Without prejudice to the powers delegated to it, the Board, directly or through its Committees, has exclusive powers regarding a number of matters including acting on behalf of the shareholders to oversee the day-to-day affairs of the business, ensuring the Bank's sustainability by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders, customers, colleagues and other key stakeholders. In addition to business and financial issues, the Board will determine the business strategies and plans that underpin the corporate strategy, whilst ensuring that the Bank's organisational structure and capability are appropriate for implementing the chosen strategies. The Board must deal with challenges and issues relating to corporate governance, sustainability and corporate ethics.

Board

- Sets and oversees performance against strategy.
- Ensures business activity aligns with the Company's stated Purpose, Ambition, Values and Culture.
- Set and oversees all risk, financial, compliance and performance standards.
- Demonstrates leadership (sets the tone from the top)

In line with its legal and regulatory obligations, the Board has established Audit, Risk, Remuneration and Nomination committees as described below. Being composed of the same members and in managing a common agenda, Board Committee meetings of the Company and PTSB run concurrently.

Nomination, Culture and Ethics Committee
Robert Elliott (C)
Ken Slattery
Ronan O'Neill
Marian Corcoran
Celine Fitzgerald

- Reviews structure, effectiveness and composition of the Board.
- Reviews all new Director and senior management appointments.
- Oversees succession planning and performance for directors and senior management.
- To review/monitor the design, implementation and effectiveness of the Company's Purpose, Ambition and Values.
- Oversees the Company's Culture, Ethics, Diversity, Workforce Engagement, and Responsible Business Programmes.

Audit Committee
Ronan O'Neill (C)
Donal Courtney
Paul Doddrell
Andrew Power
Anne Bradley

- Oversees internal financial controls.
- Reviews full year and half-year financial statements.
- Oversees all relevant matters pertaining to the external auditors.
- Monitors the output of internal audit findings
- Monitors the effectiveness of the Internal Audit Function.
- Reviews discoveries of fraud and violations of laws and regulations as raised by the head of GIA.

Risk and Compliance Committee
Donal Courtney (C)
Paul Doddrell
Ruth Wandhöfer
Marian Corcoran
Anne Bradley

- Oversees financial and non-financial risks.
- Monitors and makes recommendations to the Board on the Company's appetite for risk.
- Oversees credit, funding and liquidity policies.
- Reviews the Company's regulatory obligations and treatment of customers.
- Review and provide guidance to the Board on the Company's capital and liquidity position for use in strategic decision making.
- Oversight and guidance to the Board on Recovery and Resolution Planning.
- To assess the impact of Climate Risk on the Bank's overall Risk Profile

Remuneration Committee
Ken Slattery (C)
Robert Elliott
Andrew Power
Ruth Wandhöfer
Celine Fitzgerald

- Oversees remuneration and reward strategies.
- Ensures remuneration strategy is aligned with the Company's appetite for risk.
- Oversees senior management reward.
- Monitoring relevant external benchmarks for posts within the scope of Committee.

Executive Committee

The Executive Committee reports upward through the CEO to the Board, and where delegated, have the power to act on behalf of the Board. The Executive Committee advise the Board on matters ranging from business performance, strategy planning, policy, people and culture, investment and risk. The Executive Committee is accountable for the operations, compliance and performance of the Bank. It is responsible for delivery of all delegated governance commitments. The terms of reference of the Executive Committee is approved by the Board.

The Executive Committee has established a number of sub-committees made up of senior management with relevant expertise to address the delegated obligations of each sub-committee. The duties of these sub-committees are based on providing organisational direction on behalf of the Executive Committee. Each Executive Committee member provides relevant leadership to the sub-committees, making sure objectives are met. The Executive Committee member which chairs the respective sub-committee provides updates to the Executive Committee, serving as a conduit between the sub-committees and the Executive Committee. The Board has delegated oversight of Bank Wide Risk Management Issues to the Group Risk Committee and an important safeguard in exercising this delegation is the requirement that all members of the Executive Committee be concurrent members of the Group Risk Committee.

Executive Committee

- Developing and implementing (as approved by the Board) the Bank's Strategy, Strategic Direction and Management Model
- Allocating, and re-allocating, the Bank's resources (financial and people) to ensure that commitments are executed and delivered
- Accountable for the Group's operations, compliance and performance
- Oversees day-to-day management of the Group
- Forum for Group-wide functional issues

Risk Committee

- Oversight of Bank wide Risk Management Issues
- Developing the structure and content of the Bank's Risk Management Architecture
- Maintains, monitors and enforces adherence to risk policies and frameworks
- Recommends changes to risk appetite and internal capital and liquidity levels
- Measure and monitor the total risk position of the Bank and to maintain a Risk Register of top risks facing the Bank, together with an assessment of the probability and severity of those risks

Assets and Liabilities Committee

- Manages assets and liabilities, treasury investments, capital management and asset allocation
- Manages risks, hedging and ALM systems
- Refresh and recommend to Risk and Compliance Committee for approval a number of Treasury and Liquidity related Policies
- Reviews the ongoing capital adequacy for the Group
- Reviews the output from internal capital stress testing programmes
- Oversees the Capital Risk related activities and supporting Policies

Credit Committee

- Recommends relevant Portfolio Credit Risk elements of the Group's RAS for approval by the Board
- Monitors adherence to the Group's Credit Policy and Framework
- Monitors the portfolio Credit risks to which the Group is exposed
- Escalation point for customer lending decisions
- Maintains and assesses the portfolio Credit Risk profile against set limits and approves (within governance) remediation plans to restore Risk Appetite where required
- Reports any breaches of approved limits in accordance with agreed protocol

Operational Risk Management Committee

- Monitors the Operational and IT risks to which the Company is exposed
- Oversees risk mitigation, performance and prioritisation related to the management and control of risk
- Reviews and discusses the outputs and results of control testing
- Creates awareness of commonly experienced operational & IT risk matters, to share learnings and enhance the control environment across the Company
- Review and monitor KRIs and the operational and IT Risk Appetite Statement
- Review emerging risks and other relevant operational and IT risk metrics

Customer Growth Committee

- Prioritise opportunities, resources and capabilities to deliver sustainable commercial growth
- Oversight of significant business propositions and strategies that have a material customer impact
- Approval body for product governance arrangements
- Review body for all high impact customer events, issues and complaints
- Monitor and report on customer performance indicators aligned to the Banks strategic pillars
- Monitor and report on conduct risk indicators against the Board approved risk appetite and conduct risk principles
- Serve as the central oversight body for all significant customer matters ensuring fair treatment of customers

Sustainability Committee

- Oversight of development and implementation of the Bank's Sustainability Strategy and related KPIs
- Monitor and report progress against Sustainability objectives
- Oversees the Sustainability related activities and provide support and guidance into sustainability activities across the Bank, including regulatory compliance; risk management frameworks; and green products and services

Corporate Governance Statement
Board Leadership and Effectiveness

"The Board has overall governance responsibility for the operations of the Bank"

Board Role and Responsibilities

The Board as a whole is collectively responsible for the leadership, strategic direction and policy, operational performance, financial matters, risk management and compliance of the Bank. The Board exercises leadership, integrity and judgement in directing the Bank, based on transparency, accountability and responsibility. The Board is also the focal point for the implementation of best practice corporate governance within the Bank. All Directors must take decisions objectively in the interests of the Bank. The key responsibilities of the Board as a whole are to:

Key Responsibilities of the Board	
Customers	Ensure that the Bank's culture, systems and practices promotes the fair and transparent treatment of customers, both existing and new.
	Deliver a positive customer-focused culture that is both embedded through adherence to the Bank's purpose, ambition and values and can be effectively demonstrated through regular updates from Management.
Culture and Diversity	Setting the Bank's purpose, ambition and values, and monitoring culture and alignment to the established purpose and values.
	Embedding the Bank's Organisational Culture and Diversity and Inclusion Programmes.
Strategy	Question, challenge, assist in the development of, and approve the strategic and operating plans proposed for the Bank by Management. Ensure that an appropriate level of balance exists between its strategic contribution and that of its monitoring and policing activity.
Stakeholders	Ensure effective engagement with and understanding of stakeholders views.
Risk Appetite and Risk Management	Define the strategy for the ongoing management of material risks and ensure that the Board is sufficiently briefed on major risk factors by ensuring that there is a robust and effective internal control framework that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.
	Provide leadership for the Bank within a framework of prudent, ethical and effective controls which enable risk and compliance to be assessed and managed.
Capital Structure	Set and oversee the amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Bank.
	Be accountable, particularly to those who provide the Bank's capital.
People and Reward Strategy	Ensure that there is a remuneration framework that is in line with the risk strategies of the Bank.
	Ensure that there is a robust and transparent organisational structure with effective communication and reporting channels.
	Ensure that Management create and develop a performance culture that drives value creation without exposing the Bank to excessive risk of value destruction.
	Ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success and that the workforce should be able to raise any matters of concern.
Oversight	Make well informed and high quality decisions based on a clear line of sight into the business.
	Ensure that the Bank has a robust finance function responsible for accounting and financial data.
Governance Arrangements	Review regularly the appropriateness of its own governance arrangements and conduct internal as well as external evaluation of the Board's effectiveness.
	Review corporate governance matters such as Group Frameworks, terms of reference and succession plans.

Directors must also act in a way they consider, in good faith, would promote the success of the Bank for the benefit of shareholders as a whole and, in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long-term; the need to foster the Bank's business relationships with customers, suppliers and others; interests of the Bank's employees; impact of the Bank's operations on the community, environment and tax payer; and desirability of the Bank maintaining a reputation for high standards of business conduct.

Board Decisions

There is an effective Board to lead and control the Bank with members who have diverse expertise in various aspects of the Bank's business. The Board has reserved to itself for decision, a formal schedule of matters pertaining to the Bank and its future direction, such as the Bank's commercial strategy, major acquisitions and disposals, Board membership, the appointment and removal of senior executives, executive remuneration, trading and capital budgets, risk management and compliance frameworks. This schedule is updated on a regular basis and at least annually. On an annual basis, the Board approves a RAS together with its strategic, operating and financial plans. The RAS is a description of the level and types of risk the Bank is willing to accept or to avoid, in order to achieve its business objectives.

The Board delegates day-to-day management of the Bank to the CEO. The Board relies on the Risk Appetite and the delivery of strategic, operating and financial plans to be implemented by the CEO, the Bank's Executive Management Committee and their Management sub-committees. All strategic decisions are referred to the Board. Documented rules on management authority levels and on matters to be notified to the Board are in place, supported by an organisational structure with clearly defined authority levels and reporting responsibilities.

Board Focus Areas and Priorities

During 2021 a key focus for the Board was managing the Bank's change agenda. The transaction to acquire certain elements of the Ulster Bank business together with the opportunity presented for customer acquisition following the withdrawal of both Ulster Bank and KBC from the Irish market was a key focus for the Board. Ensuring the Ulster Bank business acquisition created value, overseeing the resultant due diligence process and ensuring the adequate allocation of resources to execute the project were all key focus areas for the Bank. A key enabler to drive customer acquisition for the Bank was continued investment in technology to drive digital innovation and ensuring this work was undertaken in managed and risk aware manner while maintaining resilient day to day operations, this was a key focus area for the Board. The Board continued to focus on ensuring the Bank was evolving its culture, strengthening its balance sheet, adapting its corporate strategy, conforming to effective, prudent and ethical standards of corporate governance and effectively managed in the areas of risk and compliance.

The priorities for the Board in 2022 will include oversight of the migration programme for the transfer of Ulster Bank business and colleagues to the Bank (subject to regulatory and competition approval) customer allocation strategy and execution and launch of new digital capability. The Board will also focus on developing the Bank's SME Strategy to complement the acquisition of the Lombard and Ulster business which will be supported through digital enablement and personal customer service. The Board will also be focussing on the execution of its newly launched sustainability strategy and working with stakeholders towards to development and execution of a new brand proposition. The Board will continue to ensure that this is done in a prudent manner which ensures the Bank can execute change while maintaining resilient systems and customer service.

> "The Board is responsible for setting, approving and overseeing the implementation of the overall business strategy taking into account the Bank's long-term financial interests and sustainability"

Strategy Development

The Board has responsibility for developing the Bank's purpose, ambition, values and strategy, ensuring these are the drivers of the Bank's evolving culture.

The Board has approved five strategic pillars and a series of foundational capabilities through which key transformational programmes of work are executed. These programmes are executed via the Bank's 'Strategic Portfolio' – a tool for managing, tracking and reporting strategy execution. This ensures that the Bank's strategy is aligned to its stated purpose and ambition.

The Board annually approves a five year strategic and operating plan (Medium Term Plan or MTP) that links through an integrated planning process to the Bank's ICAAP, ILAAP, Recovery Plan and Risk Appetite Statement.

The role of the Non-Executive Directors is to help Management: develop, constructively challenge and critically review proposals on strategy; oversee and monitor strategy implementation; and, address any weaknesses identified regarding its implementation. While there is a formalised strategy development and approval process as set out below, there is also regular and ongoing Director discussion and challenge on strategy development and execution at Board meetings. The effectiveness of the strategy development process is a key element of the annual Board review where feedback is sought on the process' effectiveness during the year in review.

4 Stage Annual Strategy Development Process

Strategy Session 1 (October 2021)

This is a standalone strategy session which sets out the internal environment in which the Bank operates. The session is structured around presentations from management and the Bank's external economist, and also includes input from other relevant speakers on particular topics of interest. For example, in 2021, the session included an externally led deep-dive into Digital Banking. The first strategy session outlines the point of departure for the Bank, as well as key challenges facing the Bank over the planning period. The Board discusses and debates the key areas of strategic focus for the Bank over the coming years and discusses the relevant priorities of the Bank, including trade-offs that may have to be made over the planning period. This is a key opportunity for Non-Executive Directors to provide feedback and input to the strategy planning process before the first advanced draft of the Strategic Portfolio is presented to Board at Strategy Session 3.

4 Stage Annual Strategy Development Process

Strategy Session 2 (Early November 2021)
The Board is presented with a draft five year financial plan (MTP). This plan sets the key risks and opportunities faced by the Bank, the key assumptions underpinning the plan and a summary of profit and loss, balance sheet and capital performance over the planning period. This affords the Board the opportunity to challenge the key assumptions underpinning financial performance, seek assurance on elements of the plan, discuss the aforementioned risks and opportunities and suggest changes to the plan over the planning period.

Strategy Session 3 (Late November 2021)
The Bank's Executive Management Team presents how Board feedback from Strategy Sessions 1 and 2 have been addressed, as incorporated into a revised draft financial plan and draft Strategic Portfolio. This session is the last formal checkpoint that Board has to provide input and challenge to the strategic and financial plans (including an assessment of capacity to deliver), in advance of formal approval of the plans by year end. The third session also provides an opportunity for the Second Line of Defence to present their emerging challenge and assessment of the proposed plans. The session includes a significant deep-dive into key strategic programmes or themes, and is supplemented by external inputs if required. For example, in 2021 the session included an external spotlight on Sustainability.

Final Sign-Off (Mid-December 2021)
Following completion of the third strategy session, and with continued engagement with the Bank's Management Team, the final draft Strategic and Financial plans are presented to Board for formal approval. This takes place in mid-December as part of the agenda for the standing monthly Board meeting.

The Board is responsible for overseeing the implementation of the overall business strategy and receives reports on the execution of the Bank's strategy on a monthly basis as a standing item on the Board agenda.

Independence

The independence status of each Director on appointment is considered by the Board. In addition, the independence status of each Director is reviewed on an annual basis to ensure that the determination regarding independence remains appropriate. In determining independence, the Board will consider guidance on independence provided within the UK Code.

The Board has carried out its annual evaluation of the independence of each of its Non-Executive Directors, taking account of the relevant provisions of the UK Code, namely whether the Directors are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect the Directors' judgment.

With the exception of Marian Corcoran and Paul Doddrell, who were each appointed to the Board under the terms of a Relationship Framework with the Minister for Finance of Ireland, the Board is satisfied that each of the current Non-Executive Directors including the Chairman fulfil the independence requirements of the UK Code.

Each of the Chairman and all of the Non-Executive Directors bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Board Size and Composition

The Composition of the Board and its Committees is reviewed by the Nomination, Culture and Ethics Committee and the Board annually to ensure that there is an appropriate mix of knowledge, experience and skills. This review considers tenure, succession planning, Board gender diversity targets and assessment of the continued collective suitability of the Board. The Board has a target size of 12-13 Directors. In addition to having Directors with a broad range of knowledge, experience and skills, a principal consideration used to determine the size of the Board is the ability to resource all of the Board's Committees with at least four Non-Executive Directors and without need for over reliance on any one Director or small group of Directors.

Save where a Director is nominated for appointment by the Minister for Finance under the Relationship Framework, the Board requires that all Non-Executive Directors are Independent Non-Executive Directors. The Board believes that there is an appropriate combination of Executive and Non-Executive Directors so that there is sufficient independent challenge and oversight of the Executive Directors and such that no individual or small group of individuals can dominate Board decision making.

At 31 December 2021, the Board comprised twelve Directors: the Chairman, who was independent on appointment, the CEO, the CRO and ten Non-Executive Directors, eight of whom have been determined by the Board to be independent Non-Executive Directors. On appointment in 2022, the successful CFO candidate will join the Board. Changes to the Board during 2021 included the appointment of Ms Anne Bradley and Ms Celine Fitzgerald as Non-Executive Directors on 30 March 2021. Biographies of each of the Directors are set out in the Board of Directors section on pages 107 to 112. The wide range of knowledge, experience and skills that is encapsulated in the biographies is harnessed to the maximum possible effect in the deliberations of the Board. Having Directors with diverse backgrounds in areas such as risk management, banking, change management, digital/IT, strategy and planning, finance, culture evolution, change management and auditing provides both subject matter expertise and facilitates a broad spectrum of review and challenge at Board meetings, particularly when addressing major issues affecting the Bank.

Decisions on Board membership are taken by the Board or by shareholders with recommendations coming from the Nomination, Culture and Ethics Committee.

Term of Office

The term of office of Non-Executive Directors is three years, (with an option for a further three years) and is subject to satisfactory performance that is reviewed annually. In accordance with the UK Code, all Directors are required to seek re-appointment by election at the AGM. Non-Executive Directors will automatically retire from the Board after six years. It is always at the discretion of the Board to invite a Non-Executive Director to continue for a further period but this discretion will only be exercised in exceptional circumstances.

The Chairman is proposed for re-appointment by the Directors on an annual basis. The term of office of the Chairman is six years. The Chairman has informed the Board he will not seek an extension to his term of office which is due to expire in March 2023 and a process to identify his successor is now underway.

Executive Directors' service contracts are reviewed by the Remuneration Committee and approved by the Board. Existing Executive Directors' contracts provide for a rolling 11.5 month notice period to be provided, however, this was reduced to six months for all Executive Director Board appointments from 2020. Holders of Executive office in the Company will vacate the office of Director on ceasing to hold Executive office. Directors who hold any directorship in a subsidiary of the Company will vacate said directorship on ceasing to be a Director of the Company and no Director will receive compensation for loss of office as a Director of a subsidiary of the Company.

Board Performance Evaluation

The Board has a formal and rigorous performance evaluation process to assess the effectiveness of the Board, its Committees, and individual Directors. The performance evaluation is conducted internally on an annual basis, and externally facilitated every three years. An externally facilitated evaluation of performance last took place in 2018 and was completed again in 2021.

The evaluation of the Board and its Committees considers the balance of skills, experience, independence and knowledge of the Board, its diversity, including gender balance, how the Board works together as a unit, and other factors relevant to its effectiveness. In addition, the evaluation ensures that Board committees have the requisite expertise to properly discharge their duties.

The process for the 2021 Board performance evaluation is described below. The methodology used for the evaluation sets out to ensure that there was a formalised approach to the Board evaluation that took into account both the views of the Directors and Senior Management. The rationale for the approach taken also ensured that the performance evaluation of individuals and of the Board collectively was brought together into one integrated process.

2021 Board Performance Evaluation

In line with the provisions of the UK Code an externally facilitated evaluation of Board performance took place in 2021. This performance evaluation process was externally facilitated by Promontory Financial Group (Promontory). Promontory provides other services to the Bank in the area of Risk governance and Director training and Promontory has no other connections with the Bank or with individual directors.

The scope of Promontory's review included:

- an assessment of the current performance and cohesion of the Board, its directors, and its principal committees in light of PTSB's structure, business model and strategy;
- an assessment of the Board's evolution and how recommendations from the last Board Effectiveness Review by Promontory (conducted in 2018) have been considered;
- evidence strengths of the Board and Board processes, and identify any areas Promontory considered the Board could be more effective; and
- Propose a set of recommendations, if appropriate, to enhance Board performance.

The Promontory evaluation which commenced in September 2021 and concluded in January 2022 compromised the following activities:

- Meeting with the Chairman and Company Secretary to discuss the scope and objectives of the review;
- One to one interviews with all Directors, the Company Secretary, Head of Group Internal Audit and Head of Compliance;
- A desktop review of relevant documents including a detailed analysis of Board papers;
- Attendance in an observer capacity at the November meetings of the Board, Risk Committee and Audit Committee; and
- Attendance at a meeting of the Nomination, Culture and Ethics Committee on the 14 February 2022 to present their findings.

The externally facilitated evaluation was also supported by a number of internal actions:

- The issue to Board of a questionnaire based on key governance related themes to assess the performance of the Board and its Committees.
- The Chairman held private one-to-one interactions with each of the Non-Executive Directors to evaluate their performance and agree developmental areas relating to their own individual performance. These interactions also provided a forum for the Chairman to obtain views of individual Directors with regard to the effectiveness of the Board and that of its Committees and to assess training requirements for individual directors and collectively for the Board;
- The Senior Independent Director met with each of the Directors and Company Secretary to seek feedback on the performance of the Chairman;
- The Chairman obtained feedback from the Non-Executive Directors on the CEO's performance; and
- Preparation of a governance compliance document providing analytics on Board tenure, Board committee meeting attendance, assessment of director independence, assessment of director time/external commitments and conflicts of interest.

The output from the above actions together the report from Promontory were considered at a meeting of the Nomination, Culture and Ethics Committee's on the 14 February 2022 and by the Board on the 1 March 2022.

Outcomes of 2021 Board Performance Evaluation

During a meeting held on 14 February 2022, the Nomination Culture and Ethics Committee received a report from both Promontory and the Company Secretary on the performance evaluation of the Board for 2021. The Promontory report found that the Board had operated in a cohesive, respectful and collegiate manner; demonstrating thoughtful and good levels of challenge and oversight to the Bank's management team and was focused on the most material matters for the Bank. The report further stated how there were very good levels of engagement from all directors, who exhibited a significant level of commitment and focus during an intensive period for the Bank that included a range of significant activities beyond business-as-usual such as the Ulster Bank transaction, Covid-19, major change projects and recruitment activity relating to key members of the Executive. Furthermore, the Board had maintained good corporate governance discipline despite a demanding number of meetings and full agenda throughout the past three years and directors had shown commitment to addressing issues and seeking to secure the long-term future of the Bank. The Board continues to interact with a wide range of staff from across the Bank, which is evident from the diverse set of presenters at Board and committee meetings. Directors actively encouraged Board exposure for staff who are at the forefront of conducting the work being overseen by the Board.

The promontory report also set out a series of recommendations which have been considered and endorsed by the Board and which are summarised below:

2021 Board Performance Recommendations

Culture	Enhanced focus on developing, maintaining and monitoring the desired culture of the Bank as it becomes a larger organisation through the acquisition of parts of the Ulster Bank business.
Risk	To cement the gains made in progressing risk culture of the Bank, the Board should continue to prioritise its focus on overseeing the continued embedding of the Risk Management Framework across all three lines of defence.
Change Management	To keep under review options for alleviating stretch on certain key senior members of management who are simultaneously charged with both running and transforming the bank.
Board Committees	Implementation of a standing item at the end of each board committee meeting to agree the key matters to be raised at the subsequent Board meeting.
Board, Cycle frequency and agenda	Following 29 meetings in 2021, the Board should consider the point at which it would likely make a viable return to a more traditional schedule of meetings and furthermore accelerate a return to both in-person and virtual meetings (Hybrid meeting model).
IAF and SEAR	In light of the impending introduction of IAF and SEAR, the Company Secretary should conduct a review of board processes and documentation once the legislative detail is made clear.
Board Reporting	The Board should continue to encourage more explicit and proactive raising of risks and issues in management reporting to the Board and its committees.

Director Induction and On-Going Business Awareness

On appointment to the Board or to any Board Committee, all Directors receive an induction training schedule tailored to their individual requirements. The induction, which is designed and arranged by the Company Secretary in consultation with the Chairman, will include meetings with Directors, Senior Management and key external advisors, to assist Directors in building a detailed understanding of the Bank's operations, management and governance structures, including the functioning of the Board and the role of Board Committees and key issues facing the Bank. Directors will also be encouraged, where appropriate, to make site visits to see the Bank's operations first hand. Where appropriate, additional business awareness briefing sessions and updates on particular issues identified in consultation with the Chairman and Non-Executive Directors will be arranged by the Company Secretary. These will be held regularly to ensure that Non-Executive Directors have the knowledge and understanding of the business to enable them to contribute effectively at Board meetings. The business awareness and development needs of each Non-Executive Director will be reviewed annually as part of the performance evaluation process.

2021 Board Training and On-Going Business Awareness

Board Training Sessions
A number of Board training sessions were facilitated during 2021 to support on-going business awareness and Director development. Given the challenges of COVID-19 these sessions were typically delivered through electronic channels. Topics for Board training sessions are recommended by the Board Nomination, Culture and Ethics Committee and include a balance of technical, governance and professional development. Training delivered during 2021 included: a Loan Impairment spotlight; Board Reporting with clarity and Impact; Sustainability; Anti-Money Laundering; Cyber Security; Market Abuse; and Corporate Legal and Regulatory latest Developments.

Board Briefings
In addition to formal Board training sessions, a number of Board briefings were presented to the Board during 2021. The purpose of these briefings is to ensure Directors have the knowledge and understanding of the business to enable them to contribute effectively to meetings, by providing insight into impending changes which may impact on the Board's responsibilities, the Bank's progress in implementing such changes, or to present industry updates. Board briefings presented during 2021 included: Covid-19 Impacts; Government of Ireland Housing for all plan; post Brexit environment; macro-economic outlook; equity market performance/outlook; capital and liquidity planning, recovery planning; and, future of banking and technology spotlights.

Individual Director Development
An individual training plan is developed for each Director on appointment and reviewed annually by the Chairman. The purpose of individual training plans is to support individual Director development. Each Director is required to undertake the Institute of Bankers Certified Bank Director programme. Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to their work on the Board. Led by the Chair, the Non-Executive Directors met without the Executive Directors present.

Board Meetings

The Board held 29 Board meetings during 2021. Further details on the number of meetings of the Board, its Committees and attendance by individual Directors are set out on page 113.

Agendas and papers are circulated to Directors electronically via a secure online Board portal in sufficient time to facilitate review by the Directors. The Chair of each committee reports on the Committee's proceedings at Board meetings.

The Board receives formal reports on Bank risk and compliance matters together with its strategic, customer experience, commercial and financial performance at each of its meetings. The minutes of Board committees are made available to all Directors through a designated reading room in the Board portal. The Board portal also contains an extensive document repository and is the primary method of communication with Directors.

Board Committees

The Board has established four permanent Committees to assist in the execution of its responsibilities. These Committees are:

- Audit
- Risk & Compliance
- Nomination, Culture & Ethics
- Remuneration

Other Committees are formed from time to time to deal with specific matters. During 2021, the Board established a committee of the Board to provide support on the corporate transaction to acquire certain elements of the Ulster Bank business in Ireland. This committee operates within a Board approved terms of reference and consists the following members: Robert Elliott (Chair), Eamonn Crowley, Mike Frawley, Marian Corcoran, Anne Bradley, Paul Doddrell, Ronan O'Neill and Donal Courtney.

During 2021, two of the Board's permanent committees were composed of Independent Non-Executive Directors and two were composed of a majority Independent Non-Executive Directors. The Board acknowledges it is not to be in compliance with the UK Code (which requires all directors to be independent) with regard to the membership of its Audit and Risk & Compliance committees and has set out is rationale on page 104 as to why the Board is satisfied this does not inhibit these committees effectively executing their responsibilities. Membership and the Chairmanship of each committee are reviewed annually.

Each of the Board Committees has Terms of Reference, under which authority is delegated by the Board and which is reviewed annually. The Terms of Reference of each Committee are available on the Bank's website www.permanenttsbgroup.ie. Where permitted on Health and Safety grounds (COVID-19), the Committee Chairs attend the AGM and are available to answer questions from shareholders.

Corporate Governance Statement
Risk Management and Internal Control

Board Responsibilities
The Board has overall responsibility for maintaining a system of risk management and internal control which provides reasonable assurance of effective and efficient operations, internal financial and operational control and compliance with laws and regulations.

The Group's business involves the acceptance and management of a range of risks, consistent with its Corporate Purpose. The Group's system of risk management and internal control is designed to ensure the delegation of responsibility for risk oversight and management is appropriate to the nature and type of risk faced by the Group.

Provision 29 of the UK Code requires the Board to review annually the effectiveness of the Group's system of risk management and internal control. This requires a review to cover all material controls including financial, operational and compliance controls. The Board confirms that a detailed review on the effectiveness of the Group's risk management and internal control systems during 2021 was undertaken jointly by the Board Risk and Compliance and Board Audit Committees. In assessing the effectiveness of the Bank's systems of risk management and internal control during 2021, the Committees received assurance from the CRO (second line of defence) and each of the accountable Executive Committee members (first line of defence) that a suite of documented controls were in place to effectively manage each of the Bank's key risks. Supporting this assurance, the Committees also considered the opinion of the Head of Group Internal Audit (third line of defence) in their assessment on the adequacy and effectiveness of key controls during 2021 which for the Bank were found to be effective.

While the review indicated there were areas of the Bank's control environment that would continue to require enhancement, the overall effectiveness of the Bank's control environment during 2021 was a contributing factor in the Board's determination of compliance with Principle C of the UK Code which requires the Board to establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board also considers the effectiveness of the Group's system of risk management and internal control on an on-going basis.

In this context, the Board has a particular focus on ensuring that appropriate governance structures are in place to address issues raised through internal review and by feedback from stakeholders, including regulators. There was no significant failure of the Group's system of risk management and internal control during 2021 leading to a material financial loss.

Internal Control Procedures
The Group's internal control procedures are designed to safeguard the Group's net assets, support effective management of the Group's resources, and provide reliable and timely financial and operational reporting both internally to Management and those charged with governance, and externally to other stakeholders. They include the following:

- An organisational structure with formally defined lines of responsibility and delegation of authority;
- The preparation and issue of financial reports, including the consolidated Annual Report, is managed by the Group Finance department, with oversight from the Board Audit Committee. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities in the preparation of financial information. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and Group level by Senior Management. In addition to reviewing and approving the full year Annual Report, the Interim and Annual Report are also reviewed by the Board Audit Committee in advance of being presented to the Board for their review and approval;
- Comprehensive budgeting systems are in place, with annual financial budgets and a five year MTP prepared and considered by the Board. Actual results are monitored and there is monthly consideration by the Board of progress compared with budgets and forecasts;
- There are clearly defined capital investment control guidelines and procedures set by the Board;
- Responsibilities for the management of credit, investment and treasury activities are delegated within limits to line management. In addition, Group and divisional Management have been given responsibility to set operational procedures and standards in the areas of finance, tax, legal and regulatory compliance, human resources and information technology systems and operations;
- GIA's responsibility for the independent assessment of the Group's corporate governance, risk management and internal control processes. The Head of GIA reports directly to the Chair of the BAC;
- The reviews by Board Audit Committee on the scope, nature and independence of the work of undertaken by GIA;
- The reviews by Board Audit Committee the internal audit programme of work. The Head of GIA reports regularly to the BAC. The BAC also reviews the Interim and Annual Report and the nature and extent of the external audit. There are formal procedures in place for the external auditors to report findings and recommendations to the Audit Committee. Any significant findings or identified risks are examined so that appropriate action can be taken;
- Under the Group's Internal Control Framework, there are divisional control frameworks in place within each business unit under which Executive Management reviews and monitors, on an on-going basis, the controls in place, both financial and non-financial, to manage the risks facing that business;
- The monitoring of regulatory compliance within the Group by the Head of Regulatory Compliance who reports to the CRO and who also provides regular updates to the Board Risk and Compliance Committee; and,
- Established systems and procedures to identify, control and report on key risks. Exposure to these risks is monitored at Board level by the Board Risk and Compliance Committee. As a standing item on both Board Risk and Compliance Committee and Board agendas, the CRO regularly reports on all material issues related to activity within the Bank's risk and control environment. The CRO is a member of ExCo, Chairs the Group Risk Committee and has reporting lines to the CEO and Chair of Board Risk and Compliance Committee.

The Board Risk and Compliance Committee reviews the compliance and risk management programmes and monitors the risk profile of the Group. The Board Risk and Compliance Committee supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Group's strategy is consistent with the Group's Risk Appetite.

The Bank is committed to nurturing a Speak Freely culture where it is safe and acceptable for all to raise any concerns that they may have about practices, processes or behaviours that do not meet these standards or align with the Bank's Ambition, Purpose and Values. The Bank's Speak Freely Procedure protects colleagues who wish to raise a concern, or to make a protected disclosure, relating to an actual or potential wrongdoing in the workplace. Speak Freely focuses on encouraging colleagues to raise a concern via a number of different channels by creating a psychosocially safe environment in which to do so. In addition, the Bank also has in place a Colleague Conduct Policy, which outlines the standards of responsibility and ethical behaviour to be observed by all employees of the Group.

Internal Control over Financial Reporting

The Group operates a Financial Control Framework (a divisional framework of the Bank's Internal Control Framework) over financial reporting to support the preparation of the consolidated financial statements. The effectiveness of the Bank's systems of control over financial reporting are reported on to the Board Audit Committee on an annual basis. The main features are as follows:

- A comprehensive set of accounting policies are in place relating to the preparation of the interim and annual financial statements in line with IFRS, as adopted by the EU;
- A control process is followed as part of the interim and annual financial statements preparation, involving the appropriate level of Management review of the significant account line items, and where judgments and estimates are made, they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;
- The Interim and Annual Report are subject to detailed review and approval through a process involving senior and executive finance personnel;
- Summary and detailed papers are prepared for review and approval by the BAC covering all significant judgmental and technical accounting issues together with any significant presentation and disclosure matters; and
- A GIA function with responsibility for providing independent, reasonable assurance to key internal committees and Senior Management, and to external stakeholders (regulators and external auditors), on the effectiveness of the Group's risk management and Internal Control Framework.

PTSB recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an important element in maintaining a competitive advantage.

Diversity

A diverse and inclusive culture is essential to the long-term success of Permanent TSB and enables the Bank to respond to diverse customer and wider stakeholder needs. Further details on the Bank's Organisational Culture, Diversity and Inclusion Programmes are set out on page 42.

Board Diversity Policy

The Board has a Diversity Policy which is reviewed annually. The Board Diversity Policy sets the target for gender diversity as described below in the "Objective of the Board Diversity Policy" section and also sets guidance on the appropriate mix of financial versus non-financial knowledge and experience on the Board as well as the geographic location/background of Directors. The Policy also describes how the Board will consider other key metrics such as age and the demographic makeup of the Bank's customer base when carrying out succession planning activities or Board recruitment/Refreshment.

The Bank recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an important element in maintaining a competitive advantage.

A diverse Board includes and makes good use of differences in the knowledge, experience and skills (in particular those identified as relevant to the business and culture of PTSB) as set out in the Board Suitability Matrix, including social and ethnic background, regional and industry experience, educational, professional, nationality, gender, age, cognitive and personal strengths and other qualities of Directors. These differences are considered in determining the optimum composition of the Board and where possible balanced appropriately.

Objective of Board Diversity Policy

The Nomination, Culture and Ethics Committee discuss and agree annually all measurable objectives for achieving diversity on the Board and recommends them to the Board for adoption. When setting diversity objectives, the Nomination, Culture and Ethics Committee considered diversity benchmarking results published by competent authorities, the EBA, or other relevant international bodies or organisations. At any given time, the Nomination, Culture and Ethics committee may seek to improve one or more aspects of its diversity and measure progress accordingly.

The Board has set a target of maintaining a minimum 30% female representation on the Board. The Bank is committed to having a diverse Board, to maintaining the target set in this regard and to ensuring an open and fair recruitment process.

The Board has set an objective that approximately 50% of Non-Executive Directors, including the Board Chair, together with the Chairs of the Audit and Risk and Compliance Committee, should have relevant banking and/or financial experience and this will be taken into account when recommending appointments. The Board have also agreed that directors domiciled in Ireland should constitute a minimum of 70% of Board membership to reflect the Company's Ireland only business model while allowing scope for geographic diversity.

How the Board Diversity Policy was implemented during 2021

All Board appointments are made on merit, in the context of the knowledge, experience and skills that the Board as a whole requires to be effective. The balance and mix of appropriate knowledge, experience and skills of Non-Executive Directors are taken into account when considering a proposed appointment and is reviewed annually.

As part of the annual performance evaluation on the effectiveness of the Board, Board Committees and individual Directors; the Nomination, Culture and Ethics Committee will consider the diversity needs of the Board through examining the balance of knowledge, experience, skills and independence as well as other diversity measures set out in the Board Diversity policy such as gender and age.

The behaviours likely to be demonstrated by potential Non-Executive Directors are also considered when interviewing for new appointments to ensure that an environment in which constructive challenge is expected and achieved, is maintained in the Boardroom. In reviewing Board composition, the Nomination, Culture and Ethics Committee considers the benefits of diversity, including gender, and looks to ensure that there is appropriate representation from other industry sectors. On industry diversity, Anne Bradley and Celine Fitzgerald were recruited to the board in 2021 bringing with them knowledge and experience from the aviation, healthcare, communications and charities sectors. In addition to core financial services knowledge and experience, the Board also can draw from expertise in law, technology, change and risk management, customer advocacy, strategy development and governance.

The Board considers skills, experience and expertise, including education and professional background in areas relevant to the operation of the Board. All candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Bank's activities and associated risks. The Nomination, Culture and Ethics Committee seeks to ensure that a proportion of the Board has a deep understanding of financial products and has written guidelines to ensure that Board candidates are selected on merit, based on their skills, competencies, qualifications and ability to commit sufficient time to the role.

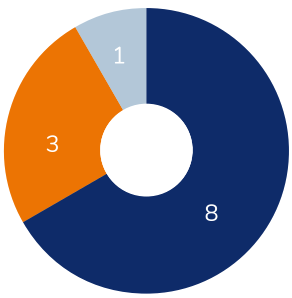
2021 Board Diversity Progress

The Board gender diversity ratio stands at 33% (40%for Non-Executive Directors) and it is the Board's intention to, at a minimum, maintain its current target and to build on same over the coming period. The Board achieved its objective of 50% of Non-Executive Directors having Banking and/or financial experience and is satisfied all Directors have attained the required financial literacy threshold.

2021 Board Diversity

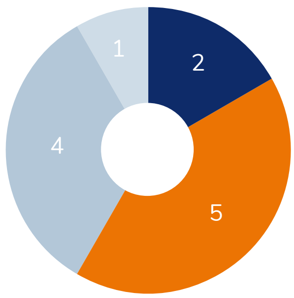
Gender	
Board Diversity by Tenure 0-3 years	
Board Diversity by Tenure 3-6 years	
Board Diversity by Tenure 6-9 years	

Nationality



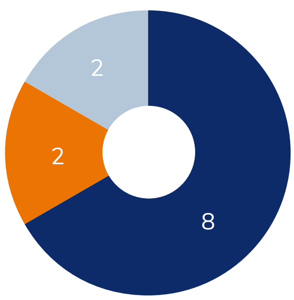
- Irish
- British
- German

Age Profile



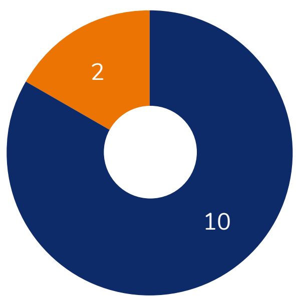
- 40-49
- 50-59
- 60-69
- 70-79

Independence



- Independent Non-Executive Directors
- Non-Executive Directors
- Executive Directors

Executive & Non-Executive Directors



- Non-Executive Directors
- Executive Directors

2022 Board Diversity Priorities

	Board Objective	2022 Board Action
Gender	The Board remains committed to gender diversity on the Board.	· Retain the Board gender diversity target of 30% female representation; and · Encourage initiatives that promote broader inclusive gender diversity across the Bank, in line with the Organisational Culture, Diversity and Inclusion Programmes.
Alignment to customer base	The Board acknowledges the Bank has a diverse customer base and should take account of same in considering the diversity requirements of the Board.	· The Board Diversity Policy will be updated to ensure the Board has a clear line of sight on the diverse makeup of the Bank's customer base when considering appointments to the Board. · Customer diversity metrics such as age, nationality and gender should influence how the Board thinks about its own construct.
Board Diversity Policy	The Board recognises that there are many aspects of diversity such as social and ethnic backgrounds, gender, cognitive and personal strength, skills and experience, and the importance of ensuring wider diversity is considered for Board appointments.	· Consider the aspects of diversity relevant to the operation of the Bank, such as gender, age, cognitive, social/ethnic background, personal strength, educational background and professional background; · Review the Board Diversity Policy, to ensure all relevant aspects of diversity are included in the Policy; · Review the Board Suitability Matrix to ensure that the diverse range of knowledge, skills and experience required by the Bank is represented at Board level; and · Encourage initiatives that promote broader inclusive gender diversity at Board level.
Board Recruitment and Selection and Suitability	The Board remains committed to having a diverse range of knowledge, experience and skills, including education and professional background, in areas relevant to the operation of the Board, while ensuring that the recruitment and selection process for members of the Board is an open and fair process.	· Maintain a minimum of 50% of Non-Executive Directors, including the Board Chairman, together with the Chairs of the Audit and Risk Committees, to have Banking and/or financial experience and this will also be taken into account when recommending appointments; · Given the focus of the Bank's business model in Ireland, to achieve a circa 70%-30% balance between of the Irish and Non-Irish domiciled directors; · Retain the requirement that all candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Bank's activities and associated risks; · Ensure that a proportion of the Board has a deep understanding of financial products; · Review Board Recruitment and Selection procedures, to ensure Board candidates are selected on merit, based on their skills, competencies, qualifications and ability to commit sufficient time to the role, with due regard to relevant aspects of diversity; and · Undertake an assessment of individual and collective suitability, taking into account relevant aspects of diversity to determine the continued individual and collective suitability of members of the Board.
Board Succession Planning	The Board is responsible for overseeing succession plans for the Board and Senior Executives.	· Review Succession Plans of the Board and Senior Executives · Ensure the Bank pipeline of successors takes account of the Bank's diversity measures and ambitions.

The Board Nomination, Culture and Ethics Committee evaluate the skills and characteristics required of Board members and to ensure the tone on culture and leadership is set from the top.

Dear Shareholder,

As Chair of the Board Nomination, Culture and Ethics Committee, I am pleased to present the report of the Committee for the year ended 31 December 2021. This report has been prepared by the Committee and approved by the Board. The report provides further context and insight into the role and responsibilities of the Committee together with a description of the work undertaken during 2021 as set out below.

Evolving Committee Responsibilities

In 2019, the Board approved a revised governance structure for the Bank allocating additional responsibilities to the Committee for oversight on culture, ethics, reputation management and employee engagement. It has been interesting to see how the agenda for the committee has evolved over the last two years with meetings now focussed on both the 'Nomination' and 'Culture' related responsibilities of the committee in equal parts. The Committee has used its updated responsibilities to engage in a meaningful way to shape and support evolution of the Bank's espoused culture which is to have a customer-centric, open, inclusive, risk integrated, growth culture characterised by integrity innovation and accountability. In this regard we have heard from many of the Bank's colleagues and have had discussion and debate on matters such as agreeing a new sustainability strategy for the Bank, developing a psychologically safe environment for colleagues to 'speak freely' and moving towards the next stage on the Bank's Diversity and Culture maturity journey. The Committee has also actively engaged in understanding and supporting colleague wellbeing through attendance at People Experience Council (representative group on culture evolution and colleague wellbeing) meetings and hearing feedback from the Irish Banking Culture Board and management respectively on the outcome of the 'Eist' and 'Every Voice Counts' colleague surveys.

Succession Planning

The Committee is responsible for evaluating the structure, size, composition and succession planning needs of the Board, Executive Committee and Senior Leadership Team in making recommendations with regards to any changes thereto. The Committee ensures that the necessary talent is in place so that the Bank has the requisite combined core skill set to support the long term aims of the Bank and provide leadership to achieve these aims. Further details on the activity of the Committee on succession planning are set out in the Committee report.

Sustainability Strategy

The Bank has a significant role to play in supporting stakeholders to navigate the green transition and to embrace the opportunities that sustainability brings.

In 2020, the Bank commissioned a third party to conduct a comprehensive sustainability assessment of Permanent TSB. The comprehensive assessment covered a number of topics and highlighted the things the Bank was doing well across the organisation, but more importantly, provided insight into areas of opportunity, places where the Board could focus its attention to drive change and deliver lasting impact.

Following the assessment, in 2021 the Bank mobilised a management Sustainability Committee with representation from senior leaders across the Bank. Led by the Nomination, Culture and Ethics Committee, the Bank commenced work on turning the findings into an overarching Sustainability Strategy for the organisation.

In 2021, the Bank engaged stakeholders to complete a materiality assessment to support the Bank in identifying the Environmental, Social and Governance (ESG) issues that were material to the Bank's business. The findings were insightful, and helped the Nomination, Culture and Ethics committee guide and inform the development of the Strategy which was approved by the Board late last year. Please see further information on the Bank's Sustainability Strategy on page 29.

Board Performance Evaluation

In 2021, the Committee oversaw an independent, external evaluation of the Board, its Committees and individual Directors, to understand how effectively they were performing while providing assurance to the regulatory authorities, stakeholders and investors of our commitment to the highest standards of governance and probity.

On behalf of the Nomination Culture, and Ethics Committee

Robert Elliott
Chair, Board Nomination Culture, and Ethics Committee

Composition and Operation

The Committee is composed of five independent Non-Executive Directors. The Board requires that the Board Chairman and the Senior Independent Director are members of the Committee.

2021 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2021 Meeting Attendance
Robert Elliott*	31 Mar 2017	-	4.9	7/7
Ronan O'Neill	26 Jul 2016	-	5.5	7/7
Donal Courtney	3 Oct 2018	30 Mar 2021	2.5	2/2
Ken Slattery	28 Sept 2020	-	1.3	7/7
Marian Corcoran	30 Mar 2021		0.8	5/5
Celine Fitzgerald	30 Mar 2021		0.8	5/5

* Chair

Responsibilities of the Committee

The Board Nomination, Culture and Ethics Committee is responsible for bringing recommendations to the Board regarding the appointment of new Directors and of a new Board Chairman. The Board Chairman does not attend the Committee when it is dealing with the appointment of a successor to the Board Chairman. Decisions on Board appointments are taken by the full Board. All Directors are subject to re-appointment by election by the shareholders at the first opportunity after their appointment. The Committee keeps under review the leadership needs of the Bank, both Executive and Non-Executive, with a view to ensuring the continued ability of the Bank to compete effectively in the marketplace. The Committee is also responsible for reviewing the effectiveness of the Board's operations, including the Chairmanship and composition of Board Committees. The Committee also has responsibilities for supporting the Board on oversight on culture, ethics, and reputation management and employee engagement.

Executive Committee Appointments

The Committee oversaw the appointment of Peter Vance as Chief Operations Officer, and member of the Executive Committee. In his new role, Peter is responsible for Banking Operations, Collections & Recoveries and other key functions. The business unit is focussed on consolidating, standardising and simplifying activity so as to enable the Bank to deliver an exceptional customer experience, while also generating efficiencies.

The Committee also oversaw the appointment of Claire Heeley to the role of Head of Internal Audit. In her new role, Claire is responsible for providing independent assurance to the Board over the adequacy and effectiveness of the governance, risk management and control processes in operation across the Bank. Claire is a regular attendee at Group Executive Committee meetings but, in accordance with good governance practice, has no voting rights. Claire has a direct reporting line to the Chairman of the Board Audit Committee.

Director Appointments

A key function of the Committee is succession planning for the Board. There were two appointments to the Board during 2021. Anne Bradley, was appointed as a Non-Executive Director to the Board in March 2021. Ms Bradley is a member of the Board Audit Committee and Board Risk and Compliance Committee. Additionally, Celine Fitzgerald was appointed as Non-Executive Director to the Board in March 2021. Ms Fitzgerald is a member of the Nomination, Culture and Ethics Committee and Remuneration Committee. Full details of the appointment process for both positions are set out below.

The Committee are responsible for overseeing the on-going process to identify suitable candidates and make recommendations to the Board in this regard. On an annual basis the committee reviews the Board Suitability Matrix which set the desired mix of director knowledge, experience and skills appropriate to the current circumstances of the Bank. In this context, knowledge examines achievement in education, training and practice. Experience looks at the practical and professional experience gained and skills are the desired personal attributes, how the director is capable of behaving and acting. As part of this annual review, the committee also considers the diversity requirements of the Board (see page 127 for more details on Board diversity approach). Arising from the aforementioned review, the committee identified the need to recruit two new directors and approved roles profiles seeking candidates with knowledge and experience respectively in technology/cyber/IT resilience (technology role) and culture evolution, ethical behaviour and responsible business (culture role).

The Committee utilised the services of the external search agency 'Odgers Berndston' to support the recruitment process. The Company nor any of the Directors have any commercial relationship with Odgers Berndston outside of recruitment services that are provided from time to time to fill designated board and senior management positions. A long list of potential candidates was generated by the search firm and presented to the Committee. The Committee then agreed a short list of candidates to be approached for the roles. Six candidates completed first round interviews with the Chairman or Senior Independent Director and the Company Secretary for the Culture role and 3 candidates completed first round interviews with Head of Talent and Non-Executive Director Marian Corcoran for the Technology role. A second round of interviews was held for culture candidates successful from round 1 and these were conducted by the Chairman or Independent Non-Executive Director (alternating from first round interviews) and the Bank's Head of Talent. The Bank's Company Secretary and Chairman undertook second round interviews for the Technology role. Following Round 2 Interviews, an assessment of the candidates was undertaken by the interview panels and a preferred candidate for each role recommended to the Committee. The Committee next undertook an individual and collective suitability assessment of both the candidates and Board. The suitability assessment undertakes a review of the candidate's fit to the role profile and EBA general banking experience requirements. The Committee also considered the candidate's reputation/honesty and integrity; bandwidth to undertake the role effectively; independence of mind; and any conflicts that would impede their ability to undertake the role. Following a successful assessment, each of the candidates was put forward to the Board for appointment subject to the approval of the Central Bank which was subsequently received.

Succession Planning

During 2021 and early 2022 the Committee undertook a full review of Board composition and tenure and approved an updated Board Suitability Matrix. The Committee also agreed that the Board should maintain a minimum of 10 Non-Executive Directors for the purposes of providing sufficient resourcing of the Board's Committees.

During 2022, succession planning will continue to be a key focus for the Committee as new talent is identified that will ensure continued diversity of thought and fresh thinking at Board meetings. Board succession planning will include a future assessment for the renewal or otherwise for two Independent Non-Executive Director terms of office that expire in late 2022 (Andrew Power and Ken Slattery). The Committee will also ensure the Bank maintains a strong leadership team to drive the long-term success of the Bank.

Committee Composition

During 2021 the Committee undertook a review of Committee composition in light of changes to the Board and the need to refresh the knowledge and experience of the Board's Committees. Marian Corcoran stepped down from the Remuneration Committee and was appointed to the Nomination, Culture and Ethics Committee which brought the Company into compliance with the UK Code for the Remuneration Committee to consist entirely of Independent Non-Executive Committee members. Upon appointment to the Board, Anne Bradley joined the Board Audit and Risk & Compliance Committees and Celine Fitzgerald joined the Nomination, Culture and Ethics and Remuneration Committees. Donal Courtney stepped down as Chair (remains a member) of the Audit Committee and member of the Nomination, Culture and Ethics Committee and was appointed as Chair of the Board Risk & Compliance Committee where he was an existing member. Ronan O'Neill stepped down as Chair and member of the Risk & Compliance Committee and joined the Board Audit Committee as Chair. Each of the aforementioned changes were carefully considered by the Nomination Culture and Ethics Committee to ensure the individual knowledge and experience of the Directors was mapped to the collective competency requirements of each Board Committee. The changes also ensured that no Director is a member of more than two Board standing Committees.

Board Performance Evaluations

As required under the UK Corporate Governance Code, an externally facilitated Board performance evaluation will take place every three years. The last externally facilitated evaluation of performance took place in 2018; consequently an external review of Board performance took place during 2021.

The process undertaken for the 2021 annual Board performance evaluation and the resulting recommendations are set out in page 122 of this report. The next scheduled external Board evaluation will be again conducted on 2024 performance.

In 2021, the Committee oversaw the annual performance evaluation of the Board and its Committees and individual Directors, to understand how effectively they were performing while providing assurance to the regulatory authorities, stakeholders and investors of our commitment to the highest standards of governance and probity.

Other Matters considered by the Committee in 2021

- Review of the succession plan for Board and Senior Management positions across the Group;
- Review of Talent Acquisition Management;
- Review of its own terms of reference;
- Provided oversight to the Sustainability Committee as a sub-committee of the Executive Committee on reporting to the Nomination Culture and Ethics Committee on Responsible and Sustainable Business matters;
- Approval of the recruitment process and appointment for a number of Senior Management positions;
- Review of the Bank's updated Culture Charter
- Review on reports concerning the Bank's reputation;
- Colleague Wellbeing spotlights (including review of new Smart working arrangements)
- Feedback on Board Policies (Diversity, Conflict of Interest, Assessment & Suitability, Induction and Training);
- Review and approval of the Bank's Fitness and Probity Policy;
- Review and approval of the Bank's Speak Freely Policy;
- Review of Colleague compliance with the Bank's Code of Ethics policy;
- Review and approval of Board training schedules;
- Review of the effectiveness of the Directors, the Board and that of its Committees;
- Approval of the 2020 Board Evaluation action plan;
- Review of the size and composition of the Board and that of its Committees;
- Consideration of workforce engagement mechanisms under the UK Code;
- Review of Diversity and Inclusion, Learning and Talent and Employee Survey updates;
- Reviewed progress on the Bank's Diversity and Inclusion and Organisation Culture programmes of work; Review of Corporate Affairs, Reputation Audit and Stakeholder Engagement updates;
- Approval of the Bank's Diversity and Inclusion Strategy 2021 - 2023
- Review of the Bank's Citizenship and Sustainability Reporting
- Development of and approval of the Bank's Sustainability Strategy
- Review of internal audit culture findings
- Consideration of the IBCB DECiDE Framework and ethical decision making
- Review of the Board Suitability Matrix; and
- Oversight of the Bank's preparations for the Individual Accountability Regime.

Corporate Governance Statement
Board Audit Committee

The Audit Committee ensures that the financial and internal control policies, practices and decisions of the Bank are carried out appropriately, and are properly aligned to strategy and the interests of its Shareholders.

Dear Shareholder,

I am pleased to present my first report as Chair of the Audit committee following my appointment to the committee in 2021. I wish to acknowledge the leadership of my predecessor Donal Courtney who remains on as a member of the committee while taking over as chair of the Board Risk and Compliance Committee. I am also very pleased to welcome the appointment of Anne Bradley to the Committee during 2021. Operating a business model that's ever more focused on a digital experience, it is timely to add the deep technology knowledge that Anne brings to the committee.

A key focus for the Committee during the year was oversight and challenge of management on the risk and control environment within the Bank. This included spotlight presentations from both the First and Second Lines of Defence on how the control environment was being managed and internal audit actions effectively addressed. In that regard I was very pleased to see the appointment of Claire Heely as the Bank's new Head of Group Internal Audit. Claire is an experienced audit professional and I look forward to working with her in 2022 as the Bank drives an ambition to enhance its internal control effectiveness ratings. I would also like to thank Claire's predecessor, Paul Redmond for his valuable contribution over the past 8 years. Paul has moved internally to a senior role in the Bank's Group Risk function.

Another key area of focus for the Committee during 2021 included the technical analysis of the transaction with Ulster bank and in particular the application of business combination accounting under IFRS 3 to the acquisition of the business, once complete. This will be a continued focus for the Committee in 2022 as the Bank finalises this transaction which remains subject to obtaining the required regulatory and shareholder approvals. Other key areas of focus during 2021 included consideration of impairment provisioning particularly in light of the enduring and evolving nature of the Covid-19 pandemic. These will continue to be areas of focus in 2022.

Finally, in light of the requirement for external auditor rotation after 10 years, the committee has commenced a process to bring forward proposals to shareholders in 2023 on the rotation of the external auditor.

On behalf of the Board Audit Committee

Ronan O'Neill
Chair, Board Audit Committee

Composition and Operation

The Committee currently consists of five Non-Executive Directors. The biographical details of each member are set out on pages 107 to 112. Neither the Board Chair nor the CEO is a member of the BAC. The Board requires that the Chair of the BAC has recent and relevant financial experience. The Chair of the Committee is responsible for leadership of the Committee and for ensuring its effectiveness. Together, the members of the Committee bring a broad range of relevant experience and expertise contributing towards effective governance.

The members of the BAC meet together at the start of each scheduled meeting. The head of GIA is then invited to join the meeting so that the Committee can review and discuss internal audit activity without Senior Management present. Subsequent attendance by the CEO, CFO, Board Chairman, external auditors and others is by invitation only and managed to ensure the ongoing independence of the Committee. The Board requires that a minimum of one member is common to the BAC and the BRCC. Donal Courtney, Anne Bradley and Paul Doddrell are members of both Committees.

2021 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2021 Meeting Attendance
Ronan O'Neill*	02 Nov 2021	-	0.2	2/2
Donal Courtney	03 Oct 2018	-	3.3	11/12
Ken Slattery	30 Aug 2013	30 Mar 2021	8.4	4/4
Paul Doddrell	26 Nov 2020	-	1.1	12/12
Anne Bradley	30 Mar 2021	-	0.8	8/8
Andrew Power	26 Sept 2016	-	5.3	12/12

* Appointed as Chair 02/11/2021 (was in attendance at meetings since April 2021).

Role and Responsibilities

The BAC monitors the effectiveness and adequacy of internal control, internal audit and IT systems and reviews the effectiveness of risk management procedures, in addition to reviewing the integrity of the Company's internal financial controls. The BAC reviews the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The BAC monitors and reviews the effectiveness of the Group's internal audit function and also considers the external auditor's independence and objectivity and the effectiveness of the audit process. The BAC also reviews discoveries of fraud and violations of laws and regulations as raised by the head of GIA.

The BAC monitors the integrity of the Financial Statements of the Company, reviewing significant financial reporting judgements contained therein, to ensure that they give a "true and fair view" of the financial status of the Group and to recommend to the Board whether to approve the Annual and Interim Reports and to recommend to the Board that it believes that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

In considering whether the Annual Report is fair, balanced and understandable, the Committee reviewed the Annual Report and considered whether the Financial Statements were consistent with the financial review elsewhere herein. The Committee also reviewed governance and approval processes in place within the Group as they were relevant to the Financial Statements. These included the completion by Management of disclosure checklists to ensure all required disclosures required by applicable company law, listing requirements and accounting standards are included in the draft Annual Report which was reviewed by various Executives and Management of the Group.

The Committee also had regard to the significant judgements relating to the Financial Statements that are set out in this report. Each of these significant issues were addressed in papers received by the Committee from Management and in the report received by the Committee from the external auditors and were discussed in the Committee's meeting with the external auditors.

The BAC also had regard to the assessment of internal control over financial reporting, details of which are outlined in the Risk Management and Internal Control section of the Corporate Governance Statement.

Matters considered by the Committee in 2021

During 2021, the Committee spent a significant amount of time considering those issues set out in the Significant Financial Reporting Judgments and Disclosures and, recommending for approval to the Board, the Annual Report and Interim Report.

During 2021, the Committee also:

- Reviewed GIA activity throughout the year, including a review of performance against the 2021 internal audit plan;
- Analysed Business Combination Accounting Treatment for the Ulster Bank business acquisition
- Received presentations from First and Second Line representatives on plans to address internal audit findings
- Reviewed the accounting and regulatory treatment of the sale of loan assets, in line with IFRS;
- Reviewed the Group's Pillar 3 policy and disclosures;
- Reviewed External Auditor Independence and Effectiveness;
- Reviewed the continued recognition of a Deferred Tax Asset (DTA) on tax losses carried forward;
- Approved changes within International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS);
- Reviewed impairment provisions;
- Reviewed the effectiveness of internal control over financial reporting;
- Approved the GIA plan for 2022;
- Selection of the Chartered Institute of Internal Auditors to carry out an External Quality Assessment (EQA) of GIA
- Review of EQA findings and approval of action plan to address the findings of the report.
- Reviewed the governance and approval arrangements underlying the fair, balanced and understandable assessment of the Annual Report;
- Assessed the Longer Term Viability and Going Concern Statements;
- Reviewed the disclosures on compliance with the UK Corporate Governance Code;
- Reviewed provisions including legacy, legal and compliance liabilities;
- Reviewed the basis, background and level of Non-Audit fees paid to PwC; and
- Reviewed and approved external audit tender approach

Financial Reporting and Significant Financial Judgments and Disclosures

During the year, the BAC reviewed the external auditors' findings, and the following significant financial judgments made, the related disclosures for the 2021 Financial Statements as set out on the current and the following page.

Expected Credit Loss Provisions
The Committee considered the Group's methodology including assumptions and parameters for generating the Group's allowance for ECL for its secured portfolios. The Committee discussed with Management in detail any changes and revisions made to the Group's IFRS 9 ECL models, macro-economic scenarios, the impact of COVID-19 on provisions, significant increase in credit risk, and post model adjustments.

Multiple scenarios
The Committee reviewed and approved the macro-economic scenarios for use in IFRS 9 ECL estimation, which included the central scenario used for financial planning purposes, a more favourable scenario, and an adverse scenario.

Expert credit judgements
At 31 December 2021, the impairment provisions included €118 million of Management's adjustments to modelled outcomes. A key focus of the Committee during the year was an assessment of the level and rationale for such adjustments.

The Committee concluded that a robust governance framework existed to monitor provisioning adequacy and that the assumptions and judgements applied by Management were appropriate. The Committee was satisfied that the provision and related disclosures in the financial statements were appropriate.

Recognition and Recoverability of Deferred Tax Assets
The Committee considered the extent of DTAs recognised by the Group in respect of unutilised tax losses, and in particular, the future profits of PTSB against which losses may be utilised in future years. The Committee noted that while the Group's performance and strategic outlook has been affected by the impact of COVID-19, the macro-economic environment during Q4 2021 has improved, as outlined in more detail under "Going Concern" and "Longer Term Viability" below.

Accordingly, in line with the requirements of IAS 12 "Income Taxes," Management have formed the view that the carried forward tax losses within PTSB could be utilised against future profits, which will be generated by PTSB. This requires significant judgments to be made about the projection of long-term profitability because of the period over which recovery extends.

Having considered the above, the Committee agreed with Management's assessment that it was probable that the level of DTAs recognised in the financial statements at 31 December 2021 would be recovered. The Committee noted that IFRS does not allow for the DTA recognised to be discounted notwithstanding that it will likely take a significant number of years to be fully recovered.

Impairment review of the Group's subsidiary undertaking
The Company carries its investment in its subsidiary undertaking at cost less impairment and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value in use (VIU). An impairment charge arises if the carrying value exceeds the recoverable amount.

Management provided the Committee with a paper that detailed the recoverable amount of the investment. The Committee reviewed the paper and calculations and is satisfied with the recoverable value of the subsidiary and the resultant impairment in the investment.

IT Access
Certain matters in relation to IT access controls have been communicated to the BAC through the external audit process. The Committee is however satisfied there are sufficient mitigating controls in place from a financial reporting perspective.

Going Concern

Note 1 of the financial statements includes details of the going concern of the Group, which outlines the Directors' view that the Group will continue as a going concern for a period of 12 months following the signing of this report.

In making the judgment, the Committee was provided with detailed papers containing Management's considerations of the risks and uncertainties as they may pertain to going concern. The Committee reviewed these judgments, and agree with Management's view that the Group continues on a going concern basis and that there are no material uncertainties.

Longer Term Viability

In accordance with the requirements of the UK Corporate Governance Code, the Directors are required to issue a viability statement of the prospects of the Groups taking in account Group's current and projected financial position taking in account the principal risks facing the Group.

The period over which we confirm longer-term viability
The Directors have assessed the viability of the Group over the three year term which falls within the time horizons considered for the Group's strategic planning and the regulatory stress testing frameworks employed by the Group. The Directors are satisfied that this is an appropriate period of assessment.

Assessing the governance and prospects of the company
In making this assessment, the Directors have assessed the key factors that are likely to affect the Group's business model and medium term plan which have been stress tested and sensitised for a downside scenario to reflect the challenges that the Group is facing primarily on the Group's capital, solvency and liquidity position while taking into account other principal and emerging risks.

The Board has reviewed the medium term plan and the BRCC reviewed the outputs from stress testing of capital and liquidity positions both pre and post management actions.

The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The stress testing is designed to explore the resilience of the Group to the potential impact of principal risks set out in the Annual Report, including in particular funding and liquidity, capital adequacy, the economic environment, regulatory risks and or a combination of these risks. A description of the Bank's principal risks together with the Bank's approach to risk identification and control are set out in the Risk Management section.

The medium term plan is reviewed annually and with increased frequency when necessitated by significant changes in the external environment and is approved by the Board each year.

The medium term plan closely aligns to Group's Risk Appetite Statement and Risk Management Framework and details the Group's future profitability, cash flow projections, capital requirements and the Group's key performance measures. Management's performance against the medium term plan is reviewed on an ongoing basis by the Board.

The Group made a loss for the 2021 financial year. While the Group remains strongly capitalised and has significant liquidity at the year-end, the future projections in the medium term plan which were sensitised for a downside scenario indicate no breaches in either regulatory capital and liquidity positions in the viability period of assessment to December 2024.

The assumptions underpinning the stress testing to determine the resilience of the Group's balance sheet, profitability and robustness of the business model were significantly conservative. While, the downside scenario marginally pushes out profitability, there were no breaches of regulatory requirements with a marginal recourse to internal buffers in the viability period.

There are certain key assumptions that are critical to the viability of the Group and these are outlined below:

Capital Adequacy
The Group made a loss for the year ended 31 December 2021 however, it does expect to return to profitability in the near term. Directors and Management have reviewed the MTP and based on this, the near-term macro-economic conditions of the country and the resolution of legacy issues, the Directors and Management are satisfied that the Group is well positioned to deliver profits in future years.

The Directors and Management have considered the Group's forecast capital position, including the potential impact of further deleveraging and a deterioration in economic conditions as might arise from an uncertainty from the resurgence of the virus. The Group expects to be in a position to meet its minimum regulatory capital requirements in the period to 2024.

Funding & Liquidity
The Group continued to have sufficient liquidity throughout 2021, and continues to undertake initiatives to improve its liquidity position in the areas of deposits, collateral optimisation, and wholesale markets activity.

A key assumption in determining the longer term viability is that the Group will continue to be able to access the required liquidity and funding across all channels during the period of assessment.

The Directors and Management are aware that the Group's ability to monetise its contingent counterbalancing capacity is dependent on the underlying collateral remaining eligible.

Our funding plans assume, based on our interaction with wholesale markets and deposit trends that the required liquidity and funding will be available to the Group over the medium term. The Directors are also satisfied that the Bank has sufficient access to funding to proceed with the Ulster Bank transaction.

Confirmation of longer-term viability
Based upon the above assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment to December 2024.

Provisions for Liabilities

The Committee considered the provisions made in the Financial Statements in order to assess the appropriateness of the underlying liabilities.

Management presented a paper outlining the requirements of IAS 37 and the basis of the provisions proposed. The Committee is satisfied that the provisions represent the best estimate of the potential liabilities at 31 December 2021.

Accounting Treatment of Project Glenbeigh III

The key accounting requirements for Project Glenbeigh III follow the same principles that the Committee considered in the prior year in relation to Project Glenbeigh. Management assessed the transaction, considering transfer of contractual rights and transfer of risks and rewards. The Committee reviewed the technical accounting paper presented by Management outlining the accounting treatment of the transaction and is satisfied that it is in line with IFRS 9.

Relationship with External Auditors
The Group's External Auditors are PwC who were appointed by shareholders in 2013. The BAC provides a link between the Board and the external auditors, independent of the Company's Management. The external auditors regularly attend BAC meetings and the Committee meets with the external auditors at least once a year without Management present to discuss their remit and any issues arising from the audit.

The BAC reviewed the external audit plan prior to the commencement of the 2021 audit. The BAC met with the external auditor to review the findings from the audit of the Group financial statements. The BAC has an approved policy on the provision on non-audit services by the external auditor. The policy seeks to ensure that processes are in place to make sure that the independence and objectivity of the external audit process is not compromised. This includes monitoring the nature and extent of the services provided by the external auditor through its quarterly review of fees paid to the external auditor for audit and non-audit work, seeking confirmation from the external auditor that they are in compliance with relevant ethical and professional guidance and that, in their professional judgment, they are independent of the Group.

The BAC reviews all fee arrangements with the external auditor. Fees paid in respect of audit, other assurance services, tax advisory services and non-audit services are outlined in note 8 to the financial statements.

Other assurance services are services carried out by the auditors by virtue of their role as auditors and include assurance related work, reporting to the regulator and other assurance services. In line with best practice, the auditors do not provide services such as system design and valuation work which could be considered inconsistent with the audit role.

The amount of fees payable to external auditors for their audit services for the year 2021 was €1.2m (excluding VAT) payable to PwC Ireland. €0.2m (excluding VAT) was paid in respect of non-audit services, which relate to various assurance works. The Company's external auditor generally performs these services.

The external auditor is required to rotate audit partner every five years. The current audit partner is John McDonnell who was appointed in 2018. The Committee also reviews the effectiveness, independence, and objectivity of the external auditor. The Committee also considered a paper by Management regarding auditor's efficiency and effectiveness.

The BAC reviews the effectiveness of the external auditor through discussion and assessment of its performance. The BAC has concluded that it was satisfied with the external auditor's performance.

The last competitive tendering process for the appointment of the external auditor took place in 2012. This development followed a Board decision that the position of auditors should be subject to regular, competitive tendering.
Due to the mandatory firm rotation requirements, the Independent Auditors, PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm will be required to resign from office once they have completed the 31 December 2023 audit.

Review of Group Internal Audit

The BAC approves the annual work programme for the GIA function and ensures that it is adequately resourced and has appropriate standing within the Group. The Head of Internal Audit has a direct reporting line to the Chair of the BAC and the BAC meets with the Head of Internal Audit on a regular basis without the presence of Management. The BAC receives regular reports from GIA, which include summaries of the key findings of each audit in the period. The BAC ensures co-ordination between GIA and the external auditor.

As set out in the Risk Management Section a 'Three Lines of Defence' model has been adopted by the Group for the effective oversight and management of risks across the Group, with GIA being the Third Line of Defence.

In line with the Institute of Internal Auditors (IIA) Standards (1300), the Head of GIA is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. An internal quality assessment must be completed on an annual basis with an independent external assessment undertaken every five years to evaluate the Internal Audit Function's conformance with IIA Code of Ethics and Standards. The Group's Internal Audit function was reviewed by the Chartered Institute of Internal Auditors (IIA) in 2021 and an action plan has been approved by the BAC to address the findings of the IIA Report. The Committee regularly reviews the available skills and resources within the Internal Audit Function in order to ensure that the function has the necessary capabilities to provide a quality audit service. Through these measures the Audit Committee has assessed the effectiveness of internal audit function and is satisfied that the quality, experience and expertise of the function is appropriate to the needs of the Group.

A new Group Head of Internal Audit, Claire Heeley joined the Bank in 2021. Claire is a chartered accountant and senior leader who brings extensive experience from a number of industries, including; retail banking, insurance, professional advisory services and healthcare.

The Committee supports the Board in ensuring risks are properly identified, reported, assessed, and controlled, and that the strategy is consistent with risk appetite.

Dear Shareholders,

As Chair of the Board Risk and Compliance Committee (the "Committee" or "BRCC"), I am pleased to report on the Committee's activities for the year ended 31 December 2021. While a member of the Committee since 2018, in November 2021, I was appointed as Chair of the Committee and would like to thank my predecessor, Ronan O'Neill (who moves to Chair the Audit Committee) for his valuable contribution as Chair over the past 5 years during a critical and often challenging period in the oversight of risk management and internal control at the Bank.

I would also like to report on another membership change during the year. I welcome the appointment of Anne Bradley to the Committee; Anne has extensive experience in technology transformation and business change and her cross industry knowledge and experience will benefit the collective knowledge, skills and experience of the Committee as the Bank continues to implement its digital transformation strategy while maintaining resilient and reliable IT systems.

Advising and supporting the Board in monitoring Risk Governance and ensuring the Bank's risks are properly identified, reported and assessed has been a key focus for the Committee during 2021. This has included extensive oversight on the development and implementation of a new automated risk management system for the Bank which will enhance the process of risk identification and control at the Bank. A key area of attention has been the Bank's transformation and growth agenda, with particular emphasis on oversight and challenge as the Company explored executing a transaction with Natwest for the purpose of acquiring certain parts of the Ulster Bank business. The Committee played a central role in assessing the risks associated with this transaction and analysing the impact of same on capital levels over the Bank's five year planning period.

A further area of focus has been oversight of the Bank's Operational and IT resilience, its change management capability and prioritisation and planning of resources/skills against the backdrop increased demand on resources.

A key theme throughout 2021 centred on the level and pace of change at the Bank. The Committee continued to play an active role to ensure risk awareness and control continued to be embedded within the Bank's key change programmes through a coordinated and integrated approach by the Bank's Three Lines of Defence (business owners, Group Risk, Group Internal Audit).

The Committee has continued to oversee and challenge first line in the embedding of operational risk and ensuring second line provide effective oversight, guidance and challenge to first line in that regard. The Committee placed increased emphasis on attendance at Committee meetings by the first line owners of risk in the business with appropriate views and commentary by Group Risk. The purpose of this approach is to further embed risk culture within the business and facilitate risk oversight by the Risk function. One example of this was the requested attendance by first line management to address committee challenge on the level customer complaints and by seeking assurance that resourcing and focus was in place to both address customer complaint volumes and improve customer experience through robust root cause analysis. A key focus for the committee at all meetings is to ensure risk management is meaningful in terms developing a risk culture that supports the Bank's purpose of building trust with customers.

I am also pleased with the progress that the Bank has made during 2021 in strengthening the control environment within the Bank. The Committee carried out a 2021 review on the effectiveness of the Group's system of risk management and internal control which is reported upon on page 125 to 126. While the review indicated there were areas of the Bank's control environment that required additional enhancement, the Bank's control environment during 2021 overall remained effective and the Board is satisfied that it has complied with Principle C of the UK Code which requires the Board to establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Committee had a busy schedule of meetings in 2021 meeting 15 times. Key focus areas included: Ulster Bank business acquisition, Loan loss provisions, AML risk, technology resilience, digital transformation; asset deleveraging; and, the continued embedding of the Bank's Internal Control Framework. Further details are set out below.

On behalf of the Board Risk & Compliance Committee

Donal Courtney
Chair, Board Risk & Compliance Committee

Composition and Operation

The BRCC is composed of a majority of Independent Non-Executive Directors. Neither the Board Chairman nor the CEO is a member of the BRCC. The Board ensures that the Chairman of the Committee has relevant risk management and/or compliance experience. The Board requires that at least one member of the Committee is common to each of the BAC and the Board Remuneration Committee. On an annual basis, the Committee reviews its own terms of reference and the Board Nomination, Culture and Ethics Committee conducts a review of the committee's effectiveness and recommends changes considered necessary to the Board. The Committee holds a member only session at the start of each meeting following which the CRO subsequently attends for a private session with the Committee and thereafter other invited members of senior management attend as required.

During 2021 the Board established a Board Committee to provide guidance and support to the Board and Management as the Company explored executing a transaction with Natwest for the purpose of acquiring certain parts of the Ulster Bank business. Given this committee's focus on risk considerations as well as commercial matters, the Board determined that cross membership with BRCC was important and four Risk Committee members sit on this new committee.

2021 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2021 Meeting Attendance
Ronan O'Neill*	26 Jul 2016	2 Nov 2021	5.5	13/13
Donal Courtney**	3 Oct 2018	-	3.3	15/15
Ruth Wandhöfer	30 Oct 2018	-	3.2	15/15
Marian Corcoran	29 Oct 2019	-	2.3	15/15
Paul Doddrell	26 Nov 2020	-	1.1	15/15
Anne Bradley	30 Mar 2021	-	0.8	12/12

* Chair from 1 January 2021 until 2 November 2021
** Chair from 2 November 2021

Responsibilities of the Committee

The Committee is responsible for monitoring adherence to the Group RAS. Where exposures exceed levels established in the RAS, the Committee is responsible for ensuring that appropriate remediation plans are developed. This is facilitated by the periodic review of a key risk indicators report calibrated to the RAS.

The Committee is responsible for monitoring compliance with relevant laws, regulatory obligations and codes of conduct. This is facilitated by regular reporting on compliance risks to the Committee. The Committee also spent a substantial amount of time tracking the continuing regulatory agenda and received updates on Management's activities to implement new and updated regulation and on the on-going engagement with the Group's Regulators.

The Committee is also responsible for oversight and advice to the Board on risk governance, the current risk exposures of the Group and future risk strategy, including strategy for capital and liquidity management, the setting of compliance policies and principles and the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk and compliance. The BRCC supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Group's strategy is consistent with the Group's Risk Appetite. It seeks to review key aspects of the Group's risk profile and provide appropriate challenge on the adequacy of their management.

The Committee independently monitors the extent to which the Bank complies with relevant rules and procedures. This includes raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures. The Company has internal policies, rules and procedures to guarantee that Management complies with relevant laws and regulations regarding customers and business partners. External aspects of the Committee are primarily concerned with monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by employees and directors, preventing and, where necessary, transparently managing conflicts of interest and safeguarding confidential information.

In addition to meeting legal requirements, the Committee reviews its own Terms of Reference annually and its own effectiveness, recommending any changes considered necessary to the Board.

Matters considered by the Committee in 2021

During 2021, the Committee continued to focus considerable attention on the Bank's systems of risk management and internal control and supported work undertaken by the Three Lines of Defence to further embed the Bank's Internal Control Framework. The Committee undertook regular reviews of the Bank's systems of risk management and internal control during the year. In addition to the monthly reporting from the CRO, Head of Regulatory Compliance and Head of GIA, the Committee also considered a wide range of risk related frameworks and reports. Among the matters considered by the Committee during 2021 were:

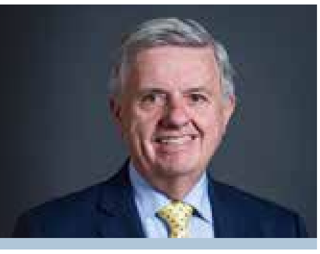
- Ulster Bank business acquisition Risk and capital Assessments;
- Reviews of the Bank's Resolution Planning capabilities and documentation;
- Oversight for the remediation of SREP related Risk Mitigation Plans;
- Monthly monitoring on development of a new End-to-End Liquidity Reporting Programme;
- Monthly monitoring of Technology and Change Risk, including a review of Business Unit Led IT
- AML Risk including risk assessment for digital current account on-boarding
- Implementation and oversight of PSD2 regulatory obligations;
- Risk Appetite reviews;
- Oversight and approval of the Banks Non-Performing Asset Strategy
- Recovery Planning Preparedness and Scenario Planning
- Spotlights on Cyber Security and IT resilience;
- Climate Risk Assessment;
- Review of Funding Plan and Deposit Strategies;

- Monthly monitoring of Top Risks and quarterly reviews thereto;
- Complaints Management Reviews;
- ICAAP and ILAAP design and approval;
- A review of the Bank's provision models and expected credit loss outcomes;
- Updates on the Bank's Risk and Control Self-Assessment Refresh project;
- RAS breaches and Remediation plans;
- Risks reviewed on Mortgage Loan Asset Deleveraging;
- Digital Transformation spotlights;
- A review of compliance with the UK Code and Central Bank of Ireland Corporate Governance Code;
- Multiple Operational and IT Risk Monitoring Reports;
- Data Protection Officer's Report;
- Reviews of obligations and activity under the CBI Code on Lending to Related Parties;
- An Update on Embedding Conduct Risk
- Operational and IT Risk Management Reports
- Private sessions held separately with the CRO and Head of Regulatory Compliance; and
- Approval of a Credit Risk Framework and consideration on a number of SME credit propositions,

Governance in Action: Climate Risk

During 2021 the Committee analysed the ECB's expectations on climate-related and environmental risks. The Committee oversaw the appointment of Mazars to support Management in assessing the Bank's approach to climate risk within its decision making and governance processes. An action plan to address identified gaps has been prepared and the Committee will provide oversight through 2022 to ensure this action plan is effectively implemented.

The Board Remuneration Committee ensures that remuneration arrangements support the strategic aims of the Bank and enable the recruitment, motivation and retention of staff whilst also complying with the Bank's regulatory and legal requirements.



Chair's Overview

Dear Shareholders,

As Chair of the Board Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021 which has been prepared by the Committee and approved by the Board.

The Committee's report contains certain regulatory information required under the applicable legislation in respect of the Bank's status as a listed company and credit institution, as well as under the EBA Guidelines on Internal Governance, the amended EU Directive on the encouragement of long-term shareholder engagement, as transposed in Ireland (the "Shareholder Rights Directive", or the "Directive") and the UK Corporate Governance Code. In addition to meeting its legal requirements, the Committee reviews its own Terms of Reference on an annual basis as well as its own effectiveness, recommending any changes deemed appropriate to the Board. The report also provides further detail on the composition of the Committee and its role and responsibilities, a description of the work undertaken by the Committee during the year, and details of the Remuneration Policy criteria and the components of the Bank's reward offering, with a focus on the Bank's Directors (Executive and Non-Executive).

In line with its responsibilities under the terms of the Shareholder Rights Directive, the Bank published its Directors' Remuneration Policy (the "Policy"), as applicable to the Board of Directors in 2020 No material changes have been made to the Policy since its approval at the 2020 AGM. The Policy is published in full on the Bank's website: www.permanenttsbgroup.ie.

In exercising its duties, the Remuneration Committee considers the long-term interests of shareholders, investors and other interested parties, and the public interest, as well as regulatory requirements. During 2021, our Directors' remuneration was implemented in accordance with the Bank's approved Policy, and no derogations from the Policy were availed of during the year. In respect of the Bank's broader remuneration policies, in 2021, the Committee continued to review how our approach serves to reward individual performance (what our colleagues achieve but also the manner in which they achieve their objectives), its contribution to the strengthening of our culture, including our risk culture, and driving the long-term sustainability of our business. Our approach was also reviewed from the perspective of ensuring that all employees, regardless of gender, age or social or ethnic background are remunerated fairly. In this regard, during 2021, the Bank continued to embed performance ratings which link directly to pay outcomes and to review the Bank's remuneration policies and practices through a gender-neutral lens.

2021 has been another year of considerable change for the Bank and challenge for our colleagues. In response to challenges to our business performance resulting from the pandemic, the Committee oversaw the implementation of a partial pay freeze, with the suspension of pay increases for colleagues at management level including our Executive Directors, and the granting of relatively modest increases for colleagues at other, non-management grades. Details of the remuneration of each of the Executive Directors are provided on page 146.

As flagged in last year's report, in 2020 the Board implemented an Enterprise Transformation programme. As part of that programme, and in line with agreements in place with the Irish State, the Committee approved a Voluntary Redundancy scheme, which alongside certain initiatives relating to smarter, more flexible working practices and arrangements, provided optionality for colleagues, at all levels, who wished to avail of such smart working/flexible options on a sustained basis or, who instead chose to pursue career progression beyond Permanent TSB. I and my colleagues on the Remuneration Committee were closely involved in the oversight of that programme which completed during 2021.

In December 2021, the Bank entered into a legally binding agreement with NatWest and Ulster Bank regarding the acquisition of certain parts of Ulster Bank's Retail, SME and Asset Finance business. This marked a significant milestone in the history of Permanent TSB. The Remuneration Committee was involved heavily in aspects of the preparatory work underpinning that agreement and will remain close to the implementation of the Bank's planning towards welcoming our new Ulster Bank colleagues into Permanent TSB.

At this point, it is appropriate once again to reference the significant and increasing risk that Permanent TSB faces as a result of certain constraints which apply to the Bank's ability to remunerate its staff. The extent of current State agreements on reward and remuneration restricts significantly our ability to offer a competitive, market-aligned, performance-based remuneration package. As such we are severely challenged in our ability to reward our staff for strengthening our corporate culture, our values and our risk culture, delivering on our environmental, social and governance agenda and in our efforts to promote individual, team and Bank-wide performance. In that regard, we continue to be restricted in our ability to leverage pay and reward towards the achievement of our strategic objectives, whilst also operating within the Bank's risk appetite, and in our ability to deliver long-term sustainable performance by fulfilling our responsibilities to our customers, colleagues and communities.

I would like to thank my fellow Board and Committee members and acknowledge the contribution of Celine Fitzgerald who joined the Remuneration Committee during the year, and thank Marian Corcoran for her valuable input and support during her time on the Committee. I'd also like to express my gratitude to colleagues across the Bank for their support during what has been another extremely busy year.

On behalf of the Board Remuneration Committee:

Ken Slattery, Chair.

Annual Report on Remuneration - 2021

Remuneration Committee Composition and Operation

The members of the Board Remuneration Committee are experienced in the management and oversight of large organisations where the remuneration and motivation of staff and executives is of crucial importance.

The Committee had eight meetings during 2021.

2021 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2021 Meeting Attendance (of which eligible to attend)
Ken Slattery	28 Jan 2014	-	7	8/8
Robert Elliott	31 Mar 2017	-	4	8/8
Andrew Power	26 Sept 2016	-	5	8/8
Ruth Wandhöfer	01 Feb 2019	-	2	8/8
Marian Corcoran	29 Oct 2019	30 Mar 2021	1	3/3
Celine Fitzgerald	30 Mar 2021		N/a	5/5

Remuneration Committee Role and Responsibilities

The purpose, duties and membership of the Committee are set out in the Committee's Terms of Reference, which can be found on the Bank's website www.permanenttsbgroup.ie. The Terms of Reference are reviewed by the Committee on an annual basis. No material changes were enacted following a review of the Committee's Terms of Reference in 2021.

The main roles and responsibilities of the committee include:

- Recommending the Bank's remuneration policies, including that applicable to the Board of Directors, to the Board for approval on an annual basis and ensuring they comply with applicable regulatory and legal requirements and remain free from any form of bias relating to gender, age or social or ethnic background.
- Supporting the Board in overseeing remuneration policies, practices and processes and compliance with the Bank's Remuneration Policy (both as applicable to the Directors and the wider population);
- Ensuring the remuneration policies and procedures do not promote excessive risk taking and are aligned with the Company's overall corporate governance framework, corporate culture, risk culture and attitude to and appetite for risk and related governance processes, and takes into account the need to maintain all capital and liquidity ratios including buffer requirements;
- Recommending the design, eligibility and performance measures for any incentive schemes to the Board for approval;
- Setting and assessing performance targets for any incentive schemes;
- Recommending remuneration proposals (including joining and termination arrangements) in respect of the Chairman, CEO, Executive Directors, Company Secretary, Executive Committee, Group Treasurer, Chief Credit Officer, and Heads of Control Functions for approval by the Board;
- Overseeing remuneration proposals in respect of any other identified staff (Material Risk Takers) as defined under the fifth Capital Requirements Directive (CRD V); and,
- Overseeing the annual review of the implementation of the Remuneration Policy applicable across the Bank.

Remuneration Committee Advisers

During 2021, the Committee used the services of its external consultant, Deloitte LLP, for advice on remuneration trends in the external market and for perspective on remuneration regulatory compliance matters. During the year, Deloitte also provided support to the Bank in relation to PSD2 project-related work, Sustainability and a Finance related project

The Committee also employed the services of Willis Towers Watson who provided market benchmarking data and remuneration trend analysis.

In addition to the use of external advice, in designing its approach to pay the Committee also takes account of appropriate input from the Bank's HR, Risk, Compliance, Finance and Internal Audit functions to ensure that the decision making process is aligned with the Bank's financial performance, risk appetite, regulatory guidelines and stakeholder interests.

Matters considered by the Committee in 2021

During 2021, and within the terms of State agreements, the Remuneration Committee kept the impact of the Bank's Remuneration Policy (including that applicable to the Directors), and movements in the external market, under review.

As part of this process, the Committee reviewed the Bank's Remuneration Policy and strategy to assess the appropriateness of the approach to reward and the competitiveness of current arrangements, and future direction, to take account of market developments including amongst the Bank's peer group. The Committee also considered whether the Directors' Remuneration Policy operated as intended in terms of company performance and quantum. The Committee also kept under review all aspects of remuneration for the Board Chairman, CEO, Executive Directors, members of the Executive Committee and the wider employee population.

In determining remuneration arrangements for Executive Directors, the Committee takes account of the pay and employment conditions of the wider workforce to ensure consistency. Wider workforce engagement on pay arrangements at the Bank took place with the Bank's Staff Representative Bodies during 2021.

The Bank' Directors' Remuneration Policy was approved by our shareholders on an advisory basis at our 2020 AGM. As no material changes have been made to the Policy since its approval by the 2020 AGM, no shareholder engagement was undertaken on our approach during 2021, however, the Committee was kept up to date on external developments from an executive remuneration perspective through our external advisors.

It remains the policy of the Bank – to the extent possible given the current remuneration restrictions – to ensure that all employees regardless of gender, age or social or ethnic background are remunerated fairly, and to encourage and reward our colleagues appropriately as we work together to build a valuable and sustainable business, operating within the Bank's Risk Appetite and underpinned by a strong culture which manifests itself in responsible and accountable behaviours in our day-to-day interactions and decision making with our customers and each other.

To this end, the Policy has been designed based upon a number of principles including the linking of pay levels against median base pay available across market peer groups, and to ensure that the Bank's offering is competitive so as to attract and retain the required talent and skills to deliver the return of value to the Company's shareholders.

During 2021, the Committee with the supporting perspective of its external independent advisors, performed a review of pay and benefits packages available across the Bank. In the context of the continuing challenges to business performance presented by the COVID-19 pandemic, the Committee recommended the implementation of a pay freeze for 2021 which consisted of a full suspension of scheduled pay increases for colleagues at management level, including the Executive Directors, and relatively modest increases for staff at all other grades. The granting of increases to staff at non-management levels was, as in previous years, based on individual staff members' performance and their salary position versus the relevant market median. The decision to provide these increases formed part of the Bank's overall response to the continuing COVID-19 situation and reflected the need to engage and motivate colleagues across the wider workforce to play their part in the provision of Retail and SME banking services which were identified as forming an essential part of the national response to the pandemic.

In respect of Staff Pensions, the Bank makes available maximum employer pension contribution rates which are consistent across all staff levels including the Executive Directors. However, and as announced originally in the 2019 Annual Report, following a review of the Bank's pension arrangements the Committee determined that Executive Directors should not be subject to certain age-related eligibility criteria which apply to the availability of the revised contribution rates to the wider workforce. This decision was taken based on the output of a review of the Bank's pension arrangements versus corresponding arrangements available from comparable organisations across industry, but also in recognition of the particular challenges the Bank faces regarding the attraction and retention of the most senior talent, partly as a result of the remuneration restrictions which inhibit the Bank's ability to offer a more comprehensive reward package. Overall, the Committee believes that the pension arrangements continue to remain appropriate due to the various reasons stated above.

During 2021, the Committee continued to apply significant oversight to ensure compliance with the UK Corporate Governance Code, CRD IV and CRD V related regulations and guidelines, including focussing on reviewing the remuneration arrangements in place for Material Risk Takers. The Committee re-approved the process and approach for the identification of Material Risk Takers in line with these requirements. It is of note that CRD V was transposed into Irish Legislation on 28th December 2020 and the Bank's approach to the remuneration and MRT identification has been updated to reflect the new requirements where appropriate.

During the year, the Committee also reviewed the Bank's established variable commission scheme, as well as principles and practices to ensure full alignment with regulatory requirements, particularly CRD V, the EBA's Guidelines on sound remuneration policies and practices related to the sale and provision of retail banking products and services, the Central Bank of Ireland's Guidelines on Variable Remuneration Arrangements for Sales Staff, and relevant market practice. On foot of this review, it was agreed to extend the operation of the scheme for 2022, subject to certain enhancements designed to reflect the Bank's increasing capabilities in respect of customer and conduct management and to increase governance and oversight of scheme-related performance data.

The Committee is satisfied that the Bank has continued to operate within its Remuneration Policy (both as applicable to the Directors and the wider population) and in line with the remuneration requirements of the framework agreement between the Minister for Finance and the Bank, and that the Directors' Remuneration Policy operated as intended in terms of company performance and quantum. Other than as set out elsewhere in the Annual Report on page 104, the Committee is satisfied that the Bank is in compliance with the provisions of the UK Corporate Governance Code and the Shareholder Rights Directive. With specific reference to the UK Code, the table on page 144 sets out how the Remuneration Committee has addressed the principles set out in the Code. Additional regulatory disclosures in relation to Remuneration Policy and strategy are set out in the Bank's Pillar 3 Report.

Directors' Remuneration Policy

The Bank has in place a Directors' Remuneration Policy (the "Policy"), as applicable to the Board of Directors which was approved by our shareholders on an advisory basis at our 2020 AGM. No material changes have been made to the Policy since its approval. The Policy is published in full on the Bank's website: www.permanenttsbgroup.ie.

The Policy, in alignment with the Remuneration Policy applicable across the Bank, is based on a set of agreed basic principles which are applied to all employees:

- Aligning remuneration with the Bank's risk appetite, approaches and governance framework;
- Ensuring our approach is in compliance with all applicable regulatory requirements;
- Aligning remuneration with our business strategy, objectives, purpose and values, and promoting the achievement of long-term Bank and stakeholder objectives and interests;
- Focusing on the attraction, engagement and retention of key talent of the calibre required;
- Ensuring that our Policy and each element of Directors' remuneration is as transparent, simple and clear as is possible.

A summary of the key components of the Policy as it relates to the Executive Directors is set out below:

Remuneration Component	Summary of Policy
Basic Salary	Basic salaries are set so as to attract and retain key talent of the calibre required to develop, lead and deliver the Bank's long-term strategy. Basic salaries are normally reviewed by the Remuneration Committee annually, taking into consideration: the individual's skills, responsibilities and experience; · the scope of the role; · pay and conditions elsewhere in the Group; · overall business performance and affordability; and · market competitiveness by reference to relevant comparator groups. Any increases for Executive Directors will normally be in line with the range of increases for other employees in the wider Group.
Benefits	Benefits are provided to ensure the overall package is competitive and in accordance with local market practice. The Committee's policy is to provide Executive Directors with a market competitive level of benefits, taking into consideration benefits offered to other employees in the Group, the individual's circumstances and market practice at similar companies. Benefits may include, but are not limited to, the provision of a car allowance (or cash allowance in lieu) and subsidised house purchase loans provided on the same terms and conditions as loans to other eligible PTSB employees.
Pensions	Pension arrangements are intended to provide competitive post-retirement benefits aligned with market practice. Executive Directors are eligible to participate in the PTSB Defined Contribution Pension Scheme. Executive Directors may receive a maximum allowance of 15% of basic salary. Maximum contribution rates are consistent across the Group, however, in recognition of the remuneration restrictions currently in place as a result of the agreements and commitments in place with the Irish State, in order to ensure a competitive overall package, Executive Directors are not subject to certain age-related eligible criteria which apply to the availability of the maximum contribution rate for the wider workforce.

The following section sets out how the Remuneration Committee addresses the principles set out in the UK Corporate Governance Code in respect of the Directors' Remuneration Policy.

Provision	Approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee regularly engages and consults with key stakeholders to take feedback into account and to ensure that our approach to Executive Remuneration is as transparent, simple and clear as is possible. Our employees are informed about our approach to remuneration. Our Remuneration Policy, applicable throughout the Bank and which includes details of the approach to Director remuneration, is published internally for all staff to view and our approved Directors' Remuneration Policy is published in full on the Bank's website www.permanenttsbgroup.ie.
Simplicity and predictability Remuneration structures should avoid complexity and their rationale and operation should be easy to understand. The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Due to certain agreements and commitments in place with the Irish State, the Bank currently only operates fixed remuneration among Executive Directors, consisting of basic salary, pension and benefits. As a result, the Committee's ability to apply discretion with respect to outcomes for this population is limited. However, the simplicity of our approach enhances its predictability. To the extent that the restrictions on the operation of variable remuneration plans are lifted in future, the Bank will review Executive Director remuneration arrangements from the perspective of ensuring that our approach continues to avoid complexity, and is predictable in its nature, as well as reviewing the Committee's powers of discretion over remuneration outcomes.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Remuneration arrangements are designed to align pay with the Bank's risk culture, attitude to and appetite for risk and our governance and regulatory framework.
Proportionality and alignment to culture The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance. Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	While the Bank is currently only permitted to operate fixed remuneration among the Executive Directors, it is committed to ensuring the ongoing alignment of remuneration with strategy and long-term sustainable performance and the recognition of positive behaviours. To the extent that the restrictions on the operation of variable remuneration plans are lifted in future, the Bank will review Executive Director remuneration arrangements from the perspective of ensuring that any awards are designed to promote the achievement of our long-term strategic ambitions while driving behaviours consistent with our purpose, values and strategy.

Executive Director’ Remuneration and Pension Benefits

Directors’ remuneration for 2021 was implemented in accordance with the Bank’s Directors’ Remuneration Policy, as approved by shareholders at the 2020 AGM, no derogations from the Policy were availed of during the year and no deviations from the procedure for the implementation of the Policy were applied. The Policy was designed – to the extent possible given the remuneration restrictions in place as a result of the agreements and commitments in place with the Irish State – to ensure alignment between our approach to reward and our business strategy and to promote long-term sustainable success. However, the nature and scope of the State agreements and commitments limit to a significant degree our ability to apply the Policy as intended and challenge our capacity to achieve the required linkage between reward and performance. Within those constraints, it remains our Policy to ensure that the Bank rewards and retains key talent of the calibre required to develop, lead and deliver the Bank’s long-term strategy.

In line with certain agreements and commitments in place with the Irish State, during 2021 all Bank employees were subject to a salary cap of €500,000 per annum. In addition, the Bank did not operate any variable remuneration arrangements for its Executive Directors. No bonus payments and long-term incentive arrangements were made to Executive Directors during 2021 or 2020.

The two tables covering 2021 and 2020 and the share option schemes paragraph below identified as audited form an integral part of the audited financial statements as described in the basis of preparation on page 167. All other information in the Directors Report on Remuneration is unaudited.

Executive Directors’ Remuneration and Pension Benefits – Audited

2021 remuneration for Executive Directors who held office for any part of the 2021 financial year was entirely fixed in nature, consisting of basic salary, certain benefits and defined contribution pension entitlements as follows:

		2021								
		1. Fixed Remuneration			2. Variable Remuneration					
Name of Executive Director, Position	Note	Base Salary	Fees	Fringe Benefits	One-year variable	Multi-year variable	3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of Fixed and Variable Remuneration
Eamonn Crowley, CEO	1	€480,000	€0	€20,120	€0	€0	€0	€72,000	€572,120	100% Fixed
Michael Frawley, CRO	2	€335,775	€0	€20,000	€0	€0	€0	€50,366	€406,141	100% Fixed

Notes:
1. Fringe Benefits consist of car allowance benefits (€20k) and benefit in kind (€0.1k).
2. Fringe Benefits consist of car allowance benefits (€20k).

For comparison, 2020 Remuneration for Executive Directors who held office for any part of the 2020 financial year was entirely fixed in nature, consisting of basic salary, certain benefits and defined contribution pension entitlements as follows:

		2020								
		1. Fixed Remuneration			2. Variable Remuneration					
Name of Executive Director, Position	Note	Base Salary	Fees	Fringe Benefits	One-year variable	Multi-year variable	3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of Fixed and Variable Remuneration
Eamonn Crowley, CEO	1	€455,625	€0	€20,485	€0	€0	€0	€68,344	€544,454	100% Fixed
Michael Frawley, CRO	2	€335,775	€0	€20,048	€0	€0	€0	€50,366	€406,189	100% Fixed
Jeremy Masding, CEO	3	€241,290	€0	€11,193	€0	€0	€575,859	€36,194	€864,535	100% Fixed

Notes:
1. Mr Crowley served as CFO up to the 1 July 2020 at which point he was appointed as CEO. Fringe Benefits consist of car allowance benefit (€20k) and benefit in kind (€0.5k)
2. Fringe benefits consist of car allowance benefit (€20k). Mr Frawley was appointed to the Board on 29 October 2019.
3. Mr Masding departed the role of CEO on 1 July 2020. Contractual payments of €575,859 (payment in lieu of notice relating to basic salary, pension and car allowance and payment in lieu of holidays) were paid to him and are captured under ‘Extraordinary items’ above. Fringe benefits consist of car allowance €10k) and benefit in kind (€1k).

Aggregate Executive Director Compensation stood at €978,261 in 2021, down from €1,239,319 in 2020 (which excluded Extraordinary items) as a result of changes to the Executive Director membership during the period.

No Executive Director was in receipt of any remuneration from any undertaking within the Group other than Permanent TSB Group Holdings plc.

Components of Executive Director Remuneration - 2021

Basic salary

During 2021, in response to the continuing challenges to business performance presented by the COVID-19 pandemic, the Committee recommended the implementation of a pay freeze for 2021. This consisted of a full suspension of standard pay increases for colleagues at management level, including the Executive Directors, and the granting of relatively modest increases for staff at all other grades.

As in previous years, pay increases to eligible staff were based on each individual staff member's performance and salary position versus the relevant market median. The increases ranged from 0% up to 5% with an average increase of 1.3% and all increases were effective from 1 January 2021.

Pensions

The current Executive Directors are members of the PTSB Defined Contribution Pension Scheme. The Bank contributed up to 15% of basic salary into this pension scheme during 2021. Other than basic salary, there are no other elements of Director's remuneration which are pensionable.

Benefits

During 2021, Executive Directors received benefits in line with Policy. This included an allowance of €20,000 in lieu of a company car and eligibility for subsidised house purchase loans provided on the same terms and conditions as loans to other eligible PTSB employees.

Bonus and Long-term Incentive Plans

The Remuneration Policy does not provide for the payment of variable remuneration to Executive Directors. No bonus payments were made to Executive Directors during 2021 or 2020. Neither were there any long term incentive arrangements in place for Executive Directors in 2021 or 2020.

Share option schemes - Audited

No share options were granted in 2021 or 2020. There were no share options in existence at the end of the period and the Bank's sole remaining share option scheme is now closed.

Loss of Office Payments

The Remuneration Policy requires that any payments on termination of employment are made in accordance with the provisions of CRD V and applicable Irish legislation. Any payments in relation to termination reflect performance achieved over time and will not reward failure or misconduct. Leavers will receive any payments required under the terms of their contract.

No payments for loss of office were made to Executive Directors during 2021. In 2020, and in order to fulfil the contractual obligations arising upon the departure of the former CEO, contractual payments of €575,859 were made to him (including, in line with our approved Policy, Payment in Lieu of Notice relating to basic salary, pension and benefits and payment in lieu of holidays).

Payments to Former Directors

No such payments were made to former Executive Directors during 2021.

Directors' Fees from another Company

The Bank operates established polices, practices and procedures that are designed to identify, document and manage conflicts of interest. It is the policy of the Bank that where an Executive Director of the Bank is remunerated for service as a Non-Executive Director of a non-Bank company and retains such remuneration, the amount of this remuneration is disclosed. No Executive Director was in receipt of fees from external appointments during the period under review.

Non-Executive Director Remuneration – Audited

The level of fees paid to the Chairman and Non-Executive Directors in 2021 is outlined in the table below. Aggregate fees paid to Non-Executive Directors increased from €807,941 (2020) to €947,993 as a consequence of the timing variations in the appointment and cessation of Non-Executive Directors and the remuneration arrangements attaching to the establishment of a new Board sub-committee tasked with overseeing the Ulster Bank transaction (the "Project Sun Oversight Committee").

		2021									
		1. Fixed Remuneration				2. Variable Remuneration					
Name of Director, Position	Note	Base Salary	Basic Fees	Fees Paid	Fringe Benefits	One-year variable	Multi-year variable	3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of Fixed and Variable Remuneration
Robert Elliott		€0	€290,000	€290,000	€0	€0	€0	€0	€0	€290,000	100% Fixed
Ken Slattery	1	€0	€54,675	€71,510	€375	€0	€0	€0	€0	€71,885	100% Fixed
Andrew Power	2	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed
Ronan O'Neill	3	€0	€54,675	€109,050	€375	€0	€0	€0	€0	€109,425	100% Fixed
Donal Courtney	4	€0	€54,675	€92,773	€435	€0	€0	€0	€0	€93,208	100% Fixed
Ruth Wandhöfer	5	€0	€54,675	€67,175	€435	€0	€0	€0	€0	€67,610	100% Fixed
Marian Corcoran	6	€0	€54,675	€71,550	€355	€0	€0	€0	€0	€71,905	100% Fixed
Paul Doddrell	7	€0	€54,675	€70,925	€0	€0	€0	€0	€0	€70,925	100% Fixed
Celine Fitzgerald	8	€0	€54,675	€48,854	€0	€0	€0	€0	€0	€48,854	100% Fixed
Anne Bradley	9	€0	€54,675	€57,006	€0	€0	€0	€0	€0	€57,006	100% Fixed

Notes:

1. Additional fees paid as chair of the Remuneration Committee, member of the Board Audit Committee (ceased 30 March 2021) and member of the Nomination, Culture and Ethics Committee. Fringe benefits comprise Benefit in Kind €375 relating to the payment of professional body subscriptions.
2. Additional fees paid as member of the Board Audit Committee and member of the Remuneration Committee.
3. Additional fees paid as chair of the Board Risk and Compliance Committee (ceased 2 November 2021), chair of the Board Audit Committee (appointed 2 November 2021), member of the Board Nomination, Culture and Ethics Committee and Senior Independent Director and member of Project Sun Oversight Committee (appointed 1 June 2021). Fringe benefits comprise Benefit in Kind €375 relating to the payment of professional body subscriptions.
4. Additional fees paid as chair of the Board Audit Committee (ceased 2 November 2021), member of the Board Risk and Compliance Committee (ceased 2 November 2021), chair of the Board Risk and Compliance Committee (appointed 2 November 2021), member of the Board Nomination, Culture and Ethics Committee (ceased 30 March 2021) and member of Project Sun Oversight Committee (appointed 1 June 2021). Fringe benefits comprise Benefit in Kind €435 relating to the payment of professional body subscriptions.
5. Additional fees paid as member of the Board Risk and Compliance Committee and member of the Remuneration Committee. Fringe benefits comprise Benefit in Kind €435 relating to the payment of professional body subscriptions.
6. Additional fees paid as member of the Board Risk and Compliance Committee, member of the Remuneration Committee (ceased 30 March 2021), member of the Board Nomination, Culture and Ethics Committee (appointed 30 March 2021) and member of Project Sun Oversight Committee (appointed 1 June 2021). Fringe benefits comprise Benefit in Kind €355 relating to the payment of professional body subscriptions.
7. Additional Fees paid as member of the Board Risk and Compliance Committee, Board Audit Committee and Project Sun Oversight Committee (Appointed 1st November 2021)
8. Appointed on 30 March 2021. Additional fees paid as member of the Remuneration Committee and Nomination, Culture and Ethics Committee.
9. Appointed on 30 March 2021. Additional fees paid as member of the Board Audit Committee and Board Risk and Compliance Committees (appointed 30 March 2021) and member of Project Sun Oversight Committee (Appointed 1 June 2021).

For comparison, the level of fees paid to the Chairman and Non-Executive Directors in 2020 is outlined in the table below.

Name of Director, Position	Note	2020: 1. Fixed Remuneration: Base Salary	Basic Fees	Fees Paid	Fringe Benefits	2. Variable Remuneration: One-year variable	Multi-year variable	3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of Fixed and Variable Remuneration
Robert Elliott		€0	€290,000	€290,000	€0	€0	€0	€0	€0	€290,000	100% Fixed
Ken Slattery	1	€0	€54,675	€70,300	€0	€0	€0	€0	€0	€70,300	100% Fixed
Julie O'Neill	2	€0	€54,675	€53,516	€3,470	€0	€0	€0	€0	€56,986	100% Fixed
Andrew Power	3	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed
Ronan O'Neill	4	€0	€54,675	€89,786	€395	€0	€0	€0	€0	€90,181	100% Fixed
Donal Courtney	5	€0	€54,675	€92,175	€0	€0	€0	€0	€0	€92,175	100% Fixed
Ruth Wandhöfer	6	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed
Marian Corcoran	7	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed
Paul Doddrell	8	€0	€54,675	€6,774	€0	€0	€0	€0	€0	€6,774	100% Fixed

Notes:

1. Additional fees paid as chair of the Board Remuneration Committee (appointed 8 September 2020) and as member of the Board Audit Committee and Nomination, Culture and Ethics Committee.
2. Additional fees paid as the chair of the Board Remuneration Committee, member of the Board Nomination, Culture and Ethics Committee and Board Risk and Compliance Committee and Senior Independent Director. Ceased as member of the Board, Senior Independent Director, Chair of the Board Remuneration Committee, member of the Board Risk and Compliance Committee and member of the Board Nomination, Culture and Ethics Committee on 5 August 2020. Fringe benefits comprise Benefit in Kind €3,470.
3. Additional fees paid as member of the Board Audit Committee and member of the Board Remuneration Committee.
4. Additional fees paid as chair of the Board Risk and Compliance Committee and member of the Board Nomination, Culture and Ethics Committee and Senior Independent Director (appointed 6 August 2020). Fringe benefits comprise Benefit in Kind €395.
5. Additional fees paid as chair of the Board Audit Committee, member of the Board Nomination, Culture and Ethics Committee and member of the Board Risk and Compliance Committee.
6. Additional fees paid as member of the Board Remuneration Committee and Board Risk and Compliance Committee.
7. Additional fees paid as member of the Board Remuneration Committee and Board Risk and Compliance Committee.
8. Appointed to the Board and member of the Board Risk and Compliance Committee and the Board Audit Committee on 26 November 2020

The base fee and further fees for additional Board duties such as chairmanship of membership of a committee received by the directors remained unchanged in 2021 (other than the introduction of the fee payable in respect of membership of the Project Sun Oversight Committee) and were as follows:

Position:		2021 Fees
Chairman		€290,000
Non-Executive Director (Base Fee)		€54,675
Senior Independent Director		€20,000
Board Audit Committee and Board Risk & Compliance Committee	Chair	€25,000
	Member	€7,500
Remuneration Committee	Chair	€10,000
Remuneration Committee and Nomination, Culture & Ethics Committee	Member	€5,000
Project Sun Oversight Committee	Member	€7,500

Comparison of Directors' and Employees' pay

The following table provides information regarding the annual change in the total remuneration of members of the Bank's Board of Directors, as compared with our Company performance as well the average change in remuneration, on a full-time equivalent basis, of our employees, between 2019 and 2021.

Annual Change	Note	Percentage change in 2021	Percentage change in 2020
Directors' Remuneration – Executive Directors			
Eamonn Crowley, CEO	1	5.1%	6.6%
Michael Frawley, CRO	2	0.0%	0.7%
Directors' Remuneration – Non-Executive Directors (NEDs)			
Robert Elliot, Chairman		0.0%	0.0%
Ken Slattery, Independent NED	3	2.3%	4.6%
Andrew Power, Independent NED		0.0%	0.0%
Ronan O'Neill, Independent NED	4	21.3%	6.5%
Donal Courtney, Independent NED		1.1%	0.0%
Ruth Wandhöfer, Independent NED	5	0.6%	0.0%
Marian Corcoran, Independent NED	6	7.0%	0.0%
Paul Doddrell, Independent NED	7	1.8%	N/A
Celine Fitzgerald, Independent NED	8	N/A	N/A
Anne Bradley, Independent NED	9	N/A	N/A
Average remuneration on a full-time equivalent basis of employees			
Employees of the company	10	1.7%	2.6%
Company performance		**2021**	**2020**
Underlying profit/(loss)	11	€17m	(€109m)
Adjusted Cost to Income Ratio	12	82%	75%

Notes:
1. Mr Crowley served as CFO up to 1st July 2020 at which point he was appointed as CEO. The year on year increase in 2021 reflects this appointment to CEO.
2. Mr Frawley was appointed to the Board on 29th October 2019. Remuneration for 2019 has been annualised for the purpose of the above.
3. Mr. Slattery was appointed as Chair of Remuneration Committee on 8th September 2020. The year on year increase in 2021 reflects this appointment and the payment of fringe benefits during 2021.
4. Mr O'Neill was appointed as Senior Independent Director on 6th August 2020. The year on year increase in 2021 reflects this appointment, and other committee membership changes during 2021.
5. Ms Wandhöfer was appointed as a member of the Board on 1st February 2019. Remuneration for 2019 was annualised for the purposes of the above. The year on year increase in 2021 reflects payment of fringe benefits during 2021.
6. Ms Corcoran was appointed as a member of the Board on 24th September 2019. Remuneration for 2019 was annualised for the purposes of the above. The year on year increase in 2021 reflects committee membership changes during 2021.
7. Mr Doddrell was appointed as a member of the Board on 26th November 2020 and therefore no pre-2020 data is available for comparative purposes. Remuneration for 2020 was annualised for the purposes of the above. The year on year increase in 2021 reflects committee membership changes during 2021.
8. Ms. Fitzgerald was appointed as a member of the Board on 30th March 2021 and therefore no pre-2021 data is available for comparative purposes.
9. Ms. Bradley was appointed as a member of the Board on 30th March 2021 and therefore no pre-2021 data is available for comparative purposes.
10. The change in average remuneration is based on the annual employee costs (excluding social welfare and directors remuneration) divided by the average number of employees.
11. Operating profit/loss before exceptional items and non-recurring items. See table 8 on page 61 for a reconciliation of underlying profit to operating loss on an IFRS basis. Corresponding operating loss for 2020 was €109m.
12. Defined as total operating expenses (excluding exceptional, other non-recurring items, bank levy and regulatory charges) divided by total operating income.

Voting Results from the Annual General Meeting

At the 2021 AGM, shareholder approval on an advisory basis was sought for the 2021 Directors' Report on Remuneration. At the AGM in 2021, 99.9% of votes cast were in favour of the resolution.

Also, in accordance with the Shareholder Rights Directive, every four years, shareholder approval on an advisory basis is sought on the Directors' Remuneration Policy. Shareholder approval for the Directors' Remuneration Policy was last granted at the AGM in 2020 which was approved by 99.9% of shareholders at that time.

The Bank takes the views of shareholders on our approach to remuneration into account on an ongoing basis and welcomed the strong support received for both of these resolutions.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and in respect of the consolidated financial statements, Article 4 of the IAS Regulation.

Under Irish law the Directors shall not approve the Group's and Company's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS adopted by the EU and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position of the Company to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014, and as regards the Group financial statements, article 4 of the IAS Regulation and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and Corporate Governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules to include a management report containing a fair review of the business and a description of the Principal Risks and Uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website www.permanenttsb.ie. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position of the Group and the Company and of the loss of the Group;
- the Group's Chairman Statement, the Group's Chief Executives Review and the Operating and Financial Review set out in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the Principal Risks and Uncertainties that they face as set out in the Risk Management Section of the Strategic Report; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced, understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

On behalf of the Board

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Ronan O'Neil
Board Audit Committee Chair

Conor Ryan
Company Secretary

01 March 2022

Independent auditors' report to the members of Permanent TSB Group Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, Permanent TSB Group Holdings plc's Consolidated financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2021 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2021;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

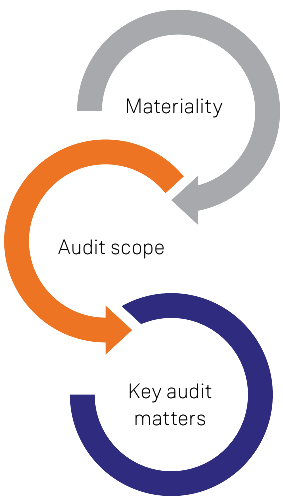
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Overview



Materiality

- €10 million (2020: €11 million) - Consolidated financial statements
- Based on c. 0.56% of net assets (2020: c. 0.55% of net assets).
- €9.5 million (2020: €9.5 million) - Company financial statements
- Based on c. 1% of net assets.

Audit scope

- We have conducted an audit of the complete financial information of Permanent TSB plc which is the main trading entity of the Group and accounts for in excess of 95% of the net assets of the Group and in excess of 95% of total operating income of the Group.

Key audit matters

- Expected Credit Loss (ECL) provision for residential mortgages (Group).
- Recoverability of deferred tax assets (Group).
- IT controls (Group).
- Impairment assessment in respect of the investment in Permanent TSB plc (Company only).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Expected Credit Loss (ECL) provision for residential mortgages (Group) Refer to note 1 (Significant accounting policies), note 2 (Critical accounting estimates and judgements) and note 22 (Impairment provisions) to the Consolidated financial statements. IFRS 9 requires impairment models where losses are recognised on an expected, forward looking basis including reflecting the Group's view of potential future economic events. We determined the ECL calculation to be a key audit matter as it is a complex estimation which requires significant management judgement. We focussed on the areas which required the greatest level of management judgement in relation to residential mortgages as detailed below: 1. The application of forward-looking information is a critical part of the determination of ECL. The consideration and selection of appropriate macroeconomic variables and in particular determining the appropriate economic scenarios (base, downside and upside) and their associated probability weightings is a key driver of the overall ECL provision. 2. The determination of when there has been a significant increase in credit risk (SICR) is one of the key judgements in the ECL process because a SICR requires the related impairment provision to be measured using a lifetime ECL rather than 12 month ECL. The completeness of the identification of SICR triggers and their correct application has a significant impact on the overall provision. 3. The consideration of the need for post model adjustments to address known model limitations, latent risks and emerging trends. These adjustments are by their nature inherently uncertain and require significant judgement.	With the assistance of our internal credit modelling specialists, we understood and critically assessed the overall methodology applied, including individual models used, in the measurement of ECL for the residential mortgage portfolio to ensure that the provision was in accordance with IFRS 9. This included an end-to-end review to understand the key systems and controls in the process. We also considered the impact of COVID-19 on ECL as part of our overall assessment. We tested the accuracy of critical data inputs used in the impairment models on a sample basis by agreeing inputs to source systems and supporting documentation. We considered the overall control framework and tested key controls including controls relating to model performance, approval of model changes, approval of SICR triggers, approval of material macroeconomic variables for forward looking information and approval of post model adjustments. We compared the base case forward looking macroeconomic assumptions, provided by management's external economic consultant, to publicly available information where applicable. We also considered the reasonableness of management's downside and upside assumptions. We assessed the SICR triggers identified by management for appropriateness and completeness and we re-performed key aspects of the SICR calculation. We also selected a sample of loans to ensure that they were allocated to the appropriate stage. We understood and assessed the appropriateness of material post model adjustments made by management to adjust their model output for known limitations and specific risk aspects of the portfolio, including those which were applied as a result of COVID-19. We concluded that the ECL provision for residential mortgages is within an acceptable range of reasonable estimates.

Independent auditors' report to the members of permanent tsb Group Holdings plc (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets (Group) Refer to note 1 (Significant accounting policies), note 2 (Critical accounting estimates and judgements) and note 26 (Deferred taxation) to the Consolidated financial statements. The Group has net deferred tax assets of €350 million that primarily arise due to historical operating losses. A key judgement in the recognition of these net deferred tax assets is whether there is convincing evidence of sufficient future taxable profits against which those losses can be utilised. This judgement relies on the assessment of the probability and the sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance. The Group's considerations in respect of the recognition of the net deferred tax assets are outlined in the financial statements, which also provides an overview of the key assumptions underpinning the financial projections. We determined this to be a key audit matter due to the level of judgement involved.	Management prepares a Medium-Term Plan to forecast financial performance over a five-year period. We understood and tested key controls over the production and approval of the Group's Medium-Term Plan. We assessed the forecast of taxable profits which informed management's decision to recognise a deferred tax asset in respect of tax losses arising from historic operating losses. We considered whether the forecast of taxable profits provides convincing evidence that sufficient taxable profits will be available to utilise unused tax losses. We assessed the relevant macroeconomic assumptions and growth assumptions underlying the projections in the context of economic consensus forecasts. We also evaluated the growth assumptions for reasonableness by reference to historic performance, future plans and external data as appropriate. We also considered the appropriateness of the growth rate used to extrapolate the forecast profits over the period beyond the detailed plan. We concluded that the Group's net deferred tax assets meet the requirements for recognition under IAS 12. We have also considered the disclosures included in the financial statements and concluded that they were appropriate.
IT controls (Group) The IT framework of the Group incorporates a number of IT systems which have been in place for many years. We determined IT controls, and in particular, deficiencies in the IT control environment, to be a key audit matter as deficiencies in access controls over a number of applications on certain systems could have a significant impact on financial reporting controls and systems.	We involved our IT audit specialists to update our understanding of the Group's IT environment and of changes made to it during 2021. To the extent required for our audit, we assessed and tested the design and operating effectiveness of IT controls over financial reporting systems relating to access security, IT operations and change control management, including assessing and testing mitigating controls where relevant. Where deficiencies identified affected specific applications within the scope of our audit we tested mitigating controls and performed other procedures as we considered necessary for the purposes of our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment in respect of the investment in Permanent TSB plc (Company only) Refer to note 1 (Significant accounting policies) and note 2 (Critical accounting estimates and judgements) to the Consolidated financial statements and note C (Investment in subsidiary) to the Company financial statements. As noted in the accounting policies, the investment in subsidiary is shown at cost in the Company financial statements unless there is evidence of impairment, in which case it is shown at the lower of cost and recoverable amount. In assessing the recoverable amount of the investment at year end, management determined that the investment was impaired and accordingly recorded an impairment charge of €66 million. We determined this to be a key audit matter given the scale of the investment and because the determination of whether an impairment charge for the investment was necessary involves significant judgement in estimating the future results of the business and determining the appropriate discount rate to use.	We evaluated management's assessment of the recoverable amount of the investment and the resulting impairment of €66 million at 31 December 2021. The assessment of the recoverable amount of the investment was based on the Company's value in use calculation. We assessed the forecast of free cash flows which informs management's calculations and concluded that they were consistent with the Group's Medium Term Plan. We assessed the relevant macroeconomic assumptions underlying the projections in the context of economic consensus forecasts. We evaluated the growth assumptions by reference to historic performance, future plans and external data as appropriate. We considered the appropriateness of the growth rate used to extrapolate the forecast profits over the period beyond the detailed plan. We challenged management's calculation of the discount rate used by recalculating an acceptable range of discount rates using observable inputs from independent external sources and concluded the discount rate used by management fell within that range. We concluded that the impairment charge in respect of the investment in Permanent TSB plc is within an acceptable range of reasonable estimates.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Permanent TSB plc is the main trading entity of the Group. The Group has no other significant subsidiaries. We determined that an audit of the full financial information of Permanent TSB plc should be performed, which represents in excess of 95% of the net assets of the Group and in excess of 95% of the total operating income of the Group. The nature and extent of audit procedures was determined by our risk assessment for each account balance.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	€10 million (2020: €11 million).	€9.5 million (2020: €9.5 million).
How we determined it	c. 0.56% of net assets (2020: c. 0.55% of net assets).	c. 1% of net assets.
Rationale for benchmark applied	Given the volatility in profit / loss before taxation arising over recent years from elevated impairments and reductions and the scale of losses arising from exceptional activities, we believe that net assets, rather than profitability, provide us with a more appropriate and consistent year on year basis for determining materiality.	Given the activity of the Company is mainly limited to its investment in PTSB plc, a benchmark based on net assets rather than profitability is considered more appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €504,280 (Group audit) (2020: €550,000) and €476,500 (Company audit) (2020: €475,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of permanent tsb Group Holdings plc
(continued)

Conclusions relating to going concern
Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting.
- Understanding and evaluating the Group's financial forecasts and the Group's stress testing of liquidity and regulatory capital. In evaluating these forecasts we considered the Group's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the financial performance, capital and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

We are required to report if the directors' statement relating to going concern in accordance with Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin is materially inconsistent with our knowledge obtained in the audit. We have nothing to report in respect of this responsibility.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the Company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;

  included in the Directors' Report which includes the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Directors' Report which includes the Corporate Governance Statement. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Directors' Report which includes the Corporate Governance Statement. (CA14)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 135 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 135 and 136 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 151 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 134 and 135 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 151, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:
https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf
This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company Statement of Financial Position is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Prior financial year Remuneration Report

We are required to report if the Company has not provided the information required by Section 1110N of the Companies Act 2014 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the members on 22 May 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2013 to 31 December 2021.

John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
1 March 2022

Consolidated Income Statement
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Interest income	4	**354**	382
Interest expense	4	**(41)**	(41)
Net interest income		**313**	341
Fees and commission income	5	**64**	53
Fees and commission expense	5	**(29)**	(25)
Net trading income	6	**2**	1
Net other operating income	7	**11**	5
Total operating income		**361**	375
Administrative, staff and other expenses (excluding exceptional items)	8	**(263)**	(243)
Bank levy and other regulatory charges	9	**(50)**	(49)
Depreciation of property and equipment	24	**(21)**	(21)
Impairment of property and equipment	24	**-**	(1)
Amortisation of intangible assets	25	**(26)**	(15)
Exceptional items			
Restructuring and other costs	10	**(14)**	(31)
Advisory costs incurred in relation to the Ulster Bank transaction	10	**(28)**	-
Total operating expenses		**(402)**	(360)
Operating (loss)/profit before credit impairment and taxation		**(41)**	15
Credit impairment			
Loans and advances to customers	22	**1**	(155)
Exceptional impairment arising from deleveraging of loans	10	**19**	(26)
Total credit impairment write-back/(charge)		**20**	(181)
Operating loss/loss before taxation		**(21)**	(166)
Taxation	11	**1**	4
Loss/loss for the year		**(20)**	(162)
Attributable to:			
Equity holders of the parent		**(20)**	(162)
Loss per ordinary share		**€ Cent**	**€ Cent**
Basic loss per share of €0.5 ordinary share	12	**(9.0)**	(38.0)
Diluted loss per share of €0.5 ordinary share	12	**(9.0)**	(38.0)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Loss/loss for the year		**(20)**	(162)
Items that will not be reclassified to the income statement in subsequent periods			
Fair value reserve (equity instruments)			
Change in fair value of equity instruments	35	**2**	9
Revaluation of property	35	**2**	(2)
Tax relating to items that will not be reclassified to the income statement	11	**-**	(3)
Items that may be reclassified to the income statement in subsequent periods			
Change in fair value of debt instruments	35	**-**	(3)
Amortisation of discontinued hedges	35	**-**	3
Tax relating to items that may be reclassified to the income statement	11	**-**	-
Other comprehensive income, net of tax		**4**	4
Total comprehensive loss for the year, net of tax		**(16)**	(158)
Attributable to:			
Equity holders of the parent		**(16)**	(158)

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	31 December 2021 €m	31 December 2020 €m
Assets			
Cash at bank	13	**57**	71
Items in the course of collection	13	**20**	20
Loans and advances to banks	14	**4,174**	3,312
Derivative assets	15	**1**	-
Other assets	16	**310**	5
Assets classified as held for sale	17	**28**	31
Debt securities	18	**2,494**	2,583
Equity securities	19	**26**	24
Prepayments and accrued income	20	**205**	86
Loans and advances to customers	21	**14,256**	14,213
Interests in associated undertakings	23	**2**	-
Property and equipment	24	**190**	190
Intangible assets	25	**122**	102
Deferred taxation	26	**350**	349
Total assets		**22,235**	20,986
Liabilities			
Deposits by banks	27	**347**	-
Customer accounts	28	**19,089**	18,039
Debt securities in issue	29	**524**	809
Other liabilities	30	**170**	107
Accruals		**8**	2
Current tax liability		**1**	1
Provisions	31	**55**	77
Subordinated liabilities	32	**252**	-
Total liabilities		**20,446**	19,035
Equity			
Share capital	34	**227**	227
Share premium	34	**333**	333
Other reserves	34	**(787)**	(791)
Retained earnings	34	**1,893**	1,937
Shareholders' equity		**1,666**	1,706
Other equity instruments	34	**123**	245
Total equity		**1,789**	1,951
Total liabilities and equity		**22,235**	20,986

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Ronan O'Neill
Board Audit Committee Chair

Conor Ryan
Company Secretary

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

	Attributable to equity holders of the parent							
	Share capital €m	Share premium €m	Revaluation reserve* €m	Fair value reserve* €m	Other capital reserve* €m	Retained earnings €m	Other equity instrument €m	Total €m
Balance at 1 January 2020	227	333	55	6	(856)	2,110	122	1,997
Loss for the year	-	-	-	-	-	(162)	-	(162)
Other comprehensive (expense)/income, net of tax (note 35)	-	-	(2)	6	-	-	-	4
Total comprehensive (expense)/income for the year	-	-	(2)	6	-	(162)	-	(158)
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
Issue of other equity instruments	-	-	-	-	-	-	125	125
Issuance cost of share capital and other equity	-	-	-	-	-	-	(2)	(2)
AT1 coupon paid (note 34)	-	-	-	-	-	(11)	-	(11)
Total contributions by and distributions to owners	-	-	-	-	-	(11)	123	112
Balance as at 31 December 2020	227	333	53	12	(856)	1,937	245	1,951
Balance at 1 January 2021	**227**	**333**	**53**	**12**	**(856)**	**1,937**	**245**	**1,951**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(20)**	**-**	**(20)**
Other comprehensive income, net of tax (note 35)	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**4**
Total comprehensive income/(expense) for the year	**-**	**-**	**2**	**2**	**-**	**(20)**	**-**	**(16)**
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
Redemption of other equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**(122)**	**(122)**
AT1 coupon paid (note 34)	**-**	**-**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
Loss on redemption of AT1 securities	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(24)**	**(122)**	**(146)**
Balance as at 31 December 2021	**227**	**333**	**55**	**14**	**(856)**	**1,893**	**123**	**1,789**

* All are included in other reserves in the statement of financial position.

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	31 December 2021 €m	31 December 2020 €m
Cash flows from operating activities		
Operating loss/loss before taxation	**(21)**	(166)
Adjusted for non-cash items and other adjustments:		
Depreciation, amortisation and impairment of property, equipment and intangibles	**47**	36
Loss on revaluation of property	**-**	1
Impairment (write-back)/charge on:		
- Loans and advances to customers	**(20)**	181
Unrealised (gains)/losses on financial assets	**4**	(1)
Other income	**(10)**	-
Other mortgage related adjustments	**17**	16
Other provisions	**27**	52
Visa equity share	**(2)**	(9)
Other non-cash items	**6**	47
	48	157
(Increase)/decrease in operating assets:		
Derivative assets	**4**	-
Other assets	**22**	282
Debt securities	**51**	(1)
Prepayments and accrued income	**(131)**	(37)
Loans and advances to customers	**(374)**	1,256
Increase/(decrease) in operating liabilities:		
Deposits by banks	**348**	-
Customer accounts	**1,032**	841
Debt securities in issue	**(294)**	(114)
Derivative liabilities	**-**	(2)
Other liabilities and accruals	**63**	(14)
Provisions	**(49)**	(16)
	672	2,195
Net cash inflow from operating activities before tax	**720**	2,352
Tax paid	**(1)**	(1)
Net cash inflow from operating activities	**719**	2,351

Consolidated Statement of Cash Flows
For the year ended 31 December 2021 (continued)

	31 December 2021 €m	31 December 2020 €m
Cash flows from investing activities		
Maturities of debt securities - HTC&S	**-**	200
Maturities of debt securities - HTC	**49**	214
Purchase of debt securities- HTC	**-**	(1,046)
Movement in restricted cash holdings	**26**	47
Purchase of property and equipment	**(13)**	(10)
Purchase of intangible assets	**(11)**	(44)
Investment in subsidiary undertakings	**3**	-
Investment in Associated undertakings	**(2)**	-
Net cash flows from investing activities	**52**	(639)
Cash flows from financing activities		
Issuance of AT1 securities	**-**	123
Redemption of AT1 securities	**(125)**	-
Payment of lease liabilities	**(3)**	(8)
AT1 coupon payment	**(21)**	(11)
Issuance of Tier 2 capital notes (including interest)	**252**	-
Net cash flows from financing activities	**103**	104
Increase in cash and cash equivalents	**874**	1,816
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**3,047**	1,231
Increase in cash and cash equivalents	**874**	1,816
Cash and cash equivalents as at 31 December*	**3,921**	3,047

*The cash and cash equivalents exclude restricted cash as per note 13.

Reconciliation of liabilities arising from financing activities

	31 December 2021 €m	31 December 2020 €m
1 January 2021	**34**	42
Financing cash flows:		
Lease liability	**(3)**	(8)
Issuance of Tier 2 capital notes (including interest)	**252**	-
31 December	**283**	34

Notes to the Consolidated Financial Statements

1. Corporate information, basis of preparation and significant accounting policies

1.1 Corporate information

Permanent TSB Group Holdings plc (the Company) is a holding company domiciled in Ireland (registration number 474438). Its registered office is situated at 56 - 59, St. Stephen's Green, Dublin 2, Ireland. The company's shares are listed on the main market of the Irish and London Stock Exchanges.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as the Group) and are prepared up to the end of the financial year, 31 December 2021.

Permanent TSB plc (PTSB), a 100% owned subsidiary of the Company, is the main trading entity of the Group which is involved in retail banking.

These consolidated financial statements for the year ended 31 December 2021 were approved by the Board and authorised for issue by the Directors on 01 March 2022.

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2021 are set out below.

1.2 Basis of preparation

Statement of compliance

These consolidated financial statements comprise of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company SOFP, the Company statement of changes in equity, the Company statement of cash flows and the notes to the consolidated and the Company financial statements have been prepared in accordance with IFRS and interpretations issued by the IFR Interpretations Committee (IFRIC) as adopted by the EU and those parts of the Companies Act 2014 applicable to companies reporting under IFRS and EU (Credit Institutions: Financial Statements) Regulations 2015.

The accounting policies have been consistently applied by the Group entities and are consistent with the previous year.

The financial statements include the information that is described as being an integral part of the audited financial statements contained in the Directors' Report on Remuneration and in Risk Management. Certain tables and related information in the notes to the financial statements, included in boxes and clearly identified as unaudited do not form part of the audited financial statements.

The individual financial statements of the holding company have also been prepared in accordance with IFRS and interpretations issued by IFRIC as adopted by the EU and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. In accordance with section 304(2) of the Companies Act 2014, the Company is availing of the exemption from presenting its individual income statement and related notes to the AGM and from filing it with the Registrar of Companies. See note 45 for further information.

The Company's loss after tax for the year ended 31 December 2021 was €56m (31 December 2020: loss €145m). The Company issued €250,000,000 additional tier 2 MREL eligible debt on 19 May 2021. For further information, see the Company financial statements on pages 256 to 259.

Basis of measurement

The consolidated and Company financial statements have been prepared on the historical cost basis as modified to include the fair valuation of certain financial instruments classified as HTC&S, equity securities classified as FVOCI, derivative financial instruments, assets classified as held for sale, financial assets and liabilities designated as hedged items in qualifying fair value hedge relationships, and land and buildings accounted for using the revaluation model.

Functional and presentation currency

These financial statements are presented in Euro, which is the Company's functional currency. Except where otherwise indicated, financial information presented in Euro has been rounded to the nearest million (m).

Use of estimates and judgements

The preparation of these consolidated financial statements, in conformity with IFRS, requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

While the actual results may differ from the estimates made, the Directors believe that they are reasonable in the current circumstances based on the best available information at the date of the approval of these consolidated financial statements.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Additional information about key assumptions and judgements are disclosed in the relevant notes for the following areas including significant estimation uncertainty:

- Allowance for credit impairment losses (note 22);
- Deferred taxation (notes 2 and 26);
- Fair value of financial instruments (note 36);
- Impairment review of subsidiary undertaking (note 45).

The estimates and assumptions are reviewed on an on-going basis and where necessary are revised to reflect current conditions. The principal estimates and assumptions made by Management relate to impairment of loans and advances to customers, deferred taxation, impairment of investment in subsidiary undertakings and financial instruments. Judgements made by Management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.3 Going Concern

In considering Management's assessment of the Group's and Company's ability to continue as a going concern, Management considered the principal risks and uncertainties as they might pertain to the going concern assumption, particularly the liquidity, profitability, and capital position. Management considered these items over the course of the year to date and into 2022, their current status, and future projections.

In doing so, Management considered each risk in turn, and the likelihood of the risk precipitating in the going concern assumptions becoming invalid over the period of assessment, being twelve months from the date of the approval of the financial statements for the year ended 31 December 2021. Management considered realistic alternatives, including downside scenarios applied by the Group to test assumptions and potential outcomes.

Assessment Basis

The time that the Directors and Management have considered in evaluating the appropriateness of the going concern basis in preparing the consolidated financial statements for the twelve months ended 31 December 2021 is a period of twelve months from the date of approval of these financial statements (01 March 2023).

In making this assessment, the Directors and Management have considered the Group's 2022-2026 MTP, profitability forecasts, funding and capital resource projections. These projections include both base and stress scenarios applied by the Group together with a number of factors such as Covid-19 and the Irish Economy, Government fiscal policies, the availability of collateral to access funding through third parties and the euro-system, and on-going changes in the regulatory environment.

Economic and political environment

As a result of the pandemic, the market environment within which the Group operates has continued to evolve in 2021. Measures adopted to contain the virus, include business closures, social restrictions and social distancing which have had an impact on the current financial and operational performance of the Group.

The low interest rate environment continues to erode the profitability of the overall financial sector in which the Group operates having a resultant impact on the Group's Net Interest Margin. Further to this, the Group continues to be materially reliant on Government and EU policy and other geopolitical events such as continuing uncertainty around the Northern Ireland Protocol and the introduction of the global minimum corporation tax rate to a sector of the Irish market.

However, the economic performance and outlook has continued to improve with the lifting of economic restrictions in early 2022. The Group reassessed the financial impacts of the economic and political environment through the Group's integrated planning process and believes it is reasonably well positioned to withstand any volatility from a resurgence of the virus or other economic events, particularly given the Group's continued management of its financial position through NPL reduction and capital management.

Funding & Liquidity

The Group continued to have sufficient liquidity throughout 2021, and continues to undertake initiatives to improve its liquidity position in the areas of deposits, collateral optimisation, and wholesale markets activity. The Directors and Management have also considered forecasts of the liquidity position over the going concern period, under a range of stress scenarios. The Group continues to hold a significant liquidity buffer at 31 December 2021 that can be easily and readily monetised in a period of stress.

1. Corporate information, basis of preparation and significant accounting policies (continued)

The Directors and Management are aware that the Group's ability to effectively utilise its contingent counterbalancing capacity is dependent on the underlying collateral remaining eligible. However, the Directors and Management are satisfied, based on a review of funding plans, interaction with wholesale markets and deposit trends that the required liquidity and funding will be available to the Group during the period of assessment. There are no material uncertainties, which would cast significant doubt on the ability of the Group to continue as a going concern basis over the period of assessment.

Profitability and Capital Adequacy

The Group made a loss for the year ended 31 December 2021, however, it does expect to return to profitability in the near term. Directors and Management have reviewed the MTP and based on this, the near-term macro-economic conditions of the country and the resolution of legacy issues, the Directors and Management are satisfied that the Group is well positioned to deliver profits in future years.

The Directors and Management have also considered the Group's forecast capital position, including the potential impact of further deleveraging and a deterioration in economic conditions as might arise from an uncertainty from the resurgence of the virus. Based on the above considerations, the Directors and Management have assessed and concluded that this does not give rise to a material uncertainty, which would cast significant doubt on the ability of the Group to continue on a going concern basis for the period of assessment.

Conclusion

As required by IFRS as adopted by the EU, the Directors and Management have considered the principal risks and uncertainties facing the Group and Company as outlined above. Based on the latest and projected financial performance and position, and the options available to the Group, the Directors have concluded that the Group and Company have no material uncertainties, which would cast significant doubt on the going concern assumption and have considered it appropriate to prepare the financial statements on a going concern basis.

1.4 Comparative information

The comparative information for 2020 has been prepared on a consistent basis with 2021.

1.5 Summary of significant accounting policies

(i) Basis of consolidation

Subsidiaries

Subsidiaries are those entities (including special purpose entities) controlled by the Group. Control exists when the Group has:

- the power, directly or indirectly, over the relevant activities of the investee, for example through voting or other rights;
- exposure to, or rights to, variable returns through involvement with the investee; and
- the ability to use its power over the investee to affect the Group's return from the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Financial statements of subsidiaries are prepared up to the financial position date. Intercompany transaction balances and unrealised gains/losses on transactions between the Group's companies are eliminated on consolidation.

The Company carries its investment in its subsidiary undertaking at cost in the Company financial statements and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its VIU. If impairment occurs, this loss is recognised in the income statement.

Details of principal subsidiaries are included in note 45.

Interest in associated undertakings

Interest in associated undertakings encompass investments in entities whereby the Group has significant influence over the financial and operating policy decisions of the entity but does not have control. It is presumed that significant influence exists if the Group holds more than 20% of the voting rights in the entity unless it can be demonstrated otherwise. Conversely the Group may hold less than 20% of the voting rights but could be demonstrated to have significant influence.

Interest in associated undertakings are initially recognised at cost and subsequently accounted for using the equity method whereby the investment is increased or decreased each year by the Group's share of the post-acquisition profit or loss of the associate. The Group's share of the post-acquisition profit or loss of the associate is recognised in profit or loss and OCI.

The Group continues to decrease the carrying amount of the investment for its' share of post-acquisition losses until the carrying amount is zero unless the Group has incurred a legal or constructive obligation or made payments on behalf of the associate. These additional losses are provided for and a liability is recognised in this instance.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(ii) Business combinations and goodwill

(a) Business combinations

The Group accounts for business combinations, other than those under common control, using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see 1.5(i)).

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at the fair value of the assets transferred, the liabilities incurred to the former owners and equity interest issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see (c) and (xx)). The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

The results of subsidiaries acquired are included in the consolidated income statement from the date of acquisition. Profits or losses of subsidiary undertakings acquired or sold during the year are included in the consolidated results from the date of gaining control or up to the date of disposal.

For each business combination, the Group elects on a transaction-by-transaction basis whether to measure a non-controlling interest at its fair value or at its proportionate share of the recognised amount of identifiable net assets. The assets and liabilities arising on a business combination are measured at their fair value at the acquisition date.

Business combinations under common control are accounted for prospectively from the date the Group obtains the ownership interest in the acquired entity. Assets and liabilities are initially recognised upon consolidation based on their carrying amount in the financial statements of the acquired entity (or holding entity, if applicable). Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are initially recorded is recognised directly in equity in retained earnings.

(b) Goodwill

The Group measures goodwill as the excess of the (i) consideration transferred; (ii) the amount of any non-controlling interest in the acquired entity; and (iii) acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Acquisition costs are expensed to the income statement as incurred. Any contingent consideration to be transferred to the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with IFRS 9.

Goodwill arising on associates is shown as part of the investment in the associate.

Goodwill is subject to an impairment review at least annually, and, if events or changes in circumstances indicate that the carrying amount may not be recoverable, it is written down through the income statement by the amount of any impairment loss identified in the year.

(iii) Foreign currencies

Foreign currency transactions are translated into the functional currency of the entity, being the currency of the primary environment in which the entity operates at the exchange rate prevailing at the date of the transaction or valuation where items are remeasured. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the reporting date. Exchange movements are recognised in the income statement. However, exchange movements arising from the translation of the following items are recognised in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI (see (vii)(a));
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

The results and financial position of the Group's subsidiaries which have a functional currency different from Euro are translated into Euro as follows:

- Assets and liabilities, including goodwill and fair value adjustments, are translated at the rates of exchange ruling at the reporting date;
- Income and expenses are translated at the average exchange rates for the year; and
- All resulting exchange differences are recognised in Other Comprehensive Income (OCI) and as a separate component of equity.

On consolidation, exchange differences arising from the translation of borrowings and currency instruments designated as hedges of the net investment in overseas subsidiaries, are also recognised in OCI to the extent to which the hedge is deemed to be effective. The ineffective portion of any net investment hedge is recognised in the income statement immediately. On disposal, or partial disposal of an overseas subsidiary, the appropriate portion of the currency translation adjustment reserve is included in the gain or loss on disposal.

(iv) Recognition of income and expenses

(a) Interest and similar income and expenses

For all interest bearing financial instruments, interest income or expense is recorded using the EIR method.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins. The calculation of the EIR includes transaction costs, premiums or discounts, and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income is calculated by applying the EIR to the gross carrying amount of financial assets, except for:

1. POCI financial assets, for which the original credit-adjusted EIR is applied to the amortised cost of the financial asset (the calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves); and
2. Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the EIR to their amortised cost (i.e. net of ECL provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income and expense calculated using the effective interest method presented in the statement of profit or loss includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk;
- negative interest on financial liabilities measured at amortised cost;
- negative interest on financial assets measured at amortised cost; and
- interest expense on lease liabilities.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(b) Fees and commission income and expense

As outlined above, fees and commission income and expense that are integral to the EIR on a financial asset or liability are included in the measurement of the EIR.

Other fees and commission income are recognised as the related services are performed. Fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(c) Net trading income/(expense)

Net trading income/(expense) comprises gains and losses relating to trading assets and trading liabilities and includes all realised and unrealised fair value changes, dividends and FX differences.

Dividend income is recognised when the right to receive income is established.

(d) Exceptional items

Certain items, by virtue of their nature and amount are disclosed separately in order for the user to obtain appropriate understanding of the financial information. These items would not ordinarily occur while carrying out normal business activities.

Exceptional items include gains or losses on the disposal of businesses, gains or losses on material deleveraging (including additional impairment arising solely as a result of a sale), material restructuring costs and material transaction, integration and restructuring costs associated with acquisitions (including potential acquisitions).

(e) Bank levy and other regulatory charges

Bank levy and other regulatory charges consist of DGS fees, Central Bank Industry Funding levy, Single Resolution Fund levy, ECB fees and a bank levy.

A bank levy payable to the Government, is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

(v) Employee Benefits

(a) Defined contribution pension plan

The Group operates a number of defined contribution pension schemes, under which the Group pays fixed contributions to a separate entity.

The contribution payable to a defined contribution plan is recorded as an expense under administration, staff and other expenses. Unpaid contributions are recorded as a liability.

(b) Short term employee benefits

Short term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employee's service is rendered. Bonuses are recognised where the Group has a legal or constructive obligation to employees that can be reliably measured.

(c) Termination payments

Termination benefits may be payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees where the offer is irrevocable. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(vi) Current and deferred taxation

Taxation comprises both current and deferred tax. Taxation is recognised as income or expenses and included in the income statement except to the extent it relates to a business combination, or items recognised in either OCI or equity. In the former case, taxation is recognised in OCI while in the latter case, taxation is recognised directly in equity. In a business combination the tax amounts are recognised as identifiable assets or liabilities at the acquisition date.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years (ROI: 12.5% from 1 April 2015).

1. Corporate information, basis of preparation and significant accounting policies (continued)

Deferred tax is provided using the liability method on all temporary differences except those arising on goodwill not deductible for tax purposes, or on initial recognition of an asset or liability in a transaction that is not a business combination and which at the time of the transaction affects neither accounting, nor taxable, profit or loss.

Deferred tax is measured at the tax rates enacted or substantively enacted by the reporting date that are expected to be applied to the temporary differences when they reverse.

Deferred tax liabilities and assets are offset only when they arise in the same tax reporting group and where there is the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

DTAs and liabilities shall be offset if, and only if:

- there is a legally enforceable right to set off current tax assets and liabilities; and
- the DTAs and liabilities relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A DTA is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. DTAs are reviewed at each reporting date and are recognised only to the extent that it is probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted in accordance with IAS 12.

Unrecognised DTAs are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

(vii) Financial instruments

(a) Classification of financial assets

Financial assets are recorded at fair value and are classified, on initial recognition, as amortised cost, fair value through OCI (FVOCI), fair value through profit or loss (FVTPL), elected at FVOCI or designated at FVTPL. Purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset.

With the exception of assets classified as FVTPL, the initial fair value of a financial asset includes direct and incremental transaction costs. The fair value of assets traded on an active market will be the price that would be received if an asset were to be sold in an orderly transaction between market participants at the measurement date. In the absence of an active market, the Group establishes a fair value using various valuation techniques that use observable and unobservable inputs. These include recent transactions in similar items, discounted cash flow projections, option pricing models and other valuation techniques used by market participants.

The classification requirements for debt and equity instruments are described on the following page.

Debt instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortised cost; or
- FVOCI; or
- FVTPL; or
- Designated at FVTPL.

Classification and subsequent measurement of debt instruments depend on:
(i) The Group's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(i) Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets (HTC) or is to collect both the contractual cash flows and cash flows arising from the sale of assets (HTC&S). If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

The Group assesses its business model at a portfolio level based on how it manages groups of financial assets to achieve its business objectives. The observable factors considered include:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to Group ExCo;
- How risks that affect the performance of the business model are managed;
- How business managers are compensated; and
- The timing, frequency and volume of sales.

(ii) Cash flow characteristics assessment

The Group carries out the cash flow characteristics assessment using the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest (the 'SPPI' test). Principal, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset, for example, due to repayments or amortisation of the premium/discount. Interest is defined as the consideration for the time value of money and credit risk, which are the most significant elements of interest within a lending arrangement. If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they introduce exposures to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group carries out the SPPI test based on an assessment of the contractual features of each product on origination and subsequently at every reporting period. Derivative instruments and equity instruments are not covered by this assessment as they are held at FVTPL (except when equities are accounted for at FVOCI).

Based on the above assessments, the Group classifies its debt instruments into one of the following four measurement categories:

(i) Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold the assets to collect contractual cash flows, where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are measured at amortised cost. Interest income on these instruments is recognised in interest income using the EIR method. The EIR is the rate that discounts estimated future cash payments or receipts through the expected life of a financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the EIR.

Impairment on debt instruments measured at amortised cost is calculated using the ECL approach. Loans and debt securities measured at amortised cost are presented net of allowance for ECL in the SOFP.

(ii) Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to both hold the assets to collect contractual cash flows and to sell the financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealised gains and losses on debt instruments measured at FVOCI are recorded in OCI, unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognised in interest income in the income statement. On derecognition, realised gains and losses are reclassified from OCI and recorded in other operating income in the statement of comprehensive income. FX gains and losses that relate to the amortised cost of the debt instrument are recognised in the income statement. Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to interest income in the income statement using the EIR method.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Impairment on debt instruments measured at FVOCI is calculated using the ECL approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the SOFP, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the income statement. The accumulated allowance recognised in OCI is recycled to the income statement on derecognition of the debt instrument.

(iii) Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. These instruments are measured at fair value in the SOFP, with transaction costs recognised immediately in the income statement as part of net trading income. Realised and unrealised gains and losses are recognised as part of other operating income in the income statement.

(iv) Debt instruments designated at FVTPL

Debt instruments are designated at FVTPL only if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. The designation is only available on initial recognition and the designation is irrevocable. Debt instruments designated at FVTPL are recorded in the SOFP at fair value and changes in fair value are recorded in the income statement.

Equity instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognised as part of other operating income in the income statement. The Group can elect to classify non-trading equity instruments at FVOCI. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the income statement. Dividend received is recorded in the income statement.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(b) Impairment of financial assets

The Group recognises loss allowances for ECL for the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost;
- Loan commitments;
- Financial assets at FVOCI (excluding equity instruments); and
- Guarantees.

Measurement

ECL is measured by the Group in a way that reflects:

- an unbiased probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date and past events, current conditions and forecast of future economic conditions.

The amount of ECL recognised as a loss allowance depends on the change in credit risk of the financial instrument since origination and whether the credit risk on those financial instruments has increased significantly since initial recognition. In order to determine the appropriate ECL, a financial instrument is allocated to a stage dependent on the credit risk relative to when the financial instrument was originated:

- Stage 1 – includes financial instruments that have not had a SICR since initial recognition. For these assets, 12-month ECL is recognised. 12-month ECL is the ECL that results from default events that are possible within 12 months of the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Therefore, all financial assets in scope will have an impairment provision equal to at least 12-month ECL;
- Stage 2 – includes financial instruments that have had a SICR since initial recognition but that does not have objective evidence of impairment. For these assets, lifetime ECL is recognised, being the ECL that results from all possible default events over the expected life of the financial instrument;
- Stage 3 – includes financial assets that have objective evidence of impairment at the reporting date, i.e. are credit-impaired. For these assets, lifetime ECL is recognised.

1. Corporate information, basis of preparation and significant accounting policies (continued)

The Group has adopted an ECL framework that reflects a component approach using PD, EAD and LGD components calibrated for IFRS 9 purposes. To adequately capture life-time expected losses, the Group also models early redemptions as a separate component within the ECL calculation.

The expected cash flows included in the ECL calculation are derived from cash flows arising from a) the loan contract b) on the disposal of collateral or c) sale of loans arising from deleveraging of NPLs which are included in the ECL calculation from the point that they meet the following three conditions:

- Selling the loans becomes a recovery method that the Group expects to pursue in a default scenario;
- The Group is neither legally nor practically prevented from realising the loans using the recovery method; and
- The Group has reasonable and supportable information upon which to base its expectations and assumptions.

Exceptional impairment losses arising from deleveraging are included in the impairment charge under IFRS 9.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR.

Purchased or originated credit-impaired assets (POCI)
POCI are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted EIR basis. ECL are only recognised or released to the extent that there is a subsequent change in ECL.

Expected life
When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options, extension and rollover options. For most instruments, the expected life is limited to the remaining contractual life, adjusted as applicable for expected prepayments.

For certain revolving credit facilities that do not have a fixed maturity (e.g. credit cards and overdrafts), the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by Management actions.

For instruments in Stage 2 or Stage 3, loss allowances will cover ECL over the expected remaining life of the instrument.

Expert Credit Judgement
The Group's ECL accounting framework methodology, in line with the requirements of the standard, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Effective Interest Rate
The discount rate used by the Group in measuring ECL is the EIR (or 'credit-adjusted effective interest rate' for a POCI financial assets) or an approximation thereof.

For undrawn commitments, the EIR, or an approximation thereof, is applied when recognising the financial assets resulting from the loan commitment.

Low credit risk exemption
The Group applied the low credit risk exemption to sovereign debt securities, reverse repurchase agreements, loans and advances to banks and certain intercompany positions in scope for impairment under IFRS 9.

The Group considers credit risk on a financial instrument low if it meets the following conditions:

- Strong capacity by borrower to meet its contractual cash flow obligations in the near term.
- Adverse changes in economic business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.
- External rating of investment grade or an internal credit rating equivalent.

These exposures are in Stage 1 with a very low credit risk requiring 12-month ECL and contributing minimally to overall ECL.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Modification Policy for Financial Assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new items are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new items are introduced such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new EIR for the asset. The date of renegotiation of the new financial asset is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group calculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for POCI financial assets).

Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery or on foot of a negotiated settlement. Indicators that there is no prospect of recovery include the borrower being deemed unable to pay due to their financial circumstances or the cost to be incurred in seeking recovery is likely to exceed the amount of the write-off. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier than collateral realisation. Write-off on those financial assets subject to enforcement activity will take place on conclusion of the enforcement process.

In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the income statement.

Presentation of ECL allowance in the statement of financial position

The ECL on financial assets measured at amortised cost is presented as a deduction from the gross carrying amount.

The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the SOFP, which remains at fair value. Instead an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the income statement.

Off-balance sheet credit risks include certain undrawn lending commitments, letters of credit and letters of guarantee as a provision in the SOFP.

(c) Financial liabilities and equity

Financial liabilities are classified as amortised cost unless mandatorily required to be classified at FVTPL, for example derivatives, or designated at FVTPL.

Financial liabilities measured at amortised cost

Financial liabilities include deposits by banks (including Central Banks), customer accounts, debt securities and subordinated debt. Derivative liabilities are dealt with under separate accounting policies.

Debt securities and subordinated debt issued are initially recognised on the date that they originated, while all other financial liabilities are recognised initially on the trade date. Both the date of origination and the trade date is the date the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially at fair value, less any directly attributable transaction costs and are subsequently measured at amortised cost and the related interest expense is recognised in the income statement using the EIR method.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Financial liabilities designated at FVTPL

Financial liabilities classified in this category are those that have been designated by the Group on initial recognition.

Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates, or significantly reduces, an accounting mismatch which would otherwise arise;
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities designated at FVTPL are recorded in the SOFP. For liabilities designated at FVTPL, changes in fair value are recognised in non-interest income in the income statement, with the exception of movements in own credit.

For financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit are presented in OCI. The Group has not and does not expect to invoke the fair value option for financial liabilities.

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense using the effective interest method. Where the Group has absolute discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity and any coupon payments are classified as distributions in the period in which they are made.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in other operating income, net of any costs or fees incurred.

Equity

Financial instruments classified as equity are accounted for directly in equity less any transaction costs deducted directly from equity. Equity instruments are not subsequently re-measured.

(d) Derecognition of financial instruments

Financial assets

The Group derecognises a financial asset when the contractual right to the cash flow from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Control over the assets is represented by the practical ability to sell the transferred asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its SOFP, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

1. Corporate information, basis of preparation and significant accounting policies (continued)

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group sells loans and advances to customers to SEs that in turn issue notes to investors which are collateralised by the purchased assets. For the purpose of disclosure, a transfer of such financial assets may arise if the Group sells assets to a consolidated SE, the transfer of financial assets is from the Group (that includes the consolidated SE) to investors in the notes issued by the SE. The transfer is in the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes. The securitisation is generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests) however, these securitisations may also occur with entities external to the Group. Retained interests are recognised as debt securities. The Group sells loans and advances to customers to SEs that are not consolidated SEs and the Group retains no interest in these assets and they are derecognised in their entirety.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. This may happen when payment is made to the lender; the borrower legally is released from primary responsibility for the financial liability; or if there is an exchange of debt instruments with substantially different terms or a substantial modification of the terms of an existing debt instrument. Derecognition conditions are also satisfied when an entity repurchases its own debt instruments issued previously. When a financial liability is extinguished, any difference between the carrying amount of the financial liability and the consideration paid is recognised in the income statement.

(e) Determination of fair value of financial instruments and other assets

The Group measures financial instruments, such as, derivative financial instruments, trading financial instruments and other financial instruments at FVTPL. Certain risks in hedged financial instruments, financial assets classified as FVOCI, property and equipment, and collateral in possession are measured at fair value on initial recognition.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset, or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which is accessible to the Group.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole and is described as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities (unadjusted);
- Level 2: Valuation techniques such as discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

An analysis of the fair values of financial instruments, and further details as to how they are measured, are provided in note 36.

(viii) Derivative instruments and hedging

The Group follows the IFRS 9 model for hedge accounting.

Derivative instruments used by the Group primarily comprise interest rate swaps and currency forward rate contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

1. Corporate information, basis of preparation and significant accounting policies (continued)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Certain derivative instruments do not fulfil the hedge accounting criteria under IFRS 9 and are consequently classified as held for trading. The fair value movement and any interest income/(expense) are included in Net trading income/(expense).

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as NII. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as NII.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

(b) Embedded derivatives

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid contract is not measured at FVTPL.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host, together with the embedded derivative, is required to be classified in its entirety as a financial asset at FVTPL.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(c) Credit valuation adjustment

The Group is engaged in over the counter (OTC) derivative transactions and considers whether a fair value adjustment for credit risk is required. CVA is considered to reflect the counterparty's default risk and debit valuation adjustment (DVA) to reflect own credit risk. There is no specific guidance on the methods used to calculate CVA or DVA which creates challenges in estimation.

As a result, IFRS 13 requires entities to consider the effects of credit risk when determining a fair value measurement, e.g. by calculating a CVA on their derivatives. Estimation can be complex and requires the use of significant judgement which is often influenced by various qualitative factors, such as:

- The materiality of the entity's derivative's carrying value to its financial statements;
- The number and type of contracts for derivatives in the entity's portfolio;
- The extent to which derivative instruments are either deeply in or out of the money;
- The existence and terms of credit mitigation arrangements (e.g. collateral arrangements in place);
- The cost and availability of technology to model complex credit exposures;
- The cost and consistent availability of suitable input data to calculate an accurate credit adjustment; and
- The credit worthiness of the entity and its counterparties.

The Group mitigates the majority of its derivative positions through the use of netting and Credit Support Annex collateral arrangements. The Group do not operationally net positions. The netting and collateral arrangements may be called upon in the event of a default. This allows a counterparty to net all assets and liabilities outstanding with the defaulting counterparty, subject to the agreement when the default event occurs. The collateral arrangements in place require the counterparty in a liability position to place collateral to cover that shortfall. The Group considers and discounts the necessity for any amendments to the valuations to reflect the CVA when calculating the fair value of the derivative positions.

The Group monitors this position at every reporting period and assesses if material CVAs become appropriate to be recognised.

(ix) Cash and cash equivalents

Cash comprises cash on hand and demand deposits and cash equivalents include liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value and with an original maturity of less than three months.

(x) Leases

(a) Classification of Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset; this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Unless the lease is of short-term and of low-value assets, where the Group has the right to obtain substantially all of the economic benefits from use of identified assets and has the right to direct the use of the identified asset, a right-of-use asset is recognised in property and equipment and a lease liability is recognised in other liabilities.

If a lease is assumed as part of a business combination the Group, subject to not meeting the recognition exemptions as detailed below, will recognise a right-of-use asset and a lease liability as if the lease were a new lease at the acquisition date. The right-of-use assets and lease liability are then measured consistently with the Groups accounting policy as detailed above with the lease commencement date being the acquisition date.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the incremental borrowing rate. Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. For its incremental borrowing rate, the Group uses its FTP, which comprises its base cost of funds with add-ons related to regulatory requirements, and term liquidity premium based on the slope of swap curve as a proxy of time value of money. The Group FTP is fully reflective of its funding profile and therefore considers it appropriate reflection of the Group borrowing cost. For retail properties, property yield is added as a lease specific adjustment.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is remeasured, if there is a change in future lease payments arising from a change in index-linked considerations, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of twelve months or less and leases of low-value assets, including office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it determines at lease inception, whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as, whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

1. Corporate information, basis of preparation and significant accounting policies (continued)

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income, on a straight-line basis, over the lease term, as part of other income.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

The Group presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the SOFP.

(xi) Property and equipment

Leasehold premises with initial lease terms of less than 50 years and all other equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the costs of such assets to their residual value over their estimated useful lives, which are assessed annually.

Freehold premises (including land) are revalued at least annually by external professional valuers. Any accumulated depreciation (on freehold premises excluding land) at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Any resulting increase in value is credited to OCI and shown as revaluation reserves in shareholders' equity. Any decrease in value that offsets previous increases of the same asset are charged in OCI and debited against the revaluation reserves directly in equity while all other decreases are charged to the income statement. The revalued premises, excluding the land element, are depreciated to their residual values over their estimated useful lives, which are assessed annually.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property and equipment are assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised against the revaluation reserve to the extent it is available and any remainder is recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

If an item of property, plant and equipment is disposed of, any gains or losses are recognised in the profit or loss before tax. If the asset being disposed of had previously been revalued then any amount in OCI relating to that asset is reclassified directly to retained earnings on disposal rather than the income statement.

The estimated useful lives are as follows:

Freehold Buildings	50 years
Leasehold Buildings	50 years or term of lease if less than 50 years
Office Equipment	5 – 15 years
Computer Hardware	3 – 10 years
Motor Vehicles	5 Years

(xii) Intangible assets (other than goodwill)

Acquired computer software is stated at cost, less amortisation and provision for impairment, if any. The external costs and identifiable internal costs of bringing to use the computer software are capitalised where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year.

Capitalised computer software has a finite life and is amortised on a straight-line basis over a period of between three to seven years.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or VIU.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Costs associated with research activities or maintaining computer software programmes are recognised as an expense as incurred.

Acquired intangible assets

Customer related intangible assets and brands acquired in a business combination are recognised at fair value at acquisition date. Customer related intangible assets and brands have a finite useful life and are carried at cost less accumulated amortisation and provision for impairment, if any. Amortisation is calculated using the straight line basis to allocate the cost over their estimated useful life.

(xiii) Collateral in possession

In certain circumstances, property is repossessed following foreclosure on loans that are in default. When a property is repossessed, the associated loan relating to that property is derecognised and any provision on that loan is reversed. On initial recognition the collateral in possession is valued at its fair value.

Subsequent to initial recognition, the property is carried at the lower of its cost and net realisable value.

(xiv) Assets and liabilities classified as held for sale

An asset or a disposal group is classified as held for sale if the following criteria are met:

- Its carrying value will be recovered principally through sale rather than continuing use;
- It is available for immediate sale; and
- The sale is highly probable within the next 12 months.

When assets (or disposal groups), other than financial assets as classified under IFRS 9, or rights under an insurance contract, are initially classified as held for sale, they are measured at the lower of the carrying amount or fair value less costs to sell at the date of reclassification.

Impairment losses subsequent to classification of such assets (or disposal groups) are recognised in the income statement. Increases in fair value less costs to sell of such assets (or disposal groups) that have been classified as held for sale are recognised in the income statement to the extent that the increase is not in excess of any cumulative loss previously recognised in respect of the asset (or disposal group).

Where the above conditions cease to be met, the assets (or disposal group) are reclassified out of held for sale and included under the appropriate SOFP classifications.

Financial assets within the scope of IFRS 9, DTAs and income taxes within the scope of IAS 12 continue to be measured in accordance with these standards.

(xv) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A restructuring provision (RP) is recognised when there is an approved detailed and formal RP, and the restructuring either has commenced or has been publicly announced. Future operating losses are not permitted to be recognised.

Present obligations arising under onerous contracts are recognised and measured as provisions at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. An onerous contract is a contract in which the unavoidable cost of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

Contingent liabilities are either possible obligations that arise from past events whose existence is dependent on whether some uncertain future events occur which are not wholly within the control of the entity or are a present obligation that arises from a past event but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

The maximum exposure to credit loss under commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless. The transfer of economic resources is uncertain and cannot be reasonably measured to be recognised on the SOFP.

ECL held against commitments are reported under loans and advances to customers.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised. Derecognition policies in (d) are applied to loan commitments issued and held.

The Group has issued no loan commitments that are measured at FVTPL

(xvi) Dividends

Final dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Interim dividends are recognised in equity in the period in which they are paid.

(xvii) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Executive Committee (being the chief operating decision maker (CODM)) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Transactions between the operating segments are on normal commercial terms and conditions unless stated otherwise. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue from external parties is measured in a manner consistent with the income recognition policy of the Group.

(xviii) Sales and repurchase agreements

Financial assets may be lent for a fee or sold subject to a commitment to repurchase them ("repos"). Such assets are retained on the SOFP when substantially all the risks and rewards of ownership remain with the Group. The assets are reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral. The liability to the counterparty is included separately on the SOFP as appropriate in either Deposits by banks or Customer accounts.

Similarly, where financial assets are purchased with a commitment to resell ("reverse repos"), or where the Group borrows financial assets but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the financial assets are not included in the SOFP. The collaterialised loan asset is included separately on the SOFP as appropriate in either Loans and advances to banks or Loans and advances to customers.

The difference between the sale and repurchase price is recognised in the income statement over the life of the agreements using the EIR. Fees earned on stock lending are recognised in the income statement over the term of the lending agreement. Securities lent to counterparties are also retained on the SOFP.

(xix) Collateral

The Group enters into master agreements with counterparties to ensure that in the event of a default, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is not recorded on the Group's SOFP.

1. Corporate information, basis of preparation and significant accounting policies (continued)

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the SOFP.

Collateral received in the form of cash is recorded on the SOFP, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the SOFP. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

(xx) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No impairment loss allowance for ECL is recognised on a financial asset, or portion thereof, which has been offset.

1.6 Application of new and revised IFRSs

In 2021, the Group assessed the impact of new and revised pronouncement of IFRSs which took effect during the year. The changes to IFRS during 2021 did not have a material impact on the Group's financial statements. The Group has not early adopted any of the changes described below.

1.7 Impact of other accounting standards with effective periods beginning on or after 1 January 2022

Accounting Standard Update	Description of Change	Key Impacts for PTSB	Effective Date
Annual Improvements to IFRS Standards 2018– 2020 Cycle	Minor amendments to IFRS 1, IFRS 9, IAS41 and IFRS 16.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2022
Amendments to IAS 8 - Definition of Accounting Estimates	The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	Updates certain references to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	Requires amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2022
Amendment to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	Specifies which costs to include when assessing whether a contract will be loss- making.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2022
Amendment to IAS 1 - Classification of Liabilities as Current or Non-current	Clarifies that the classification of liabilities as current or non- current should be based on rights that exist at the end of the reporting period.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2022

1. Corporate information, basis of preparation and significant accounting policies (continued)

Accounting Standard Update	Description of Change	Key Impacts for PTSB	Effective Date
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2	Amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	Distinguishes between accounting policies and accounting estimates.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2023
Amendments to IAS 12 – Deferred Tax	Clarifies how to account for deferred tax on transactions such as leases and decommissioning obligations.	This amendment is expected to have no significant impact on the 2021 Annual Report or future reporting.	Annual periods beginning on or after 1 January 2023

2. Critical accounting estimates and judgements

The preparation of these consolidated financial statements, in conformity with IFRS, requires Management to make assumptions, estimates and judgements that affect the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The ongoing pandemic and associated Government, Group and customer responses continues to elevate the uncertainty associated with judgements, estimates and assumptions made by Management. The Irish economy demonstrated resilience in 2021 and results of the actions taken by the Government, the EBA and the CBI point toward a positive trajectory of recovery. The Directors and Management, however, remain cautious and risk remains in the medium to long-term that the Irish Banking sector will continue to face challenges, particularly due to the lower interest rate environment, and higher capital requirements and new and emerging risks.

While the actual results may differ from the estimates made, the Directors believe that they are reasonable in the current circumstances based on the best available information at the date of the approval of these consolidated financial statements.

Assumptions, estimates and judgements are revised on an ongoing basis and where necessary are revised to reflect current conditions and updated information.

Critical accounting estimates and judgements made by Management in applying accounting policies are set out below.

(a) Allowance for credit losses under IFRS 9

IFRS 9 requires an impairment allowance to be recorded for ECL on financial assets regardless of whether there has been an actual loss event. There is a requirement to track and assess changes in credit risk on financial instruments since origination and determine whether the credit risk on those financial instruments has increased significantly since initial recognition.

Government-led customer support initiatives in response to the pandemic have weakened established relationships between model inputs and outputs, reducing the ability to forecast using models alone. In addition, models are constructed based on a single economic cycle. As a result a greater level of management judgement is required to reflect the current nature and uncertainty of the economic outlook.

The following concepts introduce significant judgement within impairment and have a tangible impact on the level of ECL allowances.

Determination of significant increase in credit risk (SICR)

The determination of whether a loan has experienced a significant increase in credit risk may have a material impact on the level of ECL impairment allowance as a 12-month ECL is recognised for Stage 1 loans whereas a lifetime ECL is recognised for Stage 2 loans.

Migration of loans between Stage 1 and Stage 2 can cause some volatility in the amount of the recognised ECL allowances and the provision for expected credit losses in any accounting period.

The Group has relied on a number of measures including delinquency, forborne status, risk grade, change in remaining lifetime Probability of Default (PD) and PD at maturity to determine SICR.

At December 2021, management judgement has been applied to specified non-standard mortgages classified as Stage 1 by Impairment models and these loans were transferred to Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is a c. €79m increase in Stage 2 volumes.

2. Critical accounting estimates and judgements (continued)

Forward Looking Information

The Group has adopted an ECL framework that reflects a component approach using PD, EAD and LGD components calibrated for IFRS 9 purposes. To adequately capture lifetime expected credit losses, the Group also modelled early redemptions as a separate component within the ECL calculation.

Judgement is combined with statistical evidence in determining which forward-looking variables are relevant for the Group's loan portfolios and in determining the extent by which through-the-cycle parameters should be adjusted for forward-looking information to determine point-in-time parameters.

Changes in FLI variables applied to convert through-the-cycle PD and LGD into point-in-time parameters can either increase or decrease ECL impairment allowances in a particular accounting period. On update, increases in the level of optimism in the FLI variables will cause a decrease in ECL while increases in the level of pessimism in the FLI variables will cause an increase in ECL. These movements could be significant in the accounting period of update.

The estimation and application of FLI requires significant judgement. In its calculation of ECL, the Group considers multiple scenarios and possible outcomes together with their probability of occurrence. Scenarios are designed to capture a range of possible outcomes. Each macroeconomic scenario in the Group's ECL calculation includes a projection of all relevant macroeconomic variables applied in the models for a five year period (where the relevant period extends to five years), subsequently reverting to long-run averages.

The Group's approach applies extreme-but-plausible economic scenarios (i.e. underpinned by historical evidence) to estimate the distribution of ECL to which the Group is exposed. Using statistical techniques combined with expert credit judgement the Group then formulates an unbiased probability weighted estimate of ECL at the reporting date

Three scenarios are currently considered in the Group's calculation of ECL. The base scenario is used for financial planning purposes. The Group considers one scenario that represents a macroeconomic environment that is more favourable to the central scenario and one scenario that represents a macroeconomic environment that is less favourable to the central scenario. Three scenarios are currently considered in the Group's calculation of ECL at the reporting date.

The following table details the key macroeconomic variables applied to model credit losses together with the associated percentiles and probability weightings for Stages 1 and 2 at 31 December 2021. Macroeconomic scenarios were most recently updated in December 2021. The update in the Base Case Scenario reflects the improvement in the outlook for the Irish economy in future years, with higher forecast HPI and GDP growth, and headwinds as a result of higher forecast inflation.

IFRS 9 Upside and Downside scenarios have been updated to present extreme '1-in-20' scenarios relative to the updated Base scenario. Given the severity of these scenarios (5th Percentile upside and 95% Percentile downside), their combination captures the macroeconomic uncertainty arising from COVID-19.

	31 December 2021				31 December 2020			
		Base Case	Upside Scenario	Down side Scenario		Base Case	Upside Scenario	Down side Scenario
	Average value over Year 1	Average value over forecast period	Average value over the forecast period	Average value over the forecast period	Average value over Year 1	Average value over the forecast period	Average value over the forecast period	Average value over the forecast period
Percentile		**50th**	**5th**	**95th**		50th	5th	95th
Scenario Probability Weighting		**54%**	**23%**	**23%**		56%	22%	22%
Irish Residential House Prices	**4%**	**3%**	**13%**	**-8%**	-5%	1%	14%	-8%
Irish Unemployment	**7%**	**6%**	**4%**	**12%**	10%	7%	4%	12%
Irish GDP	**6%**	**4%**	**6%**	**-1%**	4%	3%	5%	-1%
Consumer Price Index	**3%**	**2%**	**2%**	**3%**	3%	2%	2%	2%
ECB Base Rate	**0%**	**0%**	**0%**	**2%**	0%	0%	0%	1%

The Base, Upside and Downside scenarios are described as follows:

2. Critical accounting estimates and judgements (continued)

Base scenario

In the Base scenario, continued high levels of monetary and fiscal support for the global economy have driven much better than expected economic outturns in 2021, offsetting the continued extreme impact of COVID. As a consequence of high levels of monetary and fiscal support for the global economy and the sharp rebound in global demand, weakness in the global supply chain has pushed inflationary forces to multi-decade highs.

Residential house prices, which showed a much greater rebound than expected in 2020, are projected to increase by 4% in 2022 and an average growth rate of 2% from year 2 of the five year forecast.

Ireland is expected to show the strongest growth of any western world economy for 2021, benefiting from buoyant multinational export sector, and a strong domestic rebound from the local economy. GDP is projected to continue to remain strong over the five year forecast, averaging at 4% per annum.

Inflation is predicted to stabilise at 2% over the medium term with interest rates forecast to remain at current levels over the short term.

Upside scenario

This is an extreme positive scenario developed to reflect a much stronger outcome for the Irish economy than in the base scenario. There is both historical context and statistical backing to the key forecasts, but at a positive extremity.

GDP increases to 10% in the short term with the rate of growth easing in the medium term whilst unemployment, at an average of 4% over the medium term, reflects an extreme positive of effective full employment.

Consistent with the longer term nominal house price average gain of 9.3% since 1970 and 6.4% globally during that period, the HPI forecast for the extreme positive scenario, puts average HPI increases during the scenario under review, at 13% per annum.

Substantially below trend CPI growth continues in the Irish economy over the forecast horizon with inflation trends remaining highly supportive of economic growth and a flatter yield curve reflecting the continued impact of lower inflation and growth expectations in Europe and a supportive ECB monetary policy for macro recovery in the Euro-zone.

Downside scenario

The Downside scenario is an extreme scenario backed by Irish historical context and international comparatives. The scenario captures a statistical extreme in unemployment, GDP and HPI, while maintaining credibility as a single scenario. A prolonged period of mid teen unemployment, extends quickly, reaching a peak of 16% in 2023.

GDP is depressed across the forecast horizon, a sharp reversal from current expected growth levels. House prices reach a low of 37% from current levels (end 2021) is as extreme as the 2013 trough by level on an inflation adjusted basis. Eventual higher interest rates in Europe, reflect higher inflationary forces in Europe in the forecast horizon.

The threat of CPI moving ahead at a much faster pace than expected is less extreme than previously given current climate where the weakness in the global supply chain which has pushed inflationary forces to multi-decade highs.

The Group applies statistical techniques combined with expert credit judgement to formulate an unbiased probability weighted estimate of ECL at the reporting date. A review of the methodology to calculate the final weighted estimate of ECL based on three scenario inputs (Base, Upside and Downside scenarios) by reference to challenger methods and supplementary benchmarks was conducted in H2 2021. The review concluded that the methodology remains in compliance with IFRS 9.

Given the relative sizes of the portfolios, the key judgemental area for the Group is in relation to the level of ECL calculated for the residential mortgage portfolio.

Determining probability weightings of the scenarios and forecasting FLI in respect of those scenarios requires a significant degree of Management judgement. The reported ECL allowance is impacted by the probability weighting attributed to each macroeconomic scenario.

If the Group were to only use its Base Case Scenario for the measurement of ECL for the secured mortgage portfolio, excluding Management's adjustment to modelled outcomes, the ECL impairment allowance would be €69m less than reported at 31 December 2021.

Similarly, excluding Management's adjustment to modelled outcomes, if the Group were to only apply its Upside Scenario for the measurement of ECL for the secured mortgage portfolio, the ECL impairment allowance would be €142m less than reported at 31 December 2021. Whereas, if the Group were to only use its Downside Scenario, the ECL impairment allowance would be €298m greater than reported at December 2021.

2. Critical accounting estimates and judgements (continued)

Management's adjustment to modelled outcomes

The adequacy of ECL allowance is reviewed by the BAC on a half-yearly basis. At 31 December 2021, the total impairment provision included €118m of management's adjustments to modelled outcomes (31 December 2020: €172m) which primarily comprises the following:

- €72m of Management's adjustment in respect of Stage 3 residential mortgage loans that are in default for a prolonged period and for which Management consider the modelled impairment to be insufficient to cover resolution; €54m of which are in default for greater than seven years;
- Arising from the unprecedented nature of COVID-19 and other matters, Management are of the view that the modelled impairment allowance may not fully reflect expected credit losses for certain cohorts of borrowers. At the reporting date, a €43m management overlay is applied in respect of loans for which ECL is maintained until the future performance is established comprising €3m in respect of the consumer portfolio, €6m in respect of the commercial portfolio and €34m in respect of the residential mortgage portfolio and associated model risk;
- A Management adjustment of €3m to reflect the tail risk of payment at maturity of a cohort of loans which cannot be reflected in the residential mortgage model due to lack of empirical data; and
- Certain prior year PMAs are now incorporated in model enhancements.

At December 2021, management judgement has been applied to specified non-standard mortgages classified as Stage 1 by Impairment models and these loans were transferred to Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is a c. €79m increase in Stage 2 volumes.

(b) Deferred taxation

At 31 December 2021, the Group had a net deferred tax asset of €350m (31 December 2020: €349m). See note 26 for further details.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The recognition of a deferred tax asset relies on Management's judgements surrounding the probability and adequacy of future taxable profits and the reversals of existing taxable temporary differences.

The most important judgement relates to Management's assessment of the recoverability of the deferred tax asset relating to carried forward tax losses, being €373m at 31 December 2021. It should be noted that the full deferred tax asset on tax losses relates to tax losses generated in the PTSB legal entity (i.e. no deferred tax asset is being recognised on tax losses carried forward in any other Group company).

The assessment of recoverability of this asset requires significant judgements to be made about the projection of long-term profitability because of the period over which recovery extends. In addition, given PTSB's history of recent losses, in accordance with IAS 12, there must be convincing other evidence to underpin this assessment.

In making the assessment, the Board considered the following factors:

- The current macroeconomic environment and external forecasts for the Irish economy particularly in light of the Covid-19 pandemic;
- The significant progress made on the Group's NPL strategy and the deleveraging of the Group's Non-Core portfolios in recent years;
- The current expected trajectory of the Group's financial performance;
- The impairment performance;
- The Group's projected liquidity and capital position;
- The absolute level of deferred tax assets on tax losses compared to the Group's equity;
- The quantum of profits required to be generated to utilise the tax losses and the extended period of time over which these profits are projected to be generated;
- The challenge of forecasting over an extended period and in particular taking account of external factors such as the Covid-19 pandemic, global political uncertainty, particularly the impact of Brexit, the level of competition and disruptors to the market and market size;
- Consideration of the assumptions underpinning the Group's financial projections (on which analysis of the recoverability of the deferred tax asset on tax losses are based). The key relevant assumptions considered being:
  - No material change to the Group's business activities in the medium term;
  - Further progress in addressing the Group's legacy, non-performing assets;

2. Critical accounting estimates and judgements (continued)

  - NIM is expected to be positively impacted by the evolution of the Group's lending book as new lending volumes are added and lower yielding tracker mortgages pay down; however, further material reductions in cost of funds are considered unlikely;
  - An expectation that mortgage market size will continue to return to normalised levels of activities
  - Continued focus on cost management; and
  - The cost of risk will continue its return to normalised levels reflecting the Group's assessment of the medium to long term average; and
- Consideration of forecasting risks, including sensitivity analysis on the financial projections, such sensitivity analysis including the effect of higher than expected impairments, cost of funds or operating expenditure, and lower than expected asset yields, new lending or ECB rates.

Taking the above factors into account, and in the absence of any expiry date for the utilisation of carried forward tax losses in Ireland, the Board have concluded that it is more likely than not that there will be sufficient taxable profits against which the losses can be utilised and on the basis of the assessment above, continue to recognise €373m of a deferred tax asset on tax losses on the statement of financial position as at 31 December 2021.

In this regard, the Group has carried out an exercise to determine the likely number of years required to utilise the deferred tax asset arising on tax losses carried forward. Based on the Group's latest forecast plans to 2026 and assuming a level of profitability growth consistent with GDP growth of approximately 2.5%, it will take c. 22 years for the deferred tax asset on tax losses of €373m to be utilised. A level of profitability consistent with GDP growth continues to be considered by Management to be appropriate given the Group's primarily domestic retail focus and the expectation arising therefrom that, over the long-term, the Group's performance would be expected to broadly track the performance of the Irish economy. While the Covid-19 pandemic has significantly impacted GDP in the short-term it is expected that, over the medium-term, GDP will recover and Management are of the view that a long-term assumed growth rate of 2.5% is not unreasonable in this context.

IFRS does not allow for the deferred tax asset recognised to be discounted notwithstanding that it is likely to take a number of years for it to be recovered.

The expected period of time to full utilisation of the deferred tax asset has remained the same since 31 December 2020 at 22 years. This is mainly due to slight changes in the forecasted profitability in the short to medium-term. These revised profitability figures also impact the assumed long-term projections for the Group with the result that the expected utilisation period has decreased. Assumptions underpinning the deferred tax asset recoverability analysis are broadly in line with prior periods.

It should be noted that Management make certain judgements in the process of applying the Group's accounting policies which may impact on amounts recognised in the financial statements and consequently on taxable profits and the utilisation of tax losses. As set out in note 26, analysis carried out demonstrates that were certain adverse events to arise (see below for further detail of the adverse events considered) it continues to be Management's view that there would be sufficient future taxable profits against which the full quantum of tax losses carried forward could be utilised, albeit that the period of time over which such utilisation would occur would be extended.

It should be further noted that the analysis of the estimated utilisation of the deferred tax asset arising on tax losses carried forward in PTSB is based on the current business model of the Group. The Ulster Bank acquisition is expected to be profit generative and if completed, would reduce the deferred tax asset utilisation period.

The recognition of this asset is dependent on the Group earning sufficient profits to utilise the tax losses. The quantum of and timing of these profits is a source of significant estimation uncertainty. However, as a principle, the Group is expecting to be profitable in the medium term. Consequently the key uncertainty relates principally to the time period over which these profits will be earned. Whilst the Group may be more or less profitable in certain periods owing to various factors such as the interest rate environment, loan loss provisions, operating costs and the regulatory environment, Management expect that, notwithstanding these, the Group will be profitable over the long term. Consequently, any change to these factors which would ultimately impact on profitability, are highly subjective, but will only impact on the time period over which this asset is recovered.

As set out above, in assessing the appropriateness of recognising a deferred tax asset on tax losses carried forward, Management has considered the impact of various stress case scenarios on the period of recoverability. The three scenarios identified as having potentially significant implications for the deferred tax asset recoverability are (i) adverse changes in the interest rate environment, (ii) increased impairment charges and (iii) increases in operating costs. These stress case scenarios are intended to simulate a situation where there is an economic downturn. If any one of the stress case scenarios were to occur, within a reasonably possible range, it is our expectation that the time period over which these assets might be recovered could extend from between 1 to 6 years. If all adverse

2. Critical accounting estimates and judgements (continued)

assumptions were to arise the period of recoverability would be extended by a further 39 years (i.e. full utilisation by 2060). However, Management consider this scenario unlikely. Changes in these assumptions are most impacted by changes to house prices and unemployment, which represent the majority of any expected stress loss which could occur. This position will continue to be reviewed for each reporting period; however, much of this estimation uncertainty may not be resolved for a number of years. However, as noted, based on the Group's latest forecast plan, it is Management estimate that the expected time period for recovery of the deferred tax asset on tax losses to be 22 years, i.e. full utilisation is expected by 2043.

(c) Fair Value of financial instruments

The Group's accounting policy for the determination of fair value of financial instruments is set out in note 1(iv)(e). The best evidence of fair value is quoted prices in an active market. The absence of quoted prices increases reliance on valuation techniques and requires the use of judgement in the estimation of fair value. This judgement includes evaluating available market data, determining the expected cash flows for the instruments, as well as identifying and applying an appropriate discount rate and credit spread.

Valuation techniques that rely on non-observable data require a higher level of Management judgement in estimating the fair value compared to those based on observable data.

The quality of market data, valuation techniques and other inputs into the valuation models used are subject to internal review and approval.

The Group carries certain financial assets at fair value. In estimating the fair value of these assets and derivatives, the Group seeks to use quoted market prices (level 1). Where quoted market prices are not available, the Group uses internally developed valuation models and valuations from external experts. Inputs to these models are taken from observable market data where possible (level 2) but where this is not possible, a degree of judgement is used (level 3). Such judgement considerations typically include items such as interest rate yield curves, equity prices, option volatilities and currency rates.

Further details of the fair value of financial assets and liabilities are set out in note 36.

(d) Impairment review of its subsidiary undertaking

The Company carries its investment in its subsidiary undertaking at cost and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value-in-use (VIU).

An impairment charge arises if the carrying value exceeds the recoverable amount and where the carrying value is not supported by the estimated discounted future cash flows of the underlying business. The recoverable amount of the investment is the higher of its fair value less costs to sell or it's VIU. The carrying value of the subsidiary undertaking before adjusting for impairment was €954m and recoverable amount based on the VIU was €888m resulting in a €66m impairment charge for the year (31 December 2020: €145m). The increase in impairment is as a direct result of a slower recovery from the pandemic and deleveraging. The Ulster Bank transaction, if completed, is expected to be profit generative.

While the recoverable amount based on the VIU exceeds market capitalisation at 31 December 2021, the depressed share prices is a result of the overall subdued banking environment currently in which the entity operates along with various entity specific factors including significant control premium as a result of the majority shareholding by the Irish Government that affect the liquidity of the shares.

The VIU is the present value of the future free cash flows expected to be derived from the investment, based upon a VIU calculation discounted at an appropriate rate for the investment.

The recoverable amount reflecting Management's best estimate is sensitive to changes in the following key assumptions:

Cash flow forecasts

Cash flow forecasts are based on internal management information used for strategic planning for a period of up to five years, after which a long-term growth rate appropriate for the business is applied. The key cash flows in these forecasts are as follows:

- Forecasted net lending growth, which is based on historical experience of the Group, strategic priorities and direction;
- Forecasted SME business and increase in fee based income portfolio based on the targets for the coming years;
- Operating profits based on historical experience, average margins adjusted for impacts of cost saving initiatives and future operating models;
- Impairment charge based on historical experience and forecasted general macro-economic outlook;
- Deposits projections based on the liquidity funding needs of the Groups; and
- Issuance / redemptions of the debt issued and other capital raising activities.

2. Critical accounting estimates and judgements (continued)

The projected cash flows are stress tested with actual performance and verifiable economic data annually to reflect current market conditions and Management's best estimates of future projections.

Growth rate
Growth rate is determined by reference to long-term economic growth and does not exceed the relevant long-term average growth rate of the industry in which it operates. A growth rate of 2.5% was used.

Discount rate
The discount rate used is a post-tax weighted average cost of capital of the Group of 10% (2020: 10%) as the cash flows used in impairment assessment are post tax cash flows. The discount rate includes an additional risk premium to account for various specific risks. These specific risks are not reflected in the cash flows projected for impairment analysis.

The discount rate is used for various internal pricing models and is benchmarked with the industry averages to cater for the any changes in risk profile of the Group.

The Group uses post-tax discount rate as the cash flows generated by the subsidiary are post-tax cash flows.

Sensitivity analysis
The impact of changes in the growth rate, the discount rate and cash flows has been assessed by the Directors:

- An increase of 1% in long-term growth rate would have resulted in no impairment charge;
- A decrease of 1% in long-term growth rate would have resulted in a €177m impairment charge;
- An increase of 1% in the discount rate would have resulted in a €204m impairment charge;
- A decrease of 1% in the discount rate would have resulted in no impairment charge;
- A decrease in SME growth by 90% would result in a reduction of €485m in the value of use; and
- A decrease in fee based income growth by 90% would result in a reduction of €758m in the value of use.

3. Operating segments

The Group reports one operating segment which is in accordance with IFRS 8 'Operating segments'.

In line with IFRS 8, the Group also reports revenue from external customers for each major group of products and services. The amount of revenue reported is based on the financial information used to produce the Group's financial statements. The Group also reports revenue and non-current assets on a geographical basis; Ireland and Isle of Man (IOM).

The ExCo as the Chief Operating Decision Maker (CODM) is responsible for implementing the strategic management of the Group as guided by the Board. The ExCo reviews key performance indicators and internal management reports on a monthly basis.

3.1 Revenue from external customers split by products and services
The main products from which the Group earns external revenue include: mortgages; consumer finance; treasury assets; deposits and current accounts and; wholesale funding. The net interest income from these products is set out in the table below.

Net interest income from external customers split by product:

	31 December 2021 €m	31 December 2020 €m
Mortgages	**315**	336
Consumer finance*	**31**	35
Treasury assets	**7**	9
Deposits and current accounts	**(14)**	(26)
Wholesale funding	**(26)**	(13)
Total	**313**	341

* Consumer finance comprises income from term loans, credit cards and overdrafts.

3.2 Loss for the year based on geographical location
During the years ended 31 December 2021 and 31 December 2020, the majority of the Group's loss was incurred in Ireland. Immaterial losses (less than €1m) were incurred outside of Ireland in the Group's IOM subsidiary PBI Ltd during the years ended 31 December 2021 and 31 December 2020.

3. Operating segments (continued)

3.3 Assets and liabilities based on geographical location

31 December 2021	Ireland €m	IOM* €m	Of which inter-group balances €m	Total €m
Assets				
Held for sale	**28**	**-**	**-**	**28**
Other assets	**22,205**	**2**	**(59)**	**22,207**
Total segment assets	**22,233**	**2**	**(59)**	**22,235**
Total segment liabilities	**20,444**	**2**	**(59)**	**20,446**
Capital expenditure	**65**	**-**		**65**

* This is based on geographical location and reflects Group Intercompany activity with PBI Ltd.

31 December 2020	Ireland €m	IOM* €m	Of which inter-group balances €m	Total €m
Assets				
Held for sale	31	-	-	31
Other assets	20,953	2	(55)	20,955
Total segment assets	20,984	2	(55)	20,986
Total segment liabilities	19,033	2	(55)	19,035
Capital expenditure	65	-	-	65

* This is based on geographical location and reflects Group Intercompany activity with PBI Ltd.

4. Net interest income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Interest income		
Loans and advances to customers	**346**	371
Debt securities and other fixed-income securities		
- Hold to collect (HTC)	**7**	8
- Hold to collect and sell (HTC&S)	**-**	3
Deposit from banks	**1**	-
	354	382
Interest expense		
Due to customers	**(14)**	(26)
Interest on debt securities in issue	**(8)**	(9)
Amortisation of discontinued hedges on financial assets	**-**	(2)
Loans and advances to banks	**(14)**	(4)
Interest on subordinated liabilities	**(5)**	-
	(41)	(41)
Net interest income	**313**	341

Net interest income includes a charge in respect of deferred acquisition costs on loans and advances to customers of €17m (31 December 2020: €16m).

5. Fees and commission income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Fees and commission income		
Retail banking and credit card fees	**52**	43
Brokerage and insurance commission	**11**	9
Other fees and commission income	**1**	1
Fees and commission income	**64**	53
Fees and commission expense *	**(29)**	(25)
Net fees and commission income	**35**	28

* Fees and commission expense primarily comprises retail banking and credit cards fees.

6. Net trading income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Held-for-trading		
Foreign exchange gains	**2**	1
Net trading income	**2**	1

7. Net other operating income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Other income	**11**	5
Net other operating income	**11**	5

8. Administrative, staff and other expenses (excluding exceptional items)

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Staff costs (as detailed below)	**142**	151
Other general and administrative expenses	**121**	92
Administrative, staff and other expenses (excluding exceptional items)	**263**	243

Administrative, staff and other expenses (excluding exceptional items) includes costs of €15m relating to legacy legal cases in 2021.

Fees paid to the Bank's auditors for services outlined below:

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Statutory auditor's remuneration (including expenses and excluding VAT)		
- Audit of the individual and the Group financial statements	**1.1**	1.1
- Other assurance services	**0.1**	0.1
- Other non-audit services*	**0.3**	0.2

* Other non-audit services in 2021 and 2020 include letters of comfort and other services in relation to the Fastnet securitisations, the Group's Euro Note Programme and subsequent debt and capital issuances.

Staff costs

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Wages and salaries (including commission payable to sales staff)	**115**	122
Social insurance	**14**	15
Pension costs		
- Payments to defined contribution pension schemes	**13**	14
Total staff costs	**142**	151

Staff redundancy costs associated with exceptional items for the year ended 31 December 2021 and 31 December 2020 are included as part of note 10 exceptional Items.

Staff costs of €13m (31 December 2020: €11m), have been capitalised to intangible assets (see note 25), as the cost incurred was directly related to developing software and it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Therefore these costs are not included in this note.

Staff numbers

Closing and average number of staff (including Executive Directors) employed during the year:

	Closing staff numbers*		Average staff numbers	
	2021	2020	2021	2020
Ireland	**2,236**	2,435	**2,286**	2,429
Total number of staff	**2,236**	2,435	**2,286**	2,429

* Closing staff numbers are calculated on a FTE basis.

9. Bank levy and other regulatory charges

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Bank levy	**22**	24
Other regulatory charges	**28**	25
Bank levy and other regulatory charges	**50**	49

Other regulatory charges include €17m for the Deposit Guarantee Scheme (DGS) (31 December 2020: €15m), €4m for the Single Resolution Fund (SRF) (31 December 2020: €5m), €5m for the Central Bank Industry Funding Levy (31 December 2020: €3m) and €2m related to other regulatory charges (31 December 2020: €2m).

10. Exceptional items

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Restructuring and other costs (a)	**14**	31
Advisory costs incurred in relation to the Ulster Bank transaction (b)	**28**	-
Impairment arising from deleveraging of loans (c)	**(19)**	26
Exceptional items	**23**	57

(a) Restructuring and other costs of €14m (31 December 2020: €31m) relate to additional costs incurred as a result of phase 2 of the Group's Enterprise Transformation Programme which was originally announced in 2020 and costs arising in respect of a previous disposal of a business.

(b) On 17 December 2021, the Bank entered into a legally binding agreement with NatWest Group Plc to acquire approximately €7.6 billion of the Ulster Bank Retail, SME and Asset Finance business in the Republic of Ireland. The transaction is due to complete and control will transfer in the second half of 2022, subject to necessary regulatory and shareholder approvals. As such, the business and assets have not been recognised in the Group's statement of financial position as at 31 December 2021. The Bank incurred costs of c€28m on the transaction in 2021, these costs have been recognised as exceptional costs in the income statement.

(c) Under the Group's accounting policy, exceptional items include profits/losses arising on deleveraging. Under IFRS 9 when the sale of a loan becomes part of the Group's recovery strategy and meets the other conditions as set out in the accounting policy, the expected cash flows from the loan sale (including costs of sale) are included in the IFRS 9 impairment calculation.

During 2021 an impairment write-back of €11m has been recognised as a result of the sale of the Glenbeigh III mortgage portfolio which met the conditions as noted above.

Warranty provisions of €4m were written back in relation to loan transactions which the Group executed in prior years. An indemnity provision of €4m was also written back relating to the sale of the Glenbeigh II loan sale. The Group considers these items to be exceptional as the warranty and indemnity provisions were previously recorded through exceptional impairment. This treatment is consistent with the treatment of losses on deleveraging of loans in prior years.

11. Taxation

(a) Analysis of taxation charge

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Current taxation		
Charge for current year	**1**	2
	1	2
Deferred taxation		
Origination and reversal of temporary differences	**(2)**	(6)
Deferred taxation recognised in the income statement (note 26)	**(2)**	(6)
Taxation credited to income statement	**(1)**	(4)
Effective tax rate	**5%**	2%

The Group taxation credit for the year ended 31 December 2021 was €1m (31 December 2020: €4m). The main drivers of this charge/credit include (i) a current tax charge of €1m arising on non-trading income, (ii) a current year deferred tax credit of €4m which arises due to an increase in tax losses carried forward, and (iii) the partial release of a DTA of €3m created on the introduction of IFRS 9.

(b) Reconciliation of standard to effective tax rate

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Loss on the Group activities before tax	**(21)**	(166)
Tax calculated at standard ROI corporation tax rate of 12.5% (2020: 12.5%)	**(3)**	(21)
Tax effect of non-deductible expenses and non-trading income	**2**	3
Utilisation of current year tax losses	**-**	13
Other	**-**	3
Adjustment to tax losses carried forward	**-**	(2)
Taxation credited to income statement	**(1)**	(4)

(c) Tax effects of each component of other comprehensive income

	Year ended 31 December 2021		
	Gross €m	Tax €m	Net €m
Revaluation of property	**2**	**-**	**2**
Fair value reserve:			
- Change in fair value of equity instruments	**2**	**-**	**2**
- Change in fair value of debt instruments	**-**	**-**	**-**
- Transfer to income statement on asset disposal	**-**	**-**	**-**
31 December 2021	**4**	**-**	**4**

11. Taxation (continued)

	Year ended 31 December 2020		
	Gross €m	Tax €m	Net €m
Revaluation of property	(2)	-	(2)
Fair value reserve:			
-Change in fair value of equity instruments	9	(3)	6
-Change in fair value of debt instruments	(3)	-	(3)
- Transfer to income statement on asset disposal	3	-	3
31 December 2020	7	(3)	4

12. Loss per ordinary share

(a) Basic losses per ordinary share

	Year ended 31 December 2021	**Year ended 31 December 2020**
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares	**454,690,912**	454,690,912
Loss for the year attributable to equity holders	**(€20m)**	(€162m)
Less AT1 coupon paid (see note 34)	**(€21m)**	(€11m)
Loss for the period attributable to equity holders less AT1 coupon paid	**(€41m)**	(€173m)
Basic loss per ordinary share (€ cent)	**(9.0)**	(38.0)

(b) Diluted loss per ordinary share

	Year ended 31 December 2021	**Year ended 31 December 2020**
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of diluted earnings per share and including the potential ordinary shares from the AT1 conversion feature available in the AT1 securities that the Group redeemed in April 2021	**454,690,912**	454,690,912
Diluted loss per ordinary share (€ cent)	**(9.0)**	(38.0)

Diluted (loss)/earning per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

No adjustment to the weighted average number of ordinary shares for the effects of dilutive potential ordinary shares was required for the year ended 31 December 2021 or 31 December 2020 as the AT1 securities were assessed due to the conversion feature within the security, and were found to have an anti-dilutive effect.

There are no instruments with a potential to be converted to ordinary shares at 31 December 2021 as the AT1 security issued in 2015 was redeemed on the first call date of 1 April 2021 (see note 34 for further detail). The AT1 issued in 2020 has no conversion features within the security.

Weighted average number of ordinary shares*

	2021	**2020**
Number of shares in issue at 1 January (note 34)	**454,695,492**	454,695,492
Treasury shares held (note 34)	**(4,580)**	(4,580)
Net movements during the year		
Weighted average shares redesignated	**-**	-
Weighted average shares issued	**-**	-
Weighted average number of ordinary shares	**454,690,912**	454,690,912

* When calculating the loss per share the weighted average number of ordinary shares outstanding during the period and all periods presented shall be adjusted for events other than the conversion of potential ordinary shares that have changed the number of ordinary shares without a corresponding change in reserves.

13. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of following:

	31 December 2021 €m	31 December 2020 €m
Cash and balances with central banks (un-restricted)	**57**	71
Items in the course of collection	**20**	20
Loans and advances to banks repayable on demand (maturity of less than 3 months) (note 14)	**4,174**	3,312
	4,251	3,403
Restricted cash included in loans and advances to banks repayable on demand	**(330)**	(356)
Cash and cash equivalents as per statement of cash flows	**3,921**	3,047

At 31 December 2021, restricted cash of €330m (31 December 2020: €356m) consists of cash of €329m (31 December 2020: €355m) held by the Group's securitisation entities and €1m (31 December 2020: €1m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

14. Loans and advances to banks

	31 December 2021 €m	31 December 2020 €m
Held at amortised cost		
Placed with central banks	**3,709**	2,813
Placed with other banks	**465**	499
Loans and advances to banks	**4,174**	3,312

Placements with other banks includes restricted cash of €330m (31 December 2020: €356m) of which €329m (31 December 2020: €355m) is held by the Group's securitisation entities and €1m (31 December 2020: €1m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements. The fair value of collateral pledged by counterparties in relation to reverse repurchase agreements at 31 December 2021 is €433m (31 December 2020: nil).

Loans and advances to banks amounting to €4,174m (31 December 2020: €3,312m) have a maturity of less than three months and therefore have been treated as cash and cash equivalents, with the exception of restricted cash as noted above.

15. Derivative financial instruments

Derivative instruments are used by the Group to hedge against interest rate risk and foreign currency risk.

Certain derivative instruments do not fulfil the hedge accounting criteria under IFRS 9 and are consequently classified as held for trading (HFT). All derivatives are carried at fair value.

The derivative instruments used by the Group include:

- Currency forward rate contracts, which are commitments to purchase and sell currencies, including undelivered spot transactions; and
- Interest rate swaps which are commitments to exchange one set of cash flows for another.

Further details on the Group's risk management policies are set out in the Risk Management Report.

Derivatives held by the Group are analysed as follows:

	31 December 2021			31 December 2020		
	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m
Fair value hedges						
Interest rate swaps	**-**	**-**	**-**	5	-	-
	-	**-**	**-**	5	-	-
Held for trading						
Forwards	**84**	**1**	**-**	83	-	-
Interest rate swaps	**-**	**-**	**-**	7	-	-
	84	**1**	**-**	90	-	-
Derivative assets and liabilities as per the statement of financial position	**84**	**1**	**-**	95	-	-

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include fixed rate loans, fixed rate debt issued and other borrowed funds. The Group uses interest rate swaps to hedge interest rate risk. At 31 December 2021, the Group did not have any interest rate swaps.

The gains/(losses) recognised in net interest income on the hedging instruments are designated as fair value hedges.

16. Other assets

	31 December 2021 €m	31 December 2020 €m
Loan sale receivable	**310**	-
Other	**-**	5
	310	5

Loan sale receivable at 31 December 2021 relates to the amount due from the purchaser of the Glenbeigh III portfolio, which was received in the first quarter of 2022. See note 44 for further details.

Notes to the Consolidated Financial Statements
(continued)

17. Assets classified as held for sale

At 31 December 2021, assets classified as held for sale amounted to €28m (31 December 2020: €31m). This consists of the following:

1. €28m (31 December 2020: €30m) relates to collateral in possession, these properties are expected to be sold within the next 12 months.
2. €nil (31 December 2020: €1m) relates to one branch property (31 December 2020: two branch properties) which is no longer occupied by the Group, the sale of this property is expected to complete within the next 12 months.

18. Debt securities

	31 December 2021		31 December 2020	
	HTC	Total	HTC	Total
	€m	€m	€m	€m
Government bonds	**2,434**	**2,434**	2,477	2,477
Corporate bonds	**60**	**60**	106	106
Gross debt securities	**2,494**	**2,494**	2,583	2,583

As at 31 December 2021, all unpledged debt securities are available to be used and are eligible as collateral (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements.

Debt securities that are managed on a HTC business model basis are accounted for at amortised cost. Debt securities that are managed on a HTC&S basis are accounted for at FVOCI.

Government bonds of €2.4bn (31 December 2020: €2.5bn) comprise of Irish, Spanish and Portuguese government bonds which are designated as HTC. Corporate bonds comprise of Residential Mortgage Backed Securities and are designated as HTC. The HTC securities represent a portfolio of securities purchased for the purpose of collecting contractual cashflows to maturity.

During the year the Glenbeigh securitisation 2018-1 DAC was wound up. This resulted in the Group's retained note in this securitisation being called in November 2021. The gain on the call was recognised in Other income (€3m).

At 31 December 2021, debt securities at amortised cost with a fair value of €732m (31 December 2020: €nil) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the statement of financial position.

The HTC&S securities which the Group held matured during 2020.
All debt securities at 31 December 2021 are stage 1.

(A) HTC and HTC&S

The movement in HTC and HTC&S securities is classified as follows:

	31 December 2021		31 December 2020	
	HTC	HTC&S	HTC	HTC&S
	€m	€m	€m	€m
As at 1 January	**2,583**	**-**	1,796	209
Change in fair value	**-**	**-**	-	(3)
Additions	**-**		1,046	-
Maturities/disposals	**(46)**	**-**	(214)	(200)
Interest net of cash receipts	**-**	**-**	(3)	(6)
Amortisation of premium / (discount)	**(43)**	**-**	(42)	-
At 31 December	**2,494**	**-**	2,583	-

(B) Amounts arising from impairment provisioning on debt securities:
Held at amortised cost

As at 31 December 2021, the amount arising from ECL on debt securities measured at amortised cost is €0.7m (31 December 2020: €0.7m). The ECL on debt instruments measured at amortised cost is offset against the carrying amount of the assets in the statement of financial position.

19. Equity securities

	31 December 2021 €m	31 December 2020 €m
As at 1 January	**24**	15
Revaluation	**2**	9
Total equity investments	**26**	24

The carrying value of equity securities can be analysed as follows:

	31 December 2021 €m	31 December 2020 €m
Unlisted	**26**	24
Gross equity securities	**26**	24

PTSB Group holds Series A and Series B preferred stock in Visa Inc. at 31 December 2021 with a value of €26m. The Series A preferred stock was acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc. These were fair valued at €17m and €9m respectively at 31 December 2021 (31 December 2020: €16m and €8m) and are recognised in the statement of financial position at FVOCI.

The fair value of the preferred stock Series A is classified as Level 1 and the fair of the preferred stock Series B is classified as Level 3, as the valuation of these preferred stock includes inputs that are based on unobservable data (refer to note 36 for further details).

20. Prepayments and accrued income

	31 December 2021 €m	31 December 2020 €m
Visa prepayments	**182**	72
Other prepayments	**23**	14
	205	86

21. Loans and advances to customers

Loans and advances by category are set out below:

	31 December 2021 €m	31 December 2020 €m
Residential mortgages		
- Held through special purpose entities	**7,337**	5,724
- Held directly	**6,854**	8,623
	14,191	14,347
Commercial mortgage loans	**196**	181
Consumer finance (term loans/other)	**358**	327
Gross loans and advances to customers	**14,745**	14,855
Less: provision for impairment (note 22)	**(604)**	(728)
Deferred fees, discounts and fair value adjustments	**115**	86
Net loans and advances to customers	**14,256**	14,213

21. Loans and advances to customers (continued)

Loans and advances can be analysed into tracker, fixed and variable rate loans as follows:

	Gross loans and advances to customers		Net loans and advances to customers	
	31 December 2021 €m	31 December 2020 €m	31 December 2021 €m	31 December 2020 €m
Tracker rate	**6,027**	6,986	**5,605**	6,474
Variable rate	**2,820**	3,314	**2,688**	3,140
Fixed rate	**5,898**	4,555	**5,848**	4,513
	14,745	14,855	**14,141**	14,127
Deferred fees, discounts and fair value adjustments	**115**	86	**115**	86
Total	**14,860**	14,941	**14,256**	14,213

The Group has established a number of securitisation entities. This involved transferring the Group's interest in pools of residential mortgages to a number of special purpose entities which issued mortgage-backed floating-rate notes to fund the purchase of the interest in the mortgage pools. The notes are secured by a first fixed charge over the residential mortgages in each pool and may be sold to investors or held by the Group and used as collateral for borrowings.

Details of the residential mortgage pools sold to special purpose entities and the notes issued by the special purpose entities are included below:

	31 December 2021 €bn	31 December 2020 €bn
Residential mortgages held through special purpose entities	**7.3**	5.7
Notes issued by special purpose entities		
- rated	**6.1**	2.9
- unrated	**1.2**	2.8

The notes issued by these special purpose entities comprise the following:

	31 December 2021 €bn	31 December 2020 €bn
Sold to third parties and included within debt securities in issue (non-recourse) on the Statement of financial position (note 29)	**0.2**	0.5
- Available collateral*	**5.3**	2.4
- Rated notes, unavailable for collateral	**0.6**	-
- Unrated notes	**1.2**	2.8
	7.3	5.7

* The eligibility of available collateral will depend on the criteria of the counterparty.

21. Loans and advances to customers (continued)

Loans and advances balance movement for the year ended 31 December 2021 and the year ended 31 December 2020 is set out in the following tables:

	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
	€m	€m	€m	€m	€m
Balance as at 1 January 2021	**10,575**	**3,152**	**1,127**	**1**	**14,855**
New assets originated*	**1,843**	**111**	**2**	**-**	**1,956**
Stage Transfers					
Transfers from Stage 1 to Stage 2	**(311)**	**311**	**-**	**-**	**-**
Transfers to Stage 3	**(23)**	**(257)**	**280**	**-**	**-**
Transfers from Stage 2 to Stage 1	**875**	**(875)**	**-**	**-**	**-**
Transfers from Stage 3	**5**	**185**	**(190)**	**-**	**-**
Net movement arising from transfer of Stage	**546**	**(636)**	**90**	**-**	**-**
Redemptions and repayments	**(1,270)**	**(259)**	**(78)**	**-**	**(1,607)**
Decrease due to write offs	**-**	**(5)**	**(60)**	**-**	**(65)**
Disposals	**(5)**	**(124)**	**(266)**	**-**	**(395)**
Other movements	**-**	**-**	**-**	**1**	**1**
Balance as at 31 December 2021	**11,689**	**2,239**	**815**	**2**	**14,745**

*Loan originations are net of repayments in the year

During 2021 Stage 2 balances declined by €636 million. The decline is primarily attributable to:

- PD refinements incorporating greater segmentation of default information for mortgage customers distinguishing between non-standard mortgage defaults and standard mortgage defaults (€404m move to stage 1); and
- Improvements in risk grade and reduction in forborne accounts (€163m move to stage 1).

	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
	€m	€m	€m	€m	€m
Balance as at 1 January 2020	10,999	4,340	1,048	2	16,389
New assets originated*	1,245	86	1	-	1,332
Stage Transfers					
Transfers from Stage 1 to Stage 2	(932)	932	-	-	-
Transfers to Stage 3	(55)	(273)	328	-	-
Transfers from Stage 2 to Stage 1	485	(485)	-	-	-
Transfers from Stage 3	2	141	(143)	-	-
Net movement arising from transfer of Stage	(500)	315	185	-	-
Redemptions and repayments	(1,116)	(237)	(64)	(1)	(1,418)
Decrease due to write offs	(1)	(9)	(43)	-	(53)
Disposals	(52)	(1,343)	-	-	(1,395)
Other movements	-	-	-	-	-
Balance as at 31 December 2020	10,575	3,152	1,127	1	14,855

*Loan originations are net of repayments in the year

22. Impairment provisions

Loans and advances to customers

The following table reflects non-performing loans for which ECL provisions are held and an analysis of Stage 1, Stage 2 and Stage 3 ECL provisions across the loans and advances to customer's portfolio.

The non-performing loan balance as at 31 December 2021 was €817m (31 December 2021: €1,128m). Refer to note 37 for further details.

31 December 2021	Loans and advances to customers	NPLs	NPL % of total loans	ECL provisions Stage 1	Stage 2	Stage 3	Total	Total ECL provisions as % of total loans
	€m	€m	%	€m	€m	€m	€m	%
Residential:								
-Home loans	**12,568**	**420**	**3.3%**	**55**	**45**	**127**	**227**	**1.8%**
-Buy-to-let	**1,623**	**339**	**20.9%**	**1**	**152**	**145**	**298**	**18.4%**
Commercial	**196**	**44**	**22.5%**	**-**	**30**	**23**	**53**	**27.0%**
Consumer Finance:								
-Term loans/other	**358**	**14**	**3.9%**	**5**	**11**	**10**	**26**	**7.3%**
Total gross loans	**14,745**	**817**	**5.5%**	**61**	**238**	**305**	**604**	**4.1%**
Impairment provision	**(604)**							
Deferred fees, discounts and fair value adjustments	**115**							
Balance as at 31 December 2021	**14,256**							

31 December 2020	Loans and advances to customers	NPLs	NPL % of total loans	ECL provisions Stage 1	Stage 2	Stage 3	Total	Total ECL provisions as % of total loans
	€m	€m	%	€m	€m	€m	€m	%
Residential:								
-Home loans	12,338	658	5.3%	40	61	178	279	2.3%
-Buy-to-let	2,009	418	20.8%	2	183	175	360	17.9%
Commercial	181	35	19.3%	-	32	21	53	29.3%
Consumer Finance:								
-Term loans/other	327	17	5.2%	13	10	13	36	11.0%
Total gross loans	14,855	1,128	7.6%	55	286	387	728	4.9%
Impairment provision	(728)							
Deferred fees, discounts and fair value adjustments	86							
Balance as at 31 December 2020	14,213							

22. Impairment provisions (continued)

A reconciliation of the provision for impairment losses for loans and advances is as follows:

2021	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
Total by portfolio				
ECL as at 1 January 2021	**639**	**53**	**36**	**728**
Redemptions and repayments	**(45)**	**(4)**	**(3)**	**(52)**
Net remeasurement of loss allowance	**35**	**(4)**	**(8)**	**23**
Loan originations	**16**	**13**	**5**	**34**
Net movement excluding derecognition	**6**	**5**	**(6)**	**5**
Derecognition-disposals	**(84)**	**(2)**	**-**	**(86)**
Derecognition-repossessions	**(1)**	**-**	**-**	**(1)**
Derecognition-write offs*	**(35)**	**(3)**	**(4)**	**(42)**
Derecognition	**(120)**	**(5)**	**(4)**	**(129)**
ECL as at 31 December 2021	**525**	**53**	**26**	**604**
Net movement excluding derecognition (from above)				**5**
Interest income booked but not recognised				**(8)**
Write offs net of recoveries				**2**
Impairment write-back on customer loans and advances for the year ended 31 December 2021				**(1)**

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery or on foot of a negotiated settlement. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier than collateral realisation.

2020	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
Total by portfolio				
ECL as at 1 January 2020	756	38	24	818
Redemptions and repayments	(12)	(11)	(1)	(24)
Net remeasurement of loss allowance	117	21	12	150
Loan originations	9	9	6	24
Net movement excluding derecognition	114	19	17	150
Derecognition-disposals	(209)	-	-	(209)
Derecognition-repossessions	(1)	-	-	(1)
Derecognition-write offs*	(21)	(4)	(5)	(30)
Derecognition	(231)	(4)	(5)	(240)
ECL as at 31 December 2020	639	53	36	728
Net movement excluding derecognition (from above)				150
Interest income booked but not recognised				(8)
Write offs net of recoveries				13
Impairment charge on customer loans and advances for the year ended 31 December 2020				155

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery or on foot of a negotiated settlement. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier than collateral realisation.

22. Impairment provisions (continued)

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2021	**55**	**286**	**387**	**728**
Transfer to Stage 1	**23**	**(23)**	**-**	**-**
Transfer to Stage 2	**(4)**	**42**	**(38)**	**-**
Transfer to Stage 3	**-**	**(44)**	**44**	**-**
Stage transfers	**19**	**(25)**	**6**	**-**
Redemptions and repayments	**(4)**	**(27)**	**(21)**	**(52)**
Net remeasurement of loss allowance	**(26)**	**(9)**	**58**	**23**
Loan originations	**17**	**17**	**-**	**34**
Net movement excluding derecognition	**(13)**	**(19)**	**37**	**5**
Derecognition-disposals	**-**	**(2)**	**(84)**	**(86)**
Derecognition-repossessions	**-**	**-**	**(1)**	**(1)**
Derecognition-write offs*	**-**	**(2)**	**(40)**	**(42)**
Derecognition	**-**	**(4)**	**(125)**	**(129)**
ECL as at 31 December 2021	**61**	**238**	**305**	**604**
Net movement excluding derecognition (from above)				**5**
Interest income booked but not recognised				**(8)**
Write offs net of recoveries				**2**
Impairment write-back on customer loans and advances for the year ended 31 December 2021				**(1)**

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery or on foot of a negotiated settlement. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier than collateral realisation.

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2020	44	439	335	818
Transfer to Stage 1	22	(22)	-	-
Transfer to Stage 2	(9)	35	(26)	-
Transfer to Stage 3	-	(32)	32	-
Stage transfers	13	(19)	6	-
Redemptions and repayments	(4)	(7)	(14)	(25)
Net remeasurement of loss allowance	(9)	71	89	151
Loan originations	12	12	-	24
Net movement excluding derecognition	(1)	76	75	150
Derecognition-disposals	(1)	(208)	-	(209)
Derecognition-repossessions	-	-	(1)	(1)
Derecognition-write offs*	-	(2)	(28)	(30)
Derecognition	(1)	(210)	(29)	(240)
ECL as at 31 December 2020	55	286	387	728
Net movement excluding derecognition (from above)				150
Interest income booked but not recognised				(8)
Write offs net of recoveries				13
Impairment charge on customer loans and advances for the year ended 31 December 2020				155

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery or on foot of a negotiated settlement. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier than collateral realisation.

22. Impairment provisions (continued)

Modified Financial Assets

At 31 December 2021 there have been no significant modified financial assets for which the loss allowance has changed from lifetime to 12-month ECL.

23. Interest in associated undertakings

	31 December 2021 €m	31 December 2020 €m
Synch Payments and Clearpay	**2**	-
	2	-

During 2021, the Group acquired a non-controlling interest in Synch Payments DAC (25%) and Clearpay DAC (33%). These investments are accounted for under the equity method in the consolidated financial statements and have a carrying value of €2m (31 December 2020:€nil).

These investments will be increased or decreased by the Group's share of the profit or loss which will be assessed annually.

24. Property and equipment

				Right-of-use assets*		
2021	Held at fair value land and buildings €m	Held at cost buildings €m	Held at cost office and computer equipment €m	Leased buildings €m	Leased motor vehicles €m	Total €m
Cost or valuation						
At 1 January	**98**	**107**	**85**	**46**	**2**	**338**
Additions	**-**	**10**	**6**	**3**	**-**	**19**
Revaluations	**2**	**-**	**-**	**-**	**-**	**2**
Depreciation write-back on revaluation	**(1)**	**-**	**-**	**-**	**-**	**(1)**
At 31 December	**99**	**117**	**91**	**49**	**2**	**358**
Accumulated depreciation						
At 1 January	**-**	**(71)**	**(61)**	**(14)**	**(2)**	**(148)**
Provided in the year	**(1)**	**(6)**	**(8)**	**(6)**	**-**	**(21)**
Eliminate on revaluation	**1**	**-**	**-**	**-**	**-**	**1**
At 31 December	**-**	**(77)**	**(69)**	**(20)**	**(2)**	**(168)**
Net book value at 31 December	**99**	**40**	**22**	**29**	**-**	**190**

* For further details on right-of-use assets refer to note 33.

Of the €2m revaluation gain, no impairment write-back is recognised on land and buildings in the income statement and €2m is included in the revaluation reserve in the statement of comprehensive income.

24. Property and equipment (continued)

2020	Held at fair value land and buildings €m	Held at cost land and buildings €m	Held at cost office and computer equipment €m	Right-of-use assets* Leased buildings €m	Right-of-use assets* Leased motor vehicles €m	Total €m
Cost or valuation						
At 1 January	102	102	77	46	2	329
Additions	-	5	8	-	-	13
Revaluations	(3)	-	-	-	-	(3)
Depreciation write-back on revaluation	(1)	-	-	-	-	(1)
At 31 December	98	107	85	46	2	338
Accumulated depreciation						
At 1 January	-	(65)	(55)	(7)	(1)	(128)
Provided in the year	(1)	(6)	(6)	(7)	(1)	(21)
Eliminate on revaluation	1	-	-	-	-	1
At 31 December	-	(71)	(61)	(14)	(2)	(148)
Net book value at 31 December	98	36	24	32	-	190

* For further details on right-of-use assets refer to note 33.

Of the €3m revaluation loss, €1m is recognised in the income statement due to impairment on land and buildings and €2m is included in the revaluation reserve in the statement of comprehensive income.

The net book value of land and buildings includes the following:

	31 December 2021 €m	**31 December 2020 €m**
Land	**32**	31
Buildings - freehold fair value	**67**	67
Buildings - freehold cost	**26**	23
Buildings - leasehold	**43**	45
	168	166

Land and buildings at 31 December 2021 held at fair value was €99m (31 December 2020: €98m). The historic cost of land and buildings is €117m (31 December 2020: €107m).

Fair value measurement of Group's land and buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation recognised from the date of the latest revaluation. On the date of revaluation any accumulated depreciation is eliminated. The fair value measurements of the Group's freehold land and buildings as at 31 December 2021 and 31 December 2020 were performed by independent professional valuers having appropriate qualifications and recent experience in the fair value measurement of properties in the locations and categories being valued. The effective date of revaluation is 31 October 2021 and 31 October 2020.

The fair value of the freehold land and buildings was determined based on a market comparable approach that reflects recent transaction prices for similar properties using capitalisation yields ranging from 5.25% to 11%. There has been no change to the valuation techniques during the year.

Details of the freehold land and buildings and information about the fair value hierarchy as defined in the Group's accounting policy as at 31 December 2021 are as follows:

31 December 2021	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**	**Total fair value €m**
Land	**-**	**32**	**-**	**32**
Buildings - freehold	**-**	**67**	**-**	**67**
	-	**99**	**-**	**99**

24. Property and equipment (continued)

31 December 2020	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Land	-	31	-	31
Buildings - freehold	-	67	-	67
	-	98	-	98

25. Intangible assets

Software	**31 December 2021 €m**	**31 December 2020 €m**
Cost		
At 1 January	**178**	127
Additions	**46**	51
At 31 December	**224**	178
Accumulated amortisation		
At 1 January	**(76)**	(61)
Provided in the year	**(26)**	(15)
At 31 December	**(102)**	(76)
Net book value at 31 December	**122**	102

26. Deferred taxation

	31 December 2021 €m	**31 December 2020 €m**
Deferred tax liabilities	**(26)**	(27)
Deferred tax assets	**376**	376
Net deferred tax assets	**350**	349

Net deferred tax assets are attributable to the following:

2021	**At 1 January €m**	**Recognised in income statement €m**	**Recognised in equity €m**	**Recognised in other comprehensive income €m**	**At 31 December €m**
Property and equipment	**(21)**	**1**	**-**	**-**	**(20)**
Unrealised losses on assets/liabilities	**(5)**	**-**	**(1)**	**-**	**(6)**
Losses carried forward	**370**	**3**	**-**	**-**	**373**
Other temporary differences	**5**	**(2)**	**-**	**-**	**3**
	349	**2**	**(1)**	**-**	**350**

2020	At 1 January €m	Recognised in income statement €m	Recognised in equity €m	Recognised in other comprehensive income €m	At 31 December €m
Property and equipment	(20)	(1)	-	-	(21)
Unrealised gains/(losses) on assets/liabilities	(2)	-	(3)	-	(5)
Losses carried forward	360	10	-	-	370
Other temporary differences	7	(3)	-	1	5
	345	6	(3)	1	349

26. Deferred taxation (continued)

In line with the requirements of IAS 12 “Deferred Tax Assets”, Management and Directors formed the view that there should be sufficient future taxable profits within the PTSB legal entity against which PTSB tax losses carried forward can be used. Management and Directors have reviewed this position as at 31 December 2021 and remain of the view that it is appropriate to continue to recognise a deferred tax asset on the full quantum of tax losses carried forward in PTSB. This information is based on the following supporting evidence: (i) A review of the quantum of tax losses carried forward in PTSB in conjunction with forecasted profitability (the projections used having been approved by the Board of Directors). This review demonstrated that it is probable that there will be sufficient future taxable profits within PTSB against which the full quantum of tax losses carried forward can be utilised; (ii) The consideration of forecasting risks, including sensitivity analysis on the financial projections used (including an analysis of the effects of higher than expected impairment levels and lower than expected net interest margin). This analysis demonstrated, were certain adverse events to occur, it would remain probable that there would be sufficient future taxable profits within PTSB against which the full quantum of tax losses carried forward could be utilised, albeit that the period of time over which such utilisation would occur would be extended; and (iii) The consideration of a number of other factors which may impact the utilisation of the tax losses including the macroeconomic environment, progress made on the Group’s NPL strategy and the Group’s financial position. These factors are set out in further details in note 2, Critical accounting estimates and judgements.

It should also be noted that under current Irish tax legislation there is no time restriction on the utilisation of trading losses. Therefore, the tax losses carried forward in PTSB are available for utilisation against profits of the same trade in any future period. Also, the Directors are satisfied that taxable future profits should be available to recover the remaining deferred tax assets.

The total unrecognised deferred tax assets on carried forward tax losses at 31 December 2021 amounted to €20m (31 December 2020: €20m) which relates to the Group’s subsidiaries.

Included in the overall deferred tax asset is a deferred tax asset of €42k in relation to permanent tsb Group Holdings plc (31 December 2020: €95k).

In accordance with IFRS these balances are recognised on an undiscounted basis.

27. Deposits by banks

	31 December 2021 €m	31 December 2020 €m
Placed by other banks and institutions on repurchase agreements	**347**	-
Deposits by banks	**347**	-

Securities which are sold under agreements to repurchase are secured by Irish and other eligible Government bonds. These agreements are completed under market standard Global Master Repurchase Agreements. The fair value of the financial assets pledged under existing agreement to repurchase is €732m at 31 December 2021 (31 December 2020: €nil).

28. Customer accounts

	31 December 2021 €m	31 December 2020 €m
Term deposits	**2,226**	3,062
Demand deposits	**7,657**	7,132
Current accounts	**7,104**	5,779
Notice and other accounts	**2,102**	2,066
Customer accounts	**19,089**	18,039

At 31 December 2021, the Group held corporate deposits of €1.4bn (31 December 2020: €1.8bn).

An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 37 of the consolidated financial statements.

29. Debt securities in issue

	31 December 2021 €m	31 December 2020 €m
At amortised cost		
Bonds and medium-term notes	**352**	351
Non-recourse funding	**172**	458
	524	809
Maturity analysis		
Repayable in less than 1 year	**2**	2
Repayable in greater than 1 year but less than 5 years	**350**	349
Repayable in greater than 5 years	**172**	458
	524	809

Non-recourse funding
As at 31 December 2021 the Group had advances of €0.2bn (31 December 2020: €0.5bn) collateralised on residential property loans of €0.2bn (31 December 2020: €0.4bn) subject to non-recourse funding by way of residential mortgage securitisations. Residential mortgage securitisations involve transferring the interest in pools of mortgages to special purpose entities which issue mortgage-backed floating rate notes to fund the purchase of the interest in mortgage pools. These loans, which have not been de-recognised, are shown within loans and advances to customers while the non-recourse funding is shown as a separate liability.

Non-recourse funding reduced by €0.3bn between 31 December 2020 and 31 December 2021 to €0.2bn, primarily due to the accelerated redemption of a securitisation during the year. The Group did not have any defaults of principal or interest or other breaches with respect to non-recourse funding during 2021.

Under the terms of these securitisations, the rights of the providers of the related funds are limited to the mortgage loans in the securitised portfolios, together with any related income generated by the portfolios and the subordinated loans provided by the Group, without further recourse to the Group. During the term of the transactions, any amounts realised from the portfolios in excess of that due to the providers of the funding, less any related administrative costs, will be paid to the Group. The providers of this funding have agreed in writing (subject to the customary warranties and covenants) that they will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the mortgages and related security and any subordinated loans provided by the Group, and that they will not seek recourse in any other form.

30. Other liabilities

	31 December 2021 €m	31 December 2020 €m
Amounts falling due within one year		
PAYE and social insurance	**4**	4
Other taxation including deposit interest retention tax (DIRT)	**-**	1
Creditor Accruals	**79**	48
Other*	**56**	20
Lease liability (see note 33 for further information on lease liabilities)	**5**	7
Total amounts falling due within one year	**144**	80
Amounts falling due greater than one year		
Lease liability (see note 33 for further information on lease liabilities)	**26**	27
Total amounts falling due greater than one year	**26**	27
Total other liabilities	**170**	107

* Other includes €48m relating to the deposit received by the Group on 11 November 2021 as part of the purchase price for the sale of Glenbeigh III portfolio (31 December 2020:€nil) and miscellaneous liabilities.

31. Provisions

	2021				2020			
	Restructuring costs	Provision for legacy, legal and compliance liabilities	Other	Total	Restructuring costs	Provision for legacy, legal and compliance liabilities	Other	Total
	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January	**28**	**29**	**20**	**77**	2	25	14	41
Provisions made during the year	**7**	**21**	**9**	**37**	28	21	11	60
Write-back of provisions during the year	**-**	**(3)**	**(7)**	**(10)**	(1)	(2)	(5)	(8)
Provisions used during the year	**(29)**	**(19)**	**(1)**	**(49)**	(1)	(15)	-	(16)
As at 31 December	**6**	**28**	**21**	**55**	28	29	20	77

The provision at 31 December 2021 is €55m (31 December 2020: €77m) which is comprised of the following:

Restructuring costs
During 2020, the Group announced an Enterprise Transformation programme. At 31 December 2020, a provision for restructuring of €27m was recognised based on the estimate of the costs of this programme. During 2021 an additional provision of €7m was made and an amount of €29m was utilised as part of this programme. The remaining provision of €5m is based on an estimate of the remaining costs to bring the programme to a conclusion. This programme is expected to conclude within the next 12 months.

The Group remains a lessee on a number of non-cancellable leases over properties that it no longer occupies following a restructure in 2013. The remaining provision of €1m relates to dilapidation costs associated with the remaining properties.

Provision for legacy, legal and compliance liabilities
As at 31 December 2021, the Group has provisions of €28m relating to legal, compliance and other costs in relation to legacy business issues (31 December 2020: €29m).

A provision of €21m was made during 2021 relating to legal, compliance and other costs in relation to legacy business issues.

Management has exercised judgment in arriving at the estimated provision in respect of the potential liabilities.

Other
As at 31 December 2021, the provision of €21m (31 December 2020: €20m) primarily relates to indemnities and guarantees provided by the Group, together with further costs, relating to deleveraging of various asset portfolios.

32. Subordinated liabilities

	31 December 2021	31 December 2020
	€m	€m
At amortised cost:		
€250m Tier 2 capital notes due August 2031, callable 2026	**252**	-
	252	-

	31 December 2021	31 December 2020
	€m	€m
Maturity Date		
Repayable in less than 1 year	**3**	-
Repayable in greater than 1 year but less than 5 years	**-**	-
Repayable in greater than 5 years	**249**	-
	252	-

32. Subordinated liabilities (continued)

Tier 2 capital notes – PTSBGH

In May 2021, PTSBGH issued €250m of Tier 2 capital notes at a fixed rate of 3% per annum. The notes mature on 19 August 2031 with a call date of any date from and including 19 May 2026 to and including 19 August 2026 with the call subject to approval of the regulatory authorities, with approval conditional on meeting the requirements of the EU CRR.

The interest rate will be reset, in the event that the securities are not called, on 19 August 2026 to Euro 5 year Mid Swap rate plus a margin of 3.221% per annum. The loan is subordinated and ranks as Tier 2 capital with interest paid annually in arrears on 19 August (short first coupon period). The loan may be subject to the exercise of Irish Statutory loss absorption powers by the relevant resolution authority.

In the event of winding up of PTSBGH, the Tier 2 capital notes will be:

- junior in right of payment to all Senior Claims;
- pari passu with all other subordinated claims against PTSBGH which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 capital notes or that rank or are expressed to rank pari passu with the obligations of PTSBGH under Tier 2 capital notes; and
- in priority to PTSBGH ordinary shares, preference shares and junior subordinated obligations or other securities of PTSBGH which by law rank, or by their terms are expressed to rank, junior to the Tier 2 capital notes.

33. Leases

Right-of-use assets*	**Land and buildings €m**	**Motor vehicles €m**	**Total €m**
As at 1 January 2021	**32**	**-**	**32**
Additions	**3**	**-**	**3**
Depreciation of right-of-use assets	**(6)**	**-**	**(6)**
Balance as at 31 December 2021	**29**	**-**	**29**

Right-of-use assets*	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2020	39	1	40
Additions	-	-	-
Depreciation of right-of-use assets	(7)	(1)	(8)
Balance as at 31 December 2020	32	-	32

Lease liabilities	**Land and buildings €m**	**Motor vehicles €m**	**Total €m**
As at 1 January 2021	**34**	**-**	**34**
Additions	**3**	**-**	**3**
Repayment of lease liabilities	**(6)**	**-**	**(6)**
Balance as at 31 December 2021	**31**	**-**	**31**

33. Leases (continued)

Lease liabilities	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2020	41	1	42
Additions	-	-	-
Repayment of lease liabilities	(7)	(1)	(8)
Balance as at 31 December 2020	34	-	34

* right-of-use assets are included in PPE and lease liabilities are included in Other liabilities.

Lease liabilities	**31 December 2021 €m**	**31 December 2020 €m**
Maturity analysis - contractual undiscounted cash flows*		
Less than one year	**6**	7
One to five years	**16**	18
More than five years	**10**	11
Total undiscounted lease liabilities	**32**	36
Lease liabilities included in the statement of financial position	**31**	34
Current lease liability	**5**	7
Non-current lease liability	**26**	27

* The maturity analysis of undiscounted lease liabilities are disclosed in note 37.

Amounts recognised in income statement*

	31 December 2021 €m	**31 December 2020 €m**
Interest on lease liabilities	**-**	(1)
Expense relating to short-term leases	**(1)**	-
Depreciation of right-of-use assets	**(6)**	(8)
Total charge in income statement	**(7)**	(9)

* Interest expense on the lease liabilities amounted to €0.4m in interest income (31 December 2020: €0.5m) whereas expenses relating to short-term leases amounted to €0.6m and is included in Administrative, staff and other expenses (excluding exceptional items) (31 December 2020: €0.3m).

Amounts recognised in statement of cash flow

	31 December 2021 €m	**31 December 2020 €m**
Cash outflow for leases	**(6)**	(8)
Total	**(6)**	(8)

As a lessee

(i) Real estate

The Group leases retail properties for its branch operations. The lease term of retail properties typically run for a period of 10-35 years. The Group does not have variable lease payments and its leases do not contain extension options.

(ii) Vehicles

The Group leases vehicles with lease terms of three to five years. The Group has no option to purchase the assets at the end of the contract term and it does not guarantee the residual value of the leased assets at the end of the contract term.

(iii) Sub-leases

Two of the properties that the Group lease are vacant and surplus to its requirements. These two units are with agents for disposal by way of assignment or sub-let. These sub-leases have been classified as finance leases because the sub-lease is for the whole of the remaining term of the head lease and treated separately from their head lease.

34. Share capital, reserves and other equity instruments

Share capital

Share capital is the funds raised as a result of a share issue and comprises the ordinary shares of the holding company Permanent TSB Group Holdings plc.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank.
All ordinary shares rank equally with regard to the Bank's residual assets.

Authorised share capital

31 December 2021	Number of shares	€m
Ordinary shares of €0.50 each	**1,550,000,000**	**775**

31 December 2020	Number of shares	€m
Ordinary shares of €0.50 each	1,550,000,000	775

Issued share capital

The movement in the number of paid up ordinary and deferred shares is as follows:

Balances as at 31 December 2021	€ 0.50 Ordinary shares	Total
As at 1 January 2021	**454,695,492**	
Movement	**-**	
As at 31 December 2021	**454,695,492**	
Issued share capital (€m)	**227**	**227**
Shares held under employee benefit trust	**4,580**	
% of Authorised capital issued		**29%**

Balances as at 31 December 2020	€ 0.50 Ordinary shares	Total
As at 1 January 2020	454,695,492	
Movement	-	
As at 31 December 2020	454,695,492	
Issued share capital (€m)	227	227
Shares held under employee benefit trust	4,580	
% of Authorised capital issued		29%

Share Premium

The share premium reserve represents the excess of amounts received for share issues over the par value of those shares of the Company.

Other Reserves

Revaluation reserve (Non-distributable)

The revaluation reserve is a non-distributable reserve comprising unrealised gains or losses, net of tax, on the revaluation of owner occupied properties.

Fair value reserve (Non-distributable)

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities measured at FVOCI; and
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance

34. Share capital, reserves and other equity instruments (continued)

Other capital reserves (Non-distributable)

Other capital reserves includes €1,087m capital issued by the Company net of €7m capital redemption reserve from the repurchase and cancellation of shares and €224m incurred in the cancellation of the share capital and share premium of PTSB on the incorporation of the Company.

Retained earnings

Retained earnings include distributable and non-distributable earnings. This reserve represents the retained earnings of the holding company and subsidiaries after consolidation adjustments.

On 1 April 2021 a loss of €3m was recognised in the retained earnings on the redemption of the AT1 securities issued in 2015 which related to the costs associated with the issuance of the AT1 security.

Furthermore €21m (2020: €11m) coupon interest on the AT1 securities was paid from this reserve during 2021.

Other equity instruments - Non-distributable

	31 December 2021 €m	31 December 2020 €m
As at 1 January	**245**	122
Issued during the period		
Additional Tier 1 securities - net of the transaction costs	**-**	123
Redemption during the period		
Additional Tier 1 securities (issued 2015)	**(122)**	-
Additional Tier 1 securities	**123**	245

On 25 November 2020, PTSBGH plc ('Company') issued €125m nominal value of AT1 Perpetual Temporary Write Down Securities as part of capital raise. The transaction costs incurred were €2m. The first reset date for the fixed rate is 25 May 2026.

The AT1 securities are perpetual and redeemable financial instruments with a semi-annual coupon of 7.875% paid in arrears on 25 May and 25 November. On the first reset date on 25 May 2026, in the event the securities are not redeemed, interest will be reset to Euro 5 year Mid Swap rate plus a margin of 8.468% (converted from an annual to a semi-annual rate). The Company may elect at its full discretion at any time to cancel permanently (in whole or in part) the interest amount otherwise scheduled to be paid on an interest payment date.

The Company may use such cancelled payments without restriction, including to make distributions or any other payments to the holders of its shares or any other securities issued by the Company. Any cancellation of interest payments will be permanent and on a non-cumulative basis and such cancellation will not give rise to or impose any restriction on the Company.

Although the AT1 securities are perpetual, the Company may, in its sole discretion, redeem the AT1 securities in full on any day falling in the period commencing 25 November 2025 and the first reset date above and on every interest payment date thereafter (subject to the approval of the Supervisory Authority) at the prevailing principal amount together with accrued but unpaid interest. In addition, the securities are redeemable at the option of the Company for certain regulatory or tax reasons, subject to regulatory approval.

The securities, which do not carry voting rights, rank pari passu with holders of other tier 1 instruments (excluding the Company's ordinary shares). They rank ahead of the holders of ordinary share capital of the Company but junior to the claims of senior creditors and to Tier 2 capital of the Company.

Under the EU (Bank Recovery and Resolution) Regulations 2015, these securities are loss absorbing at the point of non-viability.

34. Share capital, reserves and other equity instruments (continued)

On the occurrence of a trigger event, at any time, any accrued and unpaid interest up to (but excluding) the write down date shall be automatically and irrevocably cancelled, and the then Prevailing Principal Amount of each Security shall be automatically and irrevocably reduced by the write down amount. This will occur if the CET1 Capital Ratio of PTSB or the Group at any time falls below 7%. Subsequent to any write-down event the Company may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

On 6 May 2015, PTSB issued €125m fixed rate resettable 'AT1 securities' as part of a capital raise. The AT1 securities were redeemed in full on the first reset date for the fixed rate being 1 April 2021, following the attainment of the required approval of the Supervisory Authority.

35. Analysis of other comprehensive income

The analysis of other comprehensive income below provides additional analysis to the information provided in the primary statements and should be read in conjunction with the consolidated statement of changes in equity.

31 December 2021	**Revaluation reserve €m**	**Fair value reserve €m**	**Total €m**
Other comprehensive income (net of tax)			
Revaluation of property	**2**	**-**	**2**
Fair value reserve (equity instruments):			
Change in fair value of equity instruments	**-**	**2**	**2**
Fair value reserve (debt instruments):			
Change in fair value of debt instruments	**-**	**-**	**-**
Amortisation of discontinued hedges	**-**	**-**	**-**
Total other comprehensive income, net of tax	**2**	**2**	**4**

31 December 2020	Revaluation reserve €m	Fair value reserve €m	Total €m
Other comprehensive income/(expense) (net of tax)			
Revaluation of property	(2)	-	(2)
Fair value reserve (equity instruments):			
Change in fair value of equity instruments	-	6	6
Fair value reserve (debt instruments):			
Change in fair value of debt instruments	-	(3)	(3)
Amortisation of discontinued hedges	-	3	3
Total other comprehensive expense, net of tax	(2)	6	4

36. Measurement basis and fair values of financial instruments

The Group's accounting policy on valuation of financial instruments is described in note 1. The table below sets out an overview of financial instruments held by the Group and their fair values.

(a) Measurement basis and fair value of financial instruments

31 December 2021	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair value €m
Financial assets*							
Cash at bank	13	**57**	**-**	**-**	**-**	**57**	**57**
Items in course of collection	13	**20**	**-**	**-**	**-**	**20**	**20**
Loans and advances to banks	14	**4,174**	**-**	**-**	**-**	**4,174**	**4,174**
Derivative assets	15	**-**	**-**	**1**	**-**	**1**	**1**
Debt securities	18	**2,494**	**-**	**-**	**-**	**2,494**	**2,526**
Equity securities	19	**-**	**26**	**-**	**-**	**26**	**26**
Loans and advances to customers	21	**14,256**	**-**	**-**	**-**	**14,256**	**13,982**
Financial liabilities*							
Deposits by banks	27	**347**	**-**	**-**	**-**	**347**	**347**
Customer accounts	28	**19,089**	**-**	**-**	**-**	**19,089**	**19,092**
Debt securities in issue	29	**524**	**-**	**-**	**-**	**524**	**530**
Subordinated liabilities	32	**252**	**-**	**-**	**-**	**252**	**256**

* In addition the Group has an other asset of €310m and an other liability of €48m in respect to the sale of Glenbeigh III, both of which were settled in early 2022 (see note 44).

31 December 2020	Note	Held at amortised cost €m	At fair value through equity €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair value €m
Financial assets							
Cash at bank	13	71	-	-	-	71	71
Items in course of collection	13	20	-	-	-	20	20
Loans and advances to banks	14	3,312	-	-	-	3,312	3,312
Derivative assets	15	-	-	-	-	-	-
Debt securities	18	2,583	-	-	-	2,583	2,662
Equity securities	19	-	24	-	-	24	24
Loans and advances to customers	21	14,213	-	-	-	14,213	13,558
Financial liabilities							
Deposits by banks	27	-	-	-	-	-	-
Customer accounts	28	18,039	-	-	-	18,039	18,044
Debt securities in issue	29	809	-	-	-	809	808
Subordinated liabilities	32	-	-	-	-	-	-

The following table sets out the fair value of financial instruments that the Group holds at 31 December 2021. It categorises these financial instruments into the relevant level on the fair value hierarchy.

The fair values of financial instruments are measured according to the following fair value hierarchy:
Level 1 – financial assets and liabilities measured using quoted market prices (unadjusted).

36. Measurement basis and fair values of financial instruments (continued)

Level 2 – financial assets and liabilities measured using valuation techniques which use observable market inputs including quoted prices of financial instruments themselves or quoted prices of similar instruments in either active or inactive markets.
Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market inputs.

Basis and fair values of financial instruments

31 December 2021	Note	Total carrying value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Cash at bank	13	**57**	**57**	**-**	**-**	**57**
Items in course of collection	13	**20**	**-**	**20**	**-**	**20**
Loans and advances to banks	14	**4,174**	**-**	**4,174**	**-**	**4,174**
Derivative assets	15	**1**	**-**	**1**	**-**	**1**
Debt securities	18	**2,494**	**2,526**	**-**	**-**	**2,526**
Equity securities	19	**26**	**17**	**-**	**9**	**26**
Loans and advances to customers	21	**14,256**	**-**	**-**	**13,982**	**13,982**
Financial liabilities						
Deposits by banks	27	**347**	**-**	**347**	**-**	**347**
Customer accounts	28	**19,089**	**-**	**19,092**	**-**	**19,092**
Debt securities in issue	29	**524**	**357**	**173**	**-**	**530**
Subordinated liabilities	32	**252**	**256**	**-**	**-**	**256**

31 December 2020	Note	Total carrying value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Cash at bank	13	71	71	-	-	71
Items in course of collection	13	20	-	20	-	20
Loans and advances to banks	14	3,312	-	3,312	-	3,312
Derivative assets	15	-	-	-	-	-
Debt securities	18	2,583	2,621	-	41	2,662
Equity securities	19	24	16	-	8	24
Loans and advances to customers	21	14,213	-	-	13,558	13,558
Financial liabilities						
Deposits by banks	27	-	-	-	-	-
Customer accounts	28	18,039	-	18,044	-	18,044
Debt securities in issue	29	809	350	458	-	808
Subordinated liabilities	32	-	-	-	-	-

(b) Fair value measurement principles

The Group's accounting policy on valuation of financial instruments is described in note 1 and note 2 which contains details on the critical accounting estimates and judgements made by management in relation to the fair value measurement of financial instruments. The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices in an active market. Where market prices are not available, fair values are determined using valuation techniques. These techniques are subjective in nature and may involve assumptions which are based upon management's view of market conditions at year end, which may not necessarily be indicative of any subsequent fair value. Any minor changes in the assumptions used could have a significant impact on the resulting estimated fair values and, as a result, it may be difficult for the users to make a reasonable comparison of the fair value information disclosed in this note, against that disclosed by other financial institutions or to evaluate the Group's financial position and, therefore, are advised to exercise caution in interpreting these fair values. Also the fair values disclosed above do not represent, nor should it be interpreted to represent, the underlying value of the Group as a going concern at the reporting date.

36. Measurement basis and fair values of financial instruments (continued)

Financial assets and financial liabilities not subsequently measured at fair value

Other than the HTC&S debt securities, derivative assets and liabilities and equity securities, all other financial assets and liabilities are not measured at fair value at the reporting date. A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

Cash at bank

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature in an active market.

Items in course of collection

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature.

Loans and advances to banks

For the purposes of fair value valuation, loans and advances to banks have been treated as cash and cash equivalents. These loans and advances are repayable on demand and short-term in nature; hence, the fair value of each financial instrument is equal to their carrying value.

Loans and advances to customers

Loans and advances to customers are carried net of impairments. The Group uses a discounted cash flow valuation model to estimate the fair value for the ROI residential and commercial mortgages. Cash flows are discounted using the current weighted average interest rate based on the specific portfolio. The fair value calculation also takes into account loan impairment provisions at the balance sheet date. The carrying value of the consumer finance portfolio is considered equal to its fair value due to its short duration.

Debt securities (HTC securities)

Included in debt securities at 31 December 2021 are €2,494m (31 December 2020 €2,583m) of HTC securities. HTC securities are derived from observable market data through independent pricing sources such as Bloomberg. A weighted average method is used to apply these prices to the Group's retained holding in the securitisation.

Deposits by banks/customer accounts

The estimated fair value of deposit liabilities and current accounts with no stated maturity which are repayable on demand (including non-interest bearing deposits), approximates to their book value. The estimated fair value of fixed-interest bearing deposits and other borrowings is based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

Debt securities in issue/subordinated liabilities

The fair values of debt securities in issue/subordinated liabilities are estimated using market prices of instruments that are substantially the same as those issued by the Group. Where a readily available market price is unavailable in relation to the instrument, an estimated price is calculated using observable market data for similar instruments. If observable market data is not available, an appropriate credit spread linked to similar instruments, is used within the valuation technique.

Financial assets and financial liabilities subsequently measured at fair value

On initial recognition, all financial instruments are measured at fair value. Following this, the Group measures HTC&S financial assets at fair value through other comprehensive income. Derivative assets and liabilities are held for trading and fair valued through the income statement.

Derivative assets and liabilities

The fair values of derivatives are determined using valuation techniques such as discounted cash flow and pricing models which are commonly used by market participants. These valuations are provided by third party brokers and the models used incorporate observable market inputs such as current interest rate, time to maturity, forward foreign exchange rates, yield curves and volatility measures.

Equity securities

PTSB Group holds Series A and Series B preferred stock in Visa Inc. at 31 December 2021. The Series A preferred stock was acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc. These were fair valued at €26m at 31 December 2021 (31 December 2020: €24m) and are recognised in the statement of financial position at FVOCI.

The fair values of the Series A preferred stock in Visa Inc. is classified as Level 1 and the fair value of the Series B preferred stock is classified as Level 3, as the valuation of these preferred stock includes inputs that are based on unobservable data.

36. Measurement basis and fair values of financial instruments (continued)

Fair value measurements recognised in the statement of financial position

31 December 2021	Notes	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Derivative assets	**15**	**-**	**1**	**-**	**1**
Equity instruments	**19**	**17**	**-**	**9**	**26**

31 December 2020	Notes	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Derivative assets	15	-	-	-	-
Equity instruments	19	16	-	8	24

There were no transfers between level 1 and level 2 of the fair value hierarchy during 2021.

Reconciliation of level 3 fair value measurements of financial assets

	2021 €m	2020 €m
Equity Instruments		
As at 1 January	**8**	15
Revaluation movement in OCI – Fair value reserve (equity instruments)	**1**	9
Transfer to Level 1	**-**	(16)
As at 31 December	**9**	8

There has been no transfers in/out of level 3 per the fair value hierarchy in the financial year ended 31 December 2021. The Visa Inc. Series A preferred stock held by PTSB was acquired during 2020 upon the partial conversion of Series B preferred stock by Visa Inc. The Series A preferred stock is classified as Level 1 and was transferred from Level 3 to Level 1.

Level 3 sensitivity analysis

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Financial instruments

31 December 2021	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Fair value €m	Ranges of estimates changes in the fair value
Visa Inc. Series B Preferred Stock	**Quoted market price (Discounted)***	**Final share conversion rate**	**0 - 90%**	**9**	**0 - 90%**

* Discount has been applied for illiquidity and the conversion rate variability of the Visa Inc. Series B Preferred stock.

31 December 2020	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Fair value €m	Ranges of estimates changes in the fair value
Visa Inc. Series B Preferred Stock	Quoted market price (Discounted)*	Final share conversion rate	0 - 90%	8	0 - 90%

* Discount has been applied for illiquidity and the conversion rate variability of the Visa Inc. Series B Preferred stock.

36. Measurement basis and fair values of financial instruments (continued)

Significant unobservable inputs

Visa Inc. Series A and Series B preferred stock

The Visa Inc. Series A preferred stock held by PTSB was acquired during 2020 upon the partial conversion of Series B preferred stock by Visa Inc. These Series A and B preferred stock were fair valued at €17m and €9m respectively at 31 December 2021 (31 December 2020: €16m and €8m) and are recognised in the statement of financial position at FVOCI.

Valuation Methodology: The Visa Inc. Class A Common stock price and conversion ratios were applied to the PTSB shareholding of Visa Inc. Series A and Series B preferred shares at 31 December 2021 and 31 December 2020. Future conversions are calculated using discounted cash follows. The stock was revalued at the year-end exchange rate.

Unobservable input: The unobservable inputs are the discount factor used to discount the future conversions of Series B preferred stock.

The Visa Inc. Series A and Series B preferred stock is denominated in US dollars and is exposed to FX risk.

37. Financial risk management

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table outlines the maximum exposure to credit risk before collateral held or other credit enhancements in respect of the Group's financial assets as at the statement of financial position date.

	Notes	31 December 2021 €m	31 December 2020 €m
Cash and balances with central banks	13	57	71
Items in course of collection	13	20	20
Loans and advances to banks (iii)	14	4,174	3,312
Derivative assets (ii)	15	1	-
Debt securities (i)	18	2,494	2,583
Loans and advances to customers (including loans and advances to customers classified as held for sale (iv)	21	14,256	14,213
		21,002	20,199
Commitments and contingencies	42	1,181	1,069
		22,183	21,268

The following tables outline the Group's exposure to credit risk by asset class

(i) Debt securities

The Group is exposed to the credit risk on third parties where the Group holds debt securities (primarily sovereign debt). These exposures are subject to the limitations contained within Board approved policies, with sovereign debt restricted to those countries that have an External Credit Assessment Institution (ECAI) rating of investment grade.

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on the Group's internal rating policy which was approved by the CBI. The inputs to the ratings used in the table below are those prescribed by Moody's Investor Services Limited.

37. Financial risk management (continued)

(i) Debt securities

	31 December 2021 €m	31 December 2020 €m
Rating		
Aaa	**60**	67
A2	**1,463**	1,488
Baa1	**506**	515
Baa2	**465**	-
Baa3	**-**	474
Unrated	**-**	39
Total	**2,494**	2,583

The following table discloses, by country, the Group's exposure to sovereign debt and corporate debt as at:

	31 December 2021 €m	31 December 2020 €m
Country		
Ireland	**1,523**	1,594
Portugal	**465**	474
Spain	**506**	515
Total	**2,494**	2,583

(ii) Derivative assets

The Group has executed standard ISDA agreements with all of its counterparties. The Group has also executed CSAs with all of its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements, the Group exchanges collateral in line with movements in the market values of derivative positions daily. All interest rate swap derivative assets are covered by netting agreements. FX forward derivatives are settled gross. The cumulative positive market value of derivative assets at 31 December 2021 was €1m (31 December 2020: €nil). The Group manages its collateral derivative positions with counterparties on a net basis. The uncollaterised derivative positions are all held with investment grade counterparties.

(iii) Loans and advances to banks

The Group has a policy to ensure that, where possible, loans and advances to banks are held with investment grade counterparties with any exceptions subject to prior approval by the BRCC. The following table gives an indication of the level of creditworthiness of the Group's loans and advances to banks and is based on the ratings prescribed by Moody's Investor Services Limited and Standard and Poor's for the CBI.

	31 December 2021 €m	31 December 2020 €m
Rating		
Aaa	**3,709**	2,813
Aa2	**199**	209
Aa3	**258**	254
A1	**2**	32
A2	**6**	3
Baa2	**-**	1
Total	**4,174**	3,312

The following sections detail additional disclosures on Asset Quality.

37. Financial risk management (continued)

(iv) Loans and advances to customers

Gross customer loans and advances

The tables below outline total loans and advances to customers for the Group analysed by home loan, buy-to-let, commercial and consumer finance.

Measured at amortised cost	31 December 2021 €m	31 December 2020 €m
Residential mortgages:		
Home loan	**12,568**	12,338
Buy-to-let	**1,623**	2,009
Total residential mortgages	**14,191**	14,347
Commercial	**196**	181
Consumer finance	**358**	327
Total measured at amortised cost	**14,745**	14,855
Analysed by ECL staging:		
Stage 1	**11,689**	10,575
Stage 2	**2,239**	3,152
Stage 3	**815**	1,127
POCI	**2**	1
Total measured at amortised cost	**14,745**	14,855
Of which at the reporting date		
Neither past due nor Stage 3	**13,885**	13,692
Past due but not Stage 3	**43**	35
Stage 3	**817**	1,128
Total measured at amortised cost	**14,745**	14,855
Of which are reported as non-performing loans	**817**	1,128
Deferred fees, discounts & fair value adjustments	**115**	86

37. Financial risk management (continued)

31 December 2021 Asset Quality	Home loans €m	Buy-to-let €m	Total residential mortgages €m	Commercial €m	Consumer €m	Total €m
Stage 1						
Excellent	**7,096**	**184**	**7,280**	**1**	**160**	**7,441**
Satisfactory	**3,807**	**289**	**4,096**	**10**	**65**	**4,171**
Fair	**20**	**1**	**21**	**-**	**6**	**27**
Standardised	**-**	**-**	**-**	**-**	**50**	**50**
	10,923	**474**	**11,397**	**11**	**281**	**11,689**
Stage 2						
Excellent	**146**	**209**	**355**	**7**	**2**	**364**
Satisfactory	**344**	**334**	**678**	**58**	**17**	**753**
Fair	**735**	**267**	**1,002**	**76**	**29**	**1,107**
Standardised	**-**	**-**	**-**	**-**	**15**	**15**
	1,225	**810**	**2,035**	**141**	**63**	**2,239**
Stage 3						
Defaulted	**420**	**339**	**759**	**44**	**14**	**817**
Total measured at amortised cost	**12,568**	**1,623**	**14,191**	**196**	**358**	**14,745**

* The information in the shaded box has not been subject to audit by the Group's independent auditor

31 December 2020 Asset Quality	Home loans €m	Buy-to-let €m	Total residual mortgages €m	Commercial €m	Consumer €m	Total €m
Stage 1						
Excellent	6,596	101	6,697	4	172	6,873
Satisfactory	3,548	46	3,594	-	70	3,664
Fair	13	-	13	-	7	20
Standardised	-	-	-	-	18	18
	10,157	147	10,304	4	267	10,575
Stage 2						
Excellent	260	407	667	3	1	671
Satisfactory	421	674	1,095	58	9	1,162
Fair	842	363	1,205	81	28	1,314
Standardised	-	-	-	-	5	5
	1,523	1,444	2,967	142	43	3,152
Stage 3						
Defaulted	658	418	1,076	35	17	1,128
Total measured at amortised cost	12,338	2,009	14,347	181	327	14,855

* The information in the shaded box has not been subject to audit by the Group's independent auditor

37. Financial risk management (continued)

The following table provides an aged analysis of customer loans and advances which are past due but not Stage 3.

31 December 2021	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**18**	**3**	**-**	**21**
31-60 days	**4**	**1**	**-**	**5**
61-90 days	**2**	**2**	**-**	**4**
Total past due not Stage 3	**24**	**6**	**-**	**30**
Fair value of collateral held	**24**	**6**	**-**	**30**

Fair value of collateral held	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**18**	**3**	**-**	**21**
31-60 days	**4**	**1**	**-**	**5**
61-90 days	**2**	**2**	**-**	**4**
Total past due not Stage 3	**24**	**6**	**-**	**30**

31 December 2020	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	15	2	-	17
31-60 days	3	1	-	4
61-90 days	2	-	-	2
Total past due not Stage 3	20	3	-	23
Fair value of collateral held	20	3	-	23

Fair value of collateral held	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	15	2	-	17
31-60 days	3	1	-	4
61-90 days	2	-	-	2
Total past due not Stage 3	20	3	-	23

Collateral held against residential mortgages is principally comprised of residential properties; their fair value has been estimated based upon the last actual valuation, adjusted to take into account subsequent movement in house prices and is capped at the lower of the loan balance or the valuation amount.

Non-performing loans

Non-performing loans (NPLs) are loans which are credit impaired or loans which are classified as defaulted in accordance with the Group's definition of default. The Group's definition of default considers objective indicators of default including the 90 days past due criterion, evidence of exercise of concessions or modifications to terms and conditions is designed to be consistent with European Banking Authority (EBA) guidance on the definition of forbearance.

Foreclosed assets are assets held on the balance sheet which are obtained by taking possession of collateral or by calling on similar credit enhancements.

37. Financial risk management (continued)

Non-performing assets are defined as NPLs plus foreclosed assets.

31 December 2021	Stage 3				
	Home loans	Buy-to-let	Commercial	Consumer finance	Total
	€m	€m	€m	€m	€m
NPL is < 90 days	**251**	**177**	**40**	**1**	**469**
NPL is > 90 days and < 1 year past due	**32**	**89**	**1**	**6**	**128**
NPL is 1-2 years past due	**39**	**25**	**-**	**2**	**66**
NPL is 2-5 years past due	**36**	**10**	**-**	**1**	**47**
NPL is > 5 years past due	**62**	**38**	**3**	**2**	**105**
POCI	**-**	**-**	**-**	**2**	**2**
Non-performing loans	**420**	**339**	**44**	**14**	**817**
Foreclosed assets	**4**	**24**	**-**	**-**	**28**
Non-performing assets	**424**	**363**	**44**	**14**	**845**
NPLs as % of gross loans	**3.3%**	**20.9%**	**22.5%**	**3.9%**	**5.5%**

31 December 2020	Stage 3				
	Home loans	Buy-to-let	Commercial	Consumer finance	Total
	€m	€m	€m	€m	€m
NPL is < 90 days	464	319	28	1	812
NPL is > 90 days and < 1 year past due	42	32	1	9	84
NPL is 1-2 years past due	42	14	-	1	57
NPL is 2-5 years past due	21	4	2	1	28
NPL is > 5 years past due	89	49	4	4	146
POCI	-	-	-	1	1
Non-performing loans	658	418	35	17	1,128
Foreclosed assets	25	5	-	-	30
Non-performing assets	683	423	35	17	1,158
NPLs as % of gross loans	5.3%	20.8%	19.3%	5.2%	7.6%

Non-performing loans as a percentage of total loans and advances were 5.5% at 31 December 2021, a reduction from 7.6% at 31 December 2020

Total portfolio Loss allowance: statement of financial position

The tables below outline the ECL loss allowance total at 31 December 2021 in respect of total customer loans and advances.

The impairment write-back in respect of the total loans and advances for year ended 31 December 2021 is €1m, compared to a charge of €155m for the year ended 31 December 2020.

	31 December 2021	31 December 2020
	€m	€m
Loss allowance - statement of financial position		
Stage 1	**61**	55
Stage 2	**238**	286
Stage 3	**305**	387
Total loss allowance	**604**	728

37. Financial risk management (continued)

	31 December 2021 %	31 December 2020 %
Provision coverage ratio*		
Stage 1	**0.5%**	0.5%
Stage 2	**10.6%**	9.1%
Stage 3	**37.3%**	34.3%
Total provisions/total loans	**4.1%**	4.9%

* Provision coverage ratio is calculated as loss allowance/impairment provision as a percentage of gross loan balance.

Origination profile

Loan origination profile of the residential mortgage loan portfolio before provision for impairment:

The table below illustrates that €2bn or 15% of the residential mortgage portfolio originated before 2006. Between 2006 and 2008 origination was €5bn or 38% of the residential mortgages. The residual of 47% of the residential mortgages were originated between 2009 and 2021.

31 December 2021	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance €m	Number	Balance €m
1998 and before	**967**	**13**	**75**	**2**
1999	**754**	**18**	**53**	**2**
2000	**1,204**	**38**	**73**	**4**
2001	**1,561**	**61**	**103**	**6**
2002	**3,485**	**132**	**120**	**6**
2003	**5,145**	**273**	**189**	**18**
2004	**7,697**	**574**	**259**	**32**
2005	**11,173**	**1,105**	**487**	**76**
2006	**15,474**	**2,125**	**881**	**215**
2007	**13,532**	**2,005**	**842**	**239**
2008	**8,712**	**1,207**	**513**	**111**
2009	**2,135**	**193**	**79**	**8**
2010	**889**	**67**	**23**	**3**
2011	**550**	**44**	**8**	**1**
2012	**315**	**21**	**5**	**-**
2013	**716**	**67**	**8**	**1**
2014	**1,497**	**156**	**14**	**3**
2015	**1,648**	**179**	**39**	**3**
2016	**1,811**	**227**	**25**	**4**
2017	**3,202**	**487**	**31**	**5**
2018	**4,974**	**924**	**48**	**10**
2019	**6,282**	**1,306**	**40**	**8**
2020	**5,153**	**1,184**	**21**	**1**
2021	**7,099**	**1,785**	**18**	**1**
Total	**105,975**	**14,191**	**3,954**	**759**

37. Financial risk management (continued)

31 December 2020	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance €m	Number	Balance €m
1998 and before	1,249	18	128	3
1999	844	24	83	4
2000	1,340	48	110	6
2001	2,634	79	208	9
2002	3,855	165	217	14
2003	5,652	331	285	26
2004	8,383	681	406	49
2005	12,101	1,302	726	120
2006	17,346	2,514	1,264	292
2007	14,773	2,363	1,259	350
2008	9,511	1,396	750	153
2009	2,350	221	125	15
2010	955	76	27	3
2011	660	51	10	1
2012	350	24	3	1
2013	791	77	10	1
2014	1,657	181	20	3
2015	1,855	211	45	3
2016	2,021	266	34	5
2017	3,616	588	39	4
2018	5,651	1,128	43	7
2019	6,542	1,397	30	6
2020	5,246	1,206	40	1
Total	109,382	14,347	5,862	1,076

Loan-to-value profile

Loan-to-value (LTV) of mortgage lending (index linked):

The LTV ratio is calculated at a property level and is the average of indexed property values in proportion to the outstanding loan balance. LTV is a key input to the impairment provisioning process. The tables below outline the composition of this ratio for the residential loan portfolio.

Actual and average LTVs across principal mortgage portfolios:

The tables below outline the weighted average LTVs for the total residential mortgage portfolios analysed across home loan and buy-to-let facilities by value. The weighted average LTV on the residential mortgage portfolios is 58% at 31 December 2021 compared to 66% at 31 December 2020.

37. Financial risk management (continued)

The Group's residential mortgage lending LTVs at December 2021 reflect updated valuations obtained on high-exposure NPLs (largely impacting on high-exposure buy-to-let properties).

31 December 2021	Home loans %	Buy-to-let %	Total %
Less than 50%	**38%**	**32%**	**37%**
50% to 70%	**34%**	**16%**	**32%**
71% to 90%	**25%**	**21%**	**25%**
91% to 100%	**1%**	**11%**	**2%**
Subtotal	**98%**	**80%**	**96%**
101% to 110%	**1%**	**6%**	**1%**
111% to 120%	**-**	**4%**	**1%**
121% to 130%	**-**	**3%**	**1%**
131% to 140%	**1%**	**2%**	**1%**
141% to 150%	**-**	**1%**	**-**
151% to 160%	**-**	**1%**	**-**
161% to 170%	**-**	**1%**	**-**
171% to 180%	**-**	**-**	**-**
Greater than 180%	**-**	**2%**	**-**
Subtotal	**2%**	**20%**	**4%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of residential mortgages	**56%**	**74%**	**58%**
New residential mortgages	**69%**	**54%**	**69%**
Stage 3 mortgages	**78%**	**105%**	**90%**

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	32%	24%	31%
50% to 70%	26%	15%	24%
71% to 90%	34%	15%	31%
91% to 100%	3%	10%	5%
Subtotal	95%	64%	91%
101% to 110%	2%	11%	3%
111% to 120%	1%	8%	2%
121% to 130%	1%	5%	1%
131% to 140%	-	3%	1%
141% to 150%	-	2%	-
151% to 160%	-	2%	1%
161% to 170%	-	1%	-
171% to 180%	-	-	-
Greater than 180%	1%	4%	1%
Subtotal	5%	36%	9%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	63%	89%	66%
New residential mortgages	75%	55%	75%
Stage 3 mortgages	91%	131%	106%

37. Financial risk management (continued)

Analysis by LTV of the Group's residential mortgage lending which is neither past due nor Stage 3:

The tables below illustrates that 99% of residential home loan mortgages (31 December 2020: 97%) and 87% of residential buy-to-let mortgages (31 December 2020: 71%) that are neither past due nor Stage 3 are in positive equity as at 31 December 2021.

31 December 2021	Home loans %	Buy-to-let %	Total %
Less than 50%	**39%**	**39%**	**39%**
50% to 70%	**34%**	**19%**	**34%**
71% to 90%	**25%**	**20%**	**25%**
91% to 100%	**1%**	**9%**	**2%**
Subtotal	**99%**	**87%**	**99%**
101% to 110%	**1%**	**5%**	**1%**
111% to 120%	**-**	**3%**	**-**
121% to 130%	**-**	**2%**	**-**
131% to 140%	**-**	**1%**	**-**
141% to 150%	**-**	**1%**	**-**
151% to 160%	**-**	**-**	**-**
161% to 170%	**-**	**-**	**-**
171% to 180%	**-**	**-**	**-**
Greater than 180%	**-**	**1%**	**-**
Subtotal	**1%**	**13%**	**1%**
Total	**100%**	**100%**	**100%**

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	33%	29%	32%
50% to 70%	26%	17%	25%
71% to 90%	35%	16%	33%
91% to 100%	3%	9%	4%
Subtotal	97%	71%	94%
101% to 110%	1%	10%	2%
111% to 120%	1%	7%	1%
121% to 130%	1%	4%	1%
131% to 140%	-	2%	1%
141% to 150%	-	1%	-
151% to 160%	-	1%	-
161% to 170%	-	1%	-
171% to 180%	-	1%	-
Greater than 180%	-	2%	1%
Subtotal	3%	29%	6%
Total	100%	100%	100%

37. Financial risk management (continued)

Analysis by LTV of the Group's residential mortgage lending which are classified as Stage 3:

The tables below illustrates that 75% of residential home loan mortgages (31 December 2020: 63%) and 53% of residential buy-to-let mortgages (31 December 2020: 34%) that are classified as Stage 3 are in positive equity as at 31 December 2021.

31 December 2021	Home loans %	Buy-to-let %	Total %
Less than 50%	**29%**	**7%**	**19%**
50% to 70%	**19%**	**8%**	**14%**
71% to 90%	**20%**	**21%**	**20%**
91% to 100%	**7%**	**17%**	**11%**
Subtotal	**75%**	**53%**	**64%**
101% to 110%	**6%**	**12%**	**9%**
111% to 120%	**4%**	**6%**	**5%**
121% to 130%	**4%**	**8%**	**6%**
131% to 140%	**3%**	**6%**	**4%**
141% to 150%	**2%**	**4%**	**3%**
151% to 160%	**1%**	**2%**	**1%**
161% to 170%	**1%**	**3%**	**2%**
171% to 180%	**-**	**1%**	**1%**
Greater than 180%	**4%**	**5%**	**5%**
Subtotal	**25%**	**47%**	**36%**
Total	**100%**	**100%**	**100%**
	€m	**€m**	**€m**
Stage 3	**420**	**339**	**759**

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	22%	5%	15%
50% to 70%	16%	7%	13%
71% to 90%	16%	13%	15%
91% to 100%	9%	9%	9%
Subtotal	63%	34%	52%
101% to 110%	9%	17%	12%
111% to 120%	5%	11%	7%
121% to 130%	5%	7%	6%
131% to 140%	4%	5%	4%
141% to 150%	2%	5%	3%
151% to 160%	3%	5%	4%
161% to 170%	1%	3%	2%
171% to 180%	1%	1%	1%
Greater than 180%	7%	12%	9%
Subtotal	37%	66%	48%
Total	100%	100%	100%
	€m	€m	€m
Stage 3	658	418	1,076

37. Financial risk management (continued)

(v) Group Portfolios: Collateral in possession

Collateral in possession occurs where the obligor either (i) voluntarily surrenders the property or (ii) the Group takes legal ownership due to non-repayment of the loan facility. The following tables outline the main movements in this category during the year.

Stock of collateral in possession

	31 December 2021		31 December 2020	
	Number	Balance outstanding at transfer of ownership	Number	Balance outstanding at transfer of ownership
Residential collateral in possession		€m		€m
Home loans	**27**	**10**	41	13
Buy-to-let	**165**	**42**	207	56
Commercial	**-**	**-**	-	-
Total	**192**	**52**	248	69

Collateral in possession assets are sold as soon as practicable. These assets which total €28m as at 31 December 2021 (31 December 2020: €30m) are included in assets held for sale (see note 17 for further details).

During the year the ownership of 81 properties were transferred to the Group.

The details of the transfers are provided in the tables below:

	Number
Home loans	9
Buy-to-let	72
Total	81

During the year 137 properties were disposed.

The details of the disposals are provided in the tables below:

	Number
Home loans	23
Buy-to-let	114
Total	137

31 December 2021	Number of disposals	Balance outstanding at transfer of ownership	Gross sales proceeds	Costs to sell	Pre provisioning loss on sale*
		€m	€m	€m	€m
Collateral in possession					
Home loans	**23**	**7**	**5**	**-**	**2**
Buy-to-let	**114**	**25**	**16**	**1**	**10**
Commercial	**-**	**-**	**-**	**-**	**-**
Year ended 31 December 2021	**137**	**32**	**21**	**1**	**12**

* Calculated as gross sales proceeds less balance outstanding at transfer of ownership less costs to sell. These losses are provided for as part of the impairment provisioning process.

37. Financial risk management (continued)

31 December 2020	Number of disposals	Balance outstanding at transfer of ownership €m	Gross sales proceeds €m	Costs to sell €m	Pre provisioning loss on sale* €m
Collateral in possession					
Home loans	62	18	9	-	9
Buy-to-let	206	52	28	1	25
Commercial	4	1	-	-	1
Year ended 31 December 2020	272	71	37	1	35

* Calculated as gross sales proceeds less balance outstanding at transfer of ownership less costs to sell. These losses are provided for as part of the impairment provisioning process.

(vi) Additional disclosures on forborne loans

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in accordance with the current Code of Conduct on Mortgages Arrears (CCMA).

The tables below set out the asset quality and volume of loans for which the Group has entered formal temporary and permanent forbearance arrangements with customers for the years ended 31 December 2021 and 31 December 2020. The number and balances of loans in forbearance arrangements for residential home loan mortgages and buy-to-let residential mortgages are analysed below.

(a) Asset quality

The method of splitting the forborne loans and advances to customers over the different asset quality categories:

- Neither past due nor Stage 3
- Past due but not Stage 3
- Stage 3

31 December 2021	**Home Loans €m**	**Buy-to-let €m**	**Total Residential Mortgages €m**	**Commercial €m**	**Total €m**
Stage 2					
Excellent	**6**	**5**	**11**	**1**	**12**
Satisfactory	**76**	**37**	**113**	**-**	**113**
Fair Risk	**96**	**30**	**126**	**3**	**129**
Standardised	**-**	**-**	**-**	**-**	**-**
	178	**72**	**250**	**4**	**254**
Stage 3					
Defaulted	**289**	**94**	**383**	**33**	**416**
Total measured at amortised cost	**467**	**166**	**633**	**37**	**670**

* The information in the shaded box has not been subject to audit by the Group's Independent Auditor.

Where a borrower has been granted a forbearance treatment, the loan is considered to have experienced a significant increase in credit risk and is classified as Stage 2 for Expected Credit Loss assessment purposes under IFRS 9.

31 December 2020	Home Loans €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Total €m
Stage 2					
Excellent	22	-	22	-	22
Satisfactory	114	29	143	1	144
Fair Risk	152	51	203	5	208
Standardised	-	-	-	-	-
	288	80	368	6	374
Stage 3					
Defaulted	438	151	589	14	603
Total measured at amortised cost	726	231	957	20	977

* The information in the shaded box has not been subject to audit by the Group's Independent Auditor.

37. Financial risk management (continued)

(b) Weighted Average – LTV

LTV on total portfolio in forbearance

The tables below illustrates that 84% of residential home loan mortgages (31 December 2020: 72%) and 67% of residential buy-to-let mortgages (31 December 2020: 47%) that are neither past due nor Stage 3 are in positive equity as at 31 December 2021.

31 December 2021	Home loans %	Buy-to-let %	Total %
Less than 50%	**33%**	**7%**	**26%**
50% to 70%	**25%**	**11%**	**21%**
71% to 90%	**20%**	**30%**	**23%**
91% to 100%	**6%**	**19%**	**9%**
Subtotal	**84%**	**67%**	**79%**
101% to 110%	**4%**	**12%**	**6%**
111% to 120%	**3%**	**8%**	**4%**
121% to 130%	**2%**	**1%**	**2%**
131% to 140%	**2%**	**4%**	**2%**
141% to 150%	**1%**	**2%**	**1%**
151% to 160%	**1%**	**1%**	**1%**
161% to 170%	**1%**	**1%**	**1%**
171% to 180%	**-**	**1%**	**1%**
Greater than 180%	**2%**	**3%**	**3%**
Subtotal	**16%**	**33%**	**21%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of residential mortgages	**70%**	**95%**	**76%**
New residential mortgages	**47%**	**-**	**47%**
Stage 3 mortgages	**78%**	**104%**	**84%**

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	22%	6%	19%
50% to 70%	19%	9%	17%
71% to 90%	21%	20%	21%
91% to 100%	10%	12%	10%
Subtotal	72%	47%	67%
101% to 110%	7%	16%	9%
111% to 120%	5%	12%	7%
121% to 130%	3%	6%	4%
131% to 140%	2%	3%	2%
141% to 150%	2%	1%	2%
151% to 160%	2%	3%	2%
161% to 170%	1%	2%	1%
171% to 180%	1%	2%	1%
Greater than 180%	5%	8%	5%
Subtotal	28%	53%	33%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	82%	107%	88%
New residential mortgages	76%	-	76%
Stage 3 mortgages	93%	110%	97%

37. Financial risk management (continued)

(c) Forbearance arrangements - residential mortgages

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in accordance with existing CCMA. These are set out in the table below.

Residential mortgages

The tables below set out the volume of loans for which the Group has entered formal temporary and permanent forbearance arrangements with customers as at 31 December 2021 and 31 December 2020.

(i) Residential home loan mortgages:

The incidence of the main type of forbearance arrangements for owner occupied residential mortgages are analysed below:

31 December 2021	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**61**	**12**	**52**	**8**
Reduced payment (less than interest only)	**35**	**5**	**33**	**5**
Reduced payment (greater than interest only)	**1,815**	**255**	**1,015**	**157**
Payment moratorium	**64**	**8**	**47**	**6**
Arrears capitalisation	**524**	**66**	**264**	**36**
Term extension	**483**	**38**	**245**	**20**
Hybrid*	**378**	**55**	**190**	**29**
Split mortgages	**164**	**28**	**164**	**28**
Total	**3,524**	**467**	**2,010**	**289**

* Hybrid is a combination of two or more forbearance arrangements.

31 December 2020	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	138	30	111	23
Reduced payment (less than interest only)	71	12	41	7
Reduced payment (greater than interest only)	2,694	391	1,369	213
Payment moratorium	119	15	61	7
Arrears capitalisation	668	88	367	48
Term extension	557	42	263	20
Hybrid*	385	65	204	37
Split mortgages	434	83	434	83
Total	5,066	726	2,850	438

* Hybrid is a combination of two or more forbearance arrangements.

The tables above reflect a decrease of 1,542 cases in the year to 31 December 2021 for the Group in the number of residential home loan mortgages in forbearance arrangements, a decrease of €259m. The average balance of forborne loans is €0.133m at 31 December 2021 (31 December 2020: €0.143m).

37. Financial risk management (continued)

(ii) Residential buy-to-let mortgages:

The incidence of the main type of forbearance arrangements for residential buy-to-let mortgages only is analysed below:

31 December 2021	All loans		Stage 3	
	Number	Balances	Number	Balances
		€m		€m
Interest only	**54**	**27**	**31**	**15**
Reduced payment (less than interest only)	**-**	**-**	**-**	**-**
Reduced payment (greater than interest only)	**190**	**58**	**121**	**38**
Payment moratorium	**2**	**-**	**2**	**-**
Arrears capitalisation	**62**	**31**	**21**	**11**
Term extension	**32**	**6**	**13**	**3**
Hybrid*	**86**	**37**	**56**	**20**
Split mortgages	**23**	**7**	**23**	**7**
Total	**449**	**166**	**267**	**94**

* Hybrid is a combination of two or more forbearance arrangements.

31 December 2020	All loans		Stage 3	
	Number	Balances	Number	Balances
		€m		€m
Interest only	79	33	44	15
Reduced payment (less than interest only)	7	2	6	2
Reduced payment (greater than interest only)	311	94	239	76
Payment moratorium	10	2	7	2
Arrears capitalisation	68	35	24	10
Term extension	34	11	15	3
Hybrid*	69	27	42	16
Split mortgages	101	27	101	27
Total	679	231	478	151

* Hybrid is a combination of two or more forbearance arrangements.

The tables above reflect a decrease of 230 cases in the year to 31 December 2021 for the Group in the number of residential buy-to-let in forbearance arrangements, a decrease of €65m. The average balance of forborne loans is €0.370m at 31 December 2021 (31 December 2020: €0.340m).

Commercial mortgages

The incidence of the main type of forbearance arrangements for commercial mortgages are analysed below:

Commercial mortgages	31 December 2021		31 December 2020	
	Number	Balances	Number	Balances
		€m		€m
Interest only	**-**	**-**	1	-
Reduced payment (less than interest only)	**-**	**-**	-	-
Reduced payment (greater than interest only)	**13**	**23**	15	7
Payment moratorium	**-**	**-**	-	-
Arrears capitalisation	**5**	**7**	2	1
Term extension	**9**	**4**	11	5
Hybrid*	**10**	**3**	15	7
Split mortgages	**-**	**-**	-	-
Total	**37**	**37**	44	20

* Hybrid is a combination of two or more forbearance arrangements.

The table above reflects a decrease of 7 cases in the year to 31 December 2021 for the Group in the number of commercial mortgages in forbearance arrangements, an increase of €17m in balances.

37. Financial risk management (continued)

(d) Reconciliation of movement in forborne loans for all classes

The tables below provide an analysis of the movement of total forborne loans and Stage 3 forborne loans during the year. It outlines the number and balances of forbearance treatments offered, expired and loans paid down during the year.

(i) Reconciliation of movement of total forborne loans

31 December 2021	Residential mortgages							
	Home loans cases	Home loans balances	Buy -to-let cases	Buy-to-let balances	Commercial cases	Commercial balances	Total cases	Total balances
		€m		€m		€m		€m
Opening balance 1 January 2021	**5,066**	**726**	**679**	**231**	**44**	**20**	**5,789**	**977**
New forbearance extended during the period*	**458**	**62**	**76**	**30**	**7**	**24**	**541**	**116**
Deleveraged loans	**(845)**	**(115)**	**(214)**	**(48)**	**(4)**	**(3)**	**(1,063)**	**(166)**
Exited forbearance								
- re-classified to Stage 3 non-forborne	**(16)**	**(3)**	**(1)**	**-**	**-**	**-**	**(17)**	**(3)**
- expired forbearance treatment	**(753)**	**(139)**	**(58)**	**(29)**	**(3)**	**(1)**	**(814)**	**(169)**
- expired loan paid down	**(386)**	**(49)**	**(33)**	**(13)**	**(7)**	**(2)**	**(426)**	**(64)**
Balance shift**	**-**	**(15)**	**-**	**(5)**	**-**	**(1)**	**-**	**(21)**
Closing balance of loans in forbearance as at 31 December 2021	**3,524**	**467**	**449**	**166**	**37**	**37**	**4,010**	**670**

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2020	Residential mortgages							
	Home loans cases	Home loans balances	Buy -to-let cases	Buy-to-let balances	Commercial cases	Commercial balances	Total cases	Total balances
		€m		€m		€m		€m
Opening balance 1 January 2020	5,788	827	589	201	38	19	6,415	1,047
New forbearance extended during the period*	1,323	186	240	79	10	7	1,573	272
Deleveraged loans	-	-	(26)	(11)	-	-	(26)	(11)
Exited forbearance								
- re-classified to Stage 3 non-forborne	(42)	(6)	(4)	(1)	-	-	(46)	(7)
- expired forbearance treatment	(1,679)	(228)	(80)	(23)	(1)	-	(1,760)	(251)
- expired loan paid down	(324)	(34)	(40)	(9)	(3)	(5)	(367)	(48)
Balance shift**	-	(19)	-	(5)	-	(1)	-	(25)
Closing balance of loans in forbearance as at 31 December 2020	5,066	726	679	231	44	20	5,789	977

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

37. Financial risk management (continued)

(ii) Reconciliation of movement in forborne loans Stage 3

31 December 2021	**Home loan cases**	**Home loan balances €m**	**Buy-to-let cases**	**Buy-to-let balances €m**	**Commercial cases**	**Commercial balances €m**	**Total cases**	**Total balances €m**
Opening balance 1 January 2021	**2,850**	**438**	**478**	**151**	**36**	**14**	**3,364**	**603**
New Stage 3 forborne extended during the year*	**538**	**74**	**77**	**31**	**6**	**25**	**621**	**130**
Deleveraged loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exited forborne Stage 3, now performing forborne	**(392)**	**(46)**	**(32)**	**(13)**	**(1)**	**(1)**	**(425)**	**(60)**
Exited forbearance								
- exited forborne Stage 3, now Stage 3 non-forborne	**(12)**	**(2)**	**(1)**	**-**	**-**	**-**	**(13)**	**(2)**
- expired forbearance treatment	**(112)**	**(25)**	**(76)**	**(19)**	**(1)**	**(1)**	**(189)**	**(45)**
- expired loan paid down	**(862)**	**(146)**	**(179)**	**(55)**	**(8)**	**(4)**	**(1,049)**	**(205)**
Balance shift**	**-**	**(4)**	**-**	**(1)**	**-**	**-**	**-**	**(5)**
Closing balance loans in forbearance as at 31 December 2021	**2,010**	**289**	**267**	**94**	**32**	**33**	**2,309**	**416**

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2020	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2020	2,602	401	405	145	33	17	3,040	563
New Stage 3 forborne extended during the year*	845	119	172	53	6	3	1,023	175
Deleveraged loans	-	-	-	-	-	-	-	-
Exited forborne Stage 3, now performing forborne	(335)	(38)	(66)	(34)	-	-	(401)	(72)
Exited forbearance								
- exited forborne Stage 3, now Stage 3 non-forborne	(32)	(6)	(4)	(1)	-	-	(36)	(7)
- expired forbearance treatment	(56)	(8)	(5)	(1)	-	-	(61)	(9)
- expired loan paid down	(174)	(22)	(24)	(7)	(3)	(5)	(201)	(34)
Balance shift**	-	(8)	-	(4)	-	(1)	-	(13)
Closing balance of loans in forbearance as at 31 December 2020	2,850	438	478	151	36	14	3,364	603

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

37. Financial risk management (continued)

(vii) Funding profile

The ALCO monitors sources of funding and their respective maturities with a focus on establishing a stable and cost effective funding profile. Excluding equity, the Group's funding profile as at the 31 December 2021 can be broken down into the below component parts:

	31 December 2021 %	31 December 2020 %
Customer accounts	**94**	96
Long-term debt	**4**	4
Short-term debt	**2**	-
	100	100

Long-term debt refers to debt with a maturity greater than 12 months from year-end and short-term debt is that which has a maturity of less than 12 months from year-end.

In accordance with IFRS 7, Financial Instruments: Disclosures, the following tables present the maturity analysis of financial liabilities on an undiscounted basis, by remaining contractual maturity at the statement of financial position date. These will not agree directly with the balances on the consolidated statement of financial position due to the inclusion of future interest payments.

31 December 2021	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Liabilities*							
Deposits by banks	**347**	**-**	**-**	**-**	**-**	**-**	**347**
Customer accounts	**16,032**	**1,416**	**454**	**575**	**221**	**405**	**19,103**
Debt securities in issue	**1**	**1**	**2**	**4**	**7**	**537**	**552**
Lease liabilities	**2**	**-**	**1**	**3**	**4**	**22**	**32**
Subordinated liabilities	**1**	**1**	**2**	**4**	**7**	**304**	**319**
Total liabilities	**16,383**	**1,418**	**459**	**586**	**239**	**1,268**	**20,353**

* In addition the Group has an other liability of €48m in respect to the sale of Glenbeigh III. This was settled in early 2022 (see note 44).

31 December 2020	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Liabilities							
Deposits by banks	-	-	-	-	-	-	-
Customer accounts	14,149	1,565	490	777	555	524	18,060
Debt securities in issue	1	1	2	4	8	851	867
Lease liabilities	2	-	2	3	5	24	36
Subordinated liabilities	-	-	-	-	-	-	-
Total liabilities	14,152	1,566	494	784	568	1,399	18,963

When managing the Group's liquidity and funding profile, for products where the contractual maturity date may be different from actual behaviour, the Group uses statistical methodologies to manage liquidity on an expected or behaviourally adjusted basis.

37. Financial risk management (continued)

The following table details the Group's liquidity analysis for derivative instruments that do not qualify as hedging instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates from the yield curves at the end of the reporting year.

31 December 2021	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Gross settled:							
FX forwards							
- inflow	**84**	**-**	**-**	**-**	**-**	**-**	**84**
- outflow	**(84)**	**-**	**-**	**-**	**-**	**-**	**(84)**
Balance at 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**

31 December 2020	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Gross settled:							
FX forwards							
- inflow	83	-	-	-	-	-	83
- outflow	(83)	-	-	-	-	-	(83)
Balance at 31 December 2020	-	-	-	-	-	-	-

(viii) Interest rate gap position

Gap analysis is a technique for measuring the Group's interest rate risk exposure beginning with a maturity/re-pricing schedule that distributes interest sensitive assets, liabilities, and derivative positions into "time bands" according to their maturity (if fixed rate), time remaining to their next re-pricing (if floating rate) or behavioural convention in order to identify any sources of significant mismatches. The below December 2021 IRRBB profile also includes interest cash flows based on the next re-price date i.e. one month's interest included for variable rate products and lifetime interest for fixed rate products.

A summary of the Group's interest rate gap position is as follows:

Interest rate re-pricing

31 December 2021	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 1 year €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Total €m
Assets	**12,608**	**587**	**1,264**	**6,505**	**1,079**	**22,043**
Liabilities	**(11,769)**	**(973)**	**(1,395)**	**(6,137)**	**(1,546)**	**(21,820)**
Derivatives	**84**	**-**	**-**	**-**	**-**	**84**
Interest rate re-pricing gap	**923**	**(386)**	**(131)**	**368**	**(467)**	**307**
Cumulative interest rate re-pricing gap	**923**	**537**	**406**	**774**	**307**	

37. Financial risk management (continued)

31 December 2020	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 1 year €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Total €m
Assets	12,856	295	726	5,535	1,080	20,492
Liabilities	(11,230)	(875)	(1,280)	(5,550)	(1,193)	(20,128)
Derivatives	(83)	-	-	-	-	(83)
Interest rate re-pricing gap	1,543	(580)	(554)	(15)	(113)	281
Cumulative interest rate re-pricing gap	1,543	963	409	394	281	

38. Capital management

The core objective of the Group's capital management policy is to ensure that the Group complies with its regulatory capital requirements and maintains sufficient capital to cover its business risks and support its strategy. The Group has established an Internal Capital Adequacy Assessment Process (ICAAP) to ensure that it is adequately capitalised against the inherent risks to which its business operations are exposed and to maintain an appropriate level of capital to meet the minimum capital requirements. The ICAAP is subject to review and evaluation by the Regulator. The management of capital within the Group is monitored by the Board Risk and Compliance Committee (BRCC) and the Assets and Liabilities Committee (ALCo) in accordance with Board approved policy.

The Group's regulatory capital comprises of three tiers:

1. CET1 capital, which includes ordinary share capital, share premium, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
2. Additional Tier 1 Capital, which includes qualifying convertible perpetual financial instruments with discretionary coupons; and
3. Tier 2 Capital, which includes qualifying subordinated liabilities, revaluation reserves and other regulatory capital adjustments.

The Group's 2021 regulatory CET1 (transitional) minimum requirement is 8.94% (December 2020: 8.94%). The CET1 ratio requirement of 8.94% consists of a Pillar 1 CRR requirement of 4.50%, a Pillar 2 Requirement (P2R) of 1.94% (December 2020: 1.94%) and the Capital Conservation Buffer (CCB) of 2.50%.

The Group's Total Capital minimum requirement of 13.95% at 31 December 2021 (31 December 2020: 13.95%) consists of a Pillar 1 CRR requirement of 8%, P2R of 3.45%, and CCB of 2.5%.

These requirements exclude Pillar 2 Guidance (P2G) which is not publicly disclosed.

The following table summarises the composition of regulatory capital and the ratios of PTSB, the primary regulated entity of the Group as at 31 December 2021 and 31 December 2020 which are calculated in accordance with CRD IV regulatory capital requirements.

38. Capital management (continued)

The following information has not been subject to audit by the Group's independent auditor.

	31 December 2021 €m	31 December 2020 €m
Common Equity Tier 1 capital		
Share capital and share premium	**561**	561
Reserves	**1,104**	1,145
Prudential filters	**(208)**	(171)
Total qualifying CET1 capital	**1,457**	1,535
Additional Tier 1 Capital	**123**	190
Total qualifying Tier 1 capital	**1,580**	1,725
Tier 2 capital		
Subordinated liabilities	**250**	13
Other	**40**	41
Total qualifying Tier 2 capital	**290**	54
Total own funds	**1,870**	1,779

	31 December 2021 €m	31 December 2020 €m
Risk weighted assets		
Total risk-weighted assets	**8,600**	8,480
- Credit Risk (incl. CVA)	**7,961**	7,808
- Operational Risk	**639**	672
Capital Ratios		
Common Equity Tier 1 capital ratio (Transitional basis)	**16.9%**	18.1%
Total capital ratio (Transitional basis)	**21.8%**	21.0%

The CET1 and Total Capital ratios are calculated and reported to the CBI on a quarterly basis.

The movement in the Group's regulatory capital is summarised below:

	31 December 2021 €m	31 December 2020* €m
Balance as at 1 January	**1,779**	1,911
Operating loss after tax	**(20)**	(162)
Other intangible assets add-back/(deduction)	**19**	(6)
Deferred tax assets deduction	**(36)**	(43)
IFRS 9 phase-in	**(28)**	(12)
AT1 Securities**	**(80)**	108
Tier 2 Capital Notes***	**250**	-
Other movements	**(14)**	(17)
Balance as at 31 December	**1,870**	1,779

* Presentation of prior year (December 2020) has been amended to provide comparative information
** AT1 Securities issued in May 2015 by PTSB redeemed in full in April 2021 (€125m less minority interest €45m)
*** In May 2021 PTSBGH issued €250m of Tier2 Capital Notes

39. Current/non-current assets and liabilities

The following table provides an analysis of certain asset and liability line items as at 31 December 2021 and 31 December 2020. The analysis includes amounts expected to be recovered or settled no more than 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current).

		31 December 2021			31 December 2020		
	Note	Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Assets							
Cash and balances at central banks	**13**	**57**	**-**	**57**	71	-	71
Items in the course of collection	**13**	**20**	**-**	**20**	20	-	20
Loans and advances to banks	**14**	**4,174**	**-**	**4,174**	3,312	-	3,312
Derivative assets	**15**	**1**	**-**	**1**	-	-	-
Other assets	**16**	**310**	**-**	**310**	5	-	5
Assets classified as held for sale	**17**	**28**	**-**	**28**	31	-	31
Debt securities	**18**	**214**	**2,280**	**2,494**	27	2,556	2,583
Equity Securities	**19**	**-**	**26**	**26**	-	24	24
Prepayments and accrued income	**20**	**205**	**-**	**205**	86	-	86
Loans and advances to customers	**21**	**2,071**	**12,185**	**14,256**	1,678	12,535	14,213
Liabilities							
Deposits by banks	**27**	**347**	**-**	**347**	-	-	-
Customer accounts	**28**	**18,476**	**613**	**19,089**	16,978	1,061	18,039
Debt securities in issue	**29**	**2**	**522**	**524**	2	807	809
Other liabilities	**30**	**144**	**26**	**170**	80	27	107
Accruals		**8**	**-**	**8**	2	-	2
Provisions	**31**	**19**	**36**	**55**	51	26	77
Subordinated liabilities	**32**	**3**	**249**	**252**	-	-	-

40. Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets of loans and advances to customers. In accordance with note 1.5 (vi), the transferred financial assets continue to be either recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

The Group transfers financial assets primarily through the following transactions:

1. sale and repurchase of securities; and
2. securitisation activities in which loans and advances to customers are sold to Structured Entities (SEs) that in turn issue notes to investors which are collateralised by purchased assets.

(a) Transferred financial assets that are not derecognised in their entirety

Sale and repurchase agreements

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the statement of financial position as loans and advances to customers (note 21) and debt securities (note 18) because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. As the Group sells the contractual rights to the cash flows of the securities it does not have the ability to use or pledge as collateral the transferred assets during the term of the arrangement. The carrying value of repurchase agreements at 31 December 2021 is €347m (31 December 2020: €nil).

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40. Transfer of financial assets (continued)

Securitisations

The Group sells loans and advances to customers to SEs that in turn issue notes to investors which are collateralised by the purchased assets. For the purpose of disclosure in this note, a transfer of such financial assets may arise if the Group sells assets to a consolidated SE, the transfer of financial assets is from the Group (that includes the consolidated SE) to investors in the notes issued by the SE. The transfer is in the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes.

Although the Group does not own more than half of the voting power of the Fastnet entities, it has the power to control the relevant activities of the SE and the ability to affect the variable returns of the investee and hence these SEs are consolidated. In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised.

When the Group transfers assets as part of the securitisation transactions it does not have the ability to use or pledge as collateral the transferred assets during the term of the arrangement.

The table below sets out an overview of carrying amounts and fair values related to transferred financial assets and associated liabilities that are not derecognised in their entirety.

	31 December 2021		31 December 2020	
	Sale and repurchase agreements	Securitisations	Sale and repurchase agreements	Securitisations
	€m	€m	€m	€m
Carrying amount of assets	**724**	**153**	-	434
Carrying amount of associated liabilities	**745**	**172**	-	458
Liabilities that have recourse only to the transferred financial assets				
Fair value of assets	**732**	**150**	-	406
Fair value of associated liabilities	**745**	**172**	-	457
Net position	**(13)**	**(22)**	-	(51)

(b) Transferred financial assets that are derecognised in their entirety

The Group has not transferred any financial assets that were derecognised in their entirety where the Group has continuing involvement in a transferred asset.

41. Offsetting financial assets and financial liabilities

In accordance with IAS 32, Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is disclosed in the table below in the "Effect of offsetting on the statement of financial position" section.

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

- derivative assets and liabilities: fair value;
- assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements: amortised cost.

The tables below also disclose (in the "Related amounts not offset in the statement of financial position" section) the impact of master netting agreements and other similar agreements on all derivative financial instruments and similar financial instruments that are subject to master netting agreements or similar agreements, but do not qualify for netting on the balance sheet. The similar financial agreements include securitisations and sale and repurchase agreements. The similar agreements include global master repurchase agreements. It highlights the amounts that have could be potentially offset on the statement of financial position and those amounts covered by collateral placed with or by counterparties to these trades.

The tables highlight the amounts that have been offset on the statement of financial position and those amounts covered by collateral placed with or by counterparties to these trades. It does not highlight where right of offset is available in the event of a default, as allowed under ISDA master agreements.

41. Offsetting financial assets and financial liabilities (continued)

The tables below provide analysis of derivative financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar agreements:

	31 December 2021					
	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross financial assets/ (liabilities) recognised	Gross financial (liabilities)/ assets offset	Net amounts reported on the statement of financial position	Financial instruments	Cash collateral	Net amount
	€m	€m	€m	€m	€m	€m
Assets						
Derivative assets	**1**	**-**	**1**	**-**	**-**	**1**
Total	**1**	**-**	**1**	**-**	**-**	**1**
Liabilities						
Derivative liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**

	31 December 2020					
	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross financial assets/ (liabilities) recognised	Gross financial (liabilities)/ assets offset	Net amounts reported on the statement of financial position	Financial instruments	Cash collateral	Net amount
	€m	€m	€m	€m	€m	€m
Assets						
Derivative assets	-	-	-	-	-	-
Total	-	-	-	-	-	-
Liabilities						
Derivative liabilities	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Total	-	-	-	-	-	-

42. Commitments and contingencies

The table below gives the contractual amounts of credit commitments. The maximum exposure to credit loss under commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless. The transfer of economic resources is uncertain and cannot be reasonably measured to be recognised on the SOFP.

Credit commitments	31 December 2021	31 December 2020
	€m	€m
Guarantees and irrevocable letters of credit	**2**	2
Commitments to extend credit		
- less than 1 year	**1,113**	985
- 1 year and over	**66**	82
Total commitments to extend credit	**1,179**	1,067
Total credit commitments	**1,181**	1,069

42. Commitments and contingencies (continued)

Other contingencies

The Group, like all other banks, is subject to litigation in the normal course of its business. Based on legal advice, other than matters referred to in note 31, the Group does not believe that any such litigation will have a material effect on its income statement or SOFP.

A number of different statutory and regulatory bodies, including the CBI, commenced investigations into a series of transactions involving deposits placed by Irish Life Assurance plc with Irish Bank Resolution Corporation (formerly Anglo Irish Bank) on 31 March 2008, 26 September 2008, 29 September 2008 and 30 September 2008. While these investigations commenced a number of years ago, they were put on hold pending the determination of criminal proceedings against a number of individuals in respect of the same transactions. The Bank understands that those criminal proceedings have concluded and so the Bank is waiting to see if the investigations, which, from the Bank's perspective, have been dormant for some time will now be re-commenced.

As part of the agreement in August 2011 to dispose of Irish Life International Limited, the Group provided certain indemnities and warranties to the purchaser under a number of identified scenarios.

Like other banks, in the normal course of business, customers bring complaints to the Financial Services and Pensions Ombudsman (FSPO) in relation to a variety of issues. The Bank considers the applicability of FSPO decisions and findings to other customers in similar circumstances. The Bank provides for these cases, where based on legal advice, the directors believe that it is more likely than not that an outflow of resources embodying economic benefits, will be required to settle a present obligation arising from a past event. The Bank has recently commenced appeals against two FSPO decisions in tracker mortgage related complaints to the High Court and, while the timing and outcome of these appeals is uncertain, based on legal advice received, no provision has been made for these cases. However, if the Bank is unsuccessful in these appeals the impact on the financial statements could be material.

ECL held against commitments are reported under loans and advances to customers.

43. Related parties

Related parties include individuals and entities that can exercise significant influence on operational and financial policies of the Group. The Group has a related party relationship with its Directors, Senior Executives, the Group's pension schemes, the Minister for Finance and with the Irish Government and Irish Government related entities on the basis that the Irish Government is deemed to have control over the Group.

(a) Directors' and Secretary's interest

The interests of the Directors and the Company Secretary, including interests of their close family members in the share capital of the Company are as follows:

Number of beneficial ordinary shares held	Position	31 December 2021 Ordinary shares	31 December 2020 Ordinary shares
Robert Elliott	Chairman	**16,500**	16,500
Eamonn Crowley	Chief Executive	**50,000**	50,000
Michael Frawley	Chief Risk Officer	**-**	-
Conor Ryan	Company Secretary	**10**	10
Donal Courtney	Non-Executive Director	**-**	-
Ronan O'Neill	Non-Executive Director	**4**	4
Andrew Power	Non-Executive Director	**-**	-
Ken Slattery	Non-Executive Director	**10,000**	10,000
Ruth Wandhöfer	Non-Executive Director	**-**	-
Marian Corcoran	Non-Executive Director	**-**	-
Paul Doddrell	Non-Executive Director	**-**	-
Celine Fitzgerald (appointed 30 March 2021)	Non-Executive Director	**-**	-
Anne Bradley (appointed 30 March 2021)	Non-Executive Director	**-**	-
Julie O'Neill (retired 5 August 2020)	Non-Executive Director	**-**	10,000

Conor Ryan, as trustee of the employee benefit trust set up under the terms of the long-term incentive plan, has non-beneficial interest in 4,580 shares held in the plan (31 December 2020: 4,580).

There were no transactions in the above Directors' and Secretary's interests between 31 December 2021 and 01 March 2022. Details of the Directors' remuneration is included in the Directors' Report on Remuneration on pages 146 to 150.

43. Related parties (continued)

(b) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include Non-Executive Directors, Executive Directors and members of the Executive Committee (ExCo). The Executive Directors and members of the ExCo are listed below:

Members of the ExCo at 31 December 2021

Eamonn Crowley	Chief Executive
Michael Frawley	Chief Risk Officer
Declan Norgrove	Interim Chief Financial Officer
Patrick Farrell	Retail Banking Director
Tom Hayes	Chief Technology Officer
Ger Mitchell	Group Corporate Development and HR Director
Andrew Walsh	Chief Legal Officer
Peter Vance	Chief Operations Officer

During the year ended 31 December 2021, the following key management personnel changes occurred; Declan Norgrove was appointed as the Interim Chief Financial Officer following the retirement of Paul McCann as the Interim Chief Financial Officer; Breege Timoney retired as Product Assurance Director; Shane O'Sullivan retired as Director of Operations; Peter Vance was appointed Chief Operations Officer; Celine Fitzgerald and Anne Bradley were appointed as Non-Executive Directors while Julie O'Neill retired as a Non-Executive Director.

Julie O'Neill was included in the Director's shareholding in the current year for comparison as her details have been included in the 2020 disclosures.

Non-Executive Directors are compensated by way of fees. In certain circumstances, expenses incurred by Non-Executive Directors during the normal course of business are paid by the Group and are included in taxable benefits. The compensation of Executive Directors and members of the ExCo comprises salary and other benefits together with pension benefits. Previously they also participated in the Group's profit sharing, share option schemes and long-term incentive plans. No awards have been issued under these schemes and plans since 2008.

Number of key management personnel as at year end is as follows:

	31 December 2021	31 December 2020
Non-Executive Directors	**10**	8
Executive Directors and Senior Management	**8**	9
	18	17

(b) (i) Total compensation to Executive and Non-Executive Directors is as follows:

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Fees	**946**	804
Taxable benefits	**2**	6
Salary and other benefits	**856**	1,083
Pension benefits		
- defined contribution	**122**	155
Total	**1,926**	2,048

Total compensation to other key management personnel is as follows:

43. Related parties (continued)

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Taxable benefits	**2**	3
Salary and other benefits	**2,221**	1,983
Pension benefits		
- defined contribution	**282**	277
CFO Fees	**359**	152
Total	**2,864**	2,415

There were no connected persons to key management personnel employed by the group during 2021 or 2020.

(b) (ii) Balances and transactions with key management personnel:
In the normal course of its business, the Group had loan balances and transactions with key management personnel and their connected persons. The loans are granted on normal commercial terms and conditions with the exception of certain home loans where Executive Directors and Senior Managers may avail of subsidised loans on the same terms as other eligible management of the Group. All of the loans in the scope of the related party guidelines as outlined under the Companies Act 2014, the Central Bank Related Party lending code 2013 and IAS 24 Related party disclosures are secured, and all interest and principal due at the statement of financial position date has been repaid on schedule and therefore, no provision for loan impairment is required. Total outstanding balances of loans, credit cards, overdrafts and deposits are as follows:

	31 December 2021 €'000	31 December 2020 €'000
Balances		
Loans	**1,948**	1,583
Unsecured credit card and overdrafts	**-**	7
Deposits	**4,663**	2,876

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Transactions during the year		
Loan advances	**660**	-
Loan repayments	**327**	553
Interest received on loans	**43**	45
Interest paid on deposits	**(1)**	(2)

Loans to Directors

31 December 2021	Balance as at 1 Jan €'000	Advances during year €'000	Principal repaid €'000	Balance as at 31 Dec €'000	Interest paid €'000	Maximum balance €'000
Marian Corcoran	**248**	**-**	**248**	**-**	**2**	**248**
Ronan O'Neill*	**-**	**660**	**8**	**652**	**11**	**660**
	248	**660**	**256**	**652**	**13**	**908**

31 December 2020	Balance as at 1 Jan €'000	Advances during year €'000	Principal repaid €'000	Balance as at 31 Dec €'000	Interest paid €'000	Maximum balance €'000
Marian Corcoran	271	-	23	248	3	271
Ronan O'Neill*	445	-	445	-	8	445
	716	-	468	248	11	716

* Represents a loan for a person connected with this Director in accordance with section 307(3) of the Companies Act 2014.

43. Related parties (continued)

(c) Irish Government and Irish Government related entities

The Minister for Finance continues to be the majority shareholder of the Group (and the ultimate controlling party per IAS 24). The Irish Government is recognised as a related party as the Government is deemed to have control over the Group as defined by IAS 24. The Group has applied the amended IAS 24 which exempts an entity from the related party disclosure requirements in respect of the Government and Government related entities unless transactions are individually or collectively significant. In the normal course of business, the Group has entered into transactions with the Government and Government related entities involving deposits and senior debt.

The following are transactions and balances between the Group and the Government and Government related entities that are collectively significant:

- The Group holds securities issued by the Government of €1,463m (31 December 2020: €1,488m).
- In May 2021, PTSB plc borrowed €250m from the Group at a fixed rate of 3% per annum plus a margin of 0.181% per annum which mature on 19 August 2031. The loan is subordinated and ranks as Tier 2 capital notes with interest paid annually in arrears on 19 August.
- The Group made an investment in associated undertakings of €2m for the year ended 31 December 2021 involving participants that are deemed related parties due to the common ownership by the Government. The amount and nature is referenced in note 23.
- The Group entered into banking transactions in the normal course of business with local Government and Semi-State Institutions such as local authorities and county councils. These transactions principally include the granting of loans, the acceptance of deposits and clearing transactions.
- A bank levy imposed by the Government through the Finance Bill 2014 is payable in the second half of each calendar year. A bank levy payable to government, is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy. In 2021, the amount recognised in the income statement was €22m (31 December 2020: €24m). As announced by the Minister by Finance in October 2015, the bank levy was extended to 2021.
- During 2021, the Group also paid €17m DGS fees to the CBI (2020: €15m) as part of the Deposit Guarantee Scheme.
- During 2013, following the Transfer Order requested by the Central Bank and issued by the High Court dated 10 November 2013, the Group acquired certain assets, liabilities, books and records of NCU and all its employees transferred to the Group. As part of this transaction, along with the assets and liabilities of NCU, a cash financial incentive of €23m was paid from the Credit Institutions Resolution Fund, which forms part of the Financial Incentives Agreement (FIA) signed between the Central Bank and the Group dated 10 November 2013. It was also agreed in the FIA that the Central Bank will use the Credit Institution Resolution Fund to compensate the Group for 50% of any future impairment losses incurred on NCU loans and advances to customers. Similarly, it was also agreed that if any provision write-backs or future recoveries of previously written off NCU loans and advances to customers occurs, the Group will pay a cash amount equivalent to 50% of the provision write-back or the recoveries to the Credit Institutions Resolution Fund. As per the FIA, this arrangement will continue for ten years from the transfer date. At 31 December 2021, the Group had recorded a payable of €2m due under the FIA (31 December 2020: €0.7m).
- At 31 December 2021, the Company had an intercompany balance of €352m (31 December 2020: €351m) with its principal subsidiary PTSB plc relating to the MREL issuance.
- In November 2020, the Company made an additional investment of €123m in PTSB. This investment was through the issuance of AT1 securities by the Company

The Government also has a controlling interest in Allied Irish Bank plc including EBS Limited. Due to the Group's related party relationship with the Irish Government as described above, balances between these financial institutions and the Group are considered related party transactions in accordance with IAS 24. There are no balances between these entities as at 31 December 2021 or 31 December 2020. As at 31 December 2021, the Irish Government no longer has significant influence over Bank of Ireland. At 31 December 2020, the Group had €2m in loans and advances to Banks which was held by Bank of Ireland.

44. Sale of loans and advances to customers

Project Glenbeigh III

On 9 November 2021, the Group agreed the sale of a predominately NPL portfolio ("Glenbeigh III"). The portfolio gross balance on the Statement of Financial Position was €390m with a net book value of €305m.

In line with IFRS 9, the assets have been derecognised from the statement of financial position and a receivable of €310m has been recorded for the outstanding cash consideration. As a result of the transaction, an impairment write-back on the sale of the portfolio of €11m was recorded through the impairment line of the income statement as required by IFRS 9. On 21 February 2022, the deal completed with the receipt of the sales proceeds.

45. Principal subsidiary undertakings and interest in subsidiaries and structured entities

Under IFRS 10 'Consolidated financial statements', the Group has control over an entity when it has the power to direct relevant activities that significantly affect the investee return, it is exposed or has rights to variable returns from its involvement in the investee and has the ability to affect those returns through its powers over the entity.

A subsidiary is considered material if the value of the consolidated total assets at the end of the financial year of the subsidiary and the entities it controls (if any) is more than 1% of the total assets of the Group.

The key subsidiary of the parent meeting the criteria outlined above is:

Name and registered office	Nature of business	Incorporated in	% of ordinary shares held
Held directly by the company:			
Permanent TSB plc			
56-59 St. Stephen's Green, Dublin 2	Retail banking	Ireland	100

In presenting details of the principal subsidiary undertakings, the exemption permitted by section 315 (a) (i) of the Companies Act 2014 in relation to disclosing related undertaking net assets or profit or loss, has been availed of, and the Company will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

The liquidation of the following entities for which the group lost control in 2019 as part of the overall simplification of the Groups structure was completed in 2021:

- Guinness & Mahon Ireland Limited;
- Blue Cube Personal Loans Limited;

The reporting date for each of the Group's principal subsidiary entities is 31 December.

The principal country of operation of each company is the country in which it is incorporated.

The registered office of Permanent TSB Group Holdings plc is 56-59 St. Stephen's Green, Dublin 2.

(A) Company's interest in subsidiary undertakings

The Company is the ultimate holding company of the Group while PTSB is a 100% subsidiary of the Company. The investment in PTSB is carried at the recoverable amount in the holding company's statement of financial position.

At 31 December 2021 the investment amounted to €888m (31 December 2020: €956m). The Group carried out an impairment assessment using a combination of internal group models and externally available data to inform their view of the recoverable amount of investment. As the value in use was lower than the carrying value, in line with IAS 36, an impairment charge of €66m was taken (31 December 2020: €145m)

(B) Structured entities (SEs)

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well defined objective with restrictions around their on-going activities. Depending on the Group's power to direct the relevant activities of the investee and its exposure or rights to variable returns from its involvement in the investee and the ability to use its power over the investee to affect the amount of the investor's return, it may consolidate the entity.

Control and voting rights

The Directors of the individual SEs are independent of the Group and neither the Group nor any of its subsidiaries have voting rights in the share capital of these entities. The Group initiated the setup of these SEs and, as architect dictated the terms relating to the operation of these SEs. The Group, as administrator, provides services to the individual SEs. The Group, as administrator, has power to:

- Exercise rights, powers and discretions of the Issuers in relation to the mortgage loans and their related security and to perform its duties in relation to the mortgage loans and their related securities: and
- To do or cause to be done any and all other things which it reasonably considers necessary, convenient or incidental to the administrator of the mortgage loans and their related security or the exercise of such rights, powers and discretions.

45. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

The key activities performed by the Group's subsidiaries as administrator is:

- To manage the credit risk associated with the mortgages contained in the individual SEs; and
- To determine and set rates of interest applicable to loans on each rate setting date in accordance with the terms of the loans and negotiate the cost of funds associated with these mortgages which may result in a variable return in the entity.

These two items highlight the power the Group has to direct the relevant activities of these entities that significantly affect the investee returns and the ability to use its power to affect variable returns of investors.

The Group provides funding to each of these vehicles by way of a subordinated loan and has an entitlement to deferred consideration. Through the subordinated loan and the deferred consideration the Group is exposed to the variable returns of the SEs.

The Group currently has six SEs in issue in the ROI the details of which are outlined below. During 2021, Fastnet Securities 5 DAC, Fastnet Securities 6 DAC, and Fastnet Securities 10 DAC were collapsed and subsequently went into liquidation in 2022, Fastnet Securities 12 DAC was also collapsed. Fastnet Securities 16 DAC and Fastnet Securities 17 DAC were set up during 2021.

	Sub loan provided
SEs setup with ROI Residential Mortgages	
- Fastnet Securities 11 DAC	√
- Fastnet Securities 13 DAC	√
- Fastnet Securities 14 DAC	√
- Fastnet Securities 15 DAC	√
- Fastnet Securities 16 DAC	√
- Fastnet Securities 17 DAC	√

Although the Group does not own more than half of the voting power, it has the power to control the relevant activities of the SE and the ability to affect the variable returns of the investee and hence these SEs are consolidated. In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised.

At 31 December 2021, restricted cash of €329m (31 December 2020: €355m) relates to cash held by the Group's securitisation entities.

46. Reporting currency and exchange rates

The consolidated financial statements are presented in millions of Euro.
The following table shows the closing and average rates used by the Group for the current year-end and prior year-end:

	31 December 2021	31 December 2020
€ / £ exchange rate		
Closing	**0.8403**	0.8990
Average	**0.8583**	0.8895
€ / US$ exchange rate		
Closing	**1.1326**	1.2271
Average	**1.1814**	1.1473

47. Events after the reporting period

No items, transactions or events that would materially impact the consolidated financial statements and require adjustment or disclosure to these consolidated financial statements have occurred between the reporting date of 31 December 2021 and the date of the approval of these financial statements by the Board of Directors of 01 March 2022. Subsequent to the statement of financial position date, as outlined in note 44, the Glenbeigh III sale proceeds were received.

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Company Financial Statements and Notes to the Company Financial Statements

Company Statement of Financial Position
As at 31 December 2021

	Notes	31 December 2021 €m	31 December 2020 €m
Assets			
Loans and advances to banks - subsidiary	B	**604**	351
Investments in subsidiary undertakings	C	**888**	956
Total assets		**1,492**	1,307
Liabilities			
Debt securities in issue	D	**352**	351
Other Liabilities		**1**	-
Subordinated liabilities	E	**252**	-
Total liabilities		**605**	351
Equity			
Share capital		**227**	227
Share premium		**333**	333
Other reserves		**-**	-
Retained earnings		**204**	270
Shareholders' equity		**764**	830
Other equity instruments		**123**	126
Total equity		**887**	956
Total liabilities and equity		**1,492**	1,307

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Ronan O'Neill
Board Audit Committee Chair

Conor Ryan
Company Secretary

Company Statement of Changes in Equity
For the year ended 31 December 2021

Company	Attributable to equity holders of the parent				
	Share capital	Share premium	Retained earnings	Other equity instrument	Total
	€m	€m	€m	€m	€m
Balance as at 1 January 2020	227	333	415	3	978
Loss for the year ended 31 December 2020	-	-	(145)	-	(145)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive expense for the year	-	-	(145)	-	(145)
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Issue of other equity instruments (note E)				125	125
Issuance cost of share capital and other equity				(2)	(2)
Total contributions by and distributions to owners	-	-	-	123	123
Balance as at 31 December 2020	227	333	270	126	956
Loss for the year ended 31 December 2021	**-**	**-**	**(56)**	**-**	**(56)**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**
Total comprehensive expense for the year	**-**	**-**	**(56)**	**-**	**(56)**
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
AT1 coupon paid	**-**	**-**	**(10)**		**(10)**
Loss on redemption of AT1 securities	**-**	**-**		**(3)**	**(3)**
Total contributions by and distributions to owners	**-**	**-**	**(10)**	**(3)**	**(13)**
Balance as at 31 December 2021	**227**	**333**	**204**	**123**	**887**

Company Statement of Cash Flows
For the year ended 31 December 2021

	31 December 2021 €m	31 December 2020 €m
Cash flows from operating activities:		
Operating loss/loss before taxation	**(56)**	(145)
Adjusted for non-cash items and other adjustments:	**65**	145
	9	-
(Increase)/decrease in operating assets:		
Loans and advances to banks	**(253)**	(51)
Investment in subsidiary undertakings	**-**	(123)
Increase/(decrease) in operating liabilities:		
Debt securities in issue	**1**	51
Other liabilities	**1**	-
Net cash flow from operating activities before tax	**(242)**	(123)
Tax paid	**-**	-
Net cash flow from operating activities	**(242)**	(123)
Cash flow from investing activities	**-**	-
Net cash flow from investing activities	**-**	-
Cash flow from financing activities		
Issuance of new AT1 securities	**-**	123
Issuance of Tier 2 capital notes (including interest)	**252**	-
AT1 coupon payment	**(10)**	-
Net cash flow from financing activities	**(242)**	123
Increase in cash and cash equivalents	**-**	-
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**-**	-
Increase in cash and cash equivalents	**-**	-
Effect of exchange translation adjustments	**-**	-
Cash and cash equivalents as at 31 December	**-**	-

Reconciliation of liabilities arising from financing activities

	31 December 2021 €m	31 December 2020 €m
1 January 2021	**-**	-
Financing cash flows:		
Issuance of Tier 2 capital notes (including interest)	**252**	-
31 December	**252**	-

A. Accounting policies

The accounting policies adopted by Permanent TSB Group Holdings plc ('Company') are the same as those of the Group as set out in note 1 to the consolidated financial statements where applicable. These financial statements reflect the financial position of the Company only and do not consolidate the results of any subsidiaries.

The individual financial statements of the ultimate holding company, Permanent TSB Group Holdings plc have also been prepared in accordance with IFRS as adopted by the EU and comply with those parts of the Companies Act 2014. In accordance with section 315(a)(i) of the Companies Act 2014, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the financial year determined in accordance with IFRS was €56m (2020: €145m).

B. Loans and advances to banks

	31 December 2021 €m	31 December 2020 €m
Held at amortised cost		
Funds placed with subsidiary, Permanent TSB plc ('PTSB')	**605**	351
ECL allowance	**(1)**	-
Loans and advances to banks	**604**	351

Funds placed with the principal subsidiary, PTSB are stage 1 under IFRS 9. The ratings for PTSB are as follows:

- Standard & Poor's (S&P): Long-Term Rating "BBB-" with Outlook "Positive";
- Moody's: Long-Term Rating "Baa2" with Outlook "Stable"; and
- DBRS: Long-Term Rating "BBBL" with Outlook "Stable".

During 2021, the Company subscribed to the €250m of subordinated loan issued by PTSB to meet the subsidiary's internal MREL requirements, which represents down streaming of the proceeds raised by the Company via the external subordinated Tier 2 capital note issuance. The terms of the subordinated loan were a placement at a base rate of 3% plus a margin of 0.181% per annum maturing on 19 August 2026. The interest is received annually in arrears on 19 August.

During 2020, the Company subscribed to the €51m Non-Preferred Senior loan issued by PTSB to meet the subsidiary's internal MREL requirements, which represents down streaming of the proceeds raised by the Company via the external Senior Unsecured issuance. The terms of the Non-Preferred Senior loan were a placement at a base rate of 1.659% plus a margin of 0.211% per annum maturing on 26 September 2024. The interest is received annually in arrears on 26 September.

During 2019, the Company subscribed to the €300m Non-Preferred Senior loan issued by PTSB to meet the subsidiary's internal MREL requirements, which represents down streaming of the proceeds raised by the Company via the external Senior Unsecured issuance. The terms of the Non-Preferred Senior loan were a placement at a base rate of 2.149% plus a margin of 0.211% per annum maturing on 26 September 2024. The interest is received annually in arrears on 26 September.

The maximum exposure to credit risk for financial assets carried at amortised costs at 31 December 2021 is €604m (31 December 2020: €351m).

The expected credit losses on these placements were €1m at 31 December 2021 (31 December 2020: €nil).

The fair value of the loans and advances to banks closely equates to their amortised costs.

C. Investment in subsidiary

	31 December 2021 €m	31 December 2020 €m
At 1 January	**956**	978
Additional investment	**-**	123
AT1 securities redeemed during 2021	**(2)**	-
Impairment of Investment	**(66)**	(145)
At 31 December	**888**	956

The Company is the ultimate holding company of the Group while PTSB is a 100% subsidiary of the Company. The investment in PTSB is carried at the recoverable amount in the holding company's statement of financial position. At 31 December 2021 the investment amounted to €888m (31 December 2020: €956m).

The Company carries its investment in its subsidiary undertaking at cost and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value-in-use (VIU).

An impairment charge arises if the carrying value exceeds the recoverable amount and where the carrying value is not supported by the estimated discounted future cash flows of the underlying business. The recoverable amount of the investment is the higher of its fair value less costs to sell or it's VIU. The carrying value of the subsidiary undertaking before adjusting for impairment was €954m due to a €2m adjustment to the 2015 AT1 Instrument issued by PTSB which was redeemed on 1 April 2021. The recoverable amount based on the VIU was €888m resulting in €66m impairment charge for the year (31 December 2020: €145m).

While the recoverable amount based on the VIU exceeds market capitalisation at the 31 December 2021, the depressed share price is result of the overall subdued banking environment currently in which the entity operates along with various entity specific factors that affect the liquidity of the shares.

The VIU is the present value of the future free cash flows expected to be derived from the investment, based upon a VIU calculation that discounts expected post-tax free cash flows at a discount rate appropriate to the investment.

See note 2 to the consolidated financial statements for a sensitivity analysis on the key assumptions used in the calculation.

D. Debt securities in issue

	31 December 2021 €m	31 December 2020 €m
At amortised cost		
Bonds and medium-term notes	**352**	351
	352	351
Maturity analysis		
Repayable in less than 1 year	**2**	2
Repayable in greater than 1 year but less than 5 years	**350**	349
Repayable in greater than 5 years	**-**	-
	352	351

E. Subordinated liabilities

	31 December 2021 €m	31 December 2020 €m
At amortised cost		
€250m Tier 2 capital notes due August 2031, Callable 2026	**252**	-
	252	-
Maturity analysis		
Repayable in less than 1 year	**3**	-
Repayable in greater than 1 year but less than 5 years	**-**	-
Repayable in greater than 5 years	**249**	-
	252	-

Tier 2 capital notes – PTSBGH

In May 2021, PTSBGH issued €250m of Tier 2 capital notes at a fixed rate of 3% per annum. The notes mature on 19 August 2031 with a call date of any date from and including 19 May 2026 to and including 19 August 2026 with the call subject to approval of the regulatory authorities, with approval conditional on meeting the requirements of the EU CRR.

The interest rate will be reset, in the event that the securities are not called, on 19 August 2026 to Euro 5 year Mid Swap rate plus a margin of 3.221% per annum. The loan is subordinated and ranks as Tier 2 capital with interest paid annually in arrears on 19 August (short first coupon period). The loan may be subject to the exercise of Irish Statutory loss absorption powers by the relevant resolution authority.

In the event of winding up of PTSBGH, the Tier 2 capital notes will be:

- junior in right of payment to all Senior Claims;
- pari passu with all other subordinated claims against PTSBGH which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 capital notes or that rank or are expressed to rank pari passu with the obligations of PTSBGH under Tier 2 capital notes; and
- in priority to PTSBGH ordinary shares, preference shares and junior subordinated obligations or other securities of PTSBGH which by law rank, or by their terms are expressed to rank, junior to the Tier 2 capital notes.

F. Share capital and reserves

The share capital of Permanent TSB Group Holdings plc is detailed in note 34 to the consolidated financial statements, all of which relates to Permanent TSB Group Holdings plc.

G. Related parties

Related parties include individuals and entities that can exercise significant influence on operational and financial policies of the Group.

The Group has a related party relationship with its Directors, Senior Executives, the Group's pension schemes, the Minister for Finance and with the Irish Government and Irish Government related entities on the basis that the Irish Government is deemed to have control over the Group.

Related parties of Permanent TSB plc include subsidiary undertakings, associated undertakings, joint undertakings, post-employment benefit schemes, Key Management Personnel and connected parties. The Irish Government is also considered a related party by virtue of its effective control of Permanent TSB. See note 43 of the consolidated financial statements for further details.

At 31 December 2021 the Company had an intercompany balance of €352m (31 December 2020: €351) with its principal subsidiary PTSB relating to the MREL issuance and €252m (31 December 2020: €nil) relating to Tier 2 capital issuances.

H. Audit Fees

€0.04m audit fees were paid to the auditors, PwC, for services relates to the audit of the financial statements of PTSBGH during the year to 31 December 2021 (31 December 2020: €nil).

APPENDIX

Alternative Performance Measures

The financial performance of the Group is assessed by Management using various financial measures, some of which are not defined by IFRS and do not have a standard guidance for calculation. Therefore, these measures may not be directly comparable to other peers. Management believes that these measures provide useful information in assessing the Group's financial performance. Preference should be given to IFRS measures over non-IFRS measures when assessing financial performance of the Group.

The definitions and calculation methodology for the Alternative Performance Measures noted below are consistent with the prior year.

1. Underlying profit

The underlying profit is the measure of adjusted profits realised by the Group. This measure is used by the Group for its strategic planning process and reflects the true economic substance of the Group's financial performance. The table below details the calculation of underlying profit. Exceptional items and non-recurring items are excluded from the operating expenses as Management considers these items as non-reflective of core operating costs.

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m
Operating loss per IFRS income statement	**(21)**	(166)
Other exceptional items in IFRS total operating expenses	**42**	31
Exceptional impairment in IFRS credit impairment write-back/charge	**(19)**	26
Non-IFRS adjustments		
Charges in relation to legacy legal cases*	**15**	-
Underlying profit/(loss) per management income statement	**17**	(109)

* Included in IFRS administrative, staff and other expenses

2. Exceptional and Other Non-Recurring Items

A reconciliation of exceptional costs as set out in the financial statements and exceptional and other non-recurring costs as set out in the Financial Review is detailed below.

	Source/Cross Reference	31 December 2021 €m	31 December 2020 €m
Restructuring and other costs	Income Statement	**14**	31
Advisory costs incurred in relation to Ulster Bank business	Income Statement	**28**	-
Exceptional impairment arising from deleveraging of loans	Income Statement	**(19)**	26
Exceptional items		**22**	57
Charges in relation to legacy legal cases	Financial Review	**15**	-
Exceptional and other non-recurring items	Financial Review	**38**	57

3. Adjusted cost income ratio

Operating expenses (excluding exceptional, other non-recurring items and regulatory charges) divided by total operating income. Management considers adjusted cost income ratio to be an important metric to assess the profitability of the Group after adjusting for non-controllable costs.

	Source/Cross Reference	31 December 2021 €m	31 December 2020 €m
Total operating expenses (after exceptional, other non-recurring items and regulatory charges)	Income statement	**383**	386
Exceptional and other non-recurring items	Financial Review	**(38)**	(57)
Bank levy	Note 9	**(22)**	(24)
Regulatory charges	Note 9	**(28)**	(25)
Total operating expenses (excluding exceptional, other non-recurring items and regulatory charges)	Financial Review	**295**	280
Total operating income	Income statement	**361**	375
Adjusted cost income ratio		**82%**	75%

4. Headline cost income ratio

Total operating expenses (excluding exceptional items) divided by total operating income. The difference between adjusted cost to income ratio and headline cost income ratio is due to regulatory charges and bank levy.

	Source/Cross Reference	31 December 2021 €m	31 December 2020 €m
Total operating expenses	Income statement	**383**	386
Exceptional and other non-recurring items	Financial review	**(38)**	(57)
Total operating expenses (excluding exceptional and other non-recurring items)		**345**	329
Total operating income	Income statement	**361**	375
Headline cost income ratio	Financial review	**96%**	88%

5. CET 1 fully loaded basis*

Total common equity tier 1 capital on a fully loaded basis divided by total risk weighted assets on a fully loaded basis. CET1 ratio provides an insight into how well the Bank can withstand financial stress and remain solvent.

	Source/Cross Reference	31 December 2021 Fully Loaded €m	31 December 2020 Fully Loaded €m
Common equity tier 1	Capital Management	**1,265**	1,282
Risk weighted assets	Capital Management	**8,603**	8,471
CET 1 fully loaded	Capital Management	**14.7%**	15.1%

* The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

6. CET 1 transitional basis*

Total CET 1 capital on a transitional basis divided by total RWAs on a transitional basis. CET1 ratio provides an insight into how well the bank can withstand financial stress and remain solvent.

	Source/Cross Reference	31 December 2021 Transitional €m	31 December 2020 Transitional €m
Common equity tier 1	Capital Management	**1,457**	1,535
Risk weighted assets	Capital Management	**8,600**	8,480
CET 1 transitional basis	Capital Management	**16.9%**	18.1%

* The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

7. Leverage ratio*

The leverage ratio is calculated by dividing Tier 1 capital by gross balance sheet exposures (total assets and off balance sheet exposures). Leverage ratios give an insight to the Group's financial health and its capability to meet its financial liabilities and obligations.

	Source/Cross Reference	31 December 2021 Transitional €m	31 December 2021 Fully Loaded €m	31 December 2020 Transitional €m	31 December 2020 Fully Loaded €m
Tier 1 Capital	Capital Management	**1,580**	**1,388**	1,725	1,480
Gross balance sheet exposures					
Leverage ratio exposure measure		**22,323**	**22,132**	21,082	20,829
Leverage ratio	Capital Management	**7.1%**	**6.3%**	8.2%	7.1%

* The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

8. Liquidity coverage ratio (LCR)

Calculated based on the Commission Delegated Regulation (EU) 2015/61. The Group uses this measure to assess the resistance of the liquidity profile of the Group over a 30 day stressed horizon.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Liquidity coverage ratio	Financial Review	**274%**	276%

9. Net stable funding ratio (NSFR)

Defined as the ratio of available stable funding to required stable funding. The NSFR is a liquidity standard requiring banks to hold sufficient stable funding over a 1 year time horizon. A minimum 100% requirement becomes binding in June 2022.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Net stable funding ratio (minimum 100%)	Financial Review	**170%**	160%

10. Loan to deposit ratio (LDR)

Ratio of loans and advances to customers compared to customer accounts as presented in the statement of financial position. LDR reflects the Group's ability to cover loan losses and withdrawals by its customers. Management considers LDR to be an important metric for assessing liquidity.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Loans and advances to customers	Note 21	**14,256**	14,213
Customer accounts	Note 28	**19,089**	18,039
Loan to deposit ratio		**75%**	79%

11. Net interest margin (NIM)

NIM is derived by dividing the net interest income by the average interest earning assets. Management considers NIM to be an important operating metric and reflects the differential yield over the average interest earning assets and cost of funding those assets.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Net interest income	Income Statement	**313**	341
Total average interest earning assets	Financial Review	**20,731**	19,580
Net interest margin (NIM)		**1.51%**	1.73%

12. Non-performing loans (NPLs)

NPLs are loans which are credit impaired or loans which are classified as defaulted in accordance with the Group's definition of default. Management considers NPLs to be an important metric as it reflects the risk profile of the Group.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Residential:			
-Home loans	Note 22	**420**	658
-Buy to let	Note 22	**339**	418
Commercial	Note 22	**44**	35
Consumer finance	Note 22	**14**	17
Non-performing loans		**817**	1,128

13. Foreclosed Assets

Foreclosed assets are defined as assets held on the balance sheet, which are obtained by taking possession of collateral or by calling on similar credit enhancements.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Foreclosed assets	Note 37	**28**	30

14. Non-performing assets (NPAs)

NPAs are NPLs plus foreclosed assets.

Foreclosed assets are defined as assets held on the balance sheet, which are obtained by taking possession of collateral or by calling on similar credit enhancements.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Non-performing loans	Note 22	**817**	1,128
Foreclosed assets	Note 37	**28**	30
Non-performing assets		**845**	1,158

15. Return on equity

Loss for the year after tax (before exceptional items) expressed as a percentage of total average equity. Management considers return on equity to be an important metric for assessing profitability.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Loss for the year after tax	Income Statement	**(20)**	(162)
Exceptional items and other non-recurring items	Financial Review	**38**	57
Profit/(loss) for the period after tax (before exceptional items)		**18**	(105)
Total average equity	Financial Review	**1,853**	1,961
Return on equity		**0.97%**	(5.4%)

16. Risk weighted assets (RWAs)

RWAs are the Group's assets or off balance sheet exposures, weighted according to risk.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Risk weighted assets	Note 38	**8,600**	8,480

17. Total capital ratio (fully loaded basis)*

The total capital ratio is the ratio of a bank's total capital (Tier 1 and Tier 2 capital) to its RWAs.

	Source / Cross Reference	31 December 2021* €m	31 December 2020 €m
Tier 1 Capital	Capital Management	**1,388**	1,480
Tier 2 Capital	Capital Management	**290**	59
Total Capital	Capital Management	**1,678**	1,539
Risk weighted assets	Capital Management	**8,603**	8,471
Total capital ratio (fully loaded basis)	Capital Management	**19.5%**	18.2%

*The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

18. Total capital ratio (transitional basis)*

The total capital ratio is the ratio of a bank's total capital (Tier 1 and Tier 2 capital) to its RWAs.

	Source / Cross Reference	31 December 2021* €m	31 December 2020 €m
Tier 1 Capital	Capital Management	**1,580**	1,725
Tier 2 Capital	Capital Management	**290**	54
Total Capital	Capital Management	**1,870**	1,779
Risk weighted assets	Capital Management	**8,600**	8,480
Total capital ratio (transitional basis)	Capital Management	**21.8%**	21.0%

*The full year loss recognised in the year end capital ratios remain subject to approval by the Regulator.

19. Average interest earning assets

Interest earning assets include loans and advances to banks, loans and advances to customers, debt securities and derivative assets.

Average balances on interest earning assets are calculated as the average of the monthly interest earning asset balances from December 2020 to December 2021, thirteen months in total.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Average interest earning assets			
Loans and advances to banks	Financial Review	**3,940**	2,087
Loans and advances to customers	Financial Review	**14,258**	15,083
Debt securities and derivative assets	Financial Review	**2,533**	2,410
Total average interest earning assets		**20,731**	19,580

20. Average interest bearing liabilities

Interest bearing liabilities include customer accounts, deposits by banks, debt securities in issue, and lease liabilities.

Average balances on interest bearing liabilities are calculated as the average of the monthly interest bearing liabilities balances from December 2020 to December 2021, thirteen months in total.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Average interest bearing liabilities			
Customer accounts	Financial Review	**18,606**	17,689
Debt securities in issue and derivative assets	Financial Review	**705**	863
Lease liabilities	Financial Review	**31**	37
Subordinated liabilities	Financial Review	**155**	-
Deposits by banks	Financial Review	**134**	10
Total average interest bearing liabilities		**19,631**	18,599

21. Average yield on average interest earning assets

Average yield on average interest earnings assets is defined as the average interest income on interest earning assets, divided by the total average interest earning assets balances.

Average interest income on interest earning assets is calculated as the average of the interest income arising on each of the interest earning assets from December 2020 to December 2021, thirteen months in total.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Average interest income on interest earning assets			
Loans and advances to customers	Financial Review	**346**	371
Debt securities and derivative assets	Financial Review	**7**	11
Total average interest income from interest-earning assets		**353**	382
Negative interest earning assets – loans and advances to banks	Financial Review	**(14)**	(4)
Total average interest from assets	Financial Review	**339**	378
Total average earning assets	Financial Review	**20,731**	19,580
Average yield on average interest earning assets		**1.64%**	1.93%

22. Average rate on average interest bearing liabilities

Average rate on average interest bearing liabilities is defined as average interest expense on interest bearing liabilities divided by the total average interest bearing liabilities balances.

Average interest expense on interest bearing liabilities is calculated as the average of the interest expense arising on each of the interest bearing liabilities from December 2020 to December 2021, thirteen months in total.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Average interest expense on interest bearing liabilities			
Customer accounts	Financial Review	**14**	26
Negative interest earning assets – loans and advances to banks			
Debt securities in issue	Financial Review	**8**	11
Subordinated liabilities	Financial Review	**5**	-
Total average interest income on interest bearing liabilities		**27**	37
Negative interest earning liabilities – deposits by banks	Financial Review	**(1)**	-
Total average interest from liabilities		**26**	37
Total average bearing liabilities	Financial Review	**19,631**	18,599
Average rate on average interest bearing liabilities		**0.13%**	0.20%

23. NPLs as % of gross loans

NPLs as % of gross loans are defined as NPLs divided by gross loans and advances to customers. Management considers NPLs as % of gross loans to be an important metric as it reflects the risk profile of the Group.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Non-performing loans	Note 22	**817**	1,128
Gross loans and advances to customers	Note 21	**14,745**	14,855
NPLs as % of gross loans		**5.5%**	7.6%

24. Average equity attributable to owners

This is an average of the equity position of each individual month from December 2020 to December 2021, thirteen months in total. Management considers average equity attributable to owners to be an important metric for assessing profitability and generation of returns from its investments.

	Source / Cross Reference	31 December 2021 €m	31 December 2020 €m
Average equity attributable to owners	Financial Review	**1,853**	1,961

Abbreviations

The following information has not been subject to audit by the Group's Independent Auditor.

ALCO Asset and Liability Committee
AFS Available For Sale
AGM Annual General Meeting
AIMRO Association of Irish Market Research Organisations
ALM Asset Liability Management
API Application Programming Interfaces
ASAI Advertising Standards Association of Ireland
AT1 Additional Tier 1
BAC Board Audit Committee
BCM Business Continuity Management
BITCI Business in the Community Ireland
BRCC Board Risk and Compliance Committee
BRRD Banking Recovery and Resolution Directive
BTL Buy-to-let
C&M Classification & Measurement
CAC Capital Adequacy Committee
CBI Central Bank of Ireland
CCB Capital Conservation Buffer
CCMA Code of Conduct on Mortgage Arrears
CCyB Counter Cyclical Buffer
CDF Career Development Framework
CEO Chief Executive
CFO Chief Financial Officer
CET 1 Common Equity Tier 1
CFP Contingency Funding Plan
CODM Chief Operating Decision Maker
CPI Consumer Price Index
CRD IV Capital Requirements Directive IV
CRE Commercial Real Estate
CRO Chief Risk Officer
CRR Capital Requirements Regulation
CSAs Credit Support Annex
CSO Central Statistics Office
CSR Corporate Social Responsibility
CVA Credit Valuation Adjustment
DDI Debt to Disposable Income
DGS Deposit Guarantee Scheme
DIRT Deposit Interest Retention Tax
DoF Department of Finance
DTA Deferred Tax Asset
DVA Debit Valuation Adjustment
EAR Earnings at Risk
EBA European Banking Authority
EC European Commission
ECAI External Credit Assessment Institution
ECB European Central Bank
ECL Expected Credit Loss
EIR Effective Interest Rate
ELG Eligible Liabilities Guarantee
ESG Environmental Social Governance
ESMA European Securities and Markets Authority
ESRI Economic & Social Research Institute
EU European Union
EV Economic Valuation
EWI Early Warning Indicator
ExCo Executive Committee
FIA Financial Incentives Agreement
FLI Forward looking information
FSPO Financial Services and Pensions Ombudsman Bureau of Ireland
FTE Full Time Equivalent
FVOCI Fair value through other comprehensive income
FVTPL Fair value through profit or loss
FX Foreign Exchange
GCC Group Credit Committee
GDP Gross Domestic Product
GIA Group Internal Audit
GPPC Global Public Policy Committee
GRC Group Risk Committee
GRMA Group Risk Management Architecture
GRMF Group Risk Management Framework
HFT Held for Trading
HICP Harmonised Index of Consumer Prices
HPI House Price Index
HTC Hold to Collect
HTC&S Hold to Collect and Sell
HTM Held to Maturity
HQLA High Quality Liquid Assets
IAS International Accounting Standards
IASB International Accounting Standards Board
IBCB Irish Banking Culture Board
IBNR Incurred But Not Reported
ICAAP Internal Capital Adequacy Assessment Process
IFRIC International Financial Reporting Standards Interpretations Committee
IFRS International Financial Reporting Standards
IIA Institute of Internal Auditors
ILAAP Internal Liquidity Adequacy Assessment Process
IMF International Monetary Fund
IOB Institute of Banking
IOM Isle of Man
IPP Integrated Planning Process
IRB Internal rating based approach
IRRBB Interest Rate Risk in the Banking Book
ISA International Standards on Auditing
ISDA International Swaps and Derivatives Association
LCR Liquidity Coverage Ratio
LDR Loan to Deposit Ratio
LGD Loss Given Default
L&R Loans and Receivables
LSI Less Significant Institution
LTIP Long Term Incentive Plan
LTV Loan to value
MCO Maximum Cumulative Outflow
MGC Model Governance Committee
MREL Minimum Requirement for own funds and Eligible Liabilities
MRP Mortgage Redress Programme
MTN Medium Term Note
MTP Medium Term Plan
NCU Newbridge Credit Union
NII Net Interest Income
NIM Net Interest Margin
NPL Non Performing Loan
NPS Net Promoter Score
NSFR Net Stable Funding Ratio
OCI Other Comprehensive Income
OTC Over the counter
P2G Pillar 2 Guidance
P2R Pillar 2 Requirement
PBI PBI Limited (formerly Permanent Bank International Limited)
PD Probability of Default
PDH Principal Dwelling House
POCI Purchased or Originated Credit Impaired
PSD2 Payment Services Directive 2
PTSB Permanent TSB plc.
PTSBGH Permanent TSB Group Holding plc.
PwC PricewaterhouseCoopers
RAF Risk Appetite Framework
RAS Risk Appetite Statement
RCA Root Cause Analysis
RCSA Risk and Control Self Assessment
RMBS Residential Mortgage Backed Securities
RNPS Relationship Net Promoter Score
ROI Republic of Ireland
RP Restructuring Plan
RPA Robotic Process Automation
RPPI Residential Property Price Index
RWA Risk Weighted Assets
SBCI Strategic Banking Corporation of Ireland
SE Structured Entities
SEAI Sustainable Energy Authority of Ireland
SEI Social Entrepreneurs Ireland
SFS Standard Financial Statement
SFT Securities Financing Transaction
SICR Significant increase in Credit Risk
SID Senior Independent Director
SME Small and medium sized enterprises
SOFP Statement of Financial Position
SPP Strategic Performance Priorities
SPPI Solely Payments of Principle and Interest
SPV Special Purpose Vehicle
SREP Supervisory Review & Evaluation Process
SSM Single Supervisory Mechanism
TCPID Trinity Centre for People with Intellectual Disabilities
TLTRO Targeted Long-Term Refinancing Operations
TME Tracker Mortgage Examination
TRIM Targeted Review of Internal Models
UK United Kingdom
VIP Values in Practice
VIU Value in Use
WTO World Trade Organisation

Definitions

The following information has not been subject to audit by the Group's Independent Auditor.

AFS Available for sale (AFS) are non derivative financial investments that are designated as available for sale and are not classified as a (i) loan receivable (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

Arrears Arrears relates to any interest or principal payment on a loan which has not been received on its due date. When customers are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue, they are said to be in arrears.

Basel III Basel III is a global, voluntary regulatory framework on bank capital adequacy, stress testing and market liquidity risk.

Basis point One hundredth of a per cent (0.01%), so 100 basis points is 1%. It is the common unit of measure for interest rates and bond yields.

Brexit is an abbreviation of the term "British Exit". It refers to the United Kingdom's withdrawal from the European Union.

Buy-to-let Residential mortgage loan provided to purchase residential investment property to rent it out.

CET 1 ratio Ratio of a bank's core equity capital compared to its total risk-weighted assets.

Company Permanent TSB Group Holdings plc or PTSBGH

Commercial property Commercial property lending focuses primarily on the following property segments:
a) Apartment complexes;
b) Develop to sell;
c) Office projects;
d) Retail projects;
e) Hotels; and
f) Selective mixed-use projects and special purpose properties.

Common Equity Tier 1 Common Equity Tier 1 (CET1) capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; but may also include non-redeemable, non-cumulative preferred stock.

Concentration risk The risk that any single (direct or indirect) exposure or group of exposures has the potential to produce losses large enough to threaten the institution's health or its ability to maintain its core business.

Contractual Maturity Date on which a scheduled payment is due for settlement and payable in accordance with the terms of a financial instrument.

Cost to income ratio Total operating expense divided by total operating income.

Credit Default Risk The event in which companies or individuals will be unable to make the required payments on their debt obligations.

CRD Capital Requirements Directives (CRD) is statutory law implemented by the European Union for capital adequacy. CRD have introduced a supervisory framework in the European Union which reflects the Basel II and Basel III rules on capital measurement and capital standards.

Credit-related commitments
Commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the customers.

Credit risk The risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions.

Credit Risk Mitigation Methods to reduce the credit risk associated with an exposure by the application of credit risk mitigants. Examples include: collateral; guarantee; and credit protection.

CVA Credit Valuation Adjustment (CVA) is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default.

Customer accounts Money deposited with the Group by counterparties other than banks and classified as liabilities. This includes various types of unsecured deposits, credit current and notice accounts.

Debt securities Instruments representing certificates of indebtedness of credit institutions, public bodies and other undertakings. Debt securities can be secured or unsecured.

Debt securities in issue Transferable certificates of indebtedness of the Group to the bearer of the certificates. They include commercial paper, certificates of deposit, bonds and medium-term notes.

Default When a customer fails to make timely payment of interest or principal on a debt security or to otherwise comply with the provisions of a bond indenture. Depending on the materiality of the default, if left unmanaged it can lead to loan impairment.

DVA Debt Valuation Adjustments (DVA) an adjustment made by an entity to the valuation of over-the-counter derivative liabilities to reflect, within fair value, the entity's own credit risk.

Eurozone The Eurozone, is a monetary union of 19 of the 28 European Union (EU) member states which have adopted the euro (€) as their common currency and sole legal tender. The other nine members of the European Union continue to use their own national currencies. The Eurozone consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

Exposure at Default Exposure at default (EAD) is the gross exposure under a facility upon default of an obligor.

Fair value The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Forbearance Forbearance occurs when a borrower is granted a temporary or permanent concession, or agreed change to a loan, for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance strategies are employed in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such arrangements can include extended payment terms, a temporary reduction in interest or principal repayments, payment moratorium and other modifications.

Foreclosed assets Foreclosed assets are defined as assets held on the balance sheet and obtained by taking possession of collateral or by calling on similar credit enhancements.

Foreign currency exchange risk The risk of volatility in earnings resulting from the retranslation of foreign currency (e.g. Sterling and US dollar) denominated assets and liabilities from mismatched positions.

GDP Gross Domestic Product (GDP) is a monetary measure of the value of all final goods and services produced in a period of time (quarterly or yearly). GDP estimates are commonly used to determine the economic performance and standard of living of a whole country or region, and to make international comparisons.

Group Permanent TSB plc Group Holdings plc and its subsidiary undertakings.

Guarantee A formal pledge by the Group to pay debtor's obligation in case of default.

HTM Held to maturity (HTM) non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Home loan A loan provided by a bank, secured by a borrower's primary residence or second home.

Hybrid A combination of two or more forbearance arrangements.

ICAAP Internal Capital Adequacy Assessment Process (ICAAP) is a supervisory review and an evaluation process to assess the Group's own calculations and the adequate capital which Group considers necessary to cover the risks they take and which they are exposed to.

ILAAP Internal Liquidity Adequacy Assessment Process (ILAAP) is a supervisory review and an evaluation process to assess the Group's own calculations and the adequate liquidity which the Group consider necessary to cover the risks they take and which they are exposed to.

IRBA The Internal Ratings Based Approach (IRBA) allows banks to use their own estimated risk parameters for the purpose of calculating regulatory capital for credit risk to estimate probability of default (PD), loss given default (LGD), exposure at default (EAD), maturity (M) and other parameters required to arrive at the total risk weighted assets (RWA).

ISDA Master Agreements A standard agreement used in over-the-counter derivatives transactions. The ISDA Master Agreement, published by the International Swaps and Derivatives Association (ISDA), is a document that outlines the terms applied to a derivatives transaction between two parties. Once the two parties agree to the standard terms, they do not have to renegotiate each time a new transaction is entered into.

Loan to deposit ratio The ratio of loans and receivables compared to customer accounts, as presented in the statement of financial position.

LCR Liquidity Coverage Ratio(LCR) is the ratio to ensure that bank has an adequate amount of high quality liquid assets in order to meet short-term obligations under a stress scenario lasting for 30 days. The LCR will be phased in over a number of years, with credit institutions obliged to hold 60% of their full LCR in 2015, 70% in 2016, 80% in 2017 and 100% in 2018, as per CRD IV.

LGD Loss Given Default (LGD) is the share of an asset that is lost when a borrower defaults on a loan.

Liquidity risk The risk that the Group may experience difficulty in financing its assets and/or meeting its contractual obligations as and when they fall due, without incurring excessive cost.

LTV Loan to Value (LTV) is a lending risk assessment ratio of mortgage amount to value of property.

Market risk The risk of change in fair value of a financial instrument due to adverse movements in equity prices, property prices, interest rates or foreign currency exchange rates.

Medium term notes Medium term notes (MTNs) are debt notes issued by the Group which usually mature in five to ten years. They can be issued on a fixed or floating coupon basis.

NAMA National Asset Management Agency (NAMA) was established in 2009 as one of a number of initiatives taken by the Irish Government to address the Irish financial crisis and the deflation of the Irish bubble.

NII Net Interest Income (NII) is the difference between interest earned on assets and interest paid on liabilities.

NIM Net Interest Margin (NIM) is a performance metric that measures the difference between interest income generated on lending and the amount of interest paid on borrowings relative to the amount of interest-earning assets.

Non-performing assets Non-performing assets are defined as NPLs plus foreclosed assets.

NPLs Non-performing loans are loans which are credit impaired or loans which are classified as defaulted, in accordance with the Group's definition of default. The Group's definition of default considers objective indicators of default including the 90 days past due criterion, evidence of exercise of concessions or modifications to terms and conditions; and are designed to be consistent with European Banking Authority (EBA) guidance on the definition of forbearance.

NSFR Net Stable Funding Ratio (NSFR) is designed to act as a minimum enforcement mechanism to complement the shorter term focused liquidity coverage ratio.

Operational Risk The risks inherently present in the Group's business, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes or systems and human error, fraud, or from external events.

PD Probability of Default (PD) is a financial term describing the likelihood that a borrower will be unable to meet its debt obligations.

Definitions
(continued)

Repurchase agreement A short term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement, the borrower commits to repurchase the security at a date in the future repaying the proceeds of the loan. For the counterparty to the transaction, it is termed a reverse repurchase agreement or a reverse repo.

RMBS Residential Mortgage Backed Securities (RMBS) are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

RWAs Risk weighted assets (RWAs) is a measure of amount of bank's assets or off-balance sheet exposures which are weighted according to risk on prescribed rules and formulas as defined in the under Basel Banking Accord.

Securitisation Securitisation is the process of taking an illiquid asset, or group of assets, and through financial engineering, transforming them into a security.

Settlement Risk The risk that the Group delivers a sold asset or cash to a counterparty and then does not receive the corresponding cash or purchased asset as expected.

SSM The Single Supervisory Mechanism (SSM) is a mechanism which has granted the European Central Bank (ECB) a supervisory role to monitor the financial stability of banks based in participating states. The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe.

SPE/SPV Special purpose entity (SPE) is a legal entity which can be a limited company or a limited partnership created to fulfil specific or temporary objectives. SPEs are typically used by companies to isolate the firm from financial risk. This term is used interchangeably with SPV (Special Purpose Vehicle).

Stress testing A technique used to evaluate the potential effects on an institution's financial condition of an exceptional but plausible event and/or movement in a set of financial variables.

Structured securities Structured securities are complex lending arrangements created to meet needs that cannot be met from traditional financial instruments available in the markets, through the structuring of assets or debt issues in accordance with customer and/or market requirements. Structured debt securities have the potential to decrease risk, create liquidity, and increase yield.

Tier 1 capital A term used to describe the capital adequacy of a bank. Tier 1 capital is core capital; this includes equity capital and disclosed reserves.

Tier 2 capital Tier 2 capital is supplementary bank capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

Tracker mortgage A mortgage which follows the base rate of interest set by the European Central Bank and will be fixed at a certain percentage above this rate.

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