Annual Report 2022

Members of the Irish Olympic Team and the Irish Paralympic Team pictured at the launch of Permanent TSB's title sponsorship of Team Ireland for the 2024 Games in Paris.

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. These forward looking statement often can be identified by the fact that they do not relate only to historical or current facts.

Generally but not always words such as "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. Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report. 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 profit/(loss) €m [a]

2022	€45m
2021	€17m
2020	(€109m)

2022: €45m

Underlying profit increased due to higher net interest income and an impairment write-back offset by higher operational expenses

Net Interest Margin % [b]

2022	1.54%
2021	1.51%
2020	1.73%

2022: 1.54%

3bps higher due to reduction in negative yields on excess liquidity and increased yields on the Bank's tracker mortgage portfolio due to ECB interest rate increases, offset by higher wholesale funding costs

Return/(loss) on Equity % [c]

2022	0.55%
2021	0.97%
2020	(5.4)%

2022: 0.55%

Decreased due to significant investment in simplification of the bank

Transformation and simplification

Adjusted cost to income ratio [d]

2022	84%
2021	82%
2020	75%

2022: 84%

Increased due to the acceleration of investment in the digital transformation programme and the effect of cost inflation pressures

Customer deposits [e]

2022	€21.7bn
2021	€19.1bn
2020	€18.1bn

2022: €21.7bn

Increase in current account and retail deposits in line with expected inflows as a result of Retail Banks exiting the Irish Banking market

Sustainability

CET Ratio (Transitional basis) [f]

2022	16.2%
2021	16.9%
2020	18.1%

2022: 16.2%

Decrease is as a result of capital use on new lending and the Ulster Bank transaction.

NPL Ratio [g]

2022	3.3%
2021	5.5%
2020	7.6%

2022: 3.3%

Decrease is due to the purchase of performing Ulster Bank business assets from Natwest Group along with NPL cures being greater than new defaults.

Risk weighted assets (RWA) [h]

2022	€10,627m
2021	€8,600m
2020	€8,480m

2022: €10,627m

Increase is due to balance sheet growth through new lending and the purchase of the Ulster Bank business.

(a) Operating profit before exceptional and other non-recurring items. See table 8 on page 52 for a reconciliation of underlying profit to operating profit on an IFRS basis.
(b) Defined as net interest income (NII) divided by average interest-earning assets.
(c) Defined as profit 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 and other non-recurring items) divided by total operating income.
(e) Defined as the sum of current accounts, retail deposits and corporate 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 (NPL) expressed as a percentage of the total gross loans of the bank.
(h) RWAs are the Group's assets and off balance sheet exposures, weighted according to risk.

Non-Financial Highlights

An increased focus on Sustainability and Climate Risk, with the introduction of a Sustainability Strategy for the Bank and the development of a Climate-Related and Environmental Risk Action Plan

A CDP rating of C, indicating an awareness level of engagement

83% reduction in scope 1 and 2 carbon emission intensity last year (a cumulative reduction since 2009) and committing to setting science-based carbon emission reduction targets (SBTs) by 2024

Launching the Bank's Green Mortgage, with c.€500 million in green lending drawn down during 2022*

113,000 new Current Accounts and 43,000 new Deposit Accounts opened in 2022, with 47% of new Current Account openings taking place through the Bank's award-winning Digital Current Account

A focus on €1 billion in SME lending over the next three years

A commitment to growing our branch footprint by 30% to 98 locations nationwide

c.€600,000 donated in Irish community organisations in 2022, supporting local communities across the country

€250,000 donated to UNICEF Ireland and the Irish Red Cross to support the Ukrainian relief efforts

Announcement of the Bank's Title Sponsorship of the Irish Olympic Team and the Irish Paralympic Team for Paris 2024

80% Culture Index Score, +10% above our Culture Index Target of 70%

89% of employees feel comfortable to be themselves at work regardless of background or life experiences

42% Board Gender Composition and 38% of Senior Leadership positions are filled by Women

+10 Relationship Net Promotor Score (RNPS), placing Permanent TSB in 3rd position among the retail banks in Ireland**

Our Commitment To Building A 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 2022

- Winner – Best Community or Charity Engagement for the Permanent TSB Community Fund, Bonkers National Consumer Awards, 2022
- Winner – Best Current Account, Bonkers National Consumer Awards, 2022
- Winner – Best Mortgage for First-Time Buyers, Bonkers National Consumer Awards, 2022
- Winner – Innovative Banking Product, FS Awards, 2022
- Winner – Financial Services Loyalty Programme of the Year, Irish Loyalty Awards, 2022
- Winner – #1 for Social Media for a Financial Organisation, Sockie Social Media Awards, 2022
- Winner – Best Procurement External Collaboration Project, National Procurement Awards, 2022
- Winner – Best Procurement Transformation Project, National Procurement Awards, 2022
- Winner – Best Flexible and Hybrid Workplace, CIPD Awards, 2022
- Awarded the Investors in Diversity Silver Accreditation

Ambitions For 2023 And Onwards

- Embedding our Sustainability Strategy
- Increasing our focus on climate-related and environmental risk management
- Introducing a Sustainable Supplier Charter
- Elevating our social impact through partnerships and continuing to support local communities through the Permanent TSB Community Fund
- Partnering with small businesses through our Business Banking Strategy
- Ensuring strong corporate governance, compliance and fair business conduct

* A 5-Year Fixed Product available to all new and existing home loan customers where their homes have a confirmed or proposed Building Energy Rating of A1 to B3.

** 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.

2022 was a year of significant progress for Permanent TSB. The acquisition of certain elements of Ulster Bank's business combined with organic growth fuelled transformational growth for the organisation. We focused on welcoming tens of thousands of new customers and further improving our customer experience, as we worked towards our ambition of becoming Ireland's best personal and small business bank

2022 was truly a transformational year for Permanent TSB, as we began the integration of the retail and SME businesses we are acquiring from Ulster Bank.

There is a real sense of excitement across the organisation as we welcome the new customers and colleagues that are joining us. The transaction is making us a bigger bank and an even stronger competitor in the market.

That means a bank with more customers. One with a bigger branch footprint, which is increasing by about 30% to become part of an additional 25 communities throughout Ireland – from Buncrana in Donegal to Wilton in Cork, and from Westport in Mayo to Blackrock in Dublin, a bank that's a greater competitive force. And, perhaps most importantly of all, a bank with an ambition that is stronger than ever to be Ireland's best personal and small business bank.

Our annual report this year is being presented against a backdrop of great challenge. We are mindful of the immense suffering that continues to be inflicted on the people of Ukraine. Closer to home, we are witnessing the effects of a major economic shock triggered by disruption in global energy markets.

This has resulted in severe cost of living pressures and a greatly changed interest rate environment that has brought to an end the unprecedented era of historically low interest rates.

The economic outlook is uncertain but we are approaching the year ahead with confidence. Confidence in the Irish economy, which proved itself to be strong in the face of the pandemic and which continues to show evidence of great resilience despite the challenges we have seen over the past year.

But our confidence does not end there. We also have great faith in our Bank and in our colleagues. Throughout the organisation we have the benefit of a team of people of great skill, professionalism and commitment. They bring these qualities with them to their work every day, with the overriding aim of serving our customers to the very best of their ability and meeting their financial needs.

The individual successes achieved every day – in their dealings with our customers, in their support work behind the scenes, and in their efforts to constantly develop new and better ways to do things – are what makes the Bank successful of which our people can be proud.

They have made it a commercial success, winning new customers, developing better customer offerings and increasing market share. Moreover, they have made it a financial success, building on the profitability of 2021 to set us on a trajectory of profitable growth.
Furthermore, they have made it a success in the community, as we continue to embed ourselves as a fundamental part of Irish life. This objective of community service is inspired by our unique roots going back more than 200 years in the building society and trustee savings bank movements.

The Ulster Bank transaction enables us to reach more customers around Ireland and that is a testament to the strength of our heritage and our determination to provide customers with multiple ways to do business with us, in person, by phone, or through our award-winning digital channels.

Our commercial performance

We are reporting a very significant increase in profitability for 2022, with our reported pre-tax profit increasing from -€21 million to €267 million, primarily driven by net gains that are once-off in nature and which arise from the Ulster Bank transaction.

Excluding exceptional and non-recurring items, I am pleased to say that our underlying profit increased from €17 million in 2021 to €49 million in 2022, building on the strong momentum we made in the previous year. Underlying profit this year is €45m.

This progress gives us an excellent platform to build future growth. The Ulster Bank transaction will give greater scale and I am confident that we will see the economic and strategic benefits of the transaction will become clear as we proceed to integrate the businesses.

We are encouraged by the opportunity that we see in the Irish retail banking market at present. The exit of Ulster Bank and KBC from Ireland highlights that the need for competition in retail and SME banking is greater than it ever was.

We in Permanent TSB have a track record in bringing new products, customer-friendly offerings, and innovation to the market. We expect to do more, not less, of this in the years to come.

In the years in come, particularly in the retail market, where we continue to grow market share in new lending and in new current accounts, as well as in the SME market, where we aim to generate more than €1 billion in new lending over a three-year period to the SMEs that are the lifeblood of our economy.

The Ulster Bank transaction will give us valuable opportunities to strengthen our existing customer relations and indeed serve more retail and SME customers. It will make us better equipped to target markets in which Ulster Bank played a leading role and where there is considerable scope for Permanent TSB to scale up its presence significantly.

Governance and management

As Chairman, one of my key responsibilities is to ensure that our governance and management structure is always aligned with the needs of the organisation as they evolve.

That requires close scrutiny of the way the Board operates so that shareholders and colleagues can have confidence that the Board has access to the right blend of skills and experience to challenge the management team and to provide an appropriate level of oversight.

I have also strived to continue the progress we have been making in getting better gender balance at Board level and in senior management positions.

We are still some distance from where we need to be in terms of seeing female colleagues at senior levels. But I want to assure all our shareholders, our colleagues and those who may be considering advancing their career with Permanent TSB in the future, that we are committed to continuing this progress as a matter of upmost priority.

I was delighted that the Board was in a position to welcome Nicola O'Brien as its newest member in 2022, following her appointment as Chief Financial Officer of the Bank.

Nicola is an excellent addition to both the senior management and to the Board, bringing an outstanding level of experience and knowledge to her new position. With her appointment to the Board, the number of female members has risen to 40%, representing a significant – but long overdue – improvement.

Diversity and Inclusion (D&I) remains a key priority for Permanent TSB as it is a self-evident enabler to building a responsible and sustainable bank for the future. Since the launch of our D&I Strategy in 2018, we have made significant progress in fostering and maintaining a diverse and inclusive, risk integrated growth culture.

With regards to Gender Pay, our approach is to ensure that that all employees, regardless of gender, age or social or ethnic background are remunerated fairly and that no differentiation exists in the pay of any individual as a result of any of those factors. With a mean hourly remuneration pay gap of 17.51% and a median of 10.54% in 2022, there is more work to do in developing and implementing effective strategies that will eliminate this gap.

Outlook

This is my last Annual Report as Chairman of the Bank, as my six year term comes to an end in the coming weeks. I have really enjoyed this role, have been fortunate to have held it and take great pride in my colleagues, present and past, who have achieved so much in strengthening and enhancing the Bank's position over that time.

They are good people who have made the Bank a better provider of services to our customers; a better place for our colleagues to work and to develop their careers; an organisation that operates in a more sustainable, responsible way; and a more attractive business in which shareholders can entrust their capital.

They have made it a workplace with a greater gender balance and a greater awareness of the task that still lies ahead of making the changes necessary to give everyone the same career opportunities; and one in which the diversity of our people is enjoyed and applied for everyone's benefit.

I will be leaving Permanent TSB, satisfied with its stability and prospects, using the Ulster Bank transaction as a catalyst to achieve even greater things.

I was astonished by the extraordinary contribution made by our colleagues in response to the challenges of the pandemic. They looked out for each other and looked out for their customers, routinely going above and beyond the call of duty because they felt that was the right thing to do.

I am grateful to the Minister for Finance, his predecessor, the Department of Finance and the Central Bank of Ireland for the support which they have given to the Bank.

I thank my fellow Board members and the Bank's management team for their leadership, skill and dedication. Our Chief Executive, Eamonn Crowley, has displayed immense vision, authority and enthusiasm for the Bank. He has successfully built on the foundations of his predecessor, Jeremy Masding. He has consistently impressed me with his rigour, leadership skills and resolute focus on making Permanent TSB a better bank for our customers, our colleagues, our communities, and of course you, our shareholders.

And I want to give my successor, Julie O'Neill, every good wish for her term as Chairperson. I got to know Julie over a period of several years when she previously served on the Permanent TSB board and I can say without equivocation that the Bank will benefit greatly from her leadership. She brings a formidable track record and extensive corporate governance expertise to the position.

To have been part of this organisation for the last six years has been an enormous honour and privilege. It has reinforced my love of Ireland and huge affection for its people.

I will continue to follow closely the fortunes of Permanent TSB from the outside and wish everyone in the Bank every success in their professional and personal endeavours. It is an institution that we can all be proud of and I am in no doubt that its best days lie ahead.

Robert Elliott
Chairman

Chief Executive Review

It is my honour to present the 2022 Annual Report for Permanent TSB. It was a year of improved profitability, market share gains in a highly competitive environment, competing robustly and successfully, serving our customers and the communities that we are a part of, and delivering results that we can be proud of.

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

Our ambitions to acquire certain elements of Ulster Bank's retail, SME and asset finance businesses in the Republic of Ireland are no longer plans – they are now a reality.

As we enter 2023, Permanent TSB is well positioned to build on this transformational acquisition with further growth, serving more customers as we continue our work towards becoming Ireland's best personal and small business bank.

We achieved so much in 2022. Our colleagues who worked on executing the Ulster Bank transaction delivered an outstanding performance, successfully migrating c. 56,000 residential mortgage customers connected to c. 36,000 loans totalling c. €5.2 billion from Ulster Bank to Permanent TSB, with the remaining customers scheduled to migrate in the first half of 2023.

We opened over 113,000 new personal current accounts, primarily driven by former Ulster Bank customers in need of a new provider who were attracted by our award-winning digital current account offering.

We made it easy for these customers to join Permanent TSB with a combination of an online account opening process, our contact centres, pop-up branches, mobile branches and putting Permanent TSB people in Ulster Bank branches.

And in recent weeks we have continued this excellent momentum with the landmark transfer of c. 3,200 Micro-SME loans totalling c. €165 million, and the opening of 25 new branches throughout Ireland that previously operated as Ulster Bank branches, increasing our branch footprint by 30%.

And we want to remind them that this transaction was driven, above all else, by meeting their needs. To each of these customers I say today: we are honoured to have your business, we want you to be happy with the service we provide and the products we offer, and we are ready and willing to meet more of your financial services needs.

Our welcome extends beyond these customers to the over 300 new colleagues that have joined us from Ulster Bank or who will do so over the coming months. To each of these new colleagues I say: we need you to make this a success, we want you to build on the great work you have done for these customers in Ulster Bank, and you will have our full support in achieving the next stage of your career ambitions with Permanent TSB.

The success of the integration programme should not distract from our business performance in 2022. At a time when the organisation was preparing and executing a major transaction, our colleagues throughout the Bank never lost focus on our purpose of building trust with our customers every day.

That is a credit to them and they are a credit to the Bank. That focus resulted in an excellent performance for 2022, which is detailed in this Annual Report.

I will address the details of our performance now.

Business Performance Overview

Funding

Customer Accounts

At 31 December 2022, customer accounts of €21.7 billion are €2.6 billion higher than 31 December 2021. Customer account growth reflects expected inflows from exiting banks. Retail deposit balances of €11.6 billion have increased by 9% over the course of 2022, while current accounts of €9.0 billion have increased by 26%. The Bank remains strongly funded by retail deposits and current accounts, making up 88% of the total funding profile and reflecting a strong liquidity and lending position.

Lending

Total new lending in the financial year 2022 amounted to €2.8 billion, an increase of c.40% from 31 December 2021. The increase largely reflects a strong increase in mortgage lending relative to 2021, when pandemic-related uncertainty caused a fall-off in mortgage activity.

Mortgage lending in 2022 was €2.6 billion, representing a 40% year on year increase and significantly outperforming the wider market, which grew by 34%. This resulted in our mortgage drawdown market share increasing from 17.8% in 2021 to 18.5% in 2022.

The mortgage market as a whole rebounded strongly in 2022. Pent up demand saw a surge in applications in late 2021 and this strong momentum continued into 2022. Total mortgage drawdowns from all mortgage providers increased from €10.5 billion in 2021 to €14.1 billion in 2022. There were 30k housing completions in 2022, a 47% increase year on year, however demand continues to outweigh supply.

SME lending in 2022 was €150 million, a 53% increase compared with 2021. The increase was largely driven by lending through the Strategic Banking Corporation of Ireland (SBCI) Future Growth Loan Scheme that launched in late 2020 and the Bank also participated 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, increasing our business lending in size by c. 200%.

The Group recorded gross new Term lending of €96 million in 2022. This is a 3% increase compared to 2021, and digital adoption continues to grow with 80% of new term lending drawdowns taking place via our direct channels.

Financial Performance Overview

The Bank reported a Profit Before Tax of €267 million for 2022 (2021: Loss Before Tax of €21 million) which includes the Gain on Bargain Purchase and transaction costs and other provisions of €239 million associated with the Ulster Bank Transaction. The commencement of ECB interest rate increases in July 2022 has contributed to Net Interest Income increasing by 16% year-on-year, while increased transactional activity from our growing customer base resulted in Net Fees & Commission income increasing to €42m from €35m in 2021.

Operating Income

Net interest income (NII) of €362 million has increased by 16% year on year and our Net Interest Margin (NIM) increased by 3bps to 1.54%. Net interest income increased due to higher new lending, an increase in ECB rates which impacted tracker mortgages and increased income as a result of the migration of the Ulster Bank performing loans assets during Q4 2022. This is partially offset by increases in other wholesale funding costs.

Net fees and commission income was €42 million for 2022 compared to €35 million in 2021. The increase is mainly due to increased transactional activity during 2022 from a growing customer base.

Net other income was €5 million for 2022 compared to €13 million in 2021.

Operating Expenses

Operating expenses excluding exceptional and other non-recurring items of €395 million are higher than prior year, primarily due to the acceleration of investment in the Bank's digital banking programme and higher amortisation arising from the significant expenditure on technology and business programmes over the last number of years.

Impairment

The Bank recorded an impairment write-back on loans and advances to customers of €31 million for 2022 (a net €20m result post €11m capital deduction for calendar provisioning), compared to a €1 million write-back for 2021. This reflects the continued growth in house prices whilst maintaining an appropriate level of provisions in light of high levels of inflation.

Exceptional and other non-recurring items

The total exceptional and non-recurring items for 2022 are €222 million. This consists of a gain on bargain purchase of €362 million which is offset by €123 million relating to costs and impairment charges on the Ulster Bank transaction. Additional costs of €13 million relates to restructuring and other costs, and €4 million relating to legacy legal cases.

NPLs

Non-performing loans (NPL) as a percentage of gross loans were 3.3% at 31 December 2022, down from 5.5% at 31 December 2021. This is primarily as a result of the addition of the performing Ulster Bank loans during Q4 along with cures/ resolution offsetting any new defaults. .

Capital

The Common Equity Tier 1 (CET1) capital ratio was 15.2% and 16.2%, on a Fully Loaded and Transitional basis respectively. This compares to the Bank's reported CET1 ratio of 14.7% and 16.9% at 31 December 2021, on a Fully Loaded and Transitional basis respectively.

The reduction in the transitional CET1 ratio (-0.7%) 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.

Sustainability

The global climate crisis 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. Indeed, c.20% of Permanent TSB's new lending in 2022 (c. €500 million in value) relates to our Green Mortgage product.

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.

However, sustainability is about more than just being green. For us, it is about doing everything we can to support our customers, colleagues and communities, while ensuring that we conduct and manage all areas of our business in a responsible way.

We have made progress – introducing a Sustainability Strategy for the Bank aligned to the Sustainable Development Goals; ensuring strong governance and establishing a Sustainability Committee; increasing our focus on Climate Risk with the development of a Climate-related and Environmental Risk Implementation Plan; disclosing our carbon impact across Scope 1, 2 and 3 and committing to setting science based targets; launching the Bank's Green Mortgage with a suite of sustainable finance products to follow; and, becoming a founding member of the International Sustainable Finance Centre of Excellence, a key output of Ireland's Sustainable Finance Roadmap.

We acknowledge however that there is more to do, and through the delivery of our Sustainability Strategy, we are focussed on continuous improvement and further integrating Sustainability into all areas of our business, ultimately building a sustainable organisation that is fit for the future.

Cultural Evolution

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

We continue to evolve our culture with a range of employee led initiatives including investment in learning in development, our employee resource groups as well as evolved ways of working. In 2022, Permanent TSB continued embedding our Smarter Working Programme to enable optionality and more flexible ways of working for colleagues, while enhancing our tools and 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 Smarter Working Programme, Permanent TSB was proud to win the prestigious CIPD Award for Best Flexible and Hybrid Workplace during 2022.

We also continually look for areas in which to improve our cultural evolution through the Every Voice Counts Employee Engagement Survey which 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.

And of the work is showing up in the positive response from colleagues with Permanent TSB's most recent Every Voice Counts Survey results indicating a Culture Index of 80%, +10% above our Culture Index Target of 70%.

Permanent TSB is also actively involved in improving culture across the banking industry as a member of the Irish Banking Culture Board (IBCB).

Digital Transformation

We have continued to make good progress on our digital transformation journey throughout 2022.

As part of our €150 million Digital Investment programme, we engaged Kyndral, the world's largest IT infrastructure services provider, to advance our digital transformation with an agile and secure environment that is built for the future of banking. Supported by cloud-based functionality, we can now respond more quickly to changing market developments and support the evolving digital needs of its customers. This has enabled us to launch more personalised digital offerings, while maintaining strong security and data protection that enhance its operational resilience.

Amongst other digital banking enhancements, over the past year we have improved our Open24.ie online banking service, offering customers a modern, simpler, and quicker desktop experience; we have enabled new customers to complete credit card and/or overdraft applications in minutes through our mobile app; we have launched new customer-centric digital mortgage application journey that combines the best of technology with a personal touch; and we have launched a digital application process for new SME customers to enable SMEs to complete the majority of account opening requirements online.

Most recently, we proudly launched the Bank's joint digital current account, making it easy for new customers to open a joint current account digitally via the Permanent TSB mobile app.

Outlook

As we look ahead to 2023, I am mindful of the challenging environment in which we operate – not least the challenges posed to our customers by cost-of-living increases and an environment of higher interest rates.

These are significant challenges that are not to be dismissed lightly; however, we want to reassure customers that we are here for them and will work constructively with them to help them through this difficult phase.

We were proud of the role we played in supporting customers through the pandemic and we want customers to know we continue to be in the business of matching our words with our actions, with the goal of earning and retaining their trust in everything we do.

With the Ulster Bank transaction we are becoming a bigger Bank and a greater competitive force, but increased size and scale will mean nothing if we do not continue to get the basics right in our dealings with our existing customers and those who are new to the Bank.

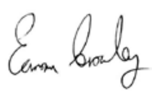
That is why our priorities continue to be working to increase the trust, advocacy and loyalty of our customers; constantly enhancing our digital capabilities; strengthening our culture of growth that is based on being open and inclusive; making our business simpler, more efficient and more effective; and always striving for enhanced profitability based on sustainable, responsible and ethical business practices.

I want to echo the comments made by the Chairman that recognise the enormous contribution made by our colleagues in delivering so much in 2022. I am impressed every day by the quality of the people I am proud to call my colleagues and I thank them for the way they put our purpose and our mission into action – in the way they serve our customers, help each other, and contribute so much to making the Bank a better organisation.

I want to pay tribute to the Chairman as his term comes to an end and thank him for the enormous effort he has put in over the past 6 years. He leaves Permanent TSB as a much stronger, more inclusive and more successful organisation. I also wish to welcome our incoming Chairperson, Julie O'Neill, who will bring her great experience and her corporate governance and leadership skills to the Bank.

I am confident that the strong momentum that exists in the Bank, spurred on by the benefits that the Ulster Bank transaction brings, will continue to drive the Bank forward and make it an even greater competitive force.

Despite the challenges that exist, the Bank is in an excellent position to thrive, for the benefit of our customers, competition in the market, the wider Irish economy, and our shareholders.



Eamonn Crowley
Chief Executive

1 See table 8 on page 52 for a reconciliation of underlying profit to operating loss on an IFRS basis.

Market and Regulatory Context

Retail Banking Trends In Ireland 2022

Over the last year we have been working hard on becoming a bank that brings technology and people together to make every day banking easy, and enable our customers to do big things. As a bank, we are focused on what's next and the opportunities that lie ahead. With significant structural changes in the Irish Banking market, Permanent TSB is one of only three remaining full service retail banks in Ireland and growing through the acquisition of certain elements of Ulster Bank's retail, SME and Asset Finance businesses. This provides the Bank greater scale and enables us to provide stronger competition in the market, with many more personal and SME customers, a branch presence in even more communities nationwide and a significantly larger platform for future growth.

To counter the effects of inflation, the European Central Bank ended the prolonged period of low interest rates in 2022. The ECB announced a 0.5% increase in July, a further 0.75% in September, 0.75% in November and 0.5% in December 2022 in the main borrowing rate, marginal lending rate and deposit rate. This series of interest rate increases is the first of the kind since 2011 and resulted in the main borrowing rate increasing to 2.5%, the interest rate on marginal lending increasing to 2.75% and the deposit rate moving from a negative position of -0.5% to 2% for the first time since 2014.

The mortgage market continued its strong growth in 2022. Based on the first 11 months of the year, we expect this data to show that the 2022 mortgage market reached €14bn by year-end. Mortgage Pay-outs across the market are up c.+35% year on year (YoY) with strong growth observed across key customer segments. Notably, there has been significant growth within the switcher market, with drawdowns up +116% YoY. This behaviour has been driven by combination of two factors: firstly, the impending exit of Ulster Bank and KBC from the Irish mortgage market; and, secondly, several ECB rate increases since July 2022. The current trend in pay-out growth is expected to continue into the first half of 2023, driven by growth in applications and approvals. Market applications are up +7% YoY, while market approvals are up +19%. However, it is expected that the sharp growth will be stemmed in the medium-term due to ongoing challenges of the housing market in Ireland. This, combined with ECB interest rate increases is anticipated to impact the level of growth across the mortgage market.

Permanent TSB is making significant progress on our digital banking journey as our customers' digital expectations have continued to grow over the course of 2022. We opened over 113,000 new current accounts, a 218% increase on the same period last year. 51% of new current account openings are taking place through the bank's mobile app, as customer adoption of digital channels increases. We have also opened over 43,000 new deposit accounts year-to-date, an increase of c.87% YoY. Following on from being awarded best current account by Bonkers. ie earlier in the year, Permanent TSB also won the Innovative Banking Product Award for our digital current account opening process at the 2022 FS Awards. Permanent TSB's innovative digital current account opening process allows customers open a current account in minutes via the Permanent TSB app.

In addition, card payments have increased 21% YoY and mobile payments have increased significantly to 38m in 2022, 185% higher than 2021.The use of digital channels continues on the upward trajectory with over 138m 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 216k in customer product applications in 2022..

We continue to deliver directly to our customers through a combination of Tech & Touch sales and services through our nationwide network covering 75 branches (98 in January 2023), intermediary channel and digital & voice channels. We continue to evolve our channel mix by investing in self-service digital channels while maintaining the crucial role in-person channels (branch & voice) plays in on-boarding, lead generation & supporting customers that fall off digital journeys. In 2022, we continued to update our digital capabilities offering current accounts, mortgages and business banking through our voice and digital channels.

At Permanent TSB we are committed to being open and inclusive and providing the best experience to all of our valued customers within our communities, including customers that require additional assistance. In response to new Assisted Decision-Making (Capacity) Act (ADMA) legislation, we have identified customer needs, benchmarked against industry best practices and delivered a robust Policy, Framework and Customer Charter which ensure we will best meet the needs of all of our customers.

To conclude, while 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 2022

The Irish economy is recovering and while it has been evident the significant impact of the pandemic on businesses, many are eager to plan ahead and take advantage of the returning customer demand in 2022. Key sectors driving growth of new lending in 2022 have been hospitality, manufacturing, wholesale and retail. SMEs are managing their business models well through innovation and automation, they are looking at sustainability as a means to improve business performance. Key developments in continued delivery of growth in the sector include schemes by the Strategic Banking Corporation of Ireland (SBCI), the Future Growth Loan Scheme (FGLS) and Brexit Impact Loan Scheme (BILS) / Covid Loan Scheme (CLS) schemes. The SBCI loan guarantee schemes have been helpful in building the bank's name in SME market, driving growth across all existing product ranges.

Market and Regulatory Context (continued)

Critical challenges being faced by many SMEs are linked to the tight labour markets and skills shortages, with 2.6m people now employed the Irish economy is now close to full employment. Inflation has impacted our customers during 2022 and is expected impact 2023 albeit at a lower level, with growth continuing to be forecast for the Irish economy, ahead of most other European economies. The impact of interest rate hikes by the ECB are of concern for SME's seeking to manage cashflow in 2023.The SME economy also benefits from the level of Foreign Direct Investment taking place in Ireland with Multinational Companies (MNCs) continuing to invest and grow their footprint in the only "English speaking" economy in the EU. Irish SMEs are a vital piece of the value chains for those MNC who choose Ireland to do business in. The settling of recent unrest in the UK political sphere has provided a more stable environment should help ease some pressure however the ongoing impact of Brexit remains a challenge.

Covid support schemes from the Irish government were of significant benefit to SMEs and helped to support employment across the economy while also assisting in terms of cash flow management through the crisis. The current energy support scheme is a further assistance for business owners as they seek to manage the increased energy costs of doing business in current climate. Permanent TSB has continued to grow its business lending activity through the period while providing timely support to borrowers in financial difficulty. The Bank increased its new SME loan activity by 52% in 2022 vs 2021 and the business lending portfolio is well spread across industry sectors with continued investment in our capabilities. During 2022 we continued to invest in our Business Banking team and 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

2023 represents a new chapter in Permanent TSB's history, as we complete the acquisition of €6.7bn of Ulster Bank assets, 25 new branches and welcome ~340 former Ulster Bank colleagues into our team. Reflecting on three successful years of consolidation and growth, we move forward with a renewed sense of purpose and determination to serve our new and existing customers and the communities in which we are based nationwide.

Our Strategy 2020-2022

In 2020, a new Strategy was developed and implemented in Permanent TSB to provide a clear Purpose, Ambition and direction of travel for the organisation.

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				
Our Values	Customer Focus	United	Straight-forward	Courageous	Open
Our Strategic Pillars	Customer	Profitability	Digital	Simplification	Culture

Over this period (against the challenging backdrop of Covid-19, Brexit and consumer inflation) the Bank has continued to build on and strengthen its position as a trustworthy, ambitious and reliable competitor in the Irish Retail & SME banking sectors.

Strategy Highlights 2020-22

Customer	Profitability	Digital	Simplification	Culture
· Growing our base to 1.2mn customers · Major investment in existing branch network, and acquisition of 25 former Ulster Bank branches · Award winning Mortgage and Current Account propositions	· Agreement and commencement of acquisition of €6.7bn of Ulster Bank assets · NPL ratio of 3.3% · c.210% growth in SME lending (FY 2020 vs FY 2022)	· New online banking platform · End to end digital Current Account · Online mortgage customer application journey supported by CreditLogic · Launch of Apple and Google Pay	· Enterprise Transformation programme, resulting in savings of c.€18mn · New Customer Correspondence Management tool supporting migration to digital correspondence	· Over 1600 colleagues participating in the LIFT Ireland 'Living As Leaders' programme · 68% of colleagues availing of Smart Working options · Launch of Sustainability Strategy

As we look to the future with a refreshed set of Strategic Priorities, we reflect in more detail on some of our strategic achievements in 2022.

2022 Strategy Achievements – Customer

We build a deep understanding of our customers with defined strategies for key segments. We develop sustainable propositions which meet our customers' needs, supported by fair and transparent pricing. We continuously seek to reinforce our position with our customers as a recognised and trustworthy brand.

113k
New Current Accounts, a 217% increase YoY

Green Mortgage Product Launched in April 2022, accounting for c.20% of total mortgage drawdowns in 2022.
The first in a suite of sustainable products & propositions

€2.6Bn Mortgage Drawdowns
(+40% YoY)

Winner of 'Best Mortgage for First-Time Buyers' and 'Best Current Account' awards
at the Bonkers.ie National Consumer Awards 2022

Participating Bank in the government-backed 'First Home Scheme'
A shared equity scheme aiming to bridge an affordability gap by providing first time buyers with part of the purchase price of their home, in return for a minority equity stake

3-year, €1Bn loan fund for SMEs
Launched in January

Online Switching Hub launched
to better support customers seeking a move to Permanent TSB

2022 Strategy Achievements – Profitability

We manage our assets and sustainable capital base in a way which protects and generates value for the Bank and our shareholders. We embed a cost-aware culture at all levels of the organisation, eliminating wastage where we see it.

Ulster Bank Transaction
Permanent TSB shareholders and the Competition and Consumer Protection Commission provide Approval for **PTSB acquisition of certain elements of the Ulster Bank Retail, SME and Asset Finance Business** in the Republic of Ireland

Underlying Profit for the year of €45m,
increasing from €17m in 2021

Net Fees & Commission income of €42m,
a 20% increase YoY

€5.2Bn Mortgage Assets representing 56k residential mortgage customers,
successfully migrated from Ulster Bank to PTSB in November

Winners of 'Best Procurement External Collaboration Project' & 'Best Procurement Transformation Project' awards
at the 2022 National Procurement Awards

NPL Ratio of 3.3% at YE 2022
Reduced from 5.5% versus the same period in 2021

2022 Strategy Achievements – Digital

We provide capabilities and propositions for our customers which combine digital with a human touch. We have a robust digital platform, and continue to focus on renovating and integrating existing systems. Enhanced analytical capabilities support improved customer engagement and generate customer-focused insights.

New Scalable & Resilient Digital Servicing Platform launched for customers with corresponding Mobile Application to follow in H1 2023

47% of new Current Accounts opened Digitally, and 94% of Term Lending Applications completed Digitally

SME Online Current Account application introduced

c.683,000 active users of Open24 Web and App, +20% on 2021

c.138 million logins on both Open24 Web and App, +18% on 2021

'Innovative Banking Product Award' winner for our Digital Current Account at the 2022 FS Awards

2022 Strategy Achievements – Simplification

We drive end-to-end automation in order to: reduce manual risk; generate resource and capacity efficiencies; and, improve overall customer and colleague experience. We continuously adapt and improve our internal processes and customer journeys.

1.4m fewer paper statements issued annually with launch of e-Statements for Credit Card customers

Launched a streamlined **digital application process for Credit Cards and Overdrafts**

113% growth in Robotic Process Automation outputs from existing processes

Rollout and Embedding of a new **internal Change Management Model**

c.30% efficiency improvement through enhancements to formal switching process

2022 Strategy Achievements – Culture

We inspire a customer-centric, open, inclusive, risk integrated, growth culture, where diversity is encouraged and celebrated. We empower all colleagues to develop as leaders, fostering a mind-set of in all teams. We recognise and embrace the role we play in the community at accountability and risk awareness both a local and national level.

Announced **Title Sponsorship of Team Ireland** for the 2024 Olympics and Paralympics

Over 1300 Nominations received for our Annual 'Values In Practice' (VIP) Awards

Winner of 'Best Community or Charity Engagement' award for the PTSB Community Fund at the Bonkers.ie National Consumer Awards 2022

~110 former Ulster Bank colleagues joined our team in Q4 with a further ~230 to follow in H1 2023

Launch of Permanent TSB Archive and heritage website to celebrate and reflect on over 200 years of banking history in Ireland

68% of colleagues availing of Smarter Working arrangements...
...Our approach was recognised at the 2022 CIPD HR Awards, with PTSB winning the 'Best Hybrid and Flexible Workplace' Award

Looking Ahead – Our Business Model and Strategy 2023-25

Permanent TSB is a full-service Retail and SME bank, operating in the Republic of Ireland. We provide our customers with a digitally-led experience supported by a nationwide branch footprint, helping our customers in person when they need our sales support. We offer the right products and propositions, at the right price, with strong market share in our target segments.

2022 has been a transformational year for Permanent TSB, primarily due to the approval and commencement of acquisition of certain elements of the Ulster Bank Retail, SME and Asset Finance Business. The completion of the acquisition in 2023 will mark the beginning of a new phase in the Bank's 200+ year history in Ireland.

As a result of the acquisition, and to ensure that we embrace the opportunities afforded to us by both our own organic growth success to date, as well as the broader exit of Ulster Bank and KBC from the Irish Retail Banking sector, we refreshed our Strategic Priorities in Q4 2022. Our Purpose, Ambition and Values remain unchanged.

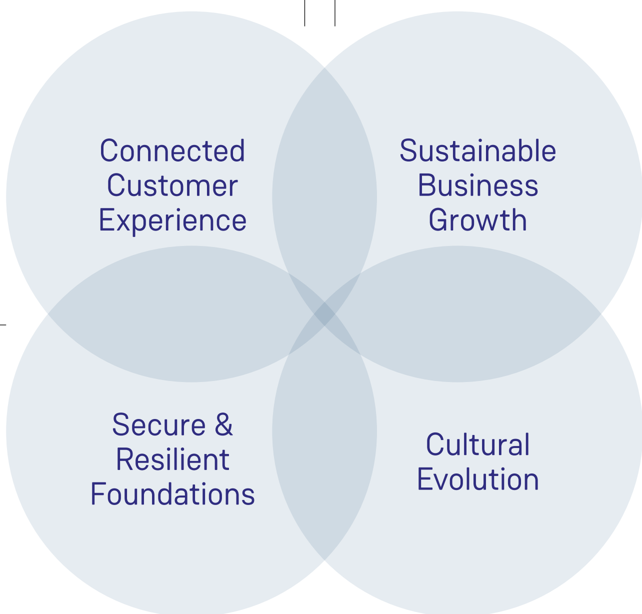
Our Strategic Priorities 2023-25

Target Outcomes

- Our Customers are at the heart of everything we do. We offer them the products and services they need, when they need them.
- Our services are digitally enabled with a human touch.
- We are recognised by our customers as the best Personal and Small Business bank, as measured through NPS and Trust scores.

Target Outcomes

- We have sustainable business practices and are committed to real reduction of our carbon footprint.
- We accelerate and enhance our customer propositions through partnerships.
- Data is used to create insights and to drive our decision making.
- We deliver consistent returns for our shareholders by delivering an exceptional customer experience.



Target Outcomes

- We have a robust, secure and resilient operating environment that protects our customers and colleagues.
- A Continuous improvement and nimble approach to change allows us to adapt and learn.
- Internal and customer journey processes are automated and simplified to the benefit of customers and colleagues.

Target Outcomes

- Our culture is open, diverse & inclusive, risk integrated, customer and growth focused.
- Modern skillsets are forged and developed internally.
- We have a technology enabled workplace which helps colleagues better meet the needs of customers.

Our Culture – Bringing the Lived Experience to Life

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

At Permanent TSB, every action we take matters in delivering for our customers and our communities. Organisational culture is the expression of our daily behaviour, demonstrated through our actions and our words. Regardless of the capacity in which our colleagues work on behalf of Permanent TSB, it is about how each person shows up and commits, each day, every day, irrespective of their role or function.

Our culture is made up of our Purpose, Ambition and Values. Our Values are articulated through behaviour articles. Our Values are lived through our behaviours and the way colleagues work together, with our customers and our community. It is how we handle day-to-day operations, our everyday communication and tasks that create the PTSB atmosphere.

Our culture is dependent on the actions of every single person in Permanent TSB; from the senior team to our most recent joiners. What we do – and how we do it – really matters. Our actions make us a sustainable organisation, safeguard us for the future, and help develop and maintain trust between each other and with our customers. Culture does not stay static; it evolves and it changes through thousands of small daily interactions. It is a living thing, and it is something for which every single one of us at Permanent TSB is accountable.

2022 represented a landmark moment in the history of the Bank, as we started to welcome hundreds of new colleagues and thousands of new customers through the acquisition of various elements of Ulster Bank. From the outset, the cultural migration strategy for this once in a generation opportunity, was to integrate our new colleagues into the Bank, and create a 'One PTSB' ethos as we move forward together to deliver on our Purpose and Ambition. The overarching principle of our approach was to, and will continue to be, to live our Purpose, by working hard every day to build trust with our new colleagues and customers. The design of our culture approach focused on creating alignment and being open to new ideas and ways of working; listening to understand what differentiates and unites us, and bringing the best elements of both organisations, as we move forward together.

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.

Everything we are doing to improve our culture comes down to one simple goal – Creating Psychological Safety. Psychological safety is a belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns or mistakes. By building a Bank where you can be yourself, where you can be at your best, where your contribution is encouraged and valued, and where you are welcomed, respected, recognised and supported, we will consistently deliver ethical decision making, fair customer outcomes and risk integration and management in everything that we do.

At the heart of our culture is our Purpose and our Values.	Our Purpose is to work hard every day to build trust with our customers, and this trust is earned by how each of us live our Values each day, every day. The more we consistently live our Values through our behaviours, the further we progress in building trust with our customers.
We are building a culture of trust.	A culture where we work hard to live our Values every day through our actions and our words. Trust is the foundation of all relationships. Real and genuine trust is the single most important element of any relationship, personal or professional. It is our 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.
We want to make our culture simple and clear to understand.	We launched Our Culture Charter across the organisation as our guiding compass. It brings together the core elements which make up our culture, what we want our culture to be, as well as the 12 culture enablers which will support our journey. We have distilled the message down to a single page so that regardless of function or role, every colleague has the same understanding of our culture, and how they can help build a Permanent TSB for everyone.

2022 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 sustained, and to achieve our cultural ambition to have a customer-centric, open, inclusive, risk integrated, growth culture characterised by integrity, innovation and accountability.

We are making improvements to our culture:

Our Purpose and Values continue to resonate with colleagues	· Over 90.5% of colleagues tell us that they understand our Purpose and Values.
We have improved our culture Index	· It is 80% (+9%); however we have inconsistencies by function that must be addressed (Source: Every Voice Counts 2022).
Gender Pay Gap	· Permanent TSB reported a Gender Pay Gap (GPG) of 17.5%, December 2022 (re. June 2022 Data). Year-end Permanent TSB continues to make progress reporting a 1% improvement in GPG to 16.5% (December2022). Permanent TSB has set out a suite of initiatives to improve GPG, including an ambition to achieve 50:50 Male, Female participation at Senior Leadership levels and above by 2025
We have been awarded the Silver accreditation from the Irish Centre for Diversity.	· Building on our maturity status of Awareness in 2020 (assessed by an external independent third party), we were awarded the Silver accreditation from the Irish Centre for Diversity in 2022. We continue to make progress towards becoming a more inclusive organisation with an ambition to achieve the highest standards of accreditation "Gold Investors in Diversity" within the life of the DEI Strategy 23 - 25.
We have increased Trust in our Bank	· 81% of colleagues Trust PTSB to do the right thing (up 15%) (Source: Every Voice Counts 2022). · We won the CIPD Award for Best Flexible and Hybrid Workplace.

Our colleagues have told us that our Purpose and Values resonate strongly with them (90.5% of colleagues understand our Purpose and Values [EVC 2022]). Colleagues understand their role and want to serve customers, and they believe that the leadership team is moving the Bank in the right direction.

Making Permanent TSB a Place for Everyone

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 colleagues can safely be themselves, their best selves. An environment where colleagues are respected, heard, valued and recognised for their contribution. A psychologically safe environment, where colleagues feel safe to speak freely without fear of negative consequences and where diverse thinking leads to constructive debate. 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 want to create an open and inclusive environment where colleagues are able to relate to, and connect with, customers and each other in a meaningful way, with innovation, responsiveness and reassurance at the core of our positive impact.

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

We have continued to focus 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.

We have 12 cultural enablers which help shape and guide our cultural journey, and include:

Living as Leaders - Join the Conversation

2022 marked the third year of our partnership with LIFT Ireland (Leading Ireland's Future Together). Our Living as Leaders Programme is designed to support colleagues in role-modelling our Values through their actions and words aligned to our Purpose and Values. Since we launched the Living as Leaders Roundtables in 2020, over 1600 colleagues 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 culture enabling initiatives, and is included in our Induction Programme for all new joiners.

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.

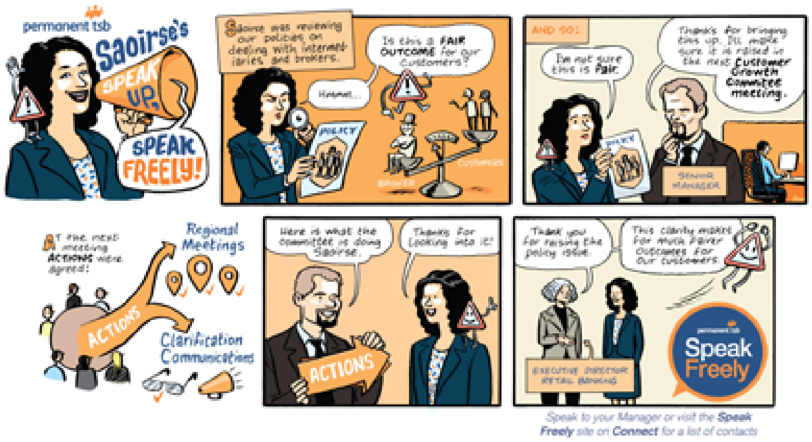
We are further expanding on our partnership with LIFT Ireland to become one of five sponsors of their 'Changing Futures for the Better – Schools Initiative' for the next three years. LIFT are already active in one third of Ireland's secondary schools (over 230) where students and teachers have adopted the LIFT Ireland Programme, and the programme will see this presence grow to 700 schools nationally (over 370,000 students across Ireland every year).

"The standard and quality of Leadership, true leadership at every level, is fundamental to navigating all of us and our business to a better place. Leadership isn't about a title, the level you are at, length of service or the size of the office, Leadership is the creation of positive energy to bring about an outcome that otherwise would not have happened".

Ger Mitchell
Chief Human Resources and Corporate Development Director

"Permanent TSB has been a proud partner of LIFT Ireland since 2020. Trust is at the heart of our purpose, which is to work hard every day to build trust with our customers. This trust is earned by every decision and action we take. This is demonstrated by how our colleagues live our Values each day, every day. We believe that the more we consistently live our Values through our behaviours, the further we will progress in building trust with our customers as the Permanent TSB community serving the community. Colleagues from every function, and all levels across the Bank, participate in LIFT roundtables, reflecting on our behaviour which help us to consistently role-model our Values through our actions and words by living as leaders every day."

Eamonn Crowley, CEO



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 progress in creating this culture is measured through our Every Voice Counts (EVC) Survey and our Micropulse survey which ask the question "where I work, people can share their opinion without fear of negative consequences", which showed a 9.3% Year on Year increase in our EVC scoring to 76.4% and 11% increase in our Micropulse scoring from 2021 to 2022. In addition we monitor the usage of the Speak Freely procedure and include this in our KRI reporting, which particularly focuses on a key indicator of trust – that colleagues feel confident to raise concerns in a non-anonymised manner.

Our Speak Freely Procedure protects colleagues who wish to raise a concern or to make a protected disclosure, relating to 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. In 2022 we also updated our Speak Freely Procedure and Protected Disclosures procedure to ensure compliance with the new Protected Disclosure (Amendment) Act 2022. 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 2022 we delivered a number of initiatives to further educate, track and highlight examples of speaking up, including:

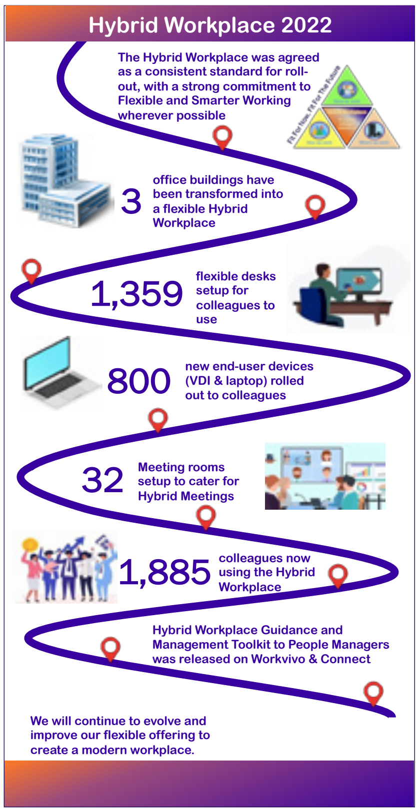
- **Training People Managers and Speak Freely Champions** on Speak Freely and Protected Disclosure procedures, and colleague conduct.
- **Completion of Colleague Conduct Training** by all colleagues which included further awareness and focus on Speak Freely.
- **Embedding of the Irish Banking Culture 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 acting on feedback from the bank-wide Every Voce Counts and 'Speak Freely' Micro-Pulse survey and subsequent focus groups.

Ways of Working (Hybrid Flexible Working)

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.

Through our Flexible and Hybrid Working programme, we sought to create a reimagined, customer-centric Permanent TSB work environment which fits our strategic design criteria across the areas of Organisational Design, Property, Technology and New Ways of Working. Our Smart Working Framework includes a range of options available such as: reduced hours; job sharing; compressed hours; sabbaticals and career breaks; home working or working from an alternative office location.

Over 68% of colleagues have opted for Smarter Working in the Bank. To support smarter working, we have rolled out a number of initiatives to enable adoption including Infographics, Team Commitment Charters, Collaboration Zones, Colleague Kit Personas and Kits, new Ways of Learning, a No Meeting Slot and Working Abroad proposals.



Throughout 2022 we have continued to evolve our Flexible & Hybrid Workplace to a work environment that is fit for now, and fit for the future, enabling improved flexibility and choice for a great colleague experience. There are three dimensions of the Flexible & Hybrid Workplace that we consider, cohesively integrate, coherently communicate and consistently monitor through adoption and embedding: Physical Dimension [Where we work], Digital Dimension [Tools for work] and Behavioural Dimension [How we work].

Whilst we are enabling the Flexible & Hybrid Workplace in 2022, this is only the start of the journey for the Bank. The Workplace Value Proposition demonstrates the importance to the workforce, and the Bank as a whole, in continuing to invest in our flexible work environment, with the aim that colleagues will have the best experiences at work, and perform to the best they can, both individually and collectively as a team.

In recognition of our 'Flexible & Hybrid Workplace' programme, Permanent TSB won the prestigious CIPD Award for Best Flexible and Hybrid Workplace in 2022. We have continued this journey of empowerment and embedding of our ways of working through ongoing education and awareness through induction training, people manager toolkits and Hybrid workplace training.

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 we are fostering a culture of recognition, enabling colleagues to recognise each other from across the organisation who are living the Bank's Values and are making a positive impact to our business, our customers and our community. We have two different 'Values In Practice' or 'VIP' recognition programmes available to celebrate the great examples of colleagues living our Values in work and in our communities; 1) Annual VIP Awards (which enables colleagues to recognise the outstanding contribution of individuals during a fixed nomination period), and 2) VIP Every Day Recognition (which is available all year around enabling colleagues to say thank you every day. With over 1,300 nominations received, 2022 marked the highest level of recognition to date since the Value In Practice (VIPs) Annual Awards were launched five years ago. 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. There have been 1,434 VIP Everyday's sent in 2022, which have been received by over 950 colleagues.

The Irish Banking Culture Board (IBCB)

The IBCB is an independent industry initiative, established in 2018 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. 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 2022, the Bank has continued to support the IBCB's programme of work, including colleague participation in focus groups for the Pride in Banking Report. Permanent TSB has further supported the roll-out of the IBCB's DECiDE (Ethical Decision Making) framework, as part of our Code of Ethics. The DECiDE framework acts as a practical guide and tool for colleagues, regardless of level, when making difficult decisions on a day to day basis. We have developed and launched a Permanent TSB DECiDE video to support colleagues in a better understanding of the DECiDE framework and how it can be used to help them navigate their way through difficult decisions.

In September 2022, the IBCB launched the Pride in Banking Report. Pride was raised as a key area of focus following the 2021 IBCB éist staff survey, which highlighted that staff have a lower sense of pride working in banking (57% across the sector, compared with PTSB which scored 68%), when compared to the global financial services benchmark (- 16% points). The Pride in Banking report focused on staff's ability to feel 'Proud to Work in Banking' and found that bank staff must be able to feel proud of the work that they do and of their industry. The report also highlighted that whilst it is important that the industry is learning lessons from the mistakes of the past, it is also crucial that there is a more balanced discourse on an industry that has changed significantly in recent years, and which is integral to economic success.

Permanent TSB has led out on sharing of best practice with other member banks on initiatives including speaking up and colleague recognition. We look forward to continuing our work with the IBCB in 2023 and beyond, as we work hard to re-build trust in the banking sector together.

Culture in 2023 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 2023, to support the delivery of our Purpose and our Ambition by creating an Open, Inclusive, Risk Integrated, Growth Culture, one that is characterised by accountability, innovation and integrity.

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, Equity and 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 to the highest standards of accreditation with the Irish Centre for Diversity within the life of the Diversity, Equity and Inclusion Strategy 23 - 25.
- Smart Working Framework: Embracing a flexible and modern 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.
- Risk Integration: Promoting risk culture & integration to ensure fair customer outcomes across the Bank, by providing colleagues with the right supports and tools, and incorporating risk integration 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): Leveraging our new internal communications platform, WorkVivo, to connect with our colleagues on key messages. We will continue to embed Our 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.
- Cultural Integration: Stimulating our Culture with the best of all acquired businesses "ways of doing things" in evolving our culture to deliver on our ambition.

Making a positive and lasting impact in our customer's lives has been at the core of Permanent TSB throughout our over 200 year history. 2023 will mark another milestone in our journey as we collectively work hard every day to build trust with our customers. To build trust we are committed to being relevant and to demonstrate significant cultural change for our customers, colleagues and community.

We are making improvements to our culture. We are doing a lot, and have more to do to ensure that every colleague has a consistent culture experience regardless of their role, function, location or way of working. We are committed to improving our culture by embracing enablers & over-coming blockers. In order for us to have the culture we want, we need to build it together, step by step, with Trust and Psychological Safety at the core.

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

Our Commitment To Building A Sustainable Business

> 'Sustainability is about more than just being green. For us, it is about doing everything we can to support our customers, colleagues and communities, while ensuring that we conduct and manage all areas of our business in a responsible way.'

Eamonn Crowley, Chief Executive

Our Impact In Action

A Board approved Sustainability Strategy aligned to the Sustainable Development Goals (SDGs)

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

83% reduction in scope 1 and 2 carbon emission intensity, a cumulative reduction since 2009

- An increased focus on Climate Risk Management with the development of a Climate-Related and Environmental Risk Action Plan
- Signature to the 'Low Carbon Pledge', committing to setting science-based carbon emission reduction targets (SBT's) by 2024
- Disclosure of our carbon impact across Scope 1, 2 & 3
- Launch of the Bank's Green Mortgage*, with c.€500 million in green lending drawn down during 2022
- A CDP rating of C, indicating an awareness level of engagement
- Founding member of the International Sustainable Finance Centre of Excellence
- A Sustainability Committee and a Permanent TSB Green Team

c.€600,000 in financial contributions to Irish community organisations in 2022

Accreditation to the 'Business Working Responsibly Mark'

A commitment to growing our branch footprint by 30% to 98 locations nationwide

- €250,000 donated to UNICEF Ireland and the Irish Red Cross to support the Ukrainian relief efforts
- 7,000 financial reviews completed last year, supporting customers in taking control of their financial future
- A partnership with DCU Access Programme
- A 6-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
- Announcement of the Bank's Title Sponsorship of the Irish Olympic Team and the Irish Paralympic Team for Paris 2024
- Winner – Best Community or Charity Engagement for the Permanent TSB Community Fund, Bonkers National Consumer Awards, 2022

Our Impact In Action (continued)

42% Board Gender Composition

38% of Senior Leadership Positions are filled by Women

89% of employees feel comfortable to be themselves at work regardless of background or life experiences

- Winner – Best Flexible and Hybrid Workplace, CIPD Awards, 2022
- 2.6 training days delivered per employee last year, with more than c.458 employees enrolled in banking education programming Partnered with LIFT Ireland to deliver 'Living as Leaders' to more than 1600 colleagues, bringing our Values to life
- c.1,300 nominations to our Values In Practice (VIP) Awards, the Bank's colleague recognition programme
- A Diversity and Inclusion Strategy supported by 4 Employee Resource Groups – LiveWell, PRISM, DiCE and Better Balance
- 80% Culture Index Score
- 16.5% Gender Pay Gap

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

€150 million investment in technology infrastructure and digital services over the last number of years

- +10 Relationship Net Promoter Score** (RNPS), placing Permanent TSB in third position among the retail banks in Ireland
- A focus on €1 billion in SME lending over the next three years
- Broadening our Business Banking offering through 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, with a further €25 million investment in the 25 branch locations that the Bank acquired as part of the Ulster Bank transaction.
- A Digital Current Account and Digital Mortgage Application Journey
- A focus on cyber security and data protection with training delivered to all colleagues

* A 5-Year Fixed Product available to all new and existing home loan customers where their homes have a confirmed or proposed Building Energy Rating of A1 to B3.
** 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.

Increasing Our Focus On Sustainability

The global climate crisis 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 just in the financial services industry, but more broadly across other sectors. The conversation is only getting started. 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.

Sustainability is about more than just being green. For us, it is about doing everything we can to support our customers, colleagues and communities, while ensuring that we conduct and manage all areas of our business in a responsible way.

Of course, we can only do that if we are focused on the right things. As part of the development of our Sustainability Strategy, we engaged stakeholders to complete 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

Engaging with our Stakeholders Through a Materiality Assessment

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 engaged our stakeholders to conduct an exercise in materiality. The assessment was undertaken by an independent third party to ensure complete confidentiality and 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

Phase 2 - Assessing Stakeholder Engagement Needs

Phase 3 - Identifying Materiality

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.

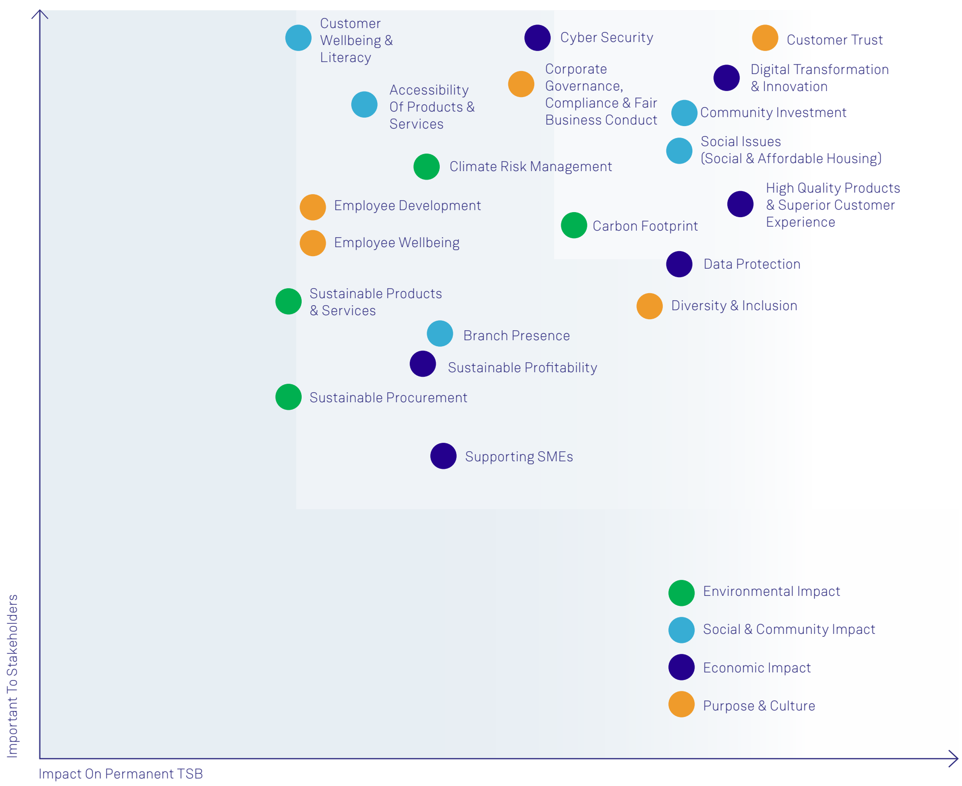
Using the longlist of topics, our stakeholders were asked for their perspectives on what they felt were the most important issues that the Bank should be considering. Stakeholders were also invited to put forward any topics that may have not been represented on the list in order for us to capture a holistic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

Permanent TSB's Materiality Matrix

The findings of the materiality assessment 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 Our Customers & 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

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 during 2022.

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; and, taking action to reduce our own environmental footprint, while continuing to disclose transparently.

Impact In Action:

An increased focus on Sustainability and Climate Risk, with the introduction of a Sustainability Strategy for the Bank and the development of a Climate-Related and Environmental Risk Action Plan

A Sustainability Committee and a Permanent TSB Green Team

A CDP rating of C, indicating an awareness level of engagement

Committing to setting **science-based carbon emission reduction targets** (SBTs) by 2024

83% reduction in Scope 1 and 2 carbon emission intensity, a cumulative reduction since 2009)

Launching the Bank's Green Mortgage, with c.€500 million in green lending drawn down during 2022

International Sustainable Finance Centre Of Excellence

In 2022, Permanent TSB was pleased to announce our founding membership to the International Sustainable Finance Centre of Excellence, a key output of Ireland's Sustainable Finance Roadmap.

Headquartered in Dublin, the new Centre will be focused on the practical acceleration of the sustainable finance agenda at a policy, regulatory and market level.

Fully aligned with the 'Ireland for Finance Strategy'; the Irish Climate Action Plan; and, the EU's Renewed Sustainable Finance Strategy it will lead on research, talent development and leadership activities to support the design and implementation of innovative financial solutions to facilitate the transition to a net-zero economy in Ireland, and internationally.

In addition, the Centre will play a critical role in delivering the Sustainable Finance Roadmap – which was co-created by Sustainable Finance Ireland, the UN-convened FC4S and Skillnet Ireland, in collaboration with key stakeholders, including Permanent TSB – and the Ireland for Finance Strategy which aims to position Ireland as a global centre of sustainable finance by 2025.

We know that collaboration amongst the financial services sector will be critical for success, as we continue to navigate this next, and very important chapter. The Centre will provides an opportunity for member organisations to work together collaboratively to develop meaningful solutions that will deliver a lasting impact.

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 2022, including:

- Developing a Climate-Related and Environmental Risk (CR&E) Action Plan;
- Establishing a Climate Risk Framework;
- Introducing a Climate Risk Appetite Qualitative Statement within the Risk Appetite Statement;
- Developing a CR&E Risk Business Environment Analysis Report;
- Completing a Climate Risk Stress Testing analysis;
- Building CR&E Risk data requirements and completing work to understand the availability of data;
- Defining Climate Risk metrics to be considered for development;
- Integrating CR&E Risk into the Bank's Strategic Planning Process;
- Delivering CR&E Risk training to the Board and Senior Leadership Team;
- Launching the Bank's Green Mortgage to support stakeholders in navigating the green transition;
- Participating in CDP and achieving an C rating; and,
- Measuring and disclosing our carbon impact across Scope 1, 2 and 3.

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 under our CR&E Implementation Plan.

You can read more about our commitment to Climate Risk on page 71.

The Task Force On Climate-Related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) is a 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.

Permanent TSB is a proud member of the global TCFD network. We are required to report the TCFD disclosures in our annual report under LR14.3.27 of the Listing rules. We have elected to issue a separate TCFD report later this year as it is our first reporting period, meaning the TCFD disclosures are not included within this annual report.

Over the last number of months, the Bank worked to complete a TCFD gap analysis for the organisation, which has played a significant role in guiding and informing the disclosure. We will issue our first TCFD Report to the market during the first half of 2023 and plan to include it within our Annual Report as part of future disclosure cycles.

CDP

In 2022, 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.

We achieved a CDP rating of C during the 2022 disclosure cycle, indicating an awareness level of engagement. The awareness score measures the comprehensiveness of a company's evaluation of how environmental issues intersect with its business, and how its operations affect people and ecosystems.

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 though our annual reporting process, TCFD Report and as part of CDP each year.

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 2022. 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 2022 in % Content of Regulatory Metric:

As at 31 December 2022	%	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	23	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	12	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)	20,275	Total assets excluding exposures to sovereigns and trading book

Carbon Impact And The Transition To A Low Carbon Economy

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 Intergovernmental Panel on Climate Change's (IPCC) findings.

The first step to setting SBTs is understanding our carbon footprint. During 2022, we completed a comprehensive assessment of our emissions across scope 1, scope 2 and each of the 15 categories found within scope 3, including the Bank's financed emissions.

Our Carbon Footprint

A breakdown of our carbon impact across scope 1, 2 and 3 can be found below.

Emissions	tCO_2e
Scope 1 emissions	1,170
Scope 2 emissions (market based)	0
Scope 3 emissions	226,009
Total scope 1, 2 and 3 emissions (using market based emissions factors)	**227,179**

Scope 3 emissions	tCO_2e
Purchased goods and services	45,483
Capital goods	16,243
Fleet	86
Transport and distribution	5,123
Electricity transmissions and distribution losses	1,269
Water	14
Waste	8
Staff commuting and homeworking	3,934
Business travel	60
Investments (Mortgage portfolio)	154,024

Carbon intensity metrics	tCO_2e
Scope 1 and 2 tCO_2e per FTE	0.5
Investments tCO_2e per €m	7.6

All data is for the full year to 31 December 2022

Scope 1 and 2

In 2018 the Bank signed the Low Carbon Pledge, committing to reduce our scope 1 and 2 carbon emission intensity by 50% by 2030. We reset our target during 2021, aiming to reduce our scope 1 and 2 carbon emission intensity by 60% by 2024.

We have made progress in reducing our scope 1 and 2 carbon emission intensity through the use of 100% renewable electricity by our electricity providers, efficiencies in energy use by the business through initiatives aimed at reducing our carbon footprint and the impacts of hybrid working with 68% of our organisation now availing of our smarter working options. Using a market-based assessment of electricity usage, these changes have resulted in an estimated 83% cumulative reduction in scope 1 and 2 carbon emission intensity since 2009, our baseline year for the Pledge.

Scope 3

During 2022, we completed a programme of work to understand the material emissions across our value chain. The findings have enabled us to establish a new carbon baseline for the organisation.

In order for us to understand our impact, purchased goods and services and capital goods emissions were based on applying emissions factors to spend data, using the UK Government's 2019 Environmental Reporting Guidelines for spend based emissions. We recognise that the accuracy of a spend based approach can vary, and as such, are committed to improving the accuracy of this figure through engaging with our large suppliers to source accurate data, where and when it may be available.

In relation to our investment-related emissions, we limited our calculations to the Bank's mortgage portfolio[1], given that it accounts for 98% of our Net Loan Book. In order to do this, emissions associated with properties were linked to the BER rating of the property. The Bank has a high confidence in the assigned BER for c.55% of properties. For the remaining c.45% of properties, we assigned a BER by extrapolating the same distribution pattern as present in the high confidence group. In addition, we estimated emissions per property based on the Sustainable Energy Authority of Ireland (SEAI) published data from 2014 having applied a corrective index. The approach reduced emissions by 9% from 2014 levels, but enabled us to account for the greening of the grid over the period in question.

It is important to note that our scope 3 financed emissions intensity will increase during 2023, as we consider the full-year impact of the €6.7 billion Residential Portfolio that the Bank acquired as part of the Ulster Bank transaction in the Republic of Ireland. In addition, 25 branch locations, the SME Portfolio and the Asset Finance business formed part of the wider acquisition, and will also need to be considered.

Reducing emissions across scope 3 is a long-term objective for the Bank that will require us to not only measure and reduce our own carbon footprint, but also work collaboratively with our suppliers and customers to encourage a transition towards a Net Zero world.

As we look to 2023 and beyond, we are focussed on:

- Using our carbon baseline to set SBTs aligned to the Paris Agreement and IPCC findings;
- Setting a Net Zero ambition over the longer term;
- Developing a corresponding Carbon Reduction Plan to help us to achieve our targets; and,
- Continuing to find ways to improve the quality of our data.

During the first half of 2023, we will issue our first TCFD Report to the market, which will include further detail on the calculation assumptions associated with our emissions.

Energy Usage

At Permanent TSB, we know that the use of energy is a significant contributor to our emission intensity.

With this in mind, in 2022 we took additional action to minimise the carbon impact of our operations, including:

1. We used the Partnership for Carbon Accounting Financials Standard to estimate mortgage portfolio emissions https://carbonaccountingfinancials.com/en/standard

- Changing our energy provider and selecting a supplier focussed on using 100% renewable energy;
- Approving a programme of work to replace our suite of boilers, chillers and associated pumps to new and more energy efficient options;
- Engaging Kyndryl, a technology infrastructure services provider, to support us in migrating our data centre to new and more efficient buildings. The migration is expected to reach completion during 2023 and will see the Bank improve the net energy efficiency of our data centres;
- Implementing LED lighting across our branch network as part of our ongoing branch refurbishment process;
- Celebrating Earth Hour, raising awareness and encouraging our colleagues to reduce their energy consumption both in the office and at home; and,
- Introducing colleague communication and awareness campaigns focussed on energy efficiency, led by the Permanent TSB Green Team.

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 to reduce our waste in 2022 include:

- Introducing new recycling and waste management stations across our Head Office building. The implementation included a multi-channel awareness campaign for colleagues designed to encourage a shift in mind-set and behaviour aligned to our Sustainability Strategy and waste management objectives;
- Introducing a market-leading Digital Current Account, eliminating c.85 pages of paper from our business for every application that comes through the online channel;
- Releasing a new Digital Mortgage Journey, eliminating c.250 pages of paper from our business for every application that comes through the online channel;
- Implementing online applications for Term Lending, Credit Cards and Overdrafts;
- 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.98,000 customer credit card accounts were registered for eStatements during 2022, resulting in an on-going reduction of paper by c.1.5 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 2022, we issued c. 1,000units of the Annual Report in hardcopy. The remaining copies were issued in digital form, saving more than 16million pages of paper;
- Launching a 'Think Before You Print Campaign' for colleagues to coincide with returning to work following Covid-19, aiming to save more than 7 million pages of paper;
- Celebrating Earth Day, raising awareness and encouraging both our internal and external stakeholders to reduce, reuse and recycle, both in the office and at home; and,
- Monitoring water consumption in all of our branch and administrative sites.

Waste Generation	2019 Tonnes	2020 Tonnes	2021 Tonnes	2022 Tonnes
General Waste (Recovered = Incinerated)	138	86	84	93
Recycling Waste	86	40	42	54
Recycled Confidential Shred Waste	280	218	191	229
Recycled Used Cooking Oil	1.8	1.0	0.9	0.9
Recycled Grease	2.9	2.8	3.0	3.2
Recycled Lamps	0.4	12.55*	0.2	22.3**

*LED Lighting upgrade completed in 2020
** LED Lighting upgrade to a selection of branches in our retail network

Sustainable Products And Services

The Bank recognises the role that business will need to play in supporting the targets set out in the Paris Agreement, including the role that financial services will play in supporting Ireland's Climate Action Plan and financing the private sector to navigate the green transition.

Our customer research has indicated that 64% of consumers are actively taking steps to be more sustainable, with 55% stating that sustainability is important to them when availing of a financial products and services. Sustainable Finance is a key area of focus within the Bank's Board approved Sustainability Strategy.

To support the above, in 2022 the Bank was proud to introduce our Green Mortgage to the market, a 5-Year fixed rate product available to all new and existing home loan customers where their homes have a confirmed or proposed Building Energy Rating of A1 to B3.

Since the launch of the Green Mortgage in April, c.€500 million in green lending was drawn down during 2022, accounting for c.20% of Mortgage lending.

The Green Mortgage is envisaged to be the first in a suite of Sustainable Finance Product offerings for Permanent TSB, with proposition development continuing on future products for both the Retail and SME sectors.

Strategic Banking Corporation of Ireland's Retrofit Loan Scheme

During 2022, the Bank completed the Invitation for Pre-Qualification into the Strategic Banking Corporation of Ireland's (SBCI) new Retrofit Loan Scheme aimed at supporting consumers and small landlords who wish to invest in the energy efficiency of a residential property. The Invitation for Pre-Qualification is the first stage in a two-stage process to identify potential On-Lenders interested in distributing the Scheme.

Under Ireland's Climate Action Plan, the Irish State set a target to upgrade 500,000 homes to a Building Energy Rating B2 level and the installation of 400,000 heat pumps in existing premises to replace fossil fuel heating systems.

To meet these targets, there is a requirement to develop a loan guarantee scheme to provide a competitive funding offer with State support to help increase the volume of retrofit activity. The guarantee-based product will offer both a degree of risk-sharing to lenders, and an additional leverage effect to mobilise private capital, which means that the funding is used in a more efficient way.

The Scheme of up to €600m will be part-funded by the Department of the Environment, Climate and Communication and the EU Recovery and Resilience Facility under Ireland's National Recovery and Resilience Plan, and will be backed by a counter guarantee provided by the European Investment Bank.

Teagasc Signpost Programme

Permanent TSB is focused on supporting our Business and Agriculture (Agri) customers in transition, with an added layer of focus on customers who need additional support to establish infrastructure for new climate friendly business models.

We are committed to:

- Developing lending products for Business and Agri customers that support sustainability goals and objectives and work with the SBCI to help develop market products to support;
- Partnering with agencies to provide Business and Agri customers with training, advice and tools to further their understanding of sustainability;
- Embedding the Teagasc Signpost Programme into our lending processes for Agri; and,
- Introducing specialised training to support the Agri sector with the help of Teagasc.

Permanent TSB is proud to work with the Teagasc Signpost programme, a multi-annual campaign to lead climate action by all Irish farmers.

The programme aims to achieve early progress in reducing gaseous emissions from Irish agriculture and also improve water quality, maintain (and in some cases) improve biodiversity, reduce costs and create more profitable and sustainable farming enterprises.

There are two elements to the programme; a network of Signpost Farms, including beef farms, which will act as demonstration farms for the programme and sites for carbon sequestration measurements; and the Signpost Advisory Campaign, which engages with farmers and supports them to move towards more sustainable farming systems.

Responsible Procurement

We continue to enhance our 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 and services from suppliers who can support the needs of our business in a sustainable manner. It sets out the ESG 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 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.

We are focussed on minimising our environmental impact from purchased services, while also working alongside our suppliers to find opportunities to procure goods in a sustainable way.

Following a gap analysis completed during 2021, examples of actions taken during 2022 include:

- Developing a Sustainable Procurement Framework and Sustainable Supplier Charter;
- Integrating and embedding sustainability criteria further into our procurement processes;
- Completing a gap analysis of our supply chain in order to limit our exposure and impact;
- Beginning to segment our suppliers based on mission criticality and potential risks to our service delivery; and,
- Assessing the carbon impact of our supply chain and disclosing emission intensity.

During 2022, Permanent TSB was proud to win awards for Best Procurement Transformation Project and Best Procurement External Collaboration Project at the National Procurement Awards, recognising the progress that we have made over the last year.

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

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: carbon impact and contributing to a low carbon economy; energy management; use of natural resources; biodiversity; and, waste management.

The Environmental Policy Statement is reviewed annually as part of a 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 100 retail and office 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 across the country is a demonstration of that purpose in action.

Impact In Action:

Growing our branch footprint by 30% to 98 locations nationwide

Announcement of the Bank's **Title Sponsorship of the Irish Olympic Team** and the Irish Paralympic Team for Paris 2024

c. €600,000 in financial contributions to Irish community organisations in 2022

c. €200,000 in charitable giving through the Permanent TSB Community Fund, which included matched funding by the Bank

c.€250,000 donated to UNICEF Ireland and the Irish Red Cross to support the Ukrainian relief efforts

Winner – Best Community or Charity Engagement for the Permanent TSB Community Fund, Bonkers National Consumer Awards, 2022

Growing Our Branch Footprint

In 2022, we committed to growing our retail footprint by an additional 30% through the acquisition of 25 new branch locations as part the Ulster Bank transaction in the Republic of Ireland. The additional 25 branch locations are based in communities where the Bank did not currently have a presence and became part of Permanent TSB's property portfolio in early 2023, bringing the Bank's overall branch footprint to 98 locations nationwide.

The Bank is committed to maintaining our branch presence in communities across Ireland. We recognise the importance of continuing to invest in digital transformation and innovation in order to provide our customers with a seamless digital experience online, but providing a personal, in-person service will remain at the heart of our customer service offering.

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 2022 we completed c.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.

Through our Vulnerable Customer Programme, in 2022 we continued to embed our programming, while also introducing additional measures in order to provide appropriate access and support to our customers. Actions taken include

- Participating in the development of the Banking and Payment Federation of Ireland's 'A Guide to Moving Banks for Customers in Vulnerable Circumstances', in order to support those most vulnerable in moving their banking relationship following as Ulster Bank and KBC exit the Irish Market;
- Developing Permanent TSB's Enhanced Customer Support Policy and Framework, which is due to launch in 2023;
- Mobilising an Enhanced Customer Support Team within the Bank's Customer Contact Centre, with a supporting dedicated phone line;
- Rolling out a Vulnerable Customer Appointment Booking Service through our Enhanced Customer Support Team;
- Introducing a dedicated webpage for customers requiring enhanced support, outlining the services available and providing detail in relation to how they can be accessed;
- Providing Enhanced Customer Support and Assisted Decision Making training for colleagues across the Bank;
- Delivering comprehensive grief training for our Bereavement Services colleagues, leveraging the Bank's Employee Assistance Programme;
- Raising awareness of domestic and financial abuse within a Women's Aid Training Pack which is available to both our customer facing and non-customer facing teams;

- Creating a dedicated webpage to support customers affected by the humanitarian crisis in Ukraine, which included a guide available in both English and Ukrainian;
- Introducing a dedicated phone line to support our Ukrainian customers in booking appointments; and,
- Refunding all transaction fees on SWIFT payments to Ukraine and Moldova.

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 branches are designed with accessibility in mind.

JAM Card

Permanent TSB is proud to support the 'Just A Minute' (JAM) Card initiative across each of our retail 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 2022, Permanent TSB was proud to continue our partnership with Dublin City University's (DCU) Access Scholarship Programme, which provides 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.

Since its establishment in 2019, the Programme has provided 245 summer internships for DCU students with 82 partner companies. In addition, it has received widespread recognition for its excellence and innovation, winning the prestigious international Times Higher Education Widening Participation or Outreach Initiative of the Year Award in 2022.

Title Sponsorship Of The Irish Olympic Team And Irish Paralympic Team

In March 2022, we were pleased to announce our title sponsorship of Team Ireland for the 2024 Games in Paris, becoming the first-ever title sponsor to partner with both the Irish Olympic Team and the Irish Paralympic Team during an Olympic and Paralympic cycle. The announcement also marked the first time that Paralympics Ireland has had a title sponsor.

As Ireland's leading personal and small business Bank, we value ambition, courage and excellence, three key factors in Irish high-performance sport and are proud to be able to support Irish athletes as they compete on the world stage.

As part of the partnership, we are delighted to be working alongside four world class athletes who will act as ambassadors for the Bank. These athletes include Olympic Champion Boxer Kellie Harrington, Olympic Badminton Player Nhat Nguyen, Paralympic Champion Sprinter Jason Smyth and Paralympic Powerlifter Britney Arendse.

The Olympic Federation Of Ireland's Dare To Believe Schools Programme

In addition to our title sponsorship of the Irish Olympic Team and the Irish Paralympic Team, Permanent TSB is also proud to be title sponsor of the Olympic Federation of Ireland's Dare to Believe Schools Programme.

Dare to Believe was originally launched in 2019 in order to bring the spirit of the Olympic Games to the primary school classroom and inspires young people across Ireland to dare to believe in themselves. Our community ethos is a key differentiator for Permanent TSB and like us, Dare to Believe is grounded in communities across the country.

In 2022, we were pleased to be able to support the Programme's expansion into secondary schools to help to further grow its impact.

Over the last year, Dare to Believe reached 704 primary and secondary schools, with the curriculum being delivered to more than 49,000 students in communities across the country.

Investing In Local Communities Through The Permanent TSB Community Fund

The Permanent TSB Community Fund was established 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 120,000 votes cast by the Irish public through both our website and mobile App, in 2022 the Bank was proud to announce Ronald McDonald House Charities Ireland, Aoibheann's Pink Tie, Cycle Against Suicide, The Down Syndrome Centre Cork, Down Syndrome Ireland and Western Alzheimer Foundation 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 Charity Table Quiz; Payroll Giving Campaign; Christmas Mega Raffle; and, the Dive For Donations – a fundraising skydive which saw 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.

Since its establishment in 2020, the Community Fund has contributed c.€1.5 million in funding to Irish community organisations, supporting local communities across the country.

In 2022, Permanent TSB was proud to win a Bonkers National Consumer Awards in the Best Community or Charity

Engagement Category for the work of the Permanent TSB Community Fund.

In addition, we were pleased to be shortlisted for a Chambers Ireland Sustainable Business Impact Award in the Community Programme Category for the Permanent TSB Community Fund, further recognising the impact that the Fund is having on communities across the country.

Supporting Social Issues Through Our Partnership With Social Entrepreneurs Ireland

In 2022, Permanent TSB entered into the sixth year of our partnership with Social Entrepreneurs Ireland (SEI), contributing €85,000 financial support 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 18 years, SEI has supported more than 500 social entrepreneurs and their programmes, invested €13 million in social projects, and provided extensive pro-bono expertise to entrepreneurs worth on average €500,000 per year.

During 2022, the Bank continued to work 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 title sponsorship of the Community Programme and continuing to offer pro-bono support and mentoring to the SEI community of Alumni, whereby we match the skills of our people with the organisations that need them most.

Addressing Affordable Housing Through Our Partnership with Ó Cualann Cohousing Alliance

In 2022, Permanent TSB entered into the third year of our partnership with Ó Cualann Cohousing Alliance continuing to support the agency's work developing fully integrated, co-operative and affordable housing schemes in communities across the country.

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.

As part of the three-year partnership, the Bank has provided €350,000 to Ó Cualann, which is being used to fund the resources required to accelerate its development plans with the aim of building more than 1,800 houses across Ireland.

The Ó Cualann Cohousing Alliance was founded in 2014 with the aim of providing fully integrated, co-operative, affordable housing in sustainable communities. The agency is committed to a zero carbon future and are involved in 3 post-occupancy energy use studies to ensure that homeowners are using their A -rated homes to the maximum potential. The three schemes (Amber, Esher and Autodan) are part of SEAI and Horizon 2020 research projects.

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 and manage relationships, and includes processes for completing effective due diligence at regular intervals. A Community Policy and an Employee Volunteering Policy are also in place to further guide and support programming.

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

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 customer-centric, inclusive and diverse, risk integrated, growth culture, where our colleagues feel engaged, valued and are given the support that they need to be the best they can be.

Impact In Action:

89% of employees feel comfortable to be themselves at work regardless of background or life experiences

80% Culture Index Score

38% of Senior Leadership Positions are filled by Women

2.6% training days delivered per employee in 2022, c.141 colleagues received an Institute of Banking (IOB) accreditation, with c.458 employees enrolled in banking education programming

More than 1300 nominations received to the 'Values in Practice' (VIP) Awards, the Bank's colleague recognition programme.

Winner of the CIPD Award for Best Flexible and Hybrid Workplace

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 2022, 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 Pride in Banking Research Project to continue to listen and act on feedback from our colleagues on culture within the Bank, and across the wider industry; 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 2022, please visit page 19.

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 2022, Permanent TSB were proud to partner with LIFT Ireland (Leading Ireland's Future Together) for the third 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.

During 2022, we were pleased to be shortlisted for a CIPD Award in the Sustainable Change Category for the Living as Leaders Programme. More than 1600 colleagues have taken part in Living as Leaders to date, with the programme set to continue into 2023.

For more on Living as Leaders, please visit page 17.

Ways Of Working (Hybrid Working)

In recent years, the Bank has embraced the introduction of smarter and more flexible ways of working for colleagues at all levels of the organisation.

In 2022, Permanent TSB continued embedding our Smarter Working Programme to enable optionality and more flexible ways of working for colleagues, while enhancing our tools and 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 Smarter Working Programme, Permanent TSB was proud to win the prestigious CIPD Award for Best Flexible and Hybrid Workplace during 2022.

In 2023, we will continue to assess and evolve our colleague offering, and corresponding policies, supports and technology, with a view to ensuring the work environment is fit for the future, enabling improved flexibility and choice for a greater colleague experience.

For more on Ways of Working, please visit page 18.

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 indicated a Culture Index of 80%, +10% above our Culture Index Target of 70%. A selection of our survey results include:

- 4 out of 5 employees trust Permanent TSB to do what is right;
- 3 out of 4 employees feel engaged in the company;
- 4 out of 5 employees are proud to work for Permanent TSB; and,
- 89% 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 2023.

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 2022 we continued to deliver 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, Hybrid Working 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.

For more on Every Voice Counts, please visit page 18.

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.

In 2022, we continued to support our colleagues with a diverse catalogue of training courses which offered the opportunity to develop their skills across a number of different areas including Leadership and Personal and Professional Development.

In addition, we were proud to participate in Ignite, a new learning initiative in partnership with the Institute of Banking and Skillnet Ireland, to further support the development of our people. Ignite offers our colleagues the opportunity to assess their existing skillset, while enabling them to learn and adopt new skills that will be critical to the future of banking.

High Performance Culture

The Bank's Performance Management Strategy is designed to cultivate a culture where employees are valued, developed and motivated to use their talent, empowered to bring their best selves to work and provided with regular coaching and open two-way feedback. Performance for each employee is evaluated under two core principles which are equally weighted:

- 'What You Do' in line with the Bank's Strategic Priorities; and,
- 'How You Do It' in line with the Bank's espoused Values and Culture.

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 the extent possible in the context of restrictions on variable pay – 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.

Permanent TSB is cognisant of the extent of the cost of living crisis and the impact that increases in energy, food and fuel prices are having for our colleagues and their families.

To help to alleviate the pressure, during 2022 the Bank provided colleagues €1,000 each in recognition of the current pressures they face. The payment was provided in the form of an One4All gift voucher, with colleagues being encouraged to use the voucher to support local businesses and suppliers within their community, where possible.

The benefit was a once off gesture to colleagues from Level 2 to Level 5 inclusive and aims to build on a number of initiatives that were delivered to support colleagues, including:

- A 6.5% 2-year pay deal for 2022 and 2023 inclusive;
- Increased entry-level salaries;
- Enhanced employer pension contribution rates; and,
- Extended paid maternity leave, the introduction of a Wellbeing day, and expansion of sick pay entitlements.

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 2022, more than 1,300 nominations were received with representation from all parts of the business. This marked the highest level of colleague recognition since the Awards were introduced five years ago.

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 2022, we continued to deliver our 'VIP Every Day' Programme, enabling colleagues to recognise each other's outstanding contribution all year long, and outside of our annual award cycle. Since the launch of 'VIP Every Day' in May 2021, more than 2,000 colleagues have been recognised for their contribution.

Diversity, Equity, 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 2022 include:

- Continuing to include our signature in 'Elevate', Business in the Community Ireland's Inclusive Workplace Pledge;
- Embedding our Smarter Working Framework with 68% of our colleagues now availing of Smarter Working Options;
- Participating in the Women in Finance Charter, committing to achieve gender balance at the leadership level by 2025;
- Launching the Better Balance Female Mentoring Programme, providing mentoring to 70 colleagues with support from 17 mentees at Senior Leadership level;
- Ongoing review of all internal training material, ensuring consideration for accessibility and representation;
- Introducing a Faith Room, Wellbeing Room and an All Gender Toilets facility in our Head Office location;
- Embedding supports for parents through 1:1 coaching and group sessions with our parental support partners;
- 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 for the second year in a row and in advance of the legislation;
- Being shortlisted for the Diversity, Equality & Inclusion Award at the 2022 FS Awards; and,
- Receiving a Silver accreditation from the Irish Centre for Diversity, recognising the progress made across Diversity and Inclusion.

In 2023, we will review and refresh our Diversity and Inclusion Strategy based on the principles of the Investors in Diversity Gold Accreditation as we seek to progress to the highest standards of accreditation with the Irish Centre for Diversity within the life of the Diversity, Equality and Inclusion Strategy 2023-2025.

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 four 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 aims to be the catalyst for change in achieving Gender Balance in Permanent TSB;
- **LiveWell** - LiveWell provides space, connection and support for colleagues to engage in areas of wellbeing important to them regardless of location; and,
- **DiCE (Diversity, Inclusion, Culture and Ethnicity)** – The Network promotes and celebrates people of all races, ethnicities, nationalities and cultural heritage.

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, Diwali, National Coming Out Day and Cultural Diversity Day, to name a few.

In addition, through the work of the ERGs we have identified opportunities to improve our brand visuals, address accessibility issues and broaden our understanding through introducing supports like our LGBTQ+ terminology document.

The Elevate Inclusive Workplace Pledge
In recent years, Permanent TSB has 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 Better Balance for 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 2022 Permanent TSB entered into year three of our 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 on Equal Pay Day – the date on which women in Ireland effectively stop earning, relative to men, because of the gender pay gap.

Entitled 'Why Care About Childcare?', the event explored how Ireland can learn from other countries to improve our childcare system and promote family-friendly work cultures. It featured guest speakers from business, sport, politics, the media and the arts who shared their experience and their vision of what childcare in Ireland should be.

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:

	2022
Total Headcount At Year End*	2,605

* excludes Non-Executive Directors (level 7)

Analysis By Type Of Contract	2020	2021	2022
Permanent	90%	94%	89%
Fixed Contract	10%	6%	11%

Gender Analysis	2020 Male	2020 Female	2021 Male	2021 Female	2022 Male	2022 Female
Total*	47%	53%	48%	52%	48%	52%
Senior Management**	63%	37%	64%	36%	62%	38%
Senior Management Direct Reports***	-	-	-	-	52%	48%
Part-Time/Job Sharers	12%	88%	9%	91%	11%	89%

*Excludes Non-Executive Directors (level 7)
**Senior Management are Level 0, Level 1 and Level 2
***Senior Management Direct Reports are Level 3 and Level 4

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 third year in a row, we are proud to publish our gender pay gap. 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.

As at December 2022, the Bank's gender pay gap sits at 16.5%, down 1% from our previously reported figure of 17.5% in our published 2022 Gender Pay Gap Report which was aligned to the legislative snapshot date of June 2022.

A core principle of Permanent TSB's approach to Pay and Reward is ensuring that that all employees, regardless of gender, age or social or ethnic background, are remunerated fairly and that no differentiation exists in the pay of any individual as a result of any of those factors.

The Bank's approach is founded on the provision of equal pay for all for equal work, or work of equal value as established with reference to individual market remuneration benchmarks determined with reference to gender-neutral job descriptions and role profiles and via the use of salary ranges.

This approach supports our efforts - through Recruitment, Selection, Talent Development Strategies and HR Policies and Processes - towards improving our gender balance at all levels of the organisation, with a particular focus on improving the representation of female colleagues at the Executive and Senior Leadership levels.

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:

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 an annual free flu vaccination programme in order to further safeguard the health, safety and wellbeing of our people.

LiveWell – Our Employee Resource Group On Wellbeing

The Bank has in place an Employee Resource Group (ERG) called LiveWell that includes representation from all areas of the business. Together, LiveWell focus on areas of employee wellbeing and support in the delivery of programming for our colleagues, including:

- Contributing to the Employee Resource Group Page on Workvivo, our employee communication application;
- Introducing a 'Get Ready, Get Set For Life' Campaign, supporting colleagues with advice on Mortgages, banking following a bereavement, Wills and Pensions;
- Mobilising Wellbeing Month in October, with a series of events and communications dealing with topics such as pension planning, bereavement, meditation, budgeting and more; and,
- Rolling out the 'At Your Own Pace Race Series' for a third year, a series of virtual running events that engaged our colleagues throughout Q4, while raising money for our Community Fund Partners.

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	Parental Supports (1:1 Career Coaching For Parents And People Managers And Supports For Parents And Carers Of Toddlers To Teenagers)
Cycle To Work Scheme	Menopause Supports For Colleagues And People Managers
Annual Travel Pass Scheme	Mental Health Training Addressing A Variety Of Themes
Employee Discount Scheme	A Range Of Health And Wellbeing Related Information Sessions
Holiday Fund	Lifestyle/Wellbeing Workshops
	Work Station Assessments (Both In Office And At Home)
	Education Support
	Paid Maternity And Paternity Leave
	MyLife App

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 FSU.

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.

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

Championing Our Customers & Creating A Bank That Is Fit For The Future

Impact In Action:

Relationship Net Promoter Score

A customer brand tracking survey carried out in December 2022 indicated a **Relationship Net Promoter Score* (RNPS) of +10**, maintaining our position on last year and placing Permanent TSB in 3rd position among the retail banks in Ireland

c.138 million logins on our digital channels in 2022

113,000 new Current Accounts and 43,000 new Deposit Accounts opened in 2022, a 47% and 85% increase, respectively, on the same period last year

47% of new Current Account openings are now taking place through the Bank's **award-winning Digital Current Account**

Enabling customers to move their banking relationship through putting supports in place to **offer guidance, convenience and support**

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

* 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.

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 Business Banking customers. We are committed to understanding our customers and delivering what matters most to them through every stage of their financial journey.

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 the Permanent TSB App.

Examples of our commitment to delivering high quality products and a superior customer experience include: the ongoing improvements delivered as a result of our Voice of the Customer Programme; the continued investment in digital transformation and innovation; a range of new supports to enable customers to move their banking relationship to Permanent TSB; and, broadening our service offering for our Business Banking customers through partnerships.

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

Our customers want the ability to interact with us at a time and place that works for them, and through the optimal channel.

In 2022, our customers continued to engage with us through digital channels:

- c.683,000 active users of Open24 Web and App, +20% on 2021
- c.138 million logins on both Open24 Web and App, +18% on 2021
- 52,984 Digital Current Accounts opened during 2022
- 94% of our Term Lending applications are now being completed online
- 113 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.

Through our Digital Transformation Programme, Permanent TSB has been on a journey to transform our business, committing €150 million in investment in technology infrastructure and digital services over the last number of years.

Significant progress was made during 2022 in enhancing our customers' digital offering. Actions taken include:

Digital Support For Our Customers

- Modernising our technology architecture, delivering greater resilience and capacity for future growth;
- Introducing our new Open24.ie Online Banking Platform, a new-look website that provides customers with a simpler, more modern experience, making everyday banking easier through more streamlined navigation;

- Further embedding our digital customer journeys, such as our award winning Digital Current Account and our Own A Home Digital Mortgage Application Journey;
- Introducing joint applications for our Digital Current Account;
- Enhancing our existing Digital Credit Card and Overdraft customer journeys to support new-to-Bank customers;
- Launching a new Digital Current Account application process for Business Banking customers; 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, enabling greater customer engagement;
- Continuing to enhance the technology in our Contact Centres to better support our customers;
- Ongoing introduction of digital workplace technology to support our colleagues as they continue to transition into our new hybrid working model; and,
- Introducing Workvivo, our new application based colleague communication tool, delivering more targeted colleague communications and encouraging two-way engagement.

These 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, the implementation of digital supports for our Business Banking customers.

Transforming Our Retail Network

At Permanent TSB, we believe that our branches are a vital part of our business model and that the key to safeguarding their future is to make them efficient. For us that's about delivering the innovative digital solutions that our customers are asking for, while also providing that 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 that allows us to accept cash and cheque lodgements across many branches in our network 24/7.

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, including a €25 million investment in the 25 branch locations that the Bank acquired as part of the Ulster Bank transaction in the Republic of Ireland. All 25 branch locations will maintain cash services, while being upgraded to include the latest in digital technology.

A Market-Leading Digital Current Account

In 2021, the Bank launched a market-leading, award winning Digital Current Account offering to the market, which facilitates a fast and easy account opening process in minutes via the Permanent TSB App. The release has proven successful, with 47% of new Current Accounts being opened via the App last year.

As well as being popular amongst our customers, the introduction of the Digital Current Account has also enabled the Bank to reduce its environmental footprint. Through the launch, we estimate that we eliminate c.85 pages of paper from our business for every application that comes through the online channel. In addition to the Digital Current Account, we have also introduced online applications for Term Lending, Credit Cards and Overdrafts, further reducing our reliance on paper.

We are now in the early stages of release for a new Digital Mortgage Journey, which will see us eliminate c.250 pages of paper for every digital application.

The Bank was proud to win Best Current Account at the Bonkers National Consumer Awards, as well as the Innovative Banking Product Award at the FS Awards, for our Digital Current Account opening process during 2022.

Extending Our Award Winning Cashback Mortgage

In 2022, the Bank was pleased to extend its award winning 2% & 2% Mortgage until 31 March 2024.

Launched in 2017, the proposition was the first of its kind in Ireland and enables customers to get 2% cashback at drawdown and 2% cashback on their monthly repayments until 2027, when they pay using their Explore Current Account.

Last year, the Bank was proud to be awarded the Best First Time Buyer Mortgage at the 2022 Bonkers.ie National Consumer Awards for the proposition, for the fourth year in a row.

Enabling Customers To Move Their Banking Relationship

We recognise that moving to a new bank is not easy. During 2022, Permanent TSB put a number of supports in place to offer guidance, convenience and support to customers in moving their banking relationship to us, following the exit of Ulster Bank and KBC from the Irish Market. The initiatives were delivered through a multichannel approach across both our digital channels and branch network, and included the following:

- Encouraging the use of our award winning Digital Current Account offering which facilitates a fast and easy account opening process;
- Opening a new Current Account Switching Hub in at our location on St. Stephen's Green in Dublin to facilitate appointments or walk-in customers who wish to open a new Current Account;
- Introducing mobile and pop-up locations in communities across the country;
- Increasing opening hours to include Saturday in selected locations;
- Participating in Ulster Bank's Provider Presence initiative, enabling Permanent TSB staff to work in more than 40 Ulster Bank branches to facilitate customers of that branch who need to switch;

- Creating a dedicated webpage (permanenttsb.ie/movingbankhub) to provide step-by-step guidance to customers looking to switch one or multiple products to Permanent TSB;
- Introducing a dedicated webpage (permanenttsb.ie/inyourcommunity/) to enable customers to learn where and when to find their nearest Permanent TSB Mobile Branch, Permanent TSB team member in an Ulster Bank Branch or Permanent TSB Digital On-Boarding Stand to support them in moving their banking relationship; and
- Releasing our multichannel Move Better marketing campaign across TV, Radio, Outdoor, Digital and Social Media channels.

Programming has proven successful, seeing the Bank open 113,000 new Current Accounts and 43,000 new Deposit Accounts, a 217% and 85% increase, respectively, on the same period last year.

Supporting Our Business Banking Customers

Permanent TSB's Business Banking Strategy is focused on partnering with our Business customers, not just in terms of supporting their banking needs, but through acting as trusted advisers to help them to manage and grow their business.

In 2022, 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 €37 million in funding drawn down during 2022.

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

- Launching a new Digital Current Account for Business Banking customers;
- Introducing a new Regional Business Banking Hub in our Patrick Street location in Cork, enabling us to continue to support our Business Banking customers as they work to grow their business;
- Continuing to collaborate with partners to enable us to broaden our service offering, including, Bibby Financial Services for invoice finance and Worldpay for merchant acquiring;
- Partnering with Sentenial to enhances the Bank's payment solutions;
- Renewing our partnership with Digital Business Ireland (DBI) for an addition two-year term, further supporting our Business Banking customers to migrate their business to online channels through the supports offered by DBI;
- Announcing our title sponsorship of the Digital Business Ireland National Digital Awards for the third year in a row;
- Supporting the Small Firms Association (SFA) National Business Manufacturing Category Award, encouraging excellence, achievement and innovation amongst small businesses of all sectors;
- Training and upskilling provided to our people, with a special focus on systems, processes, targeted sector lending and sustainability – which included the delivery of a bespoke training program in partnership with Teagasc to support responsible lending activity within the Agriculture sector; and,
- Ongoing recruitment of sector and market expertise within our Business Banking team.

In 2023, 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. This will include the introduction of a new Asset Finance Business as part the Ulster Bank transaction in the Republic of Ireland.

Digital Business Ireland

In 2022, we were proud to announce the renewal our partnership with Digital Business Ireland (DBI), Ireland's dedicated e-business representative body, for an additional two-year term.

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 8000 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.

Over the last year, we have built a strong partnership with DBI delivering supports for Irish Business, including:

- c.650 businesses received training on digital strategy which helped them to turbo-charge their online growth;
- 1000s of SMEs received advice and support, through collaboration with Digital Business Ireland affiliate membership bodies;
- Supporting Digital Business Ireland to deliver the inaugural Business Beyond Borders, a one day conference and expo for SMEs that wish to harness the power of digital business; and,
- More than 400 businesses entered the Digital Business Ireland National Digital Awards, proudly supported by Permanent TSB, with 21 winners and runners-up spotlighted across three categories; Website, Innovation and People.

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

Guaranteed Irish

In 2022, Permanent TSB was proud to partner with Guaranteed Irish to deliver the inaugural Guaranteed Irish Business Awards, celebrating businesses that support jobs, communities and provenance, while contributing to Ireland, its people, and its economy.

Since 1974, Guaranteed Irish has been a business membership networking champion in Ireland. Their network consists of over 2000 member businesses, employing over 120,000 people across the country and generating an annual combined Irish turnover of €13 billion.

Throughout our 200-year history, the Bank has been committed to delivering exceptional customer service and connecting with local communities. In 2021, we were proud to be the first Retail Bank to be awarded the Guaranteed Irish Symbol for our contribution to communities across the country.

We look forward to deepening our partnership with Guaranteed Irish through our support of the annual Business Awards, recognising the outstanding contribution of Irish business 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.

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 Management System.

In addition, to support our workforce 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 to all colleagues on an annual basis.

Data Protection

At Permanent TSB, building trust with customers is at the heart of our purpose. In today's digital era, data protection threat continues to evolve and 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).

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 Officer 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 89.

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 building 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 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 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, 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.

The DECiDE Framework communicated across all areas of the Bank and included an interactive animation which demonstrated to colleagues how the Framework can be used within every day decision making. At a more strategic level, the Bank also introduced the ‘Yes Checks’, which now form an integral part of decision making within the Bank’s Committees.

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 2022 on page 18.

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/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 (ESG) risks associated with its business activities and complying with all laws and regulations in the jurisdictions in which it operates. We manage our ESG 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 grow our programming through 2023 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 our Non-Financial Report.

Financial Review

The Group's financial performance in 2022 has been shaped primarily by the Ulster Bank Transaction, with the one off gain significantly bolstering the Group's capital base. This has been offset by a significant investment in managing the successful execution and migration of the business transfer during 2022, resulting in an overall profit after tax for the year of €223m.

Overall operating income has increased from the prior year. Rising ECB base rates has eliminated the negative yield on the Bank's excess liquidity position and has improved yields on the Bank's tracker mortgage book, resulting in higher net interest income. The impact of global inflationary pressures along with continued investment in our people and our digital offering has led to an increase in operating costs.

The Group continued to manage its capital and liquidity positions carefully during 2022, with an expected reduction in excess liquidity occurring on completion of the Ulster Bank Transaction in Quarter 4 2022. The liquidity and capital positions of the Group remain well above all minimum regulatory requirements, with transitional CET1 and total capital sitting at 16.2% and 22.3% respectively.

Asset quality has remained strong during 2022. The addition of c.€5.2bn of performing loans has brought the Group's NPL ratio to 3.3%. While the overall improvement in risk profile of the book has resulted in a write-back of impairment, the Group continues to monitor and manage carefully the impact of inflation on our customers and any future expected credit losses.

Overall, the outlook for the Banking sector is positive. As we continue to integrate the remaining elements of the Ulster Bank Transaction, the Group expects to deliver continued profitability in the medium term.

Ulster Bank Transaction

On 17 December 2021, the Bank entered into a legally binding agreement with NatWest Group Plc to acquire certain elements of the Ulster Bank Retail, SME and Asset Finance business in the Republic of Ireland. On 7 November 2022, the transaction was completed when €5.2bn of the Retail business assets and significant processes were acquired by the Bank thereby legally binding the Bank to acquire the remaining Retail, SME and Asset Financing assets. The Bank incurred costs of €97m on the transaction in 2022, of which €92m are recognised as exceptional costs in the income statement. This transaction is referenced throughout the book as the Ulster Bank transaction.

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 2022.

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;
- Gain on bargain purchase in respect of business combinations;
- Profit/loss on material deleveraging prior to 31 December 2021, 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 liquidations).

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 52.

Management has provided further information on IFRS and non-IFRS measures including their calculation in the Alternative Performance Measures (APM) section on pages 270 to 276.

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 2022 €m	Year ended 31 December 2021 €m
Net interest income	1	**362**	313
Net fees and commissions income	3	**42**	35
Net other income	4	**5**	13
Total operating income (excl. exceptional items and other non-recurring items)		**409**	361
Total operating expenses (excl. exceptional items and other non-recurring items, bank levy and other regulatory charges)*	5	**(344)**	(295)
Bank levy and other regulatory charges		**(51)**	(50)
Underlying profit before impairment**		**14**	16
Impairment write-back on loans and advances to customers	6	**31**	1
Underlying profit before exceptional and other non-recurring items		**45**	17
Exceptional items comprise:	7	**265**	(23)
Gain on bargain purchase		***362***	-
Costs incurred in relation to Ulster Bank transaction		***(92)***	*(28)*
Impairment write back arising from deleveraging of loans		***8***	*19*
Restructuring and other costs		***(13)***	*(14)*
Other non-recurring items comprise:	7	**(43)**	(15)
Impairment charge on Ulster Bank transaction		***(30)***	-
Impairment charge on deleveraging of loans post 2021		***(8)***	-
Other items relating to Ulster Bank transaction*		***(1)***	-
Charges in relation to legacy legal cases		***(4)***	*(15)*
Profit/(loss) before taxation		**267**	(21)
Taxation		**(44)**	1
Profit/(loss) for the year		**223**	(20)

* Expense offset by non-recurring income
** See table 8 on page 52 for a reconciliation of underlying profit to operating profit on an IFRS basis.

Management performance summary consolidated income statement - key highlights

- **Total operating income (excl exceptional items)** has increased by €48m during 2022 primarily due to:
  - **Net interest income** increased by €49m (16%) during 2022 to €362m. The increase is mainly driven by the Bank's excess liquidity reserve no longer attracting negative yields in 2022, the impact of increases in ECB interest rates on tracker book mortgages and increased income as a result of the migration of the Ulster Bank performing loan assets in the second half of the year. This is offset by increases in wholesale funding costs.
  - **Net fees and commission income** was €42m for the year ended 31 December 2022 compared to €35m at 31 December 2021. The increase is mainly due to growth in customer numbers and an increase in transactional activity.
  - **Net other income** was €5m for the year ended 31 December 2022 compared to €13m at 31 December 2021. Net other income primarily comprises accounting gains generated from sales of properties which were transferred as part of a historic voluntary surrender scheme.
- **Operating expenses (excl. exceptional items and other non-recurring items, bank levy and other regulatory charges)** are €344m for the year ended 31 December 2022 compared to €295m at 31 December 2021. The increase is driven by significant investment in digital and strategic projects in 2022, increased staff costs and increased amortisation of capitalised digital costs spent in previous years.
- **Underlying profit before impairment** has decreased by €2m since 31 December 2021. This is due to an increase in total operating expenses as investments in digital and strategic projects have increased.
- **Impairment write-back** is €31m on loans and advances to customers for the year ended 31 December 2022, compared to a write-back of €1m for the year ended 31 December 2021. This reflects the overall improvement in risk profile of the book whilst maintaining an appropriate level of provisions in light of high levels of inflation within the current economic environment.
- **Exceptional items** of €265m for the year ended 31 December 2022 comprises €362m relating to the gain of bargain purchase offset by €92m of costs – both of which are related to the Ulster Bank transaction, €8m relating to an impairment write-back arising from deleveraging of loans and €13m in restructuring charges relating to the Group's Enterprise Transformation Programme and costs arising in respect of a previous disposal of a business.
- **Other non-recurring items** amount to a charge of €43m for the year ended 31 December 2022. They comprise €30m relating to the day 1 impairment charge on Ulster Bank loans, €8m relating to an impairment charge arising from deleveraging of a loan portfolio during 2022, €1m relating to other costs on the Ulster Bank transaction and €4m in provisions relating to legacy legal cases.
- **Profit before tax** of €267m for the year ended 31 December 2022 compared with a loss before tax of €21m for the year ended 31 December 2021. This is primarily due to the net impact of the Ulster Bank transaction and an improvement in net interest income.

Net interest income	Net interest margin
€362m	**1.54%**

Table 1: Net Interest Income

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Interest income	**417**	354
Interest expense	**(55)**	(41)
Net interest income	**362**	313
Net interest margin (NIM)	**1.54%**	1.51%

Interest income

Interest income of €417m for the year ended 31 December 2022 increased by €63m (18%), compared to the prior year. This is mainly driven by the following:

- organic growth of the performing loan book with higher new lending than redemptions and repayments;
- increased income on loans linked to ECB marginal rate; and
- the migration of Ulster Bank performing mortgage loans in Q4 2022.

Interest expense

Interest expense increased by €14m to €55m for the year ended 31 December 2022, which reflects higher funding costs associated with the increase in ECB interest rates during the year.

Table 2: Average balance sheet

	Year ended 31 December 2022			Year ended 31 December 2021		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
	€m	€m	%	€m	€m	%
Interest-earning assets						
Loans and advances to customers	**15,099**	**387**	**2.56%**	14,258	346	2.43%
Debt securities and derivative assets	**2,849**	**15**	**0.53%**	2,533	7	0.28%
Loans and advances to banks	**5,521**	**15**	**0.27%**	-	-	-
Total average interest-earning assets	**23,469**	**417**	**1.79%**	16,791	353	2.10%
Negative interest earning assets						
Loans and advances to banks[1]	**-**	**-**	**-**	3,940	(14)	(0.36%)
Total average negative interest earning assets	**-**	**-**	**-**	3,940	(14)	(0.36%)
Interest earning assets	**23,469**	**417**	**1.79%**	20,731	339	1.64%
Interest-bearing liabilities						
Customer accounts	**20,171**	**11**	**0.05%**	18,606	14	0.08%
Debt securities in issue	**628**	**16**	**2.55%**	705	8	1.13%
Lease liabilities	**29**	**-**	**-**	31	-	-
Subordinated liabilities	**252**	**8**	**3.17%**	155	5	3.23%
Deposits by banks[2]	**1,377**	**20**	**1.45%**			
Total average interest bearing liabilities	**22,457**	**55**	**0.24%**	19,497	27	0.14%
Negative interest earning liabilities						
Deposits by banks	**-**	**-**	**-**	134	(1)	(0.75%)
Total average negative interest earning liabilities				134	(1)	(0.75%)
Interest-bearing liabilities	**22,457**	**55**	**0.24%**	19,631	26	0.13%
Total average equity attributable to owners	**1,885**			1,853		
Net Interest Margin	**1.54%**			1.51%		

* 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.

1 Loans and advances to banks was a negative interest-earning asset for 2021 and an interest-earning asset for 2022 (on an overall yearly basis)

2 Deposits by banks was a negative interest earning liability for 2021 and an interest bearing liability for 2022 (on an overall yearly basis)

Net interest margin

NIM increased by 3bps to 1.54% for the year ended 31 December 2022 compared to 1.51%% for the prior year. The NIM of the Group has grown due to an increase in interest rates along with an increase in new lending,

Interest income/average interest earning assets

- Interest income on loans and advances to customers increased by €41m due balance sheet growth, the pass-through of ECB rate increases to tracker mortgage customers and the addition of mortgages from Ulster Bank in Q4 2022.
- Interest income on debt securities and derivative assets increased by €8m due to lower yielding debt securities being replaced by higher yielding assets due to interest rate increases.
- Interest income on loans and advances to banks increased by €29m due to ECB rate rises reversing negative yields on excess liquidity held with the central bank during 2021. The average balance of loans and advances to banks increased by €1,581m during the year. This balance consist of excess cash reserves with the CBI, and its movement is driven primarily by increase in customer deposits along with proceeds from deleveraging activity.

Interest expense/average interest bearing liabilities

- Interest expense decreased in customer accounts despite the average balance increasing by €1,565m. This reduction is due to changes in the customer product mix profile.
- Interest expense on debt securities in issue increased by €8m during the year due to additional debt issuances being issued at higher rates.
- The average balance of deposits by banks increase due to a change in funding mix resulting in high volumes of repurchase agreements. The average balance of subordinated liabilities increased by €97m which has resulted in additional interest expense in 2022.

Average equity attributable to owners

The average equity attributable to owners increased in the year due to the issuance of AT1 securities and new shares as part of the Ulster Bank transaction.

Net fees and commissions income

€42m

Table 3: Net fees and commissions income

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Retail banking and credit card fees	**65**	52
Brokerage and insurance commission	**9**	11
Other fees and commissions income	**1**	1
Fees and commission income	**75**	64
Fees and commission expense*	**(33)**	(29)
Net fees and commission income	**42**	35

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

Net fees and commission income was €42m for the year ended 31 December 2022 compared to €35m at 31 December 2021. The increase is mainly due to growth in customer numbers and an increase in transactional activity.

Net other income

€5m

Table 4: Net other income

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Other income	**5**	13
Net other income	**5**	13

Net other income was €5m for the year ended 31 December 2022 compared to €13m at 31 December 2021. This decrease reflects a reduction in properties in possession sold during 2022 compared to the previous year.

Total operating expenses [(1)]	Adjusted cost income ratio
€395m	84%

(1) Excluding exceptional and other non-recurring items, bank levy and other regulatory charges.

Table 5: Total operating expenses

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Staff costs		
Wages and salaries including commission paid to sales staff	**124**	115
Social insurance	**15**	14
Pension costs	**13**	13
Total staff costs	**152**	142
Other general and administrative expenses	**141**	106
Administrative, staff and other expenses	**293**	248
Depreciation of property and equipment	**21**	21
Amortisation of intangible assets	**31**	26
Reversal of impairment on property and equipment	**(1)**	-
Total operating expenses (excluding exceptional and other non-recurring items, bank levy and regulatory charges)	**344**	295
Bank levy	**22**	22
Other regulatory charges	**29**	28
Total operating expenses (excluding exceptional and other non-recurring items items)	**395**	345
Headline cost to income ratio*	**96%**	96%
Adjusted cost to income ratio**	**84%**	82%
Closing staff numbers***	**2,614**	2,236
Average staff numbers	**2,422**	2,286

*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 increased by €10m (7%) from €142m for the year ended 31 December 2021 to €152m for the year ended 31 December 2022 primarily due to increases in average salaries as a result of a new pay deal with staff in 2022 and an increase in staff numbers.

General and administrative expenses

General and administrative expenses increased by €35m for the year ended 31 December 2022 to €141m due to the acceleration of investment in the digital transformation programme and the effect of cost inflation pressures.

Amortisation of intangible assets

The increase in the amortisation expense of €5m reflects increased capital spending in software development as a result of various investments in digitisation projects over the prior and current years.

Adjusted cost income ratio

Operating costs (excluding exceptional and other non-recurring items, bank levy and regulatory charges) of €344m and operating income of €409m for the year ended 31 December 2022 led to an adjusted cost income ratio of 84% for 2022, compared to an adjusted cost income ratio of 82% for the year ended 31 December 2021. The adjusted cost income ratio remained broadly consistent year on year.

Bank levy and other regulatory charges

Bank levy and other regulatory charges amounted to €51m for the year ended 31 December 2022. Other regulatory charges include €19m for the Deposit Guarantee Scheme (DGS) (31 December 2021: €17m). The Single Resolution Fund (SRF) fee for the year ended 31 December 2022 was €5m (31 December 2021: €4m).

Impairment

€31m write-back

Table 6: Impairment

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Total impairment write-back on loans and advances to customers	**31**	1

The impairment write-back is €31m on loans and advances to customers for the year ended 31 December 2022, compared to a write-back of €1m for the year ended 31 December 2021. This reflects the overall improvement in risk profile of the book whilst maintaining a prudent level of provisions in light of high levels of inflation within the current economic environment.

Exceptional and other non-recurring items

€(222)m

Table 7: Exceptional and other non-recurring items

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Exceptional items		
Gain on bargain purchase	**(362)**	-
Costs incurred in relation to Ulster Bank transaction	**92**	28
Impairment write-back arising from deleveraging of loans	**(8)**	(19)
Restructuring and other costs	**13**	14
Other non-recurring items		
Impairment charge on Ulster Bank transaction*	**30**	-
Impairment charge on deleveraging of loans post 2021*	**8**	-
Other items relating to Ulster Bank transaction**	**1**	-
Charges in relation to legacy legal cases***	**4**	15
Exceptional items and other non-recurring items	**(222)**	38

* included in IFRS impairment charge
** €5m costs are included in IFRS administrative, staff and other expenses offset by €4m in net other operating income
*** Included in IFRS administrative, staff and other expenses

Exceptional and other non-recurring items as viewed by Management for the year ended 31 December 2022 of a gain of €222m comprise:

Exceptional items

Gain on bargain purchase

A gain on bargain purchase of €362m was recognised in exceptional items in respect of the Ulster Bank transaction, for further details please refer to note 3 of the Financial Statements.

Costs incurred in relation to Ulster Bank transaction

Exceptional costs of €92m in relation to the Ulster Bank transaction.

Impairment arising from the deleveraging of loans

€8m was released in relation to loan transactions that the Group executed in prior years primarily comprising of a release of warranty provisions.

Restructuring and other charges

Restructuring and other costs of €13m relate to additional costs incurred as a result of the 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.

Advisory costs incurred in relation to Ulster Bank transaction

Costs of €92m in relation to the Ulster Bank transaction.

Other non-recurring items

Impairment charge on Ulster Bank transaction

Day 1 impairment charge of €30m on loans acquired from Ulster Bank.

Impairment charge on deleveraging of loans post 2021

€8m charge relates to the sale of the predominately performing buy-to-let portfolio Glenbeigh IV during 2022. Loan sales since 2021 are no longer classified as exceptional.

Other items relating to Ulster Bank transaction

Additional costs of €5m are offset by other income of €4m in relation to the forward derivative on this transaction.

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 profit on an IFRS basis

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Operating profit/(loss) per IFRS income statement	**267**	(21)
Exceptional items	**(265)**	23
Non-IFRS adjustments		
Other non-recurring items	**43**	15
Underlying profit before exceptional and other non-recurring items per management income statement	**45**	17

Management's definition of underlying profit excludes exceptional items and other items that Management view as non-recurring. In the current year, Non-recurring items include the Day 1 ECL booked as part of the purchase of the Ulster Bank transaction and additional impairment charges that are a result of deleveraging.

Summary consolidated statement of financial position

	Table	31 December 2022 €m	31 December 2021 €m
Assets			
Home loans		**18,370**	12,456
Buy-to-let		**657**	1,325
Total residential mortgages		**19,027**	13,781
Commercial mortgages		**199**	143
Consumer finance		**367**	332
Total loans and advances to customers (net of provisions)	9	**19,593**	14,256
Debt securities	11	**3,177**	2,494
Remaining asset balances	12	**3,163**	5,485
Total assets		**25,933**	22,235
Liabilities and equity			
Current accounts		**8,983**	7,104
Retail deposits		**11,589**	10,637
Corporate and institutional deposits		**1,158**	1,348
Total customer accounts	13	**21,730**	19,089
Debt securities in issue	14	**658**	524
Remaining liabilities	15	**1,147**	833
Total liabilities		**23,535**	20,446
Total equity		**2,398**	1,789
Total equity and liabilities		**25,933**	22,235
Liquidity coverage ratio (1)		**178%**	274%
Net stable funding ratio (2)		**154%**	170%
Loan to deposit ratio (3)		**90%**	75%
Return on equity (4)		**0.55%**	0.97%

(1) Calculated based on the Commission Delegated Regulation (EU) 2015/61.
(2) Defined as the ratio of available stable funding to required stable funding (Article 428b)
(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 profit/(loss) for the year after tax (before exceptional and other non-recurring items) as a percentage of total average equity.

Summary consolidated statement of financial position - key highlights

- **Loans and advances to customers (net of provisions)** were €19,593m as at 31 December 2022, an increase of €5,337m from €14,256m at 31 December 2021, which is mainly due to the migration of the retail mortgage portfolio from Ulster Bank.
- **Remaining asset balances** were €3,163m as at 31 December 2022, a decrease of €2,322m from €5,485m at 31 December 2021. This is primarily due to a reduction in excess liquidity held with central banks which was utilised to fund the purchase the Ulster Bank book.
- **Customer accounts** were €21,730m at 31 December 2022, an increase of €2,641m from 31 December 2021. This is due to an increase in customers driving an increase in current accounts and retail deposits.
- **Remaining other liabilities** increased by €314m primarily due to additional repurchase agreements compared to 2021.
- **Total equity** increased by €609m from €1,789m to €2,398m primarily due to an additional share issuance to NatWest Group plc on the completion of the Ulster Bank transaction of €156m, and an additional AT1 issuance of €250m.

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

	31 December 2022 €m	31 December 2021 €m
Gross loans and advances to customers 1 January	**14,745**	14,855
New lending*	**2,697**	1,956
Loans acquired**	**5,063**	-
Redemptions and repayments of existing loans	**(1,879)**	(1,607)
Write-offs and restructures	**(43)**	(65)
Net movement from non-performing and Other	**(779)**	(394)
Gross loans and advances to customers 31 December	**19,804**	14,745

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

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

	31 December 2022 €m	31 December 2021 €m
Residential mortgages:		
Home loans	**18,340**	12,568
Buy-to-let	**824**	1,623
Total residential mortgages	**19,164**	14,191
Commercial	**239**	196
Consumer finance	**401**	358
Total measured at amortised cost	**19,804**	14,745
Of which are reported as non-performing loans	**650**	817
Deferred fees, discounts and fair value adjustments	**310**	115
Provision for impairment losses	**(521)**	(604)
Total loans and advances to customers	**19,593**	14,256

Total loans and advances to customers (net)

€19,593m

Total loans and advances to customers (after provisions for impairment) of €19,593m at 31 December 2022 increased by €5,337m when compared to the year ended 31 December 2021. This increase is due to the migration of retail mortgages from Ulster Bank offset by deleveraging.

Net new lending has increased by €741m at 31 December 2022 from €1,956m at 31 December 2021 to €2,697m, as a result of increased mortgage lending in 2022.

Total new lending (gross)

€2,848m

Total new lending in the financial year 2022 amounted to €2,848m, an increase of 39% from 31 December 2021. The Group's mortgage lending in 2022 was €2,603m, representing a 40% year on year increase from 2021. The Group's mortgage drawdown market share is up from 17.8% in 2021 to 18.5% in 2022, indicating that the Group's growth (+39.9%) out-stripped broader mortgage market growth (+34.3%).

The Irish mortgage market re-bounded in 2022 after 2021 was impacted by the COVID-19 pandemic. Increased demand saw a surge in applications in the market in late 2021 and momentum continued into 2022. Mortgage drawdowns in the market grew by 34% in 2022, increasing from €10.5bn in 2021 to €14.1bn in 2022. Housing supply however continued to be impacted by the restrictions imposed to halt the spread of COVID-19, particularly in H1 2022.

SME lending in 2022 was €150m, which is a 53% increase compared with 2021. The Group has continued to grow lending through the Strategic Banking Corporation of Ireland (SBCI) with €34m issued during the year. The Group is participating in both the Future Growth Loan Scheme, and the SBCI Brexit Impact Loan Scheme.

The Group recorded gross new term lending of €96m in 2022. This is a 3% increase compared to 2021.

NPLs	NPLs as a % of gross loans
€650m	3.3%

Table 10: NPLs

	31 December 2022 €m	31 December 2021 €m
Home loans	**342**	420
Buy-to-let	**270**	339
Commercial	**23**	44
Consumer finance	**15**	14
Non-performing loans	**650**	817
NPLs as % of gross loans	**3.3%**	5.5%
Foreclosed assets*	**18**	28
Non-performing assets (NPAs) **	**668**	845
NPAs as % of gross loans	**3.4%**	5.7%

* 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.

Gross NPL's reduced due to cures outstripping new defaults. NPL's as a percentage of gross loans was 3.3% at 31 December 2022, decreasing from 5.5% at 31 December 2021. This is driven primarily by the acquisition of the performing retail mortgage business from Ulster Bank.

Debt securities

Table 11: Debt securities

	31 December 2022 €m	31 December 2021 €m
Government bonds	**3,128**	2,434
Corporate bonds	**49**	60
Total debt securities	**3,177**	2,494

Debt securities of €3,177m as at 31 December 2022 increased by €683m. This was due to the purchase of new Irish, French, Italian and EU bonds offset by maturities.

Remaining asset balances

Table 12: Remaining asset balances

	31 December 2022 €m	31 December 2021 €m
Loans and advances to banks	**2,123**	4,174
Assets classified as held for sale	**18**	28
Other assets	**1,022**	1,283
Total	**3,163**	5,485

Loans and advances to banks decreased by €2,051m during 2022 primarily due to decreased balances held with the CBI. These funds were utilised in the acquisition of the Ulster Bank assets.

Other assets primarily consist of deferred tax asset, property and equipment and prepayments and accrued income. The balance decreased from 31 December 2021 as a result of Glenbeigh III settlement received in February 2022.

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 reflects its core focus on liquidity management.

Customer accounts

€21,730m

Table 13: Customer accounts

	31 December 2022 €m	31 December 2021 €m
Current accounts	**8,983**	7,104
Retail deposits	**11,589**	10,637
Total retail deposits (including current accounts)	**20,572**	17,741
Corporate deposits	**1,158**	1,348
Total customer deposits	**21,730**	19,089
Loan to deposit ratio*	**90%**	75%

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

At 31 December 2022, customer accounts increased to €21,730m from €19,089m at 31 December 2021, mainly due to an increase in balances held in current accounts reflecting expected inflows as a result of Retail Banks exiting the Irish deposit market, partially offset by a decrease in corporate deposits.

The LDR has increased due to the increase in lending assets acquired as part of the Ulster Bank Transaction.

Debt securities in issue

€658m

Table 14: Debt securities in issue

	31 December 2022 €m	31 December 2021 €m
Bonds and medium-term notes	**658**	352
Non-recourse funding	**-**	172
Debt securities in issue	**658**	524

Debt securities in issued increased by €134m since 31 December 2021, as the Group issued €300m of Senior Unsecured Medium Term Notes in June 2022. This is offset by a decrease in non-recourse funding due to the early redemption of an external securitisation during the year.

Remaining liabilities

Table 15: Remaining liability balances

	31 December 2022 €m	31 December 2021 €m
Deposits by banks	**614**	347
Accruals	**6**	8
Current tax liability	**1**	1
Provisions	**80**	55
Other liabilities	**181**	170
Derivative liabilities	**13**	-
Subordinated liabilities	**252**	252
Total	**1,147**	833

The remaining liability balances increased by €314m in the year ended 31 December 2022 primarily due to additional repurchase agreements.

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 prevailing 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 requirements, more commonly known as CRD IV, are contained within EU Regulation 575/2013 ('the CRR'), which is directly applicable in all EU countries and Directive 2013/36/EU ('CRD IV') 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 imposed on the Group as part of the supervisory SREP assessment.

Implementation of the CRD IV legislation commenced on a phased basis from 1st January 2014. The CRD IV transition rules 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 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 CRD IV rules as published on 27th June 2013 and subsequent clarifications, including ECB regulation 2016/445 on the exercise of options and discretions.

Regulatory capital developments
In October 2021, the European Commission published a 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 frameworks. The Commission expects that 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 final legislation is expected to be agreed in early 2023 with an expected application date of 1st January 2025.

In November 2022, the Governing Council of the ECB released a statement on macroprudential policies. The statement emphasised the importance of building macroprudential capital buffers to help preserve and strengthen resilience in the banking sector in the current challenging macro-financial environment.

The Central Bank of Ireland review the Countercyclical Buffer ("CCyB") on a quarterly basis. In November 2022, the Central Bank of Ireland announced that the CCyB rate will be increased from 0% to 0.50% on 15 June 2023 and to 1.00% on 24 November 2023. The gradual build-up of the CCyB is consistent with the Central Bank's objective of promoting resilience in the banking sector, proportionate to the risk environment, with a view to facilitating a sustainable flow of credit to the economy through the cycle.

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

Regulatory capital requirements
The Group's 2022 capital requirements remain unchanged to the prior year.

The Group's Common Equity Tier 1 (CET1) minimum requirement of 8.94% is comprised of a Pillar 1 Requirement of 4.5%, Pillar 2 Requirement of 1.94%, 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% and the CCB of 2.5%.

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

Capital ratios at 31 December 2022
At 31 December 2022, the regulatory transitional CET1 was 16.2% (31 December 2021: 16.9%) and Total Capital ratio 22.3% (31 December 2021: 21.8%), exceeding the Group's 2022 minimum requirements of 8.94% and 13.95% respectively.

The reduction in the transitional CET1 ratio (c. -70bps) in the year is primarily due to transitional phasing of the IFRS9 prudential filter (c. -60bps), net loan book growth (c. -100bps) , continued investment in software assets (c. -40bps) and other reserves movements (incl AT1 Distributions and Calendar Provisioning) (c. -40bps). This was partially offset by the receipt of outstanding proceeds relating to a 2021 NPL disposal (c. +50bps), the disposal of a cohort of capital intensive Buy-to-Let mortgages (c. +90bps), the execution of the Ulster Bank transaction (c. +40bps) which included the migration of €5.2bn of mortgages and a 16.7% NatWest Equity Investment.

In October 2022 the Group successfully issued an Additional Tier 1 (AT1) note of €250m (€245m net of transaction costs) increasing Tier1 and Total Capital ratios by c. +280bps.

On a fully loaded basis, at December 2022, the CET1 ratio was 15.2% (31 December 2021: 14.7%) and the Total Capital ratio was 21.3% (31 December 2021: 19.5%).

The December 2022 leverage ratio on a transitional basis and fully loaded basis amounted to 8.0% and 7.7% respectively (31 December 2021: 7.1% and 6.3%). The increase in the leverage ratio was primarily due to an increase in Tier 1 capital primarily driven by AT1 issuance and Day 1 capital benefit on Ulster Bank transaction partially offset by the acquired mortgages.

The following table outlines the Group's regulatory (transitional) and fully loaded capital positions under CRDIV/CRR2.

Table 16: Regulatory capital

	31 December 2022		31 December 2021	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Capital Resources:				
Common Equity Tier 1	**1,718**	**1,616**	1,457	1,265
Additional Tier 1	**369**	**369**	123	123
Tier 1 Capital	**2,087**	**1,985**	1,580	1,388
Tier 2 Capital	**282**	**282**	290	290
Total Capital	**2,369**	**2,267**	1,870	1,678
Risk Weighted Assets	**10,627**	**10,627**	8,600	8,603
Capital Ratios:				
Common Equity Tier 1 Capital	**16.2%**	**15.2%**	16.9%	14.7%
Tier 1 Capital	**19.6%**	**18.7%**	18.4%	16.1%
Total Capital	**22.3%**	**21.3%**	21.8%	19.5%
Leverage Ratio*	**8.0%**	**7.7%**	7.1%	6.3%

* 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 sets out a reconciliation from the statutory shareholders' funds to the Group's regulatory CET1 Capital.

Table 17: CET1 Capital

	31 December 2022		31 December 2021	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Total Equity	**2,398**	**2,398**	1,788	1,788
Less: AT1 Capital	**(369)**	**(369)**	(123)	(123)
Adjusted Capital	**2,029**	**2,029**	1,665	1,665
Prudential Filters:			-	-
Intangibles	**(86)**	**(86)**	(53)	(53)
Deferred Tax	**(247)**	**(309)**	(249)	(347)
IFRS 9 (Transitional adjustment)*	**41**	**-**	94	- -
Calendar Provisioning	**(11)**	**(11)**	-	-
AT1 Distribution Accrual	**(7)**	**(7)**	-	-
Others	**(1)**	**-**	-	(1)
Common Equity Tier 1	**1,718**	**1,616**	1,457	1,265

* 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.

Transitional (regulatory) capital

The December 2022 transitional CET1 capital increased by (+€261m) to €1,718m (31 December 2021: €1,457m). This increase was primarily due to the Day 1 Capital benefit of completing the Ulster Bank transaction including the NatWest equity investment partially offset by the transitional phasing of the prudential filters.

Fully loaded capital

The December 2022 fully loaded CET1 capital increased by (+€351m) to €1,616m (31 December 2021: €1,265m). This increase was primarily due to the Day 1 Capital benefit of completing the Ulster Bank transaction including the NatWest equity investment.

Risk weighted assets (RWAs)

The following table sets out the Group's risk weighted assets (RWAs) at 31 December 2022 and 31 December 2021.

Table 18: RWAs

	31 December 2022		31 December 2021	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
RWAs				
Credit risk	**8,742**	**8,742**	6,823	6,823
Counterparty credit risk*	**177**	**177**	380	380
Securitisation Risk	**11**	**11**	12	12
Operational risk	**700**	**700**	639	639
Other**	**997**	**997**	746	749
Total RWAs	**10,627**	**10,627**	8,600	8,603

* Counterparty credit risk includes Treasury, Repo & CVA RWAs
**Other consists primarily of Property and Equipment, Deferred Acquisition Costs and Prepayments

December 2022 Risk Weighted Assets (RWA) increased by €2,027m (on a transitional basis) to €10,627m (31 December 2021: €8,600m). The increase is primarily driven by the migration of acquired mortgages (RWAs +€1.8bn) and net loan book growth in the year (RWAs +€0.7bn) partially offset by the execution of a BTL loan disposal (RWAs of -€0.7bn).

The information in Section 3.1, 3.2 and 3.3 on pages 77 to 88 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 165. 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

Within the Internal Control Framework (ICF), the Enterprise Risk Management Framework (ERMF) 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; Business Risk; Operational Risk; Information Technology ('IT') Risk; Model Risk; Compliance Risk (including AML); Conduct & Reputational Risk and Climate Risk.

The ERMF outlines the Group-wide approach to the identification; assessment and measurement; mitigation and control; monitoring and testing; and, reporting and escalation of breaches 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 risks are 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 key risk categories. The RAS includes qualitative statements of risk appetite for each risk category as well as quantitative measures which translate the qualitative statements into actionable metrics (RAS Metrics). There are also supporting key risk indicators ("KRIs") that 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, with an exclusive focus in Ireland, delivering Retail and SME banking with a low risk appetite. 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.

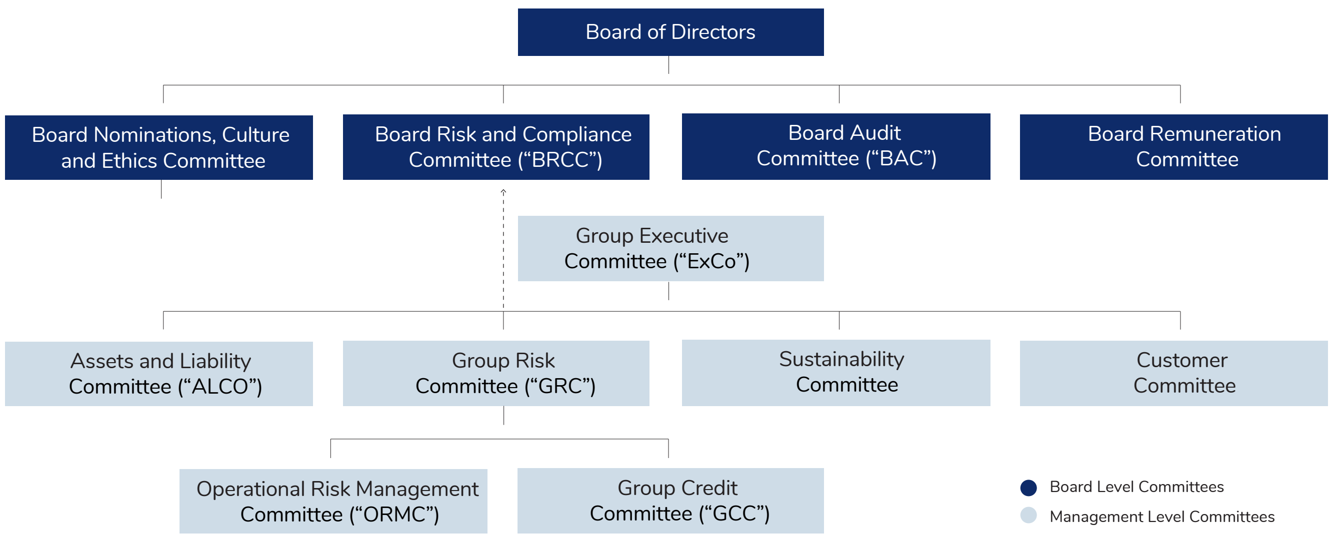
These principles include:

- **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 The 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 model and 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 Risk Management Framework (ERMF); · Reviewing and making recommendations to the Board in relation to the Group's ERMF, 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; · Assess the impact of Climate Risk on the Bank's overall Risk Profile; 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 Strategic Portfolio, Medium Term Plan 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 Strategic Portfolio and Financial Plans. The Group Risk Committee (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 Strategic Portfolio and Medium Term Plan, as well as policies, practices and decisions of the Group) are carried out appropriately, are correctly aligned to the Bank Purpose and Ambition and the interests of its stakeholders (customer, colleagues and 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 Committee Customer 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 initiatives 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 oversees and is 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; · Monitor the implementation of policies and ensure ongoing adherence through operational controls; · 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; · Oversight of new or amended Third Party/Outsourcing relationships, new products, and/or significant changes to existing products and Strategic Change that is implemented across the bank and highlight any risks where required. · Review and approve the top ten Operational and IT risks; · 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; · 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; · Oversight and assessment of the outputs from Customer Impacting Errors (CIE) and Customer Complaints, including identification of any required reviews or negative trends; and · Facilitate the business updates in particular to Information Security and Data Management and raise any risks as required.

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 developing and maintaining 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 First line functions and teams incur risks as they undertake frontline commercial and operational activities. They are responsible for identifying, owning, managing, monitoring and mitigating these risks through the effective design and operation of mitigating controls to ensure compliance with internal and external requirements. Critically, the First Line of Defence executes its business and operational activities in a manner consistent with the enterprise-wide appetite and managers take risks appropriately.	**First Line – Business Units** · Embedding the ICF and its supporting frameworks (e.g., Enterprise Risk Management Framework) and sound risk management practices into standard operating practices, including by creating explicit links between maintaining and delivering robust governance and risk and control processes to performance management; · Establishing appropriate governance structures to support the implementation of the ICF and achieve the Bank's strategic, business, operational, risk, and assurance objectives; · Complying in full and within the spirit and letter of relevant regulations and legal obligations applicable to business and operational activities; · Identifying, assessing, measuring, monitoring, mitigating, reporting and owning all risks associated with business and operational activities across the Bank's risk categories in a manner consistent with the Bank's Enterprise Risk Management Framework; · Cultivating a strong risk culture that encourages prompt identification and escalation of issues and fostering an environment of continuous improvement and open engagement; · Providing assurance to relevant governance bodies on the management of risk in their functions and the effective operation and reporting of relevant controls; and, · Ensuring fair customer outcomes in all aspects of the Bank's operation and decision-making.
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 ensuring that all risks to which the Bank is, or may become, exposed to are identified, assessed, measured, monitored, mitigated, and reported on by the relevant units in the institution.	**Second Line – Group Risk Function** · Developing and monitoring the implementation of Enterprise Risk Management Framework, enterprise-wide Risk Appetite Statement and risk policies, systems, processes and procedures; · Assessing First Line Of Defence adherence to the enterprise risk management framework, risk appetite, and risk limits to determine whether first line of defence units meet the standards for their risk management roles and responsibilities; · Reviewing, assisting, and, as appropriate, challenging the first line of defence risk management activities, and escalating issues if risk management concerns are not adequately addressed by first line of defence; · Establishing, maintaining, and delivering a program of monitoring, testing, and selected validation; · Cultivating a strong risk culture that encourages prompt identification and escalation of issues and fostering an environment of continuous improvement and open engagement; and · Providing comprehensive and understandable information, independent of the First Line of Defence, to relevant governance bodies – through ongoing risk management committee updates – on the state of the Bank's overall risk and control environment and the effectiveness of risk management, including risk issues and risk management deficiencies, and adherence to the Bank's risk appetite, limits, and enterprise risk management framework.

Line Of Defence	High-Level Roles And Responsibilities
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** · Developing a risk-based annual audit plan: developed in the final quarter of each year, this plan sets out the program of audit reviews to be undertaken in the following year, and is based upon a GIA's own risk assessment. This plan is cognisant of the bank's strategy and the risks both to this, and within this, strategy, and aims to provide meaningful input to assist in its controlled and well-governed execution. Accordingly, risk- based evaluation of the bank's risk identification, assessment and evaluation and risk management and mitigation approaches fall within this remit, as do assessments of adherence to policies and procedures (including methodologies and standards), along with the controls in place to ensure regulatory compliance; · Reporting on identified risk management, governance and control weaknesses: GIA reports on all identified issues to both business owners and Senior Management, and to the Board of Directors (via the Board Audit Committee); · Monitoring and reporting on the disposition of agreed remediating actions: As required under professional standards, GIA also monitors the status of all issues and actions previously raised, and reports on the progress being made by business units in implementing agreed action plans; and, · Providing insight into risk, governance and control measures which may strengthen the bank's system of internal control in a carefully structured manner such that GIAs independence is preserved.

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" and "bottom up" Risk Identification / 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 and is used to ensure identification, measurement, management and monitoring of all material risks.

In addition to the Top & Emerging Risks update, the Risk function has also focused on reporting on 'Horizon' risks. The Horizon Risk report looks out to 25 years to try and identify long range risks e.g. Climate Risk. This report is included in the CRO report which is presented to the GRC, BRCC and Board.

The management of the risks associated with the Ulster Bank transaction is embedded and monitored across the suite of existing key risk categories.

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.

The challenging conditions in global markets arise due to factors including the Ukraine-Russian war, high interest rate environment, inflationary pressures, COVID-19, the growing threat from cyber-attacks and other unknown risks. As a result the precise nature of all risks and uncertainties that the Group faces cannot be predicted as many of these are outside of the Group's control.

As at 31st December 2022, the Bank considers there are four emerging risks. The first three of these were present in 2021 and outlined in the Group's Financial Statements. The emerging risks are:

- **New Digital Based Competition/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.

- **Energy Supply Crisis** - For the Bank, the risk is there isn't sufficient energy to maintain a reliable and secure platform at peak times or during periods of disagreeable weather (such as low wind generation). This may impact our ability to open branches, repayment ability of our SMEs, maintaining technology or impacts on staff ability to work from home.

- **Geopolitical Crisis** - Following the invasion of Ukraine from Russian in 2022, the possibility of further aggression between NATO and non-NATO has increased. With some commentators suggesting Ukraine's willingness to join NATO as a main reason for Russia's illegal invasion, the world/EU may see retaliation from Russia as more countries (particularly in the EU) have applied for NATO membership. Some countries remain loyal, or sympathetic to Russia, there is an increased risk of conflict (economic or physical) in the EU/ across the globe. A conflict within the EU/EEA or across the global would have severe negative consequences for the Irish economy and it's industry, with a corresponding profound effect on the Bank's prospects.

- **Macro-Economic** – An additional emerging risk for 2022, as more and more EU countries and other key economic areas face into slow or reduced growth, is that Ireland may also be faced with a possible lengthy recession. It will not be a question of 'if' Ireland's growth slows but rather whether the magnitude of the reduction would be such to induce a recessionary impact and or of a longer duration. A recession can have severely negative impacts on the Bank as it can lead to drastically reduced growth, higher delinquency rates and higher loss rates.

Business Risk

Business Risk is defined as the risk that volumes may decline, margins may shrink or management costs may increase, arising from an underperforming Business model and/or failure in the Group's strategic ambitions.

From the Group's perspective, Business Risk is further divided into two sub-risk categories, as follows:

- Business Model Risk, which is defined as the risk that the Group does not generate a short-term financial return to meet resolution tests ('viability') and/or is unable to deliver minimum acceptable returns to its shareholders ('sustainability').
- Strategic Risk, which is defined as the risk that results from a failure to prepare for, or respond to, changes in the external environment or market (usually linked to factors such as the activities of competitors, changing customer preferences, product obsolescence, technology developments and regulatory changes).

Business Model 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 Business risk as part of the risk identification process.

Economic Outlook & Growth

Introduction

2022 was defined by the re-emergence of inflation and central bank efforts to tame it. While prices were already rising rapidly by the end of 2021, it became clear that inflation would not be transitory once Russia invaded Ukraine in February. Central banks across the globe increased interest rates aggressively in an effort to bring inflation under control. It is still unclear if these efforts have been successful or if they will tip the global economy into recession in 2023. Rising prices and interest rates are squeezing living standards.

Inflation Rates and Interest Rates

Starting in March 2022, the Federal Reserve raised rates by 4% over the rest of the year. The ECB followed in July 2022, increasing rates by 2.5% over the rest of the year and a further 1% in the first quarter of 2023. The Federal Reserve's early interest rate increases saw the dollar strengthen to $0.95/€ in September, a 20-year high, compounding the inflationary effects of increasing dollar-denominated commodity prices in the eurozone. However, once the ECB started to raise interest rates, the dollar weakened, finishing the year at $1.07/€.

The CSO reported that the Consumer Price Index (CPI) rose by 8.2% in 2022 compared with a rate of 5.5% a year earlier. It noted that December 2022 was "the fifteenth straight month where the annual increase in the CPI has been at least 5.0%." While the December 2022 inflation rate was down from 8.9% the previous month, this was due to declining energy prices; the CPI index excluding energy rose 0.6% on the month and 5.8% on the year, far ahead of the ECB target of 2%.

A mild European winter, an easing of supply chain bottlenecks and the lifting of the zero tolerance policy towards COVID in China all helped to ease inflation towards the end of 2022. While the Central Bank worried that "persistently high inflation rates internationally increase the risk that inflation expectations could become de-anchored", it noted that "consumer price increases, while still driven by energy, have become more broadly-based."

Davy forecasts Irish CPI inflation of 4.7% in 2023 while the ECB expects euro "inflation will remain high in the short run but fall sharply to 3.6% by the end of 2023. Fading pressures from energy prices and other costs, together with the ECB's monetary policy measures, should bring inflation back to the 2% inflation target by the second half of 2025." The IMF expects global inflation "to fall to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic levels."

Economic Outlook / Growth

The IMF projects that "global growth will fall to 2.9% in 2023 but rise to 3.1% in 2024 below the historical average of 3.8%" noting that "rising interest rates and the war in Ukraine continue to weigh on economic activity." The ECB expects a "short-lived and shallow recession in the euro area" in early 2023. It expects GDP growth "to slow down markedly, from 3.4% in 2022 to 0.5% in 2023, and then to rebound to 1.9% in 2024."

Having grown by 12.2% in 2022, Davy expects GDP to grow by 6.9% in 2023 and 5% in 2024. It also expects consumer spending to increase by 2.2% in 2023. While noting that Irish GDP grew by 12.2% in 2022, it highlights "the export sector and multinational firms remaining buoyant" while noting that "conditions were possibly more difficult for indigenous firms, especially those exposed to consumer spending." The Central Bank emphasised the importance of external trade to output growth noting the outsize role of pharmaceutical goods and ICT services. The Central Bank forecasts that modified domestic demand would grow by "2.3% in 2023 and 3.3% in 2024."

The CSO highlighted the decline in the standard of living from its "peak in the third quarter of 2021 which was the highest level in the 24-year series." While the KBC Bank consumer sentiment index in Ireland increased to a seven-month high of 55.2 in January 2023, far above the 14-year low of 42.1 recorded in September 2022, it remained "far from the 85.6 average recorded by the survey over the past 27 years." The Purchasing Managers Index declined to a low of 50.8 in November 2022 but has recovered somewhat since.

The ESRI expects the "pace of growth to slow substantially in 2023 with the growing likelihood of an international recession". It forecasts modified total domestic demand to increase by 2.2% in 2023. It stated: "Rising costs present challenges to households, whose incomes are not rising at the same pace as inflation" noting that the "pace of growth in the domestic economy has been slowing significantly throughout" 2022. It concluded that "an international recession coupled with the persistence of cost of living pressures means that the Irish economy in 2023 is set to grow at a significantly reduced pace."

Government Finances
The NTMA noted the improvement in Ireland's financial position: "Ireland ended 2022 in a strong fiscal position. After posting a 2021 General Government Balance (GGB) of -€7.1bn (-3.0% of GNI), the GGB for 2022 is now estimated to be a surplus of €5.2bn (2.0% of GNI). This level of fiscal surplus will likely be one of the best in Europe." It emphasised the role of corporate taxes, which increased by 48% to €22.6bn, in this result: "Revenue strength is the sole driver of the sharp swing into surplus."

The Central Bank commented: "Favourable debt dynamics are expected to lead to a significant decline in the public debt ratio, which nevertheless is expected to remain at an elevated level." It also noted that "while market interest rates are rising, they remain lower than the rates paid on the majority of the government bonds that will mature in the coming years. Furthermore, the average rate on the entire debt stock is expected to remain considerably lower than GNI growth."

While the Department of Finance notes that the "debt level amount equates to 86% of GNI, 10% lower than pre-pandemic levels", it cautions that "at just over €44,000 per person, Ireland has one the highest per capita debt burdens in the world." It transferred €6n to the National Reserve Fund "to prepare the public finances for future challenges." Davy expects a budget surplus of €9bn (1.7% of GDP) in 2023 rising to €10.7bn (1.9% of GDP) in 2024.

The NTMA announced a funding range between €7bn and €11bn for 2023 compared to an average of €19bn for the period 2017-21. It stated: "Ireland's refinancing risk is low" as only a third of its debt is set to mature in the next five years. Ireland's debt has an average maturity of 10.9 years and the NTMA has a cash balance of €23bn at the end of 2022. Fitch and DBRS upgraded their rating for Ireland to AA space and Moody's upgraded its rating to A1.

Employment
The CSO reported that average weekly earnings rose 3.2% to €864.32 in the year to Q3 2022. The Central Bank forecast that inflation-adjusted household income would rise by 1.1% in 2023 having fallen by 1.5% in 2022.

The CSO also reported a vacancy rate of 1.5%, prompting Davy to note that "labour shortages are now becoming apparent and will constrain jobs growth." The Central Bank noted that "employment levels grew by 8.8% annually in Q2 2022 to reach a new peak of 2.55 million persons" and forecasted employment would grow by 1.1% in 2023, down from 6.2% in 2022. The ESRI suggested "the unemployment rate is still set to continue to fall to a near historical low of 4.3%." It warned that "downside risks to this outlook include a slowdown in certain domestic sectors as global activity slows." Davy noted that employment "is now 9% above pre-pandemic levels (an extraordinary performance)" but that "jobs growth now looks to be slowing." It noted, however, that "accommodation and food service employment is still 36,000 or 10% below pre-pandemic levels."

The CSO's Population and Migration Estimates data for the year to April 2022 "show that the overall population increased by 88,800 persons to over 5.1 million." Davy commented: "Ireland's labour market performance has been helped by the 1.8% growth in the population to 5.1m in 2022, of which one-third (or 28,000) came from the natural increase and two-thirds (or 61,000) from net migration. In addition, the participation rate is now 65%, its highest level in 15 years – with limited scope to rise further."

Banking
The Central Bank reported: "Over the course of 2022, household deposit inflows amounted €7.7bn, down from €11.5bn in 2021 and €13.9bn in 2020, leading to an outstanding balance of €148.6 billion at end-December." It commented that "the annual growth rate moderated to 5.4% in December, and has now declined to Q2 2019 levels." It noted that "interest rates on household overnight deposits stood at 0.03% in December 2022" while rates on term deposits rose to 0.63%. It highlighted that the "weighted average interest rate on new Irish mortgage agreements at end December 2022 was 2.69%", the third-lowest in the euro area.

The Central Bank commented: "The share of total assets accounted for by lower-yielding securities such as government bonds and central banks reserves has increased, at the expense of lending to households and businesses, with the lending share in total assets declining from 73.4% to 44.3% between June 2019 and June 2022. The smaller share of lending to households and businesses has, in conjunction with the expansion of retail deposits, resulted in a sharp decline in the loan-to-deposit ratio, which is now within the bottom quartile among a sample of European banks as at June 2022."

It further noted: "As of 2022 H1, 49% of outstanding mortgage lending at the main retail banks had been issued since the introduction of the mortgage measures."

It concluded: "Households' resilience to shocks has been bolstered by many forces in the last decade: nominal income growth, rapid growth in house prices and housing equity, increases in savings during the pandemic, falling aggregate indebtedness, and prudent new lending under the mortgage measures. These factors suggest that broad-based financial stability risks are contained for now, even under further increases in interest rates and weakness in the labour market." It cautioned that "banks' own risk modelling may struggle to measure forward-looking credit risks that are specific to the nature of the current high-inflation, high-rate shock, which has not been experienced by lenders for four decades," noting that the median mortgage borrower would experience an increase of 12% in their mortgage repayment as a result of a 4% ECB rate increase. It noted that "mortgage rate fixation in recent years will insulate just over half of mortgagors from the immediate effects of interest rate increases, but many are exposed over the medium-term." Davy analysis concludes that "debt service ratios on new mortgage lending are unlikely to be stretched by ECB rate hikes."

BPFI reported "year-on-year drawdown volumes rose by 21% to 52,634 while values rose by 34.3% to almost €14.1 billion", noting "these were the highest levels since 2008." However, €3.8bn of this was re-mortgaging, up 135% (€2.2bn) on the previous year. As Davy noted: "This growth was comprised of a 10% growth in the average mortgage loan to €283,000, but only a 0.6% rise in lending volumes." Davy forecast that while "mortgage lending will grow to €14.5bn in 2023", house purchase lending would "grow from €10.2bn in 2022 to €11.5bn" as re-mortgaging activity declined. "This implies the stock of lending will grow by 1.6% to €85bn."

The Central Bank commented that "higher interest rates are expected to be positive for banks' profitability." It noted that non-bank lenders had a 19.7% share of new mortgage lending in 2022 H1, but cautioned that such lending "poses risks of being pro-cyclical as interest rates rise." The non-bank share of the mortgage market has declined substantially since because of the "more direct reliance of these entities on non-deposit sources of funding."

The Central Bank is continuing "the gradual rebuilding of the Countercyclical Capital Buffer (CCyB)." This will see the CCyB rise from 0% at end-December 2022 to 0.5% on 15 June 2023 and to 1.0% on 24 November 2023. It commented: "This marks a further step towards the 1.5% target rate for the CCyB in periods when cyclical risks are neither elevated nor subdued."

Housing

The supply challenge continued to dominate the housing landscape in 2022. "It will be difficult to achieve all the targets regarding new housing output, residential retrofitting, national infrastructure, commercial real estate and other projects (e.g. Mica redress) without scaling up the level of persons employed in the sector significantly", the Central Bank commented.

The Government progressed with demand-side initiatives such as the Help-to-Buy and First Home shared equity scheme. The Central Bank revised its Mortgage Measures Framework; effective 1 January 2023, the maximum loan-to-income ratio for a first-time buyer increased to 4 times and the maximum loan-to-value for second and subsequent buyers increased to 90%. All these initiatives will increase the amount mortgagors can borrow and will thus contribute to hose price inflation. "This may assist in increasing the output from marginal sites but, ultimately," Davy notes, "the main logjams on increasing output relate to supply-side issues." It cites the "planning system as an overwhelming barrier to higher volume from homebuilders and something that needs urgent action from policymakers. Infrastructure and service provision is also an area that potentially requires action."

The CSO reported that 30,000 new dwellings were completed in 2022. The NTMA notes that at over 70,000, transactions are "now above pre-pandemic levels" but that "housing starts show supply chain issues and inflation has started to weigh on development" citing "increased material costs along with large increases in labour costs." Davy expects 27,500 housing completions in 2023 and 30,000 in 2024. It cautions that "the pick-up in funding costs could well impede apartment development, which has so far been reliant on institutional investment into the private rented sector. A process of price discovery is now at play, with capital values under pressure as residential yields must adjust to the ECB's tighter monetary policy." It noted the "more pernicious viability challenge in the Build to Rent sector, reliant on institutional investment." Apartments accounted for 31% of completions in 2022.

BNP Paribas noted that the headline seasonally adjusted Real Estate Ireland Construction Index "dropped to 43.2 in December, down from 46.8 in November and below the 50.0 no-change mark for the third month running. Panellists reported a general market slowdown amid challenging economic conditions."

The CSO reported private rents increased by 10.6% in 2022. At year-end 2022, Daft noted that "each of the previous ten quarters had brought a new all-time high for the average market rent" but commented that the 4.3% increase in Q3 2022 was "by some distance, the single largest quarterly increase ever recorded in the rental report in a series that goes back to the start of 2006." It explained: "What has happened over the last 18 months has been an extraordinary collapse in the stock available to rent. In 2016, there were about 75,000 homes put up for rent over the course of the year. By early 2022, that had fallen to less than 50,000 – and in the last six months, it has fallen again to about 35,000." The Central Bank commented: "Private residential rents are approaching a point of being 50% above their previous peak (2008) level as the availability of rental properties remains at historical lows, due to the exit of many small-scale landlords from the market and efforts to house refugees fleeing the war in Ukraine."

House Prices

The CSO reported that "the national Residential Property Price Index (RPPI) increased by 8.6% in the 12 months to November 2022." It noted that the national index has now reached a value "which is 3% above its highest level at the peak of the property boom in April 2007" and 130% higher than its March 2013 trough. However Daft noted that "average list prices nationally fell by 0.4% in the final quarter of 2022, the first time prices have fallen since the onset of the COVID 19 pandemic."

The Central Bank commented that “the pace of growth in household incomes has been considerably slower than that of both house prices and rents since the financial crisis, adding to housing affordability pressures.” It continued: “Near-term house price developments are subject to heightened uncertainty and will be determined by a range of factors. Rising construction costs, population growth and demographic changes, monetary policy normalisation, declining real disposable incomes, and recent changes to the Central Bank’s mortgage measures are some of the factors likely to have most impact on the supply and demand of housing and ultimately residential property prices. There are signs, however, that the pace of house price growth is starting to moderate.” But it warns: “Supply shortages remain in the residential real estate market in Ireland, which could potentially be exacerbated by a slowdown in construction activity.”

Davy expects 4% house price inflation in 2023 and 5% in 2024. It notes: “The key point is that because employment has remained robust, there has not been any hit to housing demand despite the uncertain economic environment posed by events in Ukraine, higher energy prices and CPI inflation and European Central Bank (ECB) rate hikes. However, even if mortgage interest rates rise to 4%, debt service ratios are unlikely to become stretched and there will be only a limited headwind to house prices. That said, the average residential transaction in Q3 2022 was €370,000, now 7.7x the average income of €48,000. It is quite possible that a degree of froth exists in the Irish housing market that could continue to unwind in early 2023. This is the highest house price-to-income multiple since the 8.1x recorded in 2009, albeit remaining well below Celtic Tiger era peaks, and is now close to the UK multiple.”

Overall Position

The Central Bank comments: “Households are facing a combined inflation and interest rate shock, but enter it with strong balance sheet resilience. Domestic retail banks will be exposed to risks from distressed borrowers, but have capital headroom currently, and profitability prospects are strong due to higher interest rates. Recent strong fiscal returns are facilitating the provision of support to households and businesses affected by the energy shock.”

Davy notes the improving economic backdrop: “Signs that CPI inflation has peaked, falling energy prices, hopes that the euro area may avoid recession and the re-opening of the Chinese economy have helped sentiment more broadly across Europe. The improvement in Ireland is in sync with the European Commission’s measure of consumer confidence.” While noting “a sustained contraction in activity” early this year, BNP Paribas too strikes a note of optimism: “Rates of reduction for both output and new orders softened notably and there was a fresh increase in staffing numbers. Cost and supply pressures displayed signs of easing.” But he ESRI notes: “The impact of any global downturn on the domestic economy will crucially depend on how it impacts the ICT and pharma sectors which have been the main engine of growth for the traded sector of the Irish economy.”

Climate Risk

PTSB is committed to the management of Climate Risk, aided by regulatory guidance, 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.

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.

To date further progress has been made in the development of a definition of Climate Risk for the Bank and added Climate Risk as its own Risk Category within the Bank’s Enterprise Risk Management Framework in early 2022. The impact of Climate Risk within each of the remaining Bank’s Risk Categories is being considered as the management of Climate Risk is further embedded.

To support the measurement, management and monitoring of Climate Risk in addition to ensuring adherence to Regulations, the Bank have developed a Sustainability Implementation Plan which will introduce more changes through the Bank as actions are delivered. Some additional actions that will be implemented as part of this plan include:

- The identification of climate risk factors relevant to the Bank and their high-level potential impacts
- The introduction of a suite of Climate Risk metrics
- Development of 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.
- Consideration of 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,
- Monitoring the regulatory landscape and ensuring full alignment with it.

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.

Climate Risk is defined as the risk of financial loss or an adverse outcome arising from the consequences, likelihoods and a lack of or inadequate responses to the impacts of climate change.

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 the firm’s 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.

As climate risk continues to evolve the effect of Physical and Transition risk on the Bank will be considered against our business model as part of the work to be completed.

You can read more about our commitment to Climate Risk on page 21.

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 and inflation 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 the Risk Management Report.

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;
- Excessive growth in asset volumes;
- Changes in the prescribed regulatory framework; or
- Sale 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 recent completion of the first phase the Ulster Bank transaction has further reduced the Minister for Finance's stake to c.62%.

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 their behavioural stickiness, into longer term loans through predominantly mortgage lending.

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.

Model Risk

Model risk is defined by the Group as an adverse outcome (incorrect or unintended decision) that occurs as a direct result of weaknesses or failures in the design, implementation or use of a model. The adverse consequences include financial loss, poor business or strategic decision-making, or 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:

- Macroeconomic 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 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; fraud; legal; people; property; change and data management risk.

IT Risk is defined as the risk of loss due to a breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology (IT) within a reasonable time and with reasonable costs when the environment or business requirements change (i.e. agility).

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 to and oversees risk mitigation including 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 Risk and Control Self-Assessment (RCSA) Process, control testing and 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. Furthermore, the ORMC reviews and monitors Operational and IT risk RAS, the Operational and IT KRIs, emerging risks and other relevant Operational and IT risk metrics on an ongoing basis.

ORMC also monitors the oversight of new or amended Third Party/Outsourcing relationships, new products, and/or significant changes to existing products and Strategic Change that is implemented across the bank and highlight any risks where required.

The Second Line (2LOD) attend the Governance forums of material change projects, providing oversight and guidance from a Change Risk perspective. 2LOD oversee the appropriate management and completion of key project components such as Risk, Assumption, Issue and Dependency Log (RAID Log), Project Closure reports and monitor the progress and completion of Business Readiness procedures until project implementation. Monthly reporting of the four Change KRIs and formal quarterly review and challenge of the monthly Change Updates to the Executive Committee. Opine on the content of key change artefacts in line with the ECE project, including the enhanced RAID Log, Project Closure Document, Business Readiness Checklist and Project Stage Gates. Rollout of the Change Risk Oversight Policy and Material Change Risk Assessment will further embed appropriate change risk management practices across the bank.

External Fraud is elevated with customers of Financial Institutions being targeted through fraudulent SMS messages, phone calls and accessing fake websites. Since 2020, there has been significant increase in fake Permanent TSB websites shut down. Also, PTSB along with other Irish Issuers and as part of a Banking & Payments Federation Ireland (BPFI) initiative continue to contribute to the 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.

In response to external events we are focussed on;

- Enhancements to Vulnerability Management and Penetration Testing;
- Information Security Awareness communications, including increased Board and ExCo-level communications and awareness;
- Enhanced monitoring for threats; and
- Increased Information Security Governance and associated reporting.

A new 2022-2024 Information and Cyber Security Strategy was approved at Board Risk and Compliance Committee in February 2022. This is to drive further improvements in the Bank's cyber defence and preparedness, along with associated governance.

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 ERMF, 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, Enterprise Level programmes such as Hybrid Workplace, Individual Accountability Framework (IAF)/ Senior Executive Accountability Regime (SEAR), Service a Need (SAN), Sun etc. are designed to ensure People Risk is an integral consideration. The Change Risk Second Line Oversight is being developed in line with the formal Strategic Portfolio project "Enterprise Change Enhancements" (ECE) which has been established following a Change Maturity Assessment undertaken in 2021. This project will focus on change governance enhancements, e.g. build-out of Project Stage Gates with required change artefacts, Change MI on supply, demand and utilisation. The project has already began to deliver and has mobilised the following as examples;

- Prioritisation & Intervention (P&I) Forum,
- Management Deign Authority, (MDA meeting)

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 and 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 ERMF, 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 lack of psychological safety for staff in facilitating a robust speak freely process;
- 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;
- The management of different customer cohorts recognising that some customers may require additional assistance at a point in time or on a permanent basis; 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 32 and note 43 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, and the Regulatory Compliance and Conduct Risk function is responsible for second line Conduct Risk oversight. The Group is guided by a Conduct Risk Management Framework, including a Board-approved Risk Appetite and Conduct Risk Principles. 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 Customer 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 continues to be a key priority for Governments and regulators. The EU Action Plan on Sustainable Finance and the EU Green Deal, set out the EU's strategy to integrate ESG considerations into its financial policy framework and mobilise finance for sustainable growth. A key part of the strategy is the EU Sustainable Finance Disclosures Regulation (SFDR) and accompanying RTS, which requires enhanced disclosure in a consistent manner of ESG factors into decision making processes and customer documentation for sustainable investments. The Corporate Sustainability Reporting Directive (CSRD) which introduces more detailed reporting requirements on companies in respect of the impact of their activities on the environment has been finalised, and European Sustainability Reporting Standards (ESRS) which are linked to the Directive are being developed.

Legislative progress continues on the finalisation of the Basel III reforms, which are aimed at enhancing prudential regulatory standards, supervision and risk management of banks. In line with the objectives of the EU Digital Finance Strategy, the European Commission (EC) has finalised the Digital Operational Resilience Act (DORA) which will apply from January 2025. Also as part of this strategy the EC has recently introduced draft legislation aimed at increasing the availability and use of Instant Payments in Euro. A directive which amends the Consumer Credit Directive is due to be finalised by the EC in 2023.

The EC's package of legislative proposals designed to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules continue to be progressed. With the continued conflict in Ukraine and other geo-political developments, it is anticipated that the EU sanctions regime will continue to evolve in 2023 with further restrictive measures likely to be implemented including additional financial sanctions against individuals/entities along with further restrictive measures on trade and certain financial transactions being introduced.

The Irish Government has published the Central Bank (Individual Accountability Framework) Bill to introduce an Individual Accountability Regime for Banks and other regulated entities, via a Senior Executive Accountability Regime (SEAR).The Bill is currently making its way through the legislative process. The SEAR 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 light of the significant changes in the retail banking landscape in Ireland the Irish Government undertook a Retail Banking Review. This Review issued 34 recommendations impacting the Department of Finance, the Central Bank and the sector itself.

The Central Bank has commenced a review of the Consumer Protection Code (CPC). A Discussion Paper has issued and it is expected to be followed by a Consultation Paper containing draft requirements in late 2023.

Regulators continue to emphasise the importance of culture, conduct risk, diversity practices, financial literacy, operational and IT resilience, cyber security, financial crime, digitalisation 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 is the risk of declines 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 Residential Property Price Index (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 statement of financial position 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 2022	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	**15,602**	**414**	**16,016**
71% to 90%	**2,499**	**197**	**2,696**
91% to 100%	**103**	**61**	**164**
Subtotal	**18,204**	**672**	**18,876**
Greater than 100%	**136**	**152**	**288**
Subtotal	**136**	**152**	**288**
Total Residential Mortgages	**18,340**	**824**	**19,164**
Commercial			**239**
Consumer Finance			**401**
Total loans and advances to customers			**19,804**
Deferred fees, discounts and fair value adjustment			**310**
Gross loans and advances to customers			**20,114**

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 adjustment			115
Gross loans and advances to customers			14,860

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.

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 internal ratings based (IRB) 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 IRB approach 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 table below 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 2022 €m	Year ended 31 December 2021 €m
Cash at bank	14	**58**	57
Items in course of collection	14	**40**	20
Loans and advances to banks	15	**2,123**	4,174
Other assets (Loans sale receivable)	17	**-**	310
Derivative financial instruments	16	**-**	1
Debt securities	19	**3,177**	2,494
Loans and advances to customers	22	**19,593**	14,256
		24,991	21,312
Commitments and contingencies	43	**1,342**	1,181
		26,333	22,493

Further detail on loans and advances to customers is provided in note 38, 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 and Standard and Poor's for the EU. There are no impaired debt securities as at 31 December 2022 or at 31 December 2021, with the exception of the corporate bond.

Debt securities neither past due nor impaired

	31 December 2022 €m	31 December 2021 €m
Rating		
Aaa	**49**	60
AA+	**110**	-
Aa2	**250**	-
A1	**1,734**	-
A2	**-**	1,463
Baa1	**497**	506
Baa2	**456**	465
Baa3	**81**	-
Total	**3,177**	2,494

The following table discloses, by country, the Group's exposure to sovereign and corporate debt as at:

	31 December 2022 €m	31 December 2021 €m
Country		
Ireland	**1,783**	1,523
Portugal	**456**	465
Spain	**497**	506
France	**250**	-
Italy	**81**	-
EU	**110**	-
Total	**3,177**	2,494

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 CBI.

	31 December 2022 €m	31 December 2021 €m
Rating		
Aaa	**1,620**	3,709
Aa2	**199**	199
Aa3	**286**	258
A1	**10**	2
A2	**-**	6
Ba1	**8**	-
Total	**2,123**	4,174

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 the 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 on 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 (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 (GPPC) 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 IRFF 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 2022, with a downgrading of main forward looking indicators in all indicators to that utilised in December 2021.

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 1, Critical accounting estimates and judgements for further detail).

At 31 December 2022, the impairment provision included €137m 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 or is over-reliant on System Funding/ Wholesale Markets. Funding Risk can also occur if the Group fails to meet regulatory requirements and, in extremis, is not able to access funding markets or can do so only at excessive cost.

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, 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 CRR, CRD IV and associated Delegated Acts such as the LCR Delegated Act.

The primary ratios calculated and reported are the LCR and the 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 communicated and compliance with the intermediate target became binding on 1 January 2022. The final target becomes binding on 1 January 2024. The Group has a senior unsecured issuance strategy to meet the MREL target.

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 position impact under idiosyncratic, systemic and combined stresses.

The full suite of liquidity 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.

(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 Non-Performing Loan (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 EWIs 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 lost arising from a downgrade, which may include a loss of customer deposits; limit 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 2022, Moody's upgraded PTSB Plc's and PTSB Group Holdings senior unsecured credit ratings and S&P upgraded PTSB Plc's credit rating. These 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 Ulster Bank transaction.

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 "A2" with Outlook "Stable"; and
- DBRS: Long-Term Rating "BBBL" with Outlook "Stable".

The ratings for PTSB Group Holdings plc are as follows:

- Standard & Poor's (S&P): Long-Term Rating "BB-" with Outlook "Positive";
- Moody's: Long-Term Rating "Baa2" with Outlook "Positive"; and
- DBRS: Long-Term Rating "BBH" with Outlook "Stable".

For further details on liquidity and funding risk see note 38.

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 six scenarios prescribed by the Basel and EBA Guidelines on the Management of IRRBB, for EV and applies the most negative of a 200bps upwards or downwards shock for EAR models, with both calculations 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 2022 interest rate risk level, based on the EAR calculation (more severe than EV), was calculated as €116m (31 December 2010: €40m). The risk position has increased as the ECB has increased its refinance rate from zero and there is more downside for the Bank in a scenario where interest rates decrease by 200 bps.

Based on the internally derived Basis Risk calculation methodology, the 31 December 2022 risk level stands at €19m (31 December 2021 €14m). Basis Risk has increased due to the rise in ECB rates above the interest rate floors. The following interest rate floors are applied in calculating EAR and Basis Risk: 0% for the ECB Refinance Rate and Retail Deposits; -50bps for the ECB Deposit Rate and -100bps for other 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 2022 FX position was €0.8m (31 December 2021 €0.8m).

(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 2022 (31 December 2021: nil) and as such had no exposure to credit spread risk. For further details on market risk see note 38.

Directors' Report

The Directors present their Annual Report and audited Group and Company Financial Statements to the shareholders for the year ended 31 December 2022.

Results
The Group's profit for the year was €223m (2021 loss: €20m) and was arrived at as presented in the consolidated income statement.

Dividends
No dividends were paid in 2022.

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 67 of the Annual Report.

Financial Instruments
The financial instruments and use thereof are outlined in the Risk Management section, financial risk management note 38 and Derivative financial instruments note 16.

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 128 under the Board Audit Committee's 2022 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 2023-2025. 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 128 under the Board Audit Committee's 2022 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 2022 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 100 to 106 of the Annual Report. Nicola O'Brien was appointed as Chief Financial Officer and Executive Director on 04 August 2022. In January 2022, the Board Chairperson Robert Elliott advised the Board that he would not seek an extension to his term of office which will expire on the 31 March 2023. Mr Elliott's successor, Julie O'Neil joined the Board as an Independent Non-Executive Director on 17 January 2023 and will succeed Robert Elliott as Chairperson on 31 March 2023. Andrew Power having completed his term of office will retire as Non-Executive Directors at the Company's AGM to be held on the 19 May 2023. Further information on the appointment processes are 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 2022 Annual General Meeting (AGM). With the exception of Andrew Power, who will retire as a Non-Executive Director at the conclusion of the 2023 AGM, all of the Directors will stand for re-appointment by election at the Group's 2023 AGM.

Information on Directors' remuneration is detailed in the Directors Report on Remuneration on pages 142 to 146 of the Annual Report and Directors' and Secretary interests in shares are outlined in note 44 to the financial statements.

Other than the Directors' and Secretary's interests as set out in note 44, 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 28 February 2023.

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 62.4% (2021: 74.9%) 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.

PTSB materially completed the acquisition of Ulster Bank's performing non-tracker residential mortgage business (€5.2bn of €6.2bn) on 7 November 2022 and entered into a shareholder co-operation agreement with NatWest Group plc and the Minister for Finance of Ireland in relation to a number of matters including orderly sale arrangements in relation to both the shares held by the Minister and the shares issued to RBS AA Holdings (UK) Limited, a subsidiary of NatWest Group plc. The shareholder cooperation agreement does not provide the Natwest Group with any direction or control rights or significant influence with regard to the business of the Group.

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 2022, the Company had 545,589,119 ordinary shares of €0.50 each in issue (2021: 454,695,492). Ordinary shares represent 100% of the Company's issued share capital value. In November 2022, 90,893,627 ordinary shares were issued to RBS AA Holdings (UK) Limited, a subsidiary of NatWest Group plc. Each ordinary share carries one vote and the total number of voting rights at 31 December 2022 is 545,589,119 (2021: 454,695,492).

At 31 December 2022, the Company holds, through an employee benefit trust, 4,580 (2021: 4,580) ordinary shares of €0.50 each.

Additional Tier 1 Equity Securities

On 26 October 2022, the Company issued €250m of AT1 securities. On 25 November 2020, the Company issued €125m of AT1 securities. These AT1 Securities contain no conversion rights into 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 24 June 2022 at which shareholders approved the terms of the Bank's proposed acquisition of certain elements of the Mortgages, SME and Asset Finance assets, in addition to 25 branches, from Ulster Bank.

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 2022, 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	62.4% 340,661,653 shares	9 November 2022
RBS AA Holdings (UK) Limited	16.66% 90,893,627 shares	8 November 2022
Janus Henderson Group plc	3.15% 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 28 February 2023.

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, and 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. Nicola O'Brien was appointed as Chief Financial Officer and Executive Director on 04 August 2022. In January 2022, the Board Chairperson Robert Elliott advised the Board that he would not seek an extension to his term of office which will expire on the 31 March 2023. Mr Elliott's successor, Julie O'Neil joined the Board as an Independent Non-Executive Director on the 22 December 2022 and will become Chairperson on the 1 April 2023.

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 2022 AGM held on 24 June 2022, 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 20 May 2022 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 24 June 2022 and will expire at the conclusion of the 2023 AGM or 24 September 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 2022 AGM held on 24 June 2022, 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 24 June 2022 and shall expire at the conclusion of the 2023 AGM or 24 September 2023 (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 20 May 2022.

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 24 June 2022 and shall expire at the conclusion of the 2023 AGM or 24 September 2023 (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 20 May 2022; 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 20 May 2022.

Market purchases of own Shares

At the 2022 AGM held on 24 June 2022 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 by this Resolution will be carried out). The authority will expire on close of business on the date of the 2023 AGM of the Company or on the 24 September 2023 (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 2023 AGM of the Company or on the 24 September 2023 (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.

Re-Allot Treasury Shares

At the 2022 AGM held on 24 June 2022, members gave the Company (and its subsidiaries) the authority to re-allot treasury shares pursuant to Section 1078 of the Companies Act 2014 and the re-allotment price range at which treasury shares may be re-allotted is as follows: (a) the maximum price at which a treasury share may be re-allotted off-market shall be an amount equal to 120% of the Treasury Share Appropriate Price; and, (b) the minimum price at which a treasury share may be re-allotted off-market shall be an amount equal to 95% of the Treasury Share Appropriate Price (provided always that no treasury share shall be re-allotted at a price lower than its nominal value). This authority will expire at the conclusion of the next annual general meeting of the Company or at midnight (Irish Time) on the date which is 15 months after the passing of the resolution (whichever is earlier), unless previously varied, revoked or renewed.

Post Balance Sheet Events

Events after the reporting period are described in note 48 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 2022.

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 72 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 6.8.1(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 46 to the financial statements.

Independent Auditor

PricewaterhouseCoopers (PwC) Chartered Accountants and Statutory Audit Firm will resign after the completion of the 2022 audits for the Group following a period of 10 years as External Auditors. Upon PwC's resignation, KPMG, Chartered Accountants and Statutory Audit Firm will be appointed in their place and will continue in office in accordance with Section 383(2) of the Companies Act 2014.

Board Diversity Report

The Board Diversity Report, as set out in the Corporate Governance Statement (see page 120) 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 25 Climate Risk, page 25 Task Force on Climate Related Financial Disclosure (TCFD), page 26 Taxonomy Regulation, page 26 Our Carbon Footprint, page 27 Energy Usage, page 27 Waste Management, page 28 Responsible Procurement, page 30 Environmental Policy Statement, page 30

Reporting requirements	Policies and standards which govern our approach	Risk management and additional information
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, page 34 Code of Ethics, page 43 Listening to Employees and acting on feedback, page 35 Diversity and Inclusion, page 36 Health, Safety and wellbeing, page 38 Conflict of interest, Page 43 Speak Freely, page 18, 43 Board Diversity Policy, page 120 Colleague Conduct Policy, Page 43
Human rights	Human Rights Dignity and Respect Code Equality Through Diversity Policy	Human Rights, page 43 Living Our Purpose and Ensuring Strong Corporate Governance, page 42
Social matters	Elevating our Social Impact and Connecting with Local Communities	Elevating our Social Impact and Connecting with Local Communities, page 30
Anti-corruption and anti-bribery	Anti-bribery Policy Anti-bribery Policy Statement Anti-money laundering and counter terrorist financing Policy	Financial Crime Compliance, page 44 Data Protection, page 42 Responsible Conduct and Culture, page 43 Operational Risk, page 73 Speak Freely, page 18, 43
Description of principal risks and impact of business activity		Risk Overview, pages 60 Principal Risks, pages 67
Description of the business model		Our Strategy, page 11 Our Business Model, page 14
Non-financial key performance indicators		Non-financial Performance Indicators, page 3 Living our Purpose and Ensuring Strong Corporate Governance, page 42 Championing Our Customers & Creating a Bank that is Fit for the Future, page 39 Enhancing our Culture and Investing in our People, page 34 Elevating our Social Impact and Connecting with Local Communities, page 30 Addressing Climate Change and Supporting the Transition to a Low Carbon Economy, page 25

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Nicola O'Brien
Chief Financial Officer

Conor Ryan
Company Secretary

Corporate Governance Statement
Chairman's Introduction

Dear Shareholder,

2022 was a transformational year for Permanent TSB as we work towards our ambition of being Ireland's best personal and small business bank.

2022 was another very busy period for the Board who met on a total of 26 occasions. This level of Board activity was primarily driven by the Ulster Bank transaction together with ongoing focus by the Board on change within the organisation, particularly in the area of technology, workforce strategy, customer service and planning for growth.

As announced in 2022, I will step down from the Board at the end of March 2023 having completed my six year-term of office and it is very pleasing to see how the Bank is now well positioned to achieve sustainable growth over the years ahead having executed principal completion of the Ulster Bank transaction in November 2022. This has been a milestone achievement for the Bank realised through the hard work and dedication of many colleagues within the Bank and overseen by the Board. In 2021 the Board established a committee of the Board (Board Sun Committee) to provide support and guidance to the Board on the process to agree and execute the commercial and legal terms for the Ulster Bank transaction. This committee remained constituted during 2022 and will continue into 2023 as the Bank completes the Ulster Bank transaction.

During 2022 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. Indeed culture was a key focus for the Board in terms of a successful integration of our new colleagues from Ulster Bank.

Change continued to be a key focus for the Board during the year. It was a priority for the Board that, notwithstanding the importance placed on the Ulster Bank transaction, both strategic and operational change could be managed in a manner that minimised risk to the organisation and without impacting ongoing business as usual operations that were 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 had capacity to deliver on its ambitions. The Board ensured that resource allocation (capital, people, technology) was rigorously prioritised to deliver strategic change projects safely and on time. 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 2022 and early 2023, the Board appointed Nicola O'Brien and Julie O'Neill, as Directors and undertook a complete review of Board Committee composition. The Board also approved a new Board Diversity Policy which sets gender balance (50/50) on the Board as a committed target in addition to other key metrics as set out in the Board Diversity Report on page 120. All of these changes were made to ensure the knowledge, experience, skills and diversity 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 commenced a process to identify my own replacement a little over a year ago. Indeed, I am very pleased with the appointment of my successor Julie O'Neill. Julie is an accomplished business leader with extensive executive and board experience which will be invaluable as we further transform and grow the Bank.

2022 was also a year where preparations continued for the introduction of the Individual Accountability Framework. 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.

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 125, 133, 130 and 136 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 Dublin 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.euronext.com/en/markets/dublin.

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 2022, save as set out in the following paragraphs.

Director and Committee Independence

Provision 24 and 25 of the UK Code requires both the audit and risk committee (where established) to consist of Independent Non-Executive Directors. Marian Corcoran is a member of the Board Risk Committee and Paul Doddrell is a member of both the Board Risk and Audit Committee. 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 and, as a result are not considered independent under the code. 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 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 (see below for the Board's position on Mr Doddrell as a member of the Board Audit Committee.

As part of the Board's succession planning activities, preliminary plans had been agreed for Andrew Power and Ken Slattery to step down from the Board at the 2023 AGM having completed their respective six and nine year terms of office. A process to identify a candidate to replace the knowledge and experience vacated by Andrew Power remains ongoing with an expectation of an appointment in the second half of 2023. Mr Power will step down from the Board at the 2023 AGM.

The appointment process to identify and appoint a replacement for Ken Slattery (with knowledge and experience in retail and SME banking) was more advanced with a preferred candidate identified and due to commence a regulatory assessment process. Sadly, the intended appointee for this role passed away unexpectedly in January 2023 and the Board has now re-started a process to identify a new candidate.

The Board had planned for the intended appointee to replace Paul Doddrell on the Board Audit Committee. As previously referenced, Mr Doddrell does not meet the independence criteria under provision 10 of the UK Code having been nominated to the Board by the Minister for Finance of Ireland. The Board had previously stated how Mr Doddrell's knowledge, experience and independent mindset has been of material benefit to the Audit Committee. However, the Board acknowledges the voting patterns at the 2022 AGM which provide guidance that a proportion of the Company's shareholders would prefer the Board to adhere strictly to the independence requirements for the Board Audit committee under provision 24 of the UK Code (all committee members to be independent). The Board acknowledges this guidance but as an interim measure and to maintain membership levels above minimum quorum requirements (with Andrew Power stepping down at the AGM) have agreed Mr Doddrell should remain on the Audit Committee until the end of 2023 to allow time to appoint Mr Slattery's replacement at which point Mr Doddrell's responsibilities will transfer to another Board committee.

The Directors have requested, and Ken Slattery has agreed, to remain on the Board until the end of 2023 to allow time for the identification and appointment of his replacement. Mr Slattery will have served just over 10 years in office when he steps down from the Board at the end of 2023. In recommending this extension, the Board undertook a rigorous review of Mr Slattery's performance and interests and is satisfied he continues to be independent.

As part of the appointment process for Julie O'Neill, the Board undertook a rigorous assessment of her independence. The Board is satisfied Ms O'Neill meets the independence criteria under the UK Code and will remain independent upon her appointment as Chairperson on the 31 March 2023. Ms O'Neill served as an independent non-executive director of the Company from 2014 to 2020. In assessing Ms O'Neill's independence, the Board took account of the fact that Ms O'Neill had previously served six years as an independent non-executive director (less than the nine year threshold set out in the UK Code) and was the Board's senior independent director when she stepped down from the Board.

Remuneration

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. Since 2019, the Board has approved certain enhancements to staff defined contribution pension schemes where, based on market benchmarking, the maximum employer contributions were increased up to 16% linked to increases in each employee's own contributions and subject to certain age-based eligibility criteria. In carrying out these reviews, 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. Given the particular challenges faced in attracting and recruiting the most senior talent, it is now proposed to increase the Executive Directors maximum pension contribution to 16%, or 20% in the case of the CEO. Given the difficulties experienced in respect of senior talent acquisition, and aligned with the current approach for members of the Bank's Executive Committee, it is also proposed to exempt the Executive Directors 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.

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, in 2021 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 and in person networking forums, internal intranet platform, a Bank-wide communications platform and app, in-house digital screens, four 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 2023

The Bank's focus for 2023 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 and 2022, 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 Group'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 2022 the Board met in total on 26 occasions and this facilitated regular Board engagement with subject matter experts from across the Bank. The Board also visited off-site locations such as the Bank's technology centre in Cork and scheduled visits were arranged throughout the year for directors to visit the Bank's branches and call centres for the purposes of engagement with Bank colleagues on the ground.
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 the Heritage launch, Better Balance Webinars, Values in Practice Awards and Sustainability events.
Employee Representative Bodies	CEO and CHRO and Corporate Development Director bi-annual engagements with Employee Representative Bodies to update them on the organisational trading position, the Bank's purpose and strategy together with opportunities and challenges being faced.
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. Nomination Culture and Ethics Committee met with the Bank's People Experience Council incorporating two formal engagements with the Council in 2022.

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 2023.

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 2022, 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 2022, 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.

Directors' Report

The Directors' Report and the Statement of Directors' Responsibilities forms part of the Corporate Governance Statement.

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 Group's Purpose and Ambition, considers the optimal knowledge, experience and skills requirements of the Board and sets them out in a Board approved Suitability Matrix. Appointments to the Board are guided by the Board Assessment and Suitability Policy, Board Diversity Policy and Board Suitability Matrix. The key knowledge and experience that each of the Directors bring to the Board are set out in the Biographies below.

ROBERT ELLIOTT (70)
CHAIRMAN
INDEPENDENT ON APPOINTMENT

Appointed Chairman:
31 March 2017

Nationality:
British

Committee Membership:
Nomination, Culture and Ethics Committee (Chair)
Remuneration Committee

Principal External Appointments:
Chairman of Windship Technology Ltd and Director of Royal Yacht Squadron Racing Limited

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 Group. 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 (53)
CHIEF EXECUTIVE OFFICER

Appointed to Board:
10 May 2017

Nationality:
Irish

Committee Membership:

Principal External Appointments:
President of the Banking and Payments Federation Ireland (BPFI) and President Institute of Bankers in Ireland.

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.

Eamonn was appointed CEO in June 2020. 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

NICOLA O'BRIEN (52)
CHIEF FINANCIAL OFFICER

Appointed to Board:
4 August 2022

Nationality:
Irish

Committee Membership:
None

Principal External Appointments:
Director of First Home Scheme Ireland DAC (on behalf of PTSB)

Key Strengths, Skills and Experience
Nicola is a qualified Accountant (ACMA) with over 20 years' experience operating at a senior level within the Retail Banking sector in Ireland. Nicola brings a strong understanding of the commercial, strategic, operational, financial and regulatory requirements of Banking.

Nicola joined the Bank in 2017 and has a depth of experience in the Commercial and Retail banking sectors. Prior to joining the Bank, Nicola held a number of senior roles in Bank of Ireland, including: Head of Finance Group Customer Operations; Head of Group Finance Strategy and Divisional Financial Controller for the Retail Ireland division.

- ACMA & CGMA

Julie O'Neill (67)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
17 January 2023

Nationality:
Irish

Committee Membership:
Remuneration Committee, Nomination, Culture and Ethics Committee

Principal External Appointments:
Chairperson of the Convention Centre Dublin, Director at XL Insurance Company SE and AXA Life Europe

Key Strengths, Skills and Experience
Julie is an accomplished business leader with extensive executive and board experience, having held a number of senior government positions, including Secretary General of both the Department of Transport and the Department of Marine and Natural Resources and holds/held a number of other prominent Non-Executive Director roles, including: Chairperson of the Convention Centre Dublin, Non-Executive Director at XL Insurance Company SE, AXA Life Europe and previously Ryanair Group plc.

Note, a number of Julie's current appointments will cease shortly before or just after her appointment as Board Chairperson on the 31 March 2023 (given the additional time demands of the Chairperson role).

Julie previously served a six-year term on the Permanent TSB Group Holdings plc Board (2014 to 2020) as an Independent Non-Executive Director, the latter 4 years as the Board's Senior Independent Director. During this period she played a significant role as a Board member in guiding positive transformation of the Bank. Julie's has extensive business and leadership experience and will bring an in-depth knowledge of the Bank and wider banking /insurance industry to the Board.

- Certified Bank Director
- Batchelor of Commerce
- MSc Policy Analysis

RONAN O'NEILL (69)
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
26 July 2016

Nationality:
Irish

Committee Membership:
Audit Committee (Chair)
Nomination, Culture and Ethics Committee

Principal External Appointments:
None

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, (47)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
30 October 2018

Nationality:
German

Committee Membership:
Risk and Compliance Committee
Remuneration Committee

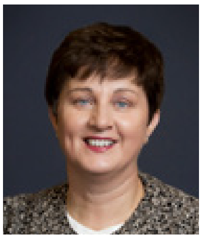
Principal External Appointments:
Director at: RTGS Global Ltd; Gresham Technologies plc; Aquis Exchange Plc; and Leximar Ltd (personal consultancy company).

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 Group'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, (58)
NON-EXECUTIVE DIRECTOR



Appointed to Board:
24 September 2019

Nationality:
Irish

Committee Membership:
Risk and Compliance Committee
Nominations, Culture and Ethics Committee

Principal External Appointments:
Director of IDA Ireland, Member of DCU Governing Authority, and Director of MC2 Change Limited (personal consultancy company)

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 Group'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 (58)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
3 October 2018

Nationality:
Irish

Committee Membership:
Audit Committee
Risk and Compliance Committee (Chair)

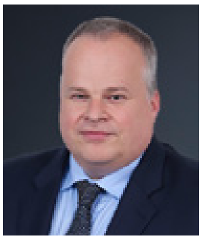
Principal External Appointments:
Director at Iput plc, Special Olympics Ireland and NBC Global Finance Limited.

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

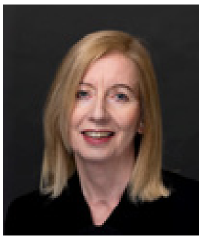
Principal External Appointments:
Director at Cabot Financial Ireland Ltd, Coastline Housing Limited and 3 to 48 Ltd (personal consultancy company)

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 (60)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
30th March 2021

Nationality:
Irish

Committee Membership:
Nominations, Culture and Ethics Committee
Remuneration Committee

Principal External Appointments:
Director at: VHI Health And Wellbeing DAC; VHI Health And Wellbeing Holdings DAC; and; Chair, Pieta House CLG.

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)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
30th March 2021

Nationality:
Irish

Committee Membership:
Audit Committee
Risk and Compliance Committee

Principal External Appointments:
Director at Northern Trust International Fund Administration Services Ireland Ltd and Pieta House CLG.

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 Group 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
- Certified Bank Director

KEN SLATTERY (74)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
30 August 2013

Nationality:
Irish

Committee Membership:
Nomination, Culture and Ethics Committee
Remuneration Committee (Chair)

Principal External Appointments:
Director of Home Building Finance Ireland, Home Building Finance Ireland (Lending) DAC, National Shared Services Office and The Glencree Centre for Reconciliation CLG

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 Group.

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 (66)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
26 September 2016

Nationality:
British

Committee Membership:
Audit Committee
Remuneration Committee

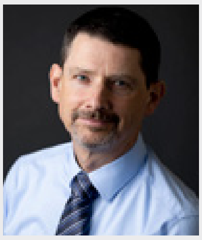
Principal External Appointments:
Director at A.M. Best Europe - Rating Services Limited and Andrew Power Consultancy Limited (personal consultancy company).

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 Group 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 ICSA: The Governance Institute and was President of the Institute in Ireland from 2014 to 2016.

2022 Board Meeting Attendance and Directorships

Member	Appointed	Ceased	Number of Years on Board	2022 meetings	Number of Directorships held
Non-Executive Directors					
Robert Elliott	31 Mar 2017	-	5.9	25/26	4/2
Ken Slattery	30 Aug 2013	-	9.4	25/26	6/3
Paul Doddrell	26 Nov 2020	-	2.1	26/26	7/2
Ronan O'Neill	26 Jul 2016	-	6.5	26/26	2/1
Andrew Power	26 Sep 2016	-	6.3	21/26	6/2
Donal Courtney	03 Oct 2018	-	4.3	23/26	6/3
Ruth Wandhöfer	30 Oct 2018	-	4.2	25/26	8/4
Marian Corcoran	24 Sep 2019	-	3.3	26/26	5/2
Anne Bradley	30 Mar 2021	-	1.8	26/26	4/2
Celine Fitzgerald	30 Mar 2021	-	1.8	25/26	5/2
Executive Directors					
Eamonn Crowley	10 May 2017	-	5.7	26/26	9/1
Nicola O'Brien	04 Aug 2022	-	0.4	11/13	4/2
Mike Frawley	29 Oct 2019	31 Mar 2022	2.2	5/5	2/1

Notes:
PTSB is the sole direct subsidiary of PTSBGH. During 2022, 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 2022 or at time of cessation from the Board. A full listing of each Board member's external directorships are available in the Group's Pillar 3 Disclosures Report available at https://www.permanenttsbgroup.ie/investors/result-centre/year/2022.

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 (Exco), details of which are set out on pages 108 to 109. 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

NICOLA O'BRIEN
CHIEF FINANCIAL OFFICER

GER MITCHELL
CHRO & CORPORATE DEVELOPMENT DIRECTOR

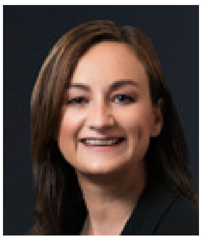
Ger has been a member of the Executive Committee since 2012. Ger is an experienced commercial leader who has held a number of senior retail, commercial and customer roles prior to his appointment as HR Director in 2017. In 2020 Ger's role was expanded to include 'Corporate Development' which brings the 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.

DAVID CURTIS
CHIEF RISK OFFICER (INTERIM)

David is a senior risk professional with thirty years' plus experience in banking and has had a varied career in both public & private sectors in a range of disciplines including Credit, Executive Management, Risk Management, Stress Testing, Compliance, Audit (internal & external) and Information Management.

He is currently the Interim Chief Risk Officer with the Bank and is responsible for the management of the Group Risk function which ensures the Bank has an effective Risk Management Framework & Process in place. Prior to his current role, he was Chief Credit Officer with responsible for the management of Credit Risk through the full credit lifecycle. Before his appointment as Chief Credit Officer, he has held a number of senior roles both within & outside Credit Risk including Risk COO.

He is a graduate of Trinity College Dublin where he received a Master's in Business Administration and has a Degree in Computer Science. He is a qualified Accountant (FCCA), holds the Certified Bank Director qualification and is a fellow of the Institute of Internal Auditors - UK.

TOM HAYES
CHIEF TECHNOLOGY OFFICER

Tom is an experienced business transformation and technology leader with deep experience in leading Digital change and operational resilience. Tom joined the Bank in 2017 from AIB where he had most recently held the role of Head of Digital Transformation Delivery. Tom had held various senior technology leadership roles at AIB including: Head of Customer Engagement Technology, AIB Digital and Group Head of IT Infrastructure & Operations.

PTSB 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 across the Bank and especially 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 technology operations, resilience 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; 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.

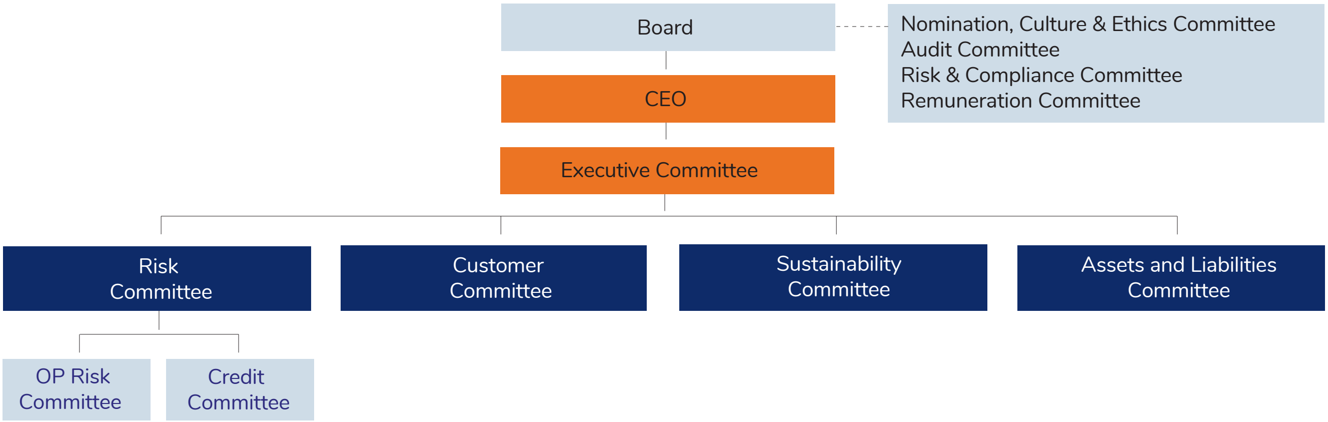
Group Operations encompasses Banking Operations, Collections & Recoveries and other key functions. The business unit is focussed on consolidating, standardising and simplifying activity so as to enable the Bank to deliver an exceptional customer experience, while also generating efficiencies.

Executive Committee Vacancies

David Curtis was appointed to fill the Chief Risk Officer role on an interim basis, the Bank's recruitment process to fill the position on a permanent basis is at an advanced point.

Corporate Governance Statement

Governance Structure, Roles and Responsibilities



Board

The Board retains accountability for corporate governance within the Group 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 Group's operations, compliance and performance. The CEO is the principal executive accountable to the Board for the day to day management of the Group. 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 Group'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 Group'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)
Marian Corcoran
Celine Fitzgerald
Ken Slattery
Ronan O'Neill

- 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.
- Review/monitors 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
Anne Bradley
Paul Doddrell
Andrew Power

- 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)
Marian Corcoran
Paul Doddrell
Ruth Wandhöfer
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 and Environmental Risk on the Group's overall Risk Profile.

Remuneration Committee

Ken Slattery (C)
Robert Elliott
Ruth Wandhöfer
Celine Fitzgerald
Andrew Power

- 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 Group. 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 Group 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 Group's Strategy, Strategic Direction and Operating Model
- Allocating, and re-allocating, the Group'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 Group wide Risk Management Issues
- Developing the structure and content of the Group'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 Group and to maintain a Risk Register of top risks facing the Group, 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 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 Group's 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 Group'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 Group

"The Board has overall governance responsibility for the operations of the Group"

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 build trust and 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.
	Identifying the ESG factors considered material to the business and ensuring they are monitored and managed as part of the Bank's strategic formulation.
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 (both current and emerging) 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 sustainable value creation and not expose 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 Risk Appetite Statement (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

As in previous years, the Board adopted a set of objectives closely aligned to the Bank's purpose, ambition and strategic objectives. A key focus for the Board during 2022 was providing enhanced oversight on the execution of the deal announced at the end of 2021 to acquire certain elements of the Ulster Bank Retail and SME franchise. This, together with the opportunity presented for customer acquisition following the withdrawal of both Ulster Bank and KBC from the Irish market was a priority focus for the Board. The Board ensured that the Bank's human and financial resource allocation was being prioritised to ensure safe execution of the transaction with Ulster Bank while also maintaining secure and resilient systems to support customers. This included providing oversight on the execution of the Bank's digital banking programme which is transforming front end and back end systems to support customers and colleagues, improve the Bank's competitiveness and deliver value to shareholders. 2022 was a year were significant focus was placed on colleagues and culture with the Bank welcoming over 1,400 new colleagues including 112 from Ulster Bank. Ensuring these colleagues were welcomed, received appropriate induction/training/tooling and understood the values to which the Bank espoused where key focus areas for the Board.

The Bank has gone through a significant change in 2022 and the Board has provided oversight to ensure this change was actively managed/prioritised and in a risk aware manner while maintaining resilient day to day operations. 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.

Board priorities in 2023 include oversight of the migration of the remaining Ulster Bank business (circa. €1.5bn of a mortgage book and an Asset Finance business) and colleagues to the Bank, and on continuing to execute the Bank's digital transformation initiatives. The Board will also continue to focus on maturing the Bank's SME Strategy to complement the acquisition of the Lombard and Ulster asset finance business which will be supported through digital enablement and personal customer service. The Board will also be focussing on the continued execution the Bank's sustainability strategy and working with stakeholders towards the development and execution of a new brand proposition. The Board will continue to ensure this is done in a prudent manner which ensures the Bank can execute change while maintaining resilient systems and customer service during an uncertain economic and geo-political environment.

"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 Bank's strategy is reviewed and, if relevant, refreshed annually. In 2022, the Board approved four strategic priorities: Connected Customer Experience; Sustainable Business Growth; Secure and Resilient Foundations; and, Cultural evolution. When aligned to the Bank's Purpose and Ambition, the strategic priorities will frame and drive delivery of the Bank's strategy in the medium-term. In addition, all significant change and transformation programmes are aligned to these four priorities, and 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 approved a five year strategic and operating plan (Medium Term Plan or MTP). The annual strategy refresh is undertaken as part of the Bank's Integrated Planning Process, which links Strategic, Financial and Change Delivery plans 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 discussion and challenge of 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.

3 Stage Annual Strategy Development Process

Strategy Session 1 (October 2022)

This is a standalone strategy meeting which addresses key strategic themes in the external market and internal environment in which the Bank operates. The session is structured around presentations from management and external partners. For example, in 2022, the meeting included interactive presentations on: customer experience; emerging societal trends; and, domestic macro-economics and the evolving global financial context. 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, reflecting on the alternative viewpoints provided from external partners during the session. This is a key opportunity for Non-Executive Directors to provide feedback and input to the Bank's Strategic Plan before the first advanced draft is presented to Board at Strategy Session 2 (alongside the related draft Financial and Change Delivery plans).

Strategy Session 2 (Late November 2022)

At the second Board Strategy meeting, advanced drafts of the Bank's Strategic, Financial and Change Delivery plan are presented to the Board for further discussion, input and iteration. The Bank's Executive Management Team sets out how Board feedback from Strategy Sessions 1 and 2 has been addressed and incorporated into each respective plan. This session is the last formal checkpoint that the Board has to provide input and challenge to the plans in advance of formal approval of each respective plan 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. Similarly to the first Strategy Session, this meeting includes deep-dives into key strategic programmes or themes; however, in this session they are more internally focused.

Final Sign-Off (Mid-December 2022)

Following completion of the second strategy session, and with continued engagement with the Bank's Management Team, the final draft Strategic, Financial and Change Delivery 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. On an ongoing basis throughout the year, the Board receives management updates on key strategic programmes of work as well as on agreed KPIs and reporting metrics.

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 nominated for appointment 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 fulfil the independence requirements of the UK Code. The Chairman meets the UK Code requirement to be independent on appointment.

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 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 2022, the Board comprised twelve Directors: the Chairman, who was independent on appointment, the CEO, the CFO and ten Non-Executive Directors, eight of whom have been determined by the Board to be independent Non-Executive Directors. Changes to the Board during 2022 included the appointment of Nicola O'Brien as an Executive Director on 4 August 2022. Biographies of each of the Directors are set out in the Board of Directors section on pages 100 to 106. 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 3 year period and any term beyond this will only be exercised in exceptional circumstances (see page 97 on UK Code disclosures).

The Chairman is proposed for re-appointment by the Directors on an annual basis. The term of office of the Chairman is six years. In 2022 the Chairman informed the Board he would not be seeking an extension to his term of office which was due to expire in March 2023. Julie O'Neill who joined the Board on 17 January 2023 will succeed Robert Elliott as Chairperson when he steps down from the Board on the 31 March 2023. All other members of the Board will stand for re-election at the 2023 AGM with the exception of Andrew Power who will retire from the Board in 2023 having completed his six year term of office.

Executive Directors' service contracts are reviewed by the Remuneration Committee and approved by the Board. Existing Executive Directors' contracts provide for a rolling 6 month notice period 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.

2022 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 2021 by Promontory Financial Group (Promontory) and will take place again in 2024; the Chairman requested the 2022 performance evaluation process to be internally facilitated by the Company Secretary.

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 2022 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.

2022 Board Evaluation Process

During 2022

The Board Chairman met collectively with the Non-Executive Directors without the presence of the Executive Directors.

November 2022

Full governance and internal stakeholder engagement as part of review of Board and Committee meeting packs, Terms of Reference, Board Manual, and Governance documents.

A questionnaire based on key governance related themes was issued to the Board to assess the performance of the Board and its Committees. A separate questionnaire on Board performance was also issued to the Executive Committee.

December 2022 - January 2023

Non-Executive Directors: 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.

Chairman: Led by the Senior Independent Director, the Non-Executive Directors carried out the performance evaluation of the Chairman, taking into account the views of Executive Directors. The Chairman was not present at the meeting when dealing with the evaluation of his performance.

CEO: The Chairman obtained feedback from the Non-Executive Directors and subsequently presented his evaluation of the CEO's performance against agreed objectives to the Nomination, Culture and Ethics Committee.

Executive Directors: The Board met collectively with the Non-Executive Directors with the CEO present.

February 2023

The Nomination, Culture and Ethics Committee's review of 2022 Board performance took place on 20 February 2023. At this meeting, the members of the Committee received and discussed the following reports:

- The Chairman presented his report on individual Non-Executive Director performance;
- The SID, without the presence of the Chair, presented his report on the performance of the Chairman;
- The Chairman, without the presence of the CEO, presented his report on the performance of the CEO;
- The CEO presented his assessment of performance of the Bank's ExCo members;
- Each of the Committee Chairs presented their review of the performance of their respective Committee;
- The Chair of the Audit Committee confirmed that he had undertaken, with input from the members of the Audit Committee, an assessment of the performance of the Head of GIA to the Audit Committee and presented a summary of his report;
- A governance discussion document prepared by the Company Secretary and which included;
- A Board and Committee tenure report;
- An attendance schedule for 2022 Board and Board Committee meetings;
- An independence assessment of the Non-Executive Directors;
- An outline of the responsibilities of the Board, Chairman and CEO;
- An assessment of External Directorships;
- Details of any declared Conflicts of Interests of the Directors.

During a Board meeting held on 28 February 2023, the Chairman presented the 2022 Board performance evaluation for consideration by the Board.

Outcomes of 2022 Board Performance Evaluation

During a meeting held on 20 February 2023, the Nomination Culture and Ethics Committee received a report from the Company Secretary on the performance evaluation of the Board for 2022. The Board was satisfied that the Non-Executive Directors, the Chairman and the Executive Directors contributed effectively to Board debate and discussion and demonstrated a knowledge and understanding of the business, its risks and material activities. A number of actions, arising from the Chairman's report, were agreed which will be overseen by the Chairman during the year.

2022 Board Performance Action Plan

Culture	Enhanced focus on developing, maintaining and monitoring the desired culture of the Group as it becomes a larger organisation through the acquisition of parts of the Ulster Bank business.
Risk	Continue to prioritise oversight on the effectiveness of the Bank's Risk Management Framework across all three lines of defence, with a particular focus on operational resilience and embedding new digital and operational risk management tools and processes from 2023.
Culture	Enhanced focus on developing, maintaining and monitoring the desired culture of the Bank as it becomes a larger organisation through the Ulster Bank transaction.
IAF and SEAR	In light of the impending introduction of IAF and SEAR, the Company Secretary should continue to review and update board processes and documentation and ensure the Board understand their collective and individual responsibilities and accountabilities arising from the new legislation.
Board Reporting	The Board should continue to encourage the timely delivery of management reporting to the Board and its committees with key risks and issues being a key element of executive summaries.
Sustainability	The Board has requested a review of the Board committee responsibilities to ensure the wide spectrum of activity under the Bank's Sustainability Strategy is being effectively overseen at Board and Board Committee level.

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 Group's operations, management and governance structures, including the functioning of the Board and the role of Board Committees and key issues facing the Group. Directors will also be encouraged, where appropriate, to make site visits to see the Groups 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.

2022 Board Training and On-Going Business Awareness

Board Training Sessions

A number of Board training sessions were facilitated during 2022 to support on-going business awareness and Director development. During COVID-19 these sessions were delivered through electronic channels, and given the increased flexibility of theses electronic / hybrid sessions, the Board agreed to maintain this approach for training sessions throughout 2022 and beyond as the Bank had moved to a hybrid working model. 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 2022 included: Risk and Control Management; Macro-Economic Outlook; Operational Resilience; Climate and Environmental Risk; Anti-Money Laundering; 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 2022. 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 2022 included: macro-economic outlook; capital and liquidity planning; recovery planning; future of banking and technology; strategic vendor management; Russia & Ukraine War; hybrid working; and organisational design 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 table on page 106 shows Board membership and directors' meeting attendance during 2022. There were ten scheduled Board meetings for 2022, the same number as in 2021. In addition to scheduled meetings, additional meetings of the Board, and some of its Committees (detailed in each Committee report) were held throughout the year to receive updates and deal with time-critical matters, primarily these were related to the Ulster Bank transaction. There were 16 additional Board meetings held in 2022 compared to 19 additional meetings held in 2021.

As the impact from the pandemic receded during 2022 the Board met for the first time in person in February 2022. The Board has since operated a hybrid (a mix of in person and online meetings) meeting format for scheduled Board meetings during H2 2022. Board Committee meetings and training sessions were held virtually through the whole of 2022. The plan for 2023 and beyond is to move to in person for scheduled Board meetings and a mix of hybrid and virtual meetings for Board Committee meetings and training sessions.

Agendas and papers are circulated to Directors electronically via a secure online Board portal in sufficient time to facilitate review by the Directors. In circumstances where a director is unable to attend a meeting, they receive the papers and have the opportunity to provide their feedback in advance of the meeting to the Chairman.

At each of the scheduled Board meetings the directors received reports from the Chairman, Board Committee Chairmen, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer and other members of the executive management team, as appropriate. Other senior executives attended Board meetings throughout the year to present reports to the Board. This provided the Board with an opportunity to engage directly with management on key issues and support succession planning. 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.

The Board, Board Committees and the Bank's Executive Committee operating rhythm supports a proactive and focused agenda planning and paper preparation process. This process includes pre-meetings of the Board between the Chairman, CEO and Company Secretary to ensure the Board and Executive Management are aligned on Board agendas.

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, Marian Corcoran, Anne Bradley, Paul Doddrell, Ronan O'Neill and Donal Courtney; Mike Frawley ceased to be a member on 31 March 2022 when he resigned from the Bank.

During 2022, two of the Board's permanent Committees were composed of Independent Non-Executive Directors and two were composed of a majority of Independent Non-Executive Directors. The Board acknowledges that it is not in compliance with the UK Code (which requires all directors to be independent) with regard to the membership of its Audit Committee and has set out is approach to dealing with this matter on page 97. The 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, which are reviewed annually. The Terms of Reference of each Committee are available on the Bank's website www.permanenttsbgroup.ie. As Covid receded in early 2022 the Bank held a hybrid AGM (in person and webcast). The Board Committee Chairs together with a number of Board members attended the AGM and were available to answer questions from shareholders.

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 was undertaken by the Board Audit Committee during 2022. In assessing the effectiveness of the Group's systems of risk management and internal control during 2022, the Committee 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 Group's key risks. Supporting this assurance, the Committee 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 2022 for the Group which were found to be effective.

While the review indicated there were areas of the Group's control environment that would continue to require enhancement, the overall effectiveness of the Group's control environment during 2022 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 2022 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;
- 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;
- A corporate governance structure has been defined showing the key governance and decision making bodies of the Group; each governance body has a terms of references that sets out its key areas of responsibility;
- 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 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 against 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 the Board Audit Committee on the scope, nature and independence of the work of undertaken by GIA;
- The reviews by the Board Audit Committee of progress with 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 Group'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 Remuneration Committee is responsible for oversight of the Group's remuneration and reward strategies. It ensures the remuneration strategy is aligned with the Group's appetite for risk, business strategy, values, culture and ambitions, and oversees Senior Management reward.

The Nomination, Culture and Ethics Committee is responsible for the culture, behaviour, ethics and reputation management oversight in the Group.

The Group 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 Group's Ambition, Purpose and Values. The Group'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 psychologically safe environment in which to do so. In addition, the Group also has in place a Colleague Conduct Policy, which outlines the standards of responsibility and ethical behaviour to be observed by all the Group's employees.

Internal Control over Financial Reporting

The Group operates a Financial Control Framework (a divisional framework of the Group's Internal Control Framework) over financial reporting to support the preparation of the consolidated financial statements. The effectiveness of the Group'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 Group to respond to diverse customer and wider stakeholder needs. Further details on the Group's Organisational Culture, Diversity and Inclusion Programmes are set out on page 36.

Board Diversity Policy

The Board has a Diversity Policy which is reviewed annually. The Board Diversity Policy sets the target for gender diversity 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 when carrying out succession planning activities or Board recruitment/refreshment.

The Group 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 regional and industry experience, education and professional experience, together with 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. In December 2022, the Board Diversity Policy was reviewed and updated setting the following target and guidance principles for 2023:

Area of Diversity	Rationale	Guidance or Target	
Knowledge Experience and Skills	The Board aims to engage a broad set of qualities and competencies when recruiting Board members to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Board. See also below:	**Target:** At least 50% of Non-Executive Directors, the Board Chair together with the Chairs of the Audit and Risk and Compliance Committee should have core relevant banking and/or financial services knowledge and experience (obtained working for a financial institution or through the provision of services to a financial institution).	
Board Suitability Matrix	The Board regularly reviews the knowledge, experience and skills of the Board to ensure they are aligned with the current, emerging and future needs of the Bank. Note: Knowledge examines achievement in education, training and practice. Experience looks at the practical and professional experience gained. Skills focus on personal attributes, how the person is capable of behaving and acting.	**Knowledge and Experience:** · Retail and SME Banking · Culture and Ethics · Sustainability · Customer Advocacy/ Experience · Accounting/Auditing · Risk Management · Governance · Technology (including Cyber/IT Resilience) · Organisational Change · Strategy Development · Legal and Regulatory · Capital Markets	**Skills:** · Authenticity · Decisiveness · Communication · Judgement · Customer and Quality Orientated · Leadership · Loyalty · External Awareness · Persuasive · Teamwork · Sense of Responsibility · Integrity · Independence of Mind

Area of Diversity	Rationale	Guidance or Target
Gender	The Board understands that gender is an essential component of Board diversity facilitating a more independent mindset at Board bringing together richer more informed debate and challenge	**Target 1:** The Board will be gender balanced (50%between Directors identifying as male or as female). Where the Board has an uneven number of Directors, a rounding down of the majority gender is deemed to have achieved balance. **Target 2:** At least one of the Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) positions will be held by a female (including those self-identifying as a female).
Geographic Location	The Board should comprise of directors who understand the social, economic, business and cultural environment in which the Group operates. However, the Board also understands the benefit of having an 'external' perspective, to draw learnings and insights from other jurisdictions and cultures to support independent and effective decision making.	**Target:** Between 20% - 30% of the Non-Executive Directors should be in a position to draw on current or recent knowledge and experience obtained from having lived outside of Ireland.
Age and Ethnicity	The Board of PTSB recognises that in addition to tenure of knowledge and experience, value should also be placed on the timing of when knowledge and experience is acquired. This is ever more relevant where latest rapidly evolving developments in technology, innovation and customer behaviour will play an ever greater role in delivering the Group's Ambition. The Board also recognises the importance that diversity on the Board brings particularly given the diverse age and ethnic profile of the Group's customer base.	**Guidance:** For each Director appointment, the Board will consider age and other demographics of the Group's customer base together with relevant Board composition benchmarking data to inform the design of the role profile. Consideration will also include latest Irish census data on non-white ethnic minorities.

The Board Diversity Policy is published on the Group Website: https://www.permanenttsbgroup.ie/document-centre/year/governance

Objective of Board Diversity Policy

The Group recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an important element in delivering on the Group's stated Purpose and Ambition. The Board aims to engage a broad set of qualities and competences when recruiting Directors to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Board. All Board appointments are made on merit, in the context of the aggregate knowledge, experience and skills that the Board as a whole requires to be effective.

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 and latest regulatory guidance 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.

How the Board Diversity Policy was implemented during 2022

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 by the Board.

The Board Nomination Culture and Ethics Committee carries out an evaluation of Board performance annually. A part of that review considers the succession planning, composition and diversity needs of the Board. In November 2022, the Committee carried out a detailed analysis of Board and Committee composition, Board Independence levels, Board diversity analysis, review of the Board Suitability Matrix (desired mix of knowledge, experience and skills) and planned retirements over the following two year period. This comprehensive assessment allows that the Board to plan for knowledge, experience, skills and other diversity needs of the Group.

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. 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, aviation, healthcare, communications and charities sector strategy development and governance.

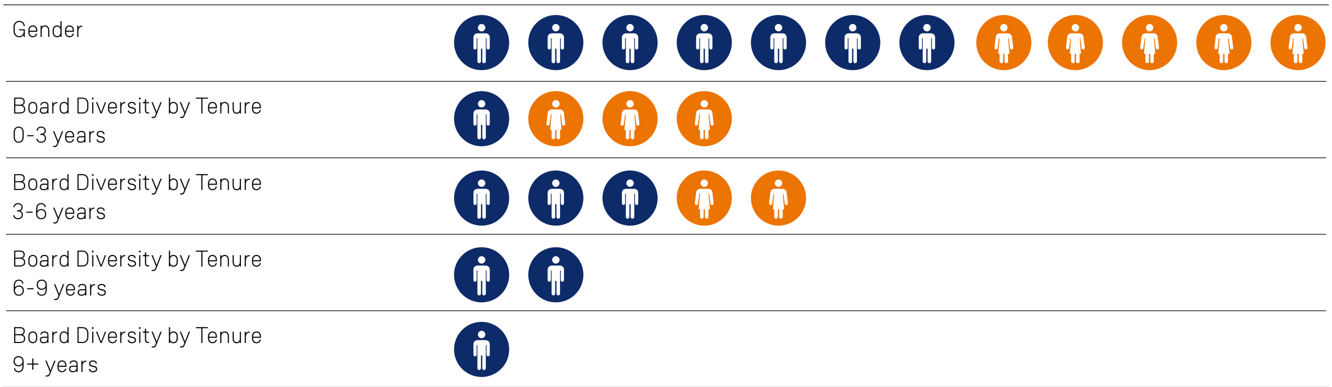
The Board considers the skills, experience and expertise, including education and professional background, in areas relevant to the operation of the Board.

All candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Group'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 established 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.

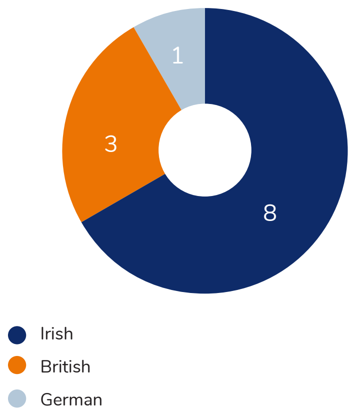
2022 Board Diversity Progress

At 31 December 2022 the Board gender diversity ratio stood at 42% (40%for Non-Executive Directors). With planned Board changes, it is expected the target of 50% will be achieved at the conclusion of the AGM in May 2023 when the Board gender diversity ratio will be 56% for both Board and Non-Executive Directors. The Board achieved its objective of 50% of Non-Executive Directors having banking and/ or financial experience and is satisfied that all Directors have attained the required financial literacy threshold.

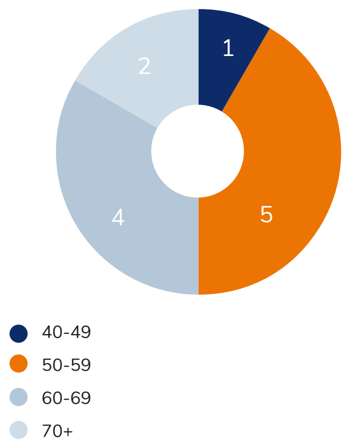
2022 Board Diversity



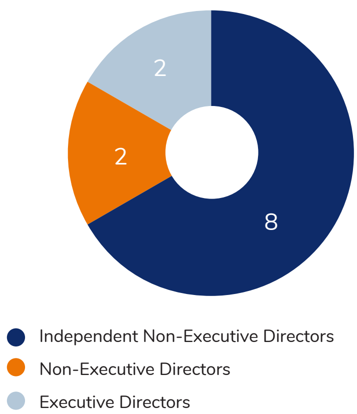
Nationality



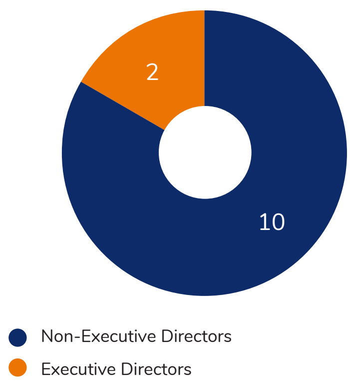
Age Profile



Independence



Executive & Non-Executive Directors



Note: Statistics are at year end 2022 and do not include the appointment of Julie O'Neill on the 17 January 2023

2023 Board Diversity Priorities

Area of Diversity	Board Objective	2022 Board Action
Gender	The Board remains committed to gender diversity on the Board.	· Board Gender Diversity Target increased from 30% to 50%. · Encourage initiatives that promote broader inclusive gender diversity across the Group, in line with the Organisational Culture, Diversity and Inclusion Programmes.
Alignment to customer base	The Board acknowledges the Group has a diverse customer base and should take account of same in considering the diversity requirements of the Board.	· The Board Diversity Policy has been updated to ensure the Board has a clear line of sight on the diverse makeup of the Group's colleague and customer base when considering appointments to the Board. · Customer diversity metrics such as age, ethnicity and gender will 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 Group, such as gender, age, cognitive, social/ethnic background, personal strengths, education and professional background; · Ongoing review of the Board Diversity Policy to ensure all relevant aspects of diversity are included in the Policy; · Ongoing review the Board Suitability Matrix to ensure that the diverse range of knowledge, skills and experience required by the Group 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 Chair, 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; · Between 20% - 30% of the Non-Executive Directors should be in a position to draw on current or recent knowledge and experience obtained from having lived outside of Ireland; · Retain the requirement that all candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Group'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 knowledge, experience and skills, and have the 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 Group pipeline of successors takes account of the Group's diversity measures and ambitions.

Corporate Governance Statement
Board Audit Committee

The Audit Committee ensures that the financial and internal control policies, practices and decisions of the Group are carried out appropriately, and are properly aligned to strategy and the interests of its Shareholders.

Dear Shareholder,

I am pleased to present my report as Chair of the Board Audit Committee. 2022 was a key year for the Group in the context of the Ulster Bank transaction which I will come to shortly. I was pleased with the internal appointment of Nicola O'Brien as the Group's Chief Finance Officer. Nicola is an experienced finance professional with over 20 years' experience operating at a senior level within the Retail Banking sector in Ireland. Nicola brings a strong understanding of the commercial, strategic, operational, financial and regulatory requirements of Banking. I look forward to working with Nicola and drawing on her considerable experience as the Group continues to grow and expand its business model. In that regard, I would also like to thank Declan Norgrove for his valuable contribution as Interim Chief Financial Officer over the past year.

As referenced earlier, a key area of focus for the Committee during 2022 was 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 elements of the Ulster Bank retail and asset finance business. The key judgements in the business combination accounting was to determine if the acquired set of activities and assets met the definition of a business and when controls transfers. Estimates and judgments were also used to fair value the net identifiable assets acquired in the business combination. The Committee provided ongoing oversight throughout the year on the appropriateness of the accounting treatment and the fair value assessment.

During 2022, the Committee led a comprehensive selection process to identify new external auditors for the Group as the existing auditors approach 10 years in service. It was a competitive process and I am pleased that the Group has, subject to Shareholder Approval at the 2023 AGM, agreed to appoint KPMG as the Group's new external auditors. KPMG will be in situ to undertake the 2023 Interim review and 2023 full year audit. The Committee undertook careful monitoring during the year to ensure that any non-audit work undertaken by the short-listed firms did not impede their independence.

Our Group Internal Audit function developed and delivered an Internal Audit Plan for 2022 which provided reasonable assurance in relation to the key current and emerging risks facing the Group, including key strategic initiatives such as the Ulster Bank transaction and our ongoing Digital Transformation Programme. The Head of Group Internal Audit provides ongoing reporting to the Board Audit Committee in relation to the outcome of their work and also progress on actions taken by Management to mitigate any issues identified. During 2022, the GIA function underwent a significant transformation program to enhance the GIA methodology and related processes and procedures. This program of work is well progressed, contributing to a continued evolution of the risk assurance processes across the Three Lines of Defence. A comprehensive skills analysis and related recruitment and training program was also completed by the GIA team to ensure that the resourcing of the function continues to reflect the current and emerging risk profile of the Group.

I have worked closely with the Chair of the Board Risk and Compliance Committee to ensure the work programme for both Committees are aligned. In that regard, the Board Audit Committee has taken on additional responsibility for the monitoring of internal control within the Group with a quarterly review of the Group's control environment which provides analysis of GIA audit issues, Compliance and Conduct monitoring, and issues within the operational and IT control environment. I will continue to work closely with the Chair of the Board Risk and Compliance Committee to ensure the effectiveness of both committees are maximised.

As the Committee now focusses on 2023 and beyond, particular attention will be given to working closely with the Board Risk and Compliance Committee on assessing the impact of both rising interest rates and cost of living on customers, and the subsequent risk to loan impairment that may arise therefrom. Another key focus of the Committee will be preparing the Group for enhanced sustainability reporting under the EU's Corporate Sustainability Reporting Directive. This will represent quite a challenge for the Group as it evolves the requisite governance architecture, reporting processes and controls frameworks to support the veracity of what will be reported and assured.

On behalf of the Board Audit Committee

Ronan O'Neill
Chair, Board Audit Committee

Composition and Operation

The Board Audit Committee ('BAC') consists of five Non-Executive Directors. The biographical details of each member are set out on pages 100 to 106. Neither the Board Chair nor the CEO is a member of the Committee. The Board requires the Chair of the BAC to have 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 and diverse range of relevant knowledge and experience contributing to effective governance.

The members of the BAC meet together at the start of each scheduled meeting in private session. 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 Board Risk and Compliance Committee. Donal Courtney and Anne Bradley are members of both Committees.

2022 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2022 Meeting Attendance
Ronan O'Neill*	02 Nov 2021	-	1.2	13/13
Donal Courtney	03 Oct 2018	-	4.3	13/13
Paul Doddrell	26 Nov 2020	-	2.1	13/13
Anne Bradley	30 Mar 2021	-	1.8	13/13
Andrew Power	26 Sep 2016	-	6.3	13/13

* Chair

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 (GIA) 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 also 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 2022

During 2022, 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 2022, the Committee also:

- Reviewed GIA activity throughout the year, including a review of performance against the 2022 internal audit plan;
- Analysed Business Combination Accounting Treatment for the Ulster Bank business acquisition
- 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;
- Approved a new Special Investigations Framework;
- 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 control environment reports
- Reviewed the effectiveness of internal control over financial reporting;
- Approved the Internal Audit Plan for 2023;
- Reviewed the action plan to address the findings of an External Quality Review of GIA.
- 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 recommended to Board the appointment of KPMG as External Audits subject to shareholder approval at the 2023 AGM.

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 2022 Financial Statements as set out on the current and the following page.

IFRS 3 Business Combination Accounting (BCA)

One of the key judgement and estimates for 2022 was in relation to the accounting for the acquisition of certain elements of the Retail, SME and Asset Financing activities, including 25 branch properties and staff, of Ulster Bank Ireland DAC ("Ulster Bank") in the Republic of Ireland. IFRS 3 Business Combination Accounting (BCA) was applied to the acquisition which resulted in a gain on bargain purchase being recognised in the income statement. The Committee reviewed the technical accounting paper presented by Management outlining the below accounting treatment of the acquisition and is satisfied that it is in line with IFRS 3.

Management assessed whether the acquired set of activities and assets constituted a business and ensured that, at a minimum, the inputs and substantive processes when applied to the inputs were critical to the ability to continue producing outputs. Management consider substantive processes to include strategic, operational and resource management processes in order to be considered a business. These processes are usually documented but the intellectual capacity of an organised workforce with the necessary skills and experience may also provide the necessary processes to determine the acquired set of assets and activities as a business. Management determined that the acquisition of the organised workforce from Ulster Bank that included key individuals with the necessary skills and experience to direct the substantive processes within credit risk, underwriting and customer relationship management met the requirements of IFRS 3.

IFRS 3 requires that the net identifiable assets acquired as part of the business combination are recognised at fair value on the acquisition date. The fair value measurements were performed by independent professional valuers having appropriate qualifications and recent experience in the fair value measurement of loan portfolio categories being valued. A discounted cash flow model was used to estimate the fair value of the acquired retail mortgage assets. This included calculating the expected contractual cash flows of the assets and applying the following to the portfolio of assets; prepayment rate, redemption rate, transition rate (from fixed to variable rates and vice versa), probability of default (PD) and loss given default assumptions, servicing cost, risk weights based on the asset characteristics and a discount rate based on cost of funding, capital and targeted capital ratio. Management determined that the fair value of the net identifiable assets met the requirements of IFRS 3.

Expected Credit Loss Provisions

The Committee considered the Group's methodology including assumptions and parameters for generating the Group's allowance for Expected Credit Loss (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, 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 2022, the impairment provisions included €137 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 the Group's performance and strategic outlook 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 2022 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 that no impairment was required.

The Committee also considered the appropriateness of a write-back of previous impairment charges taken over the last number of years on the investment in subsidiary. Both external and internal factors indicated that there had been a significant change in the value in the asset, and on the basis that the VIU calculation provided sufficient headroom, a full impairment write back of €697m was approved by the Committee in the PTSBGH company accounts.

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 and Company, 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 into account the 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 a three-year term which falls within the time horizons considered within the various strategic planning and scenario 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 and Group
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 Group's principal risks together with the Group'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 profit for the 2022 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 2025.

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:

Funding & Liquidity
The Group continued to have sufficient liquidity throughout 2022, 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.

Capital Adequacy
The Group made a profit for the year ended 31 December 2022, and expects to remain profitable in the medium term. Directors and Management have reviewed the Medium Term Plan (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. The Group expects to be in a position to meet its minimum regulatory capital requirements in the period to 2025.

Confirmation of longer-term viability
Based upon our assessment of the above, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and

meet its liabilities as they fall due over the three period of their assessment to December 2025.

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 2022.

Accounting Treatment of Project Glenbeigh IV

The key accounting requirements for Project Glenbeigh IV follow the same principles that the Committee considered in the prior year in relation to Project Glenbeigh III. 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 2022 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 2022 was €1.4m (excluding VAT) payable to PwC Ireland. €0.9m (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.

A competitive tendering process for the appointment of the external auditor took place during the year and KPMG will be appointed as external auditors subject to Shareholder approval at the 2023 AGM. 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 resign from office once they have completed the 31 December 2022 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 and the BAC is kept apprised with updates on same. 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.

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 2022. 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 2022 as set out below. During the year I also informed the Group of my intention to not seek re-election as Chair of the Board when my term ends in March 2023. It has been a privilege to lead the Committee and the Board to the position where it has principally completed the Ulster Bank transaction and setting the Group on a course for sustainable growth. I wish my successor Julie O'Neill, the Board, Management and colleagues of PTSB every success in this regard.

The Committee continues to engage in a meaningful way to shape and support evolution of the Group'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 Group's colleagues and held discussion and debate on matters such as the execution of the Group's sustainability strategy, continuing to review and embed a psychologically safe environment for colleagues to 'speak freely' and moving towards the next stage of the Group'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) discussing feedback from management on the outcome of the Group's Every Voice Counts colleague surveys and visiting colleagues in their work locations.

Of course, a key focus for the Committee this year was the transaction with Ulster Bank and recognising how the merger of two organisational cultures presented both risk and opportunity. Ensuring alignment and understanding of Our Culture Charter amongst PTSB colleagues ahead of the asset migration was a key focus for the Committee. This facilitated development of a culture migration ambition to integrate our new Ulster Bank colleagues into the Group, taking the best from the culture they brought with them and creating a 'One PTSB' ethos as we moved forward together to deliver on the Group's Purpose and Ambition

The Committee also had a busy year in terms of assessing new Board appointments and ensuring the suitability and assessment process was effective and produced candidates of the highest quality. I am indeed very pleased with the calibre of new Directors who have joined the Board in 2022 and early 2023

In 2022, the Committee oversaw the annual performance 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. The Committee also carried out a detailed assessment of Board and Senior Management succession plans, a review of the Board Committee structure and approval of a new Board Diversity policy.

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 Independent Non-Executive Directors. The Board requires that the Board Chair and the Senior Independent Director (SID) are members of the Committee.

2022 Committee Meeting Attendance.

Member	Appointed	Ceased	Number of Years on the Committee	2022 Meeting Attendance
Robert Elliott*	31 Mar 2017	-	5.9	8/8
Ronan O'Neill	26 Jul 2016	-	6.5	8/8
Ken Slattery	28 Sept 2020	-	2.3	8/8
Marian Corcoran	30 Mar 2021		1.8	8/8
Celine Fitzgerald	30 Mar 2021		1.8	8/8

* 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 Group, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group 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 Nicola O'Brien as Chief Finance Officer and member of the Executive Committee. In her new role, Nicola is responsible for leading, managing and overseeing all finance related matters of the Group and growing the Company's financial planning and analysis function to import the commercial and operational value of management information and build a culture of transparency and accountability.

The Committee also oversaw the appointment of David Curtis to the role of Interim Chief Risk Officer (CRO) and member of the Executive Committee. In his new role, David is responsible for Risk including independent oversight of the Group's enterprise-wide risk management activities across all risk types, thereby ensuring the fulfilment of CRO responsibilities as outlined in the Corporate Governance Code (Central Bank of Ireland Code) and relevant EBA guidance. In particular, the CRO owns the Group's Risk Governance Framework and reports all material risks to which the Group is or may become exposed. The CRO is accountable for the Risk and Compliance Management Framework within the Group, and challenging its implementation by the First Line of Defence.

Succession Planning

The Committee undertakes regular reviews of both Board and Board Committee composition and ensures there is a comprehensive approach to ensuring there is regular and planned refreshment of Board and Board Committee membership. Arising from succession planning reviews in 2021 and 2022 the Committee agreed the need to identify replacements for Non-Executive Directors Andrew Power and Ken Slattery whose terms of office were provisionally intended to conclude at the AGM in May 2023. The Committee also agreed the need to identify a new Board Chair and fill the vacant CFO role on the Board. As referenced on page 97, Ken Slattery will remain on the Board until the end of 2023 until his replacement has been appointed. A process to identify a candidate to replace the knowledge and experience vacated by Andrew Power remains ongoing with an expectation of an appointment in the second half of 2023. Mr Power will step down from the Board at the 2023 AGM.

Nicola O'Brien was appointed to the Board as an Executive Director in August 2022 and in January 2023 Julie O'Neill was appointed as an Independent Non-Executive Director and Chairperson designate. Full details of the appointment process for both positions are set out below.

Director Appointments

Board Chairperson Designate

In January 2022, Recruitment specialists Odgers Bernston (Odgers) were formally engaged to support the candidate identification process. Neither the Company nor any of the Directors have any commercial relationship with Odgers outside of recruitment services that are provided from time to time to fill designated Board and Senior Management positions. The current Chair of the Board was not involved in the recruitment process for his successor nor was he in attendance at the Nomination, Culture and Ethics Committee for matters concerning the identification and appointment of his successor.

The Nomination, Culture and Ethics Committee approved a role profile to support the generation of a long list of candidates by Odgers. The draft role profile sought candidates with extensive experience in the role of a Chair together with a financial services background. A long list of 22 candidates was identified by Odgers which was initially assessed by the Senior Independent Director, Company Secretary and Chief HR Officer and Corporate Development Director. The output of this assessment was then presented by Odgers to the Nomination Culture and Ethics Committee. Following assessment by the Committee, a candidate short-list of six individuals (three male, three female) was created. It was agreed that each of the candidates would be interviewed by the Senior Independent Director and two Non-Executive Directors. Thereafter, it was agreed that 2-3 candidates would be progressed to a second round interview again with the Senior Independent Director and a further two (different) Non-Executive Directors.

Following the withdrawal of two candidates from the process (one male, one female citing a change in personal circumstances), four candidates attended first round interviews with Ronan O'Neill, Marian Corcoran and Donal Courtney supported by the Company Secretary. These interviews tested the candidate's knowledge, experience and skills against the role profile.

Three candidates (two female, one male) were brought forward to second-round interview with Ronan O'Neill, Ken Slattery and Celine Fitzgerald, supported by Company Secretary and Chief HR Officer and Corporate Development Director. The interview approach adopted was scenario based to seek to understand how the candidate would react/deal with certain scenarios/challenges in the role as Chair. Following detailed assessment of the three candidates, a recommendation was brought to the Committee who agreed that Julie O'Neill was the candidate who best met the requirements of the role profile. This position was then endorsed by the Board and, following regulatory, approval the candidate was appointed to the Board on the 17 January 2023 and will take over as Board Chair on the 31 March 2023.

Chief Financial Officer

In May 2021, recruitment specialists Spencer Stuart were formally engaged to support the process to identify a suitable candidate for the role of Chief Financial Officer (CFO). Neither the Company nor any of the Directors have any commercial relationship with Spencer

Stuart outside of recruitment services that are provided from time to time to fill designated Board and Senior Management positions. Initially, a long list of candidates (33) was generated. Thereafter the shortlisting process was progressed and four candidates (three male, one female) attended a first round interview. Three candidates were thereafter selected to attend final round interview and psychometric assessment. The selection panel for the first and final round interviews included a Board Independent Non-executive Director, the Board Senior Independent Director, the Board Audit Committee Chair, the CEO and the Bank's HR Director. Following detailed assessment of the three candidates a recommendation was brought to the Nomination Culture and Ethics Committee who agreed that Nicola O'Brien was the candidate who best met the requirements of the role profile. This position was then endorsed by the Board and, following regulatory approval, the candidate was appointed to the Board on the 4 August 2022.

Committee Composition

During 2022 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. It is expected that a number of changes to Board committee composition will be made in the second half of 2023 when two further Board appointments are expected to be made. No Director is a member of more than two Board standing Committees.

Board Performance Evaluations

In 2022, 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. The process undertaken for the 2022 annual Board performance evaluation and the resulting recommendations are set out in page 115 of this report.

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 2021; and the next scheduled external Board evaluation will be conducted on 2024 performance.

Other Matters considered by the Committee in 2022

- 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 Group's updated Culture Charter
- Review on reports concerning the Group's reputation;
- Colleague Wellbeing spotlights (including review of new Smart working arrangements)
- Review and approval of Board Policies (Diversity, Conflict of Interest, Assessment and Suitability, Induction and Training);
- Review and approval of the Group's Fitness and Probity Policy;
- Review and approval of the Group's Speak Freely Policy;
- Review of Colleague compliance with the Group'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 2021 Board Evaluation action plan and 2022 approach;
- 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 Group's Diversity and Inclusion and Organisation Culture programmes of work; Review of Corporate Affairs, Reputation Audit and Stakeholder Engagement updates;
- Review of the Group's Citizenship and Sustainability Reporting
- Reviewed progress on the Group's Sustainability Strategy
- Reviewed a proposed Special Investigations Framework before submission to the Board Audit Committee.
- Consideration of the IBCB DECiDE Framework and ethical decision making
- Review of the Board Suitability Matrix; and
- Oversight of the Group's preparations for the Individual Accountability Regime.

Corporate Governance Statement
Risk and Compliance Committee

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 2022. The Committee had a busy schedule of meetings in 2022 meeting 14 times.

2022 was an exceptional year for the Group as the transaction with Natwest to acquire certain parts of the Ulster Bank business ("Project Sun") was progressed to Principal Completion providing significant growth opportunity for the Group and ensuring continuity of service to Ulster Bank customers. This significant transaction was executed against a backdrop of intense geopolitical and economic uncertainty, and the Committee supported the Board in overseeing the risks and ensuring the appropriate controls and mitigating actions were put in place. Cross committee membership between the Committee and Board Sun Committee (established in 2021 to provide guidance and support to the Board and Management) and additional "leaning in" by individual Directors on their areas of expertise, ensured a robust governance framework with proactive oversight. Areas of focus for the Committee included the impact of the Project Sun transaction on capital levels over the Group's five year planning period, CTF and AML risk, material outsourcing, resourcing and organisational capacity (for the end state Bank), enterprise-wide planning, dependency management and prioritisation. The Committee played a central role in assessing the programme risks and how these would be mitigated and received regular updates on risk assessments and inflight reviews carried out by the Three Lines of Defence.

The Committee was also focussed on monitoring the impact of a number of external factors such as the conflict in Ukraine, the international financial sanctions regime and elevated cyber security alert status and oversaw the work of management to ensure systems and controls were in place to mitigate the associated risks. A further area of focus for the Committee was the Group's customers; both existing customers and new customers transferring from Ulster Bank and KBC. The Committee provided both support and challenge to Management on customer service levels, customer impacting errors, wait times for customer assistance and management of customer complaints. The Committee was mindful of rising consumer costs and interest rates and the potential impact this could have on the Group's impairment line. While the overall outlook for the Irish economy remains broadly positive, customer loan repayment behaviours will be a key are of focus for the Committee in 2023.

Advising and supporting the Board in monitoring Risk Governance and ensuring the Group's risks are properly identified, reported and assessed continued to be a key focus for the Committee during 2022. This has included extensive oversight on the embedding of a new automated risk management system for the Group which will enhance the process of risk identification and control at the Group. There was ongoing focus on the Group's Operational and IT resilience, its change management capability and prioritisation and planning of resources/skills against the backdrop of increased demand on resources and the need to ensure there was an integrated planning approach. Indeed a key focus in 2023 will be the implementation of Central Bank Guidelines on Operational Resilience together with preparation for the implementation of the Digital Operational Resilience Act (DORA).

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 requested updates from a number of First Line functions on the embedding of risk awareness and effective control environment within business functions. The Group has continued to strengthen the control environment within the Group during 2022. The Committee carried out a 2022 review on the effectiveness of the Group's system of risk management and internal control which is reported upon on page 118 to 119. While the review indicated there were areas of the Group's control environment that required additional enhancement, the Group's control environment during 2022 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.

During 2022, the Group's CRO Mike Frawley resigned from the Group to pursue another career opportunity and I wish him well in that regard. I would also like to thank David Curtis who continues to hold the position of interim CRO pending the appointment of a successor which is well advanced.

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 Chair nor the CEO is a member of the BRCC. The Board ensures that the Chair 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. Thereafter other members of Senior Management are invited to attend, as required.

2022 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2022 Meeting Attendance
Donal Courtney*	3 Oct 2018	-	4.3	14/14
Ruth Wandhöfer	30 Oct 2018	-	4.2	14/14
Marian Corcoran	29 Oct 2019	-	3.3	14/14
Paul Doddrell	26 Nov 2020	-	2.1	14/14
Anne Bradley	30 Mar 2021 -		1.8	14/14

* Chair from 2 November 2021

Responsibilities of the Committee

The Committee is responsible for monitoring adherence to the Group Risk Appetite Statement (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, together with 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 continues to focus on the operational resilience of the Group, the incidence and management of material risk events and the importance of having automated processes, where practical and of effective controls.

The Committee independently monitors the extent to which the Group 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 2022

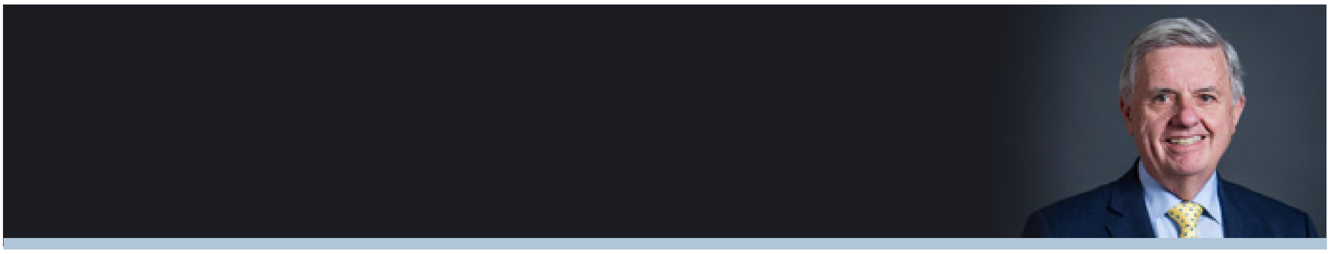
During 2022, the Committee continued to focus considerable attention on the Group's systems of risk management and internal control and supported work undertaken by the Three Lines of Defence to further embed the Group's Internal Control Framework. The Committee undertook regular reviews of the Group's 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 2022 were:

- Ulster Bank transaction Risk and Capital Assessments;
- Reviews of the Group's Resolution Planning capabilities and documentation;
- Oversight for the remediation of SREP related Risk Mitigation Plans;
- Monthly monitoring of Technology and Change Risk, including the Digital Banking Programme;

- AML Risk including Project Sun related risks;
- Monitoring of upstream Regulatory developments;
- Risk Appetite reviews;
- Oversight and approval of the Group's Non-Performing Asset Strategy;
- Recovery Planning Preparedness and Scenario Planning;
- Spotlights on Cyber Security and IT resilience;
- Climate and Environment Risk Management;
- Review of Funding Plan and Deposit Strategies;
- Monthly monitoring of Top Risks and quarterly reviews thereto;
- Complaints Management Progress reports;
- Reviews on Material Risk Events and Customer Impacting Errors;
- Payments Strategy;
- ICAAP and ILAAP design and approval;
- ICAAP and ILAAP utilisation in decision making;
- A review of the Group's provision models and expected credit loss outcomes;
- Updates on embedding of the Group's Risk and Control Self-Assessment;
- RAS breaches and remediation plans;
- Risks reviewed on Mortgage Loan Asset Deleveraging;
- Digital Transformation progress reports and spotlights;
- 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;
- Approval of a Climate Risk Framework;
- 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

In May 2022, the Committee approved a Climate and Environmental Risk implementation plan to address a request for same by the Central Bank of Ireland. The Committee in considering the plan, stated the importance of satisfying this regulatory requirement but also to ensure the Group was adequately managing and measuring Climate and Environmental Risk and to incorporate these risks into the Group strategy and business model to ensure the Group played its part in Ireland's transition to a low-carbon economy.



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 2022 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 Group'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.

Our Directors' Remuneration Report also provides further detail on the composition of the Committee and its role and responsibilities and a description of the work undertaken by the Committee during the year. We also include details of the Remuneration Policy criteria and the components of the Group's reward offering, with a focus on the Group's Directors (Executive and Non-Executive).

In 2022, the Committee continued to oversee the way in which our Remuneration policy, and its implementation, serves to reward individual performance (what our colleagues achieve but also the manner in which they achieve their objectives). As a Committee, we also reviewed how our approach to pay and benefits contributes to the strengthening of our culture, including our risk culture. We also considered the manner in which we reward the delivery of the long-term sustainability of our business and align remuneration with the long-term interests of shareholders, investors and other interested parties, and with the public interest, as well as regulatory requirements.

In line with its responsibilities under the terms of the Shareholder Rights Directive, the Group publishes its Directors' Remuneration Policy (the "Policy"), as applicable to the Board of Directors. The Policy is published in full on the Group's website: www.permanenttsbgroup.ie. During 2022, our Directors' remuneration was implemented in accordance with the approved Policy, and no derogations from the Policy were availed of during the year.

Since its original publication in 2020, the Policy has remained unchanged. However, following a market benchmarking review and subject to shareholder approval on an advisory basis at the 2023 AGM, we intend to introduce certain amendments to the Policy to facilitate enhanced pension arrangements for our Executive Directors. Details are provided in the Policy which is published alongside this report.

In terms of the issues considered by the Committee during 2022, it has been another year of considerable change and opportunity for the Group. In 2022, as the economy emerged from the COVID-19 emergency, the Group was in a position to reinstate the pay review process for staff at all grades, including the Executive Directors. This followed the partial pay freeze applied in 2021 and allowed us to negotiate an historic two-year pay agreement that has provided pay certainty for our colleagues. However, it is important to acknowledge that economic factors beyond the Group's control have since contributed to a significant inflationary environment in the second half of 2022. In recognition of this, in October 2022, the Group took the decision to offer colleagues a €1,000 gift voucher to assist them in navigating cost of living pressures. With the prior approval of the Department of Finance, the gesture was extended to eligible colleagues up to and including 'Level 2' managers i.e. excluding Heads of Function, all Material Risk Takers and the Executive Directors. In line with our Community-based ethos, colleagues were encouraged to use the voucher to support local businesses and suppliers within their locales. This gesture was provided in addition to the two-year pay agreement which, in 2022, provided increases ranging from 0% - 8%, and an average increase of 4.2% across the wider workforce. In 2022, none of the Executive Directors was eligible for an increase under the terms of the agreement. In 2023, the second and final year of the agreement is scheduled to deliver further increases ranging from 0% to 8%, with an average 3% award to be paid in March 2023 and backdated to 1st January 2023.

Alongside pay, the Committee also sanctioned enhancements to colleague pension arrangements for those approaching retirement and oversaw significant enhancements to our Maternity Leave arrangements. The Group also introduced improved leave and sick pay arrangements to improve the level of support we provide to colleagues as they develop their careers with Permanent TSB.

In 2022, following a comprehensive tendering process, the Remuneration Committee and Board - working closely with the Group's Pension Scheme Trustees – reviewed the administration arrangements in place across both our existing Defined Contribution Pension schemes. It was agreed to combine both schemes into a new, single consolidated Defined Contribution scheme. The programme of work supporting that transition is due for completion in the first half of 2023. The changed structure will ensure that our colleagues' pensions remain subject to the highest standards of oversight and governance, but also presents a significantly enhanced proposition for members as they save for their retirement.

Separately, in relation to pension arrangements, the Group completed a market benchmarking exercise of Executive Directors' pension arrangements in 2022. Based on the outcome of that exercise, enhancements applied to the pension arrangements for the broader colleague community, and the requirement to ensure that our offering remains competitive, we now propose certain increases to Executive Directors' employer pension contribution rates. These amendments have been designed to bring the Executive Directors' entitlements in line with those of the wider Executive Committee, and to align our CEO's pension entitlements with equivalent arrangements available across the market. In reviewing the arrangements, the Remuneration Committee was also mindful of the restrictions on variable pay and the €500,000 'Pay Cap' which continue to impact the competitiveness of our total remuneration package in the round. Full details of the proposed revised entitlements are provided in the Directors' Remuneration Policy.

2022 represented a period of significant change across the retail banking industry. The Group continues to transform itself via the Ulster Bank transaction. Throughout 2022, the Remuneration Committee was closely involved in the oversight of the programme of work underpinning that acquisition. In particular, the Committee reviewed the design and implementation of certain 'measures' aimed at replicating the reward and benefit entitlements in place for employees of the Ulster Bank. These measures were required to satisfy the (Transfer of Undertakings (Protection of Employment) Regulations (TRUE) attaching to the transfer, but also to help motivate colleagues to join Permanent TSB. Finally, the measures also served to align working arrangements between both institutions, and thus smooth the transition of our new colleagues. I am happy to advise that the measures met with the approval of all parties; gained the support of the Department of Finance as required under the terms of State Agreements; and have proven successful in supporting efforts to make our new colleagues feel part of the Permanent TSB employee community. I'd like to take this opportunity to issue a warm welcome to all our new colleagues, including those who have already transferred to Permanent TSB, and those who are due to join us later in 2023.

At this point, it is appropriate to reference recent changes to the terms of State agreements on reward and remuneration. In December 2022, the Minister approved the relaxation of certain restrictions which had applied to the manner in which we reward our colleagues. Over the past number of years, those restrictions have impacted our ability to offer variable pay, and in doing so inhibited our ability to link colleague performance to the growth of a sustainable business. In 2023, a key task of the Remuneration Committee will be to oversee the redesign of the Group's remuneration framework. Subject to affordability, and within the bounds of the revised State Agreements, the framework's redesign will support Permanent TSB in offering a remuneration opportunity which is more appropriate to the size and complexity of the Group's operations. Any new scheme will be designed to ensure that our offer to colleagues remunerates them more fairly for strengthening our corporate values and our risk culture. Our aim is to improve the linkages between remuneration and the delivery of optimal customer outcomes. We will also use the opportunity to drive our ESG agenda, and ensure that individual, team and Group-wide performance is geared towards fulfilling our responsibilities to our customers, colleagues and our communities.

Finally, I would like to thank my fellow Board and Committee members, our colleagues across the Bank, and our shareholders for their support during another extremely busy period.

On behalf of the Board Remuneration Committee:

Ken Slattery,
Chair, Board Remuneration Committee.

Annual Report on Remuneration - 2022

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 six meetings during 2022.

2022 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2022 Meeting Attendance (of which eligible to attend)
Ken Slattery*	28 Jan 2014	-	8	6/6
Robert Elliott	31 Mar 2017	-	5	6/6
Andrew Power	26 Sept 2016	-	6	6/6
Ruth Wandhöfer	01 Feb 2019	-	3	5/6
Celine Fitzgerald	30 Mar 2021	-	1	6/6

*Chair

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 Group'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 2022.

The main roles and responsibilities of the Committee include:

- Recommending the Group'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 Group'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 of 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 Group.

Remuneration Committee Advisers

During 2022, 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 Group in relation to PSD2 and other risk related matters.

The Committee also utilised the services of Willis Towers Watson who provided market benchmarking data and remuneration trend analysis, and consultancy services in support of the remuneration related aspects of the Ulster Bank transaction.

In addition to the use of external advice, in designing its approach to pay the Committee also takes account of appropriate input from the Group's HR, Risk, Compliance, Finance and Internal Audit functions to ensure that the decision making process is aligned with the Group's financial performance, risk appetite, regulatory guidelines and stakeholder interests.

Matters considered by the Committee in 2022

The Committee performed an annual review of its own Terms of Reference, as well as reviewing its own effectiveness, and recommended the output of that review to the Board.

During 2022, and within the terms of State agreements, the Remuneration Committee kept the impact of the Group'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 Group'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 Group'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 Group took place with the Group's Staff Representative Bodies during 2022.

It remains the policy of the Group to reward our colleagues appropriately as we work together to build a valuable and sustainable business, operating within the Group'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 Group's offering is sufficiently competitive so as to attract and retain the required talent and skills to deliver the return of value to the Company's shareholders.

In 2022, the Committee reviewed the Group's approach to remuneration from the perspective of ensuring that all employees, regardless of gender, age or social or ethnic background are remunerated fairly. In that regard, it is of note that 2022 was the third year in which the Group published details of its gender pay gap; albeit the 2022 gender pay gap was the first year in which the Group reported in line with newly published Irish legislation. The Group's gender pay gap stood at 17.5% at our chosen snapshot date of 30 June 2022. Further details of the gap and our commitment to reducing same are provided in the separate section of the Group's Annual Report which details the Group's Diversity and Inclusion strategy.

During 2022, the Committee with the supporting perspective of its external independent advisors, performed a review of pay and benefits packages available across the Group. As part of that review, and as the economy emerged from the

COVID-19 emergency, the Group took the decision to re-instate the pay review process for staff at all grades, including the Executive Directors. An historic two-year pay agreement was entered-into for 2022 and 2023 that has provided pay certainty for our colleagues for that period. The granting of increases to staff was, as in previous years, based on individual staff members' performance and their salary position versus the relevant market median.

Alongside the reintroduction of the pay review cycle, the Group also introduced significant enhancements to its Maternity Leave arrangements and to our Illness Leave Policies which serve to emphasise our commitment to supporting our colleagues at all stages of their careers with Permanent TSB.

In the second half of 2022, as a result of the extraordinary inflationary situation which prevailed across the economy and the impact of cost of living increases for our colleagues, the Group took the decision to offer a gesture to colleagues in the form of a €1,000 gift voucher to assist them with their increased household expenditure. With the prior approval of the Department of Finance - as was required by the terms of State Agreements - the gesture was extended to eligible colleagues up to and including 'Level 2' managers i.e. excluding Heads of Function and Material Risk Takers including the Executive Directors), and colleagues were encouraged to use the voucher to support local businesses and suppliers within their community.

The Committee also reviewed our colleagues' pension arrangements and in 2022 the Committee recommended to the Board further enhancements in pension contribution rates for those members of the workforce who are approaching retirement.

Subject to shareholder approval on an advisory basis at the 2023 AGM, the Committee also recommended that the Board approve certain amendments to our Directors' Remuneration Policy to facilitate enhanced pension arrangements for our Executive Directors. These amendments have been designed to bring the Executive Directors' maximum contribution rates in line with the wider Executive Committee; and, following a benchmarking exercise undertaken in 2022, to align our CEO's pension entitlements with equivalent arrangements in place across our peers. Details of the proposed entitlements are provided in the Policy which forms part of these statements.

Throughout 2022, the Committee oversaw key aspects of the programme of work underpinning the Ulster Bank transaction. In particular, the Committee reviewed the design and implementation of certain 'measures' aimed at replicating the reward and benefit entitlements in place for employees of the Ulster Bank in order to satisfy TUPE Regulations attaching to the transfer, but also to help motivate our new colleagues to exercise their right to join Permanent TSB.

During 2022, the Committee maintained significant oversight to ensure compliance with the UK Corporate Governance Code, 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.

During the year, the Committee also reviewed the Group's established variable commission scheme, as well as principles and practices to ensure full alignment with regulatory requirements, particularly the 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 a further year, subject to certain enhancements designed to reflect the Group's increasing capabilities in respect of customer and conduct management and to increase governance and oversight of scheme-related performance data.

The Group's Directors' Remuneration Policy was approved by our shareholders on an advisory basis at our 2020 AGM. The Committee is satisfied that the Group 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 Group, 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 97, the Committee is satisfied that the Group 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 140 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 Group's Pillar 3 Report.

Directors' Remuneration Policy

This section sets outs the Directors' Remuneration Policy proposed for shareholders' approval via an advisory note at the 2023 AGM.

The Directors' Remuneration Policy has remained unchanged since approved at the 2020 AGM. However, we now intend to introduce certain amendments to the Policy to allow for enhanced pension arrangements for our Executive Directors. These amendments have been designed to bring the CRO and CFO's maximum contribution rates in line with the wider Executive Committee; and, following a benchmarking exercise undertaken in 2022, to align our CEO's pension entitlements with equivalent arrangements in place across the wider market.

Subject to receiving shareholder approval, the policy is intended to apply immediately for three years to the end of the AGM in 2026, although we may seek shareholders' approval for a new policy during the period depending on regulatory developments, changes to our strategy or competitive pressures.

The Bank publishes its Directors' Remuneration Policy (the "Policy"), as applicable to the Board of Directors. The Policy is published in full on the Bank's website: www.permanenttsbgroup.ie. Directors' remuneration for 2022 was implemented in accordance with the Bank's Directors' Remuneration Policy, as approved by shareholders at the 2020 AGM.

The Policy, in alignment with the Remuneration Policy applicable across the Group, is based on a set of agreed basic principles which are applied to all employees:

- Aligning remuneration with the Group'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 Group 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 Group'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 16% of basic salary; or, 20% of basic salary in the case of the Chief Executive Officer. 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 Group 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 Group'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 Group 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. Should the Group reintroduce variable remuneration plans in future, the Group 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 Group'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 Group currently only operates 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. Should the Group reintroduce variable remuneration plans in future, the Group 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 Directors' Remuneration and Pension Benefits

Directors' remuneration for 2022 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. 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 those 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 2022 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 2022.

In December 2022, the aforementioned State Agreements were amended such that bonuses are now no longer prohibited, subject to the amount of any such remuneration in any 12 month period not exceeding €20,000 in the aggregate. It is the policy of the Bank that any future bonus schemes and future long term incentives plans, for which the Executive Directors may prove eligible, will adhere to the terms of the State Agreements, relevant regulatory requirements on variable pay and applicable Irish legislation, and will be subject to approval by shareholders.

The two tables covering 2022 and 2021 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 165. All other information in the Directors Report on Remuneration is unaudited.

Executive Director Remuneration and Pension Benefits

2022 remuneration for Executive Directors who held office for any part of the 2022 financial year was entirely fixed in nature, consisting of basic salary, certain benefits and defined contribution pension entitlements as follows:

		2022 (Audited)								
		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	€20,000	€0	€0	€0	€72,000	€572,000	100% Fixed
Nicola O'Brien CFO	2	€145,054	€0	€8,172	€0	€0	€0	€21,758	€174,984	100% Fixed
Michael Frawley, CRO	3	€83,944	€0	€5,000	€0	€0	€0	€12,592	€101,536	100% Fixed

Notes:
1. Fringe Benefits consist of Car Allowance Benefits (€20k)
2. Nicola O'Brien was appointed CFO on the 4 August 2022. Fringe Benefits consist of Car Allowance (€17k).
3. Mike Frawley ceased to be a Director on 31 March 2022 and his remuneration detailed above is for the three months ended on that date.' Fringe benefits consist of Car Allowance (€10k) and Benefit In Kind (€0.3k).

For comparison, 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 (Audited)								
		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 of (€0.1k)
2. Fringe Benefits consist of Car Allowance Benefits (€20k).

Aggregate Executive Director Compensation (excluding Extraordinary items) stood at €848,520 in 2022, down from €978,261 in 2021 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 - 2022

Basic salary

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 8% with an average increase of 4.2% and all increases were effective from 1 January 2022. In 2022, none of the Executive Directors were eligible for an increase under the terms of the agreement. 2023 represents the second year of the current 2 year Pay Agreement and scheduled increases will again range from 0% to 8% with average increases of 3% to be paid in March 2023 and backdated to 1st January 2023. The 2023 salary review for Executive Directors has not yet concluded and further details of any increases granted will be included within next year's report.

Pensions

The current Executive Directors are members of the PTSB Defined Contribution Pension Scheme. During 2022, the Bank contributed up to 15% of basic salary into this pension scheme.

Effective 1st January 2023, the contribution rate will increase to 20% in the case of the Chief Executive Officer, and increase to 16% in the case of the other Executive Directors.

Other than basic salary, there are no other elements of Director's remuneration which are pensionable.

Benefits

During 2022, 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

In line with the terms of certain agreements in place with the State during 2022, the Remuneration Policy did not provide for the payment of variable remuneration to Executive Directors. No bonus payments were made to Executive Directors during 2022 or 2021. Neither were there any long term incentive arrangements in place for Executive Directors in 2022 or 2021.

Share option schemes - Audited

No share options were granted in 2022 or 2021. 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.

Payments to Former Directors

No such payments were made to former Executive Directors during 2022.

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.

Non-Executive Director Remuneration

The level of fees paid to the Chairman and Non-Executive Directors in 2022 is outlined in the table below. The base fees and further fees for additional Board duties such as chairmanship or membership of a committee, which had remained unchanged since 2017, were increased by 10% on the 1st July 2022. In arriving at this level of increase, the Board considered the output of a robust market benchmarking exercise, and took account of the increased time commitment required of Board members. The increases were also calculated to take account of base pay increases across the wider workforce since the date of the last fee review in 2017. Aggregate fees paid to Non-Executive Directors increased from €947,993 (2021) to €1,046,218 (2022) as a consequence of the changes to the fee structure.

		2022 (Audited)									
		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	€320,000	€305,000	€0	€0	€0	€0	€0	€305,000	100% Fixed
Ken Slattery	1	€0	€60,000	€73,088	€375	€0	€0	€0	€0	€73,463	100% Fixed
Andrew Power	2	€0	€60,000	€70,463	€0	€0	€0	€0	€0	€70,463	100% Fixed
Ronan O'Neill	3	€0	€60,000	€117,713	€375	€0	€0	€0	€0	€118,088	100% Fixed
Donal Courtney	4	€0	€60,000	€99,337	€0	€0	€0	€0	€0	€99,337	100% Fixed
Ruth Wandhöfer	5	€0	€60,000	€70,463	€435	€0	€0	€0	€0	€70,898	100% Fixed
Marian Corcoran	6	€0	€60,000	€78,338	€435	€0	€0	€0	€0	€78,773	100% Fixed
Paul Doddrell	7	€0	€60,000	€80,963	€435	€0	€0	€0	€0	€81,398	100% Fixed
Celine Fitzgerald	8	€0	€60,000	€67,837	€0	€0	€0	€0	€0	€67,837	100% Fixed
Anne Bradley	9	€0	€60,000	€80,963	€0	€0	€0	€0	€0	€80,963	100% Fixed

Notes:
1. Additional fees paid as chair of the Remuneration Committee, 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 Audit Committee, member of the Board Nomination, Culture and Ethics Committee and Senior Independent Director and member of Project Sun Oversight Committee. Fringe benefits comprise Benefit in Kind €375 relating to the payment of professional body subscriptions.
4. Additional fees paid as chair of the Board Risk and Compliance Committee, member of Board Audit Committee, and member of Project Sun Oversight Committee.
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 Board Nomination, Culture and Ethics Committee and member of Project Sun Oversight Committee. Fringe benefits comprise Benefit in Kind €435 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. Fringe benefits comprise Benefit in Kind €435 relating to the payment of professional body subscriptions.
8. Additional fees paid as member of the Remuneration Committee and Nomination, Culture and Ethics Committee.
9. Additional fees paid as member of the Board Audit Committee and Board Risk and Compliance Committees and member of Project Sun Oversight Committee..

For comparison, the level of fees paid to the Chairman and Non-Executive Directors in 2021 is outlined in the table below.

		2021 (Audited)									
		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	€75,510	€375	€0	€0	€0	€0	€71,885	100% Fixed
Andrew Power	2	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67175	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	€57006	€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).

The base fee and further fees for additional Board duties such as chairmanship of membership of a committee received by the directors were increased as outlined below on the 1st July 2022 following a market benchmarking exercise:

Position:		2022 Fees
Chairman		€320,000
Non-Executive Director (Base Fee)		€60,000
Senior Independent Director		€22,000
Board Audit Committee and Board Risk & Compliance Committee	Chair	€27,500
	Member	€8,250
Remuneration Committee	Chair	€11,000
Remuneration Committee and Nomination, Culture & Ethics Committee	Member	€5,500
Project Sun Oversight Committee	Member	€8,250

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 well the average change in remuneration, on a full-time equivalent basis, of our employees as compared with our Company performance between 2020 and 2022.

Annual Change	Note	Percentage change in 2022	Percentage change in 2021	Percentage change in 2020
Directors' Remuneration – Executive Directors				
Eamonn Crowley, CEO	1	0.0%	5.1%	6.6%
Nicol O'Brien CFO	2	N/A		
Michael Frawley, CRO	3	N/A	0.0%	0.7%
Directors' Remuneration – Non-Executive Directors (NEDs)				
Robert Elliot, Chairman	4	5.2%	0.0%	0.0%
Ken Slattery, Independent NED	5	1.7%	2.3%	4.6%
Andrew Power, Independent NED	6	4.9%	0.0%	0.0%
Ronan O'Neill, Independent NED	7	7.6%	21.3%	6.5%
Donal Courtney, Independent NED	8	6.6%	1.1%	0.0%
Ruth Wandhöfer, Independent NED	9	4.2%	0.6%	0.0%
Marian Corcoran, Independent NED	10	8.9%	7.0%	0.0%
Paul Doddrell, Independent NED	11	14.2%	1.8%	N/A
Celine Fitzgerald, Independent NED	12	4.1%	N/A	N/A
Anne Bradley, Independent NED	13	6.5%	N/A	N/A
Average remuneration on a full-time equivalent basis of employees				
Employees of the company	14	(0.8%)	1.7%	2.6%
Company performance		**2022**	**2021**	**2020**
Underlying profit/(loss)	15	€45m	€17m	(€109m)
Adjusted cost to income ratio	16	84%	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. Ms. O'Brien was appointed to the Board on 04 August 2022 and therefore no pre-2022 data is available for comparative purposes.
3. Mr Frawley resigned from the Board on 30 March 2022.
4. Mr. Elliot's increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
5. 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. The year on year increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
6. Mr Power's increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
7. 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. The year on year increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
8. Mr Courtney's increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
9. Ms Wandhöfer's year on year increase in 2021 reflects payment of fringe benefits during 2021. The year on year increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
10. Ms Corcoran's year on year increase in 2021 reflects committee membership changes during 2021. The year on year increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
11. 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. The year on year increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
12. 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. Remuneration for 2021 was annualised for the purposes of the above. The year on year increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022.
13. 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. Remuneration for 2021 was annualised for the purposes of the above. The year on year increase in 2022 is reflective of the increase in board remuneration fees which were approved in July 2022
14. 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.
15. Operating profit/loss before exceptional items. See table 8 on page 52 for a reconciliation of underlying loss to operating profit on an IFRS basis.
16. 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 2022 AGM, shareholder approval on an advisory basis was sought for the 2022 Directors' Report on Remuneration. At the AGM in 2022, 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 and Company's position and performance, business model and strategy.

On behalf of the Board

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Nicola O'Brien
Chief Financial Officer

Conor Ryan
Company Secretary

28 February 2023

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 2022 and of the Group's profit and the Group's and 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 2022;
- 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 to and 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

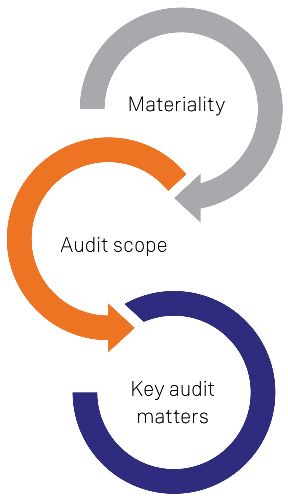
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in 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 9 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2022 to 31 December 2022.

Our audit approach

Overview



Overall materiality

- €13.0 million (2021: €10.0 million) - Consolidated financial statements
- Based on c. 0.56% of net assets.
- €13.0 million (2021: €9.5 million) - Company financial statements
- Based on c. 0.56% of net assets (2021: c. 1% of net assets).

Performance materiality

- €9.75million (2021: €7.5 million) - Consolidated financial statements.
- €9.75 million (2021: €7.1 million) - Company financial statements.

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).
- Business combination accounting, Purchase Price allocation and resulting gain on bargain purchase ("GOBP") (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 (Summary of significant accounting policies), note 2 (Critical accounting estimates and judgements) and note 23 (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 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 increased uncertainty in respect of the current macroeconomic environment. We concluded that the ECL provision for residential mortgages is within an acceptable range of reasonable estimates.

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 27 (Deferred taxation) to the Consolidated financial statements. The Group has net deferred tax assets of €309 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 to be a key audit matter due to their pervasiveness to the 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 2022. 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. We performed other procedures as we considered necessary for the purposes of our audit where deficiencies were identified.

Key audit matter	How our audit addressed the key audit matter
Business combination accounting, Purchase Price allocation and resulting gain on bargain purchase ("GOBP") (Group) Refer to note 1 (Significant accounting policies), note 2 (Critical accounting estimates and judgements) and note 3 (Business combination) to the Consolidated financial statements. As set out in note 2, on 17 December 2021, Permanent TSB plc (the "Bank" or "PTSB"), a wholly owned subsidiary of Permanent TSB Group Holdings plc (the "Group" or "PTSBGH"), entered into a conditional agreement to acquire a business from Ulster Bank consisting of certain elements of its non-tracker residential mortgage portfolio, SME portfolio and Asset Finance portfolio (the "loan books"). The acquisition also included 25 branches and the workforce associated with the various businesses and branches. The agreement became unconditional on 7 November 2022 and the Group took possession of the majority of the mortgage book and its associated workforce on this date with the remaining assets anticipated to be transferred at various dates after the year end in 2023. The agreement was accounted for as a business combination on 7 November 2022 with the remaining assets transferring in 2023 under the agreement being accounted for as derivatives in the Consolidated financial statements. The directors determined the final fair values and recognised a gain on bargain purchase ("GOBP") of €362m in the income statement under IFRS 3. This amount was transferred to the share premium account in accordance with the requirements of the Companies Act 2014. We determined this to be a key audit matter as: · this is a significant transaction to the Group and is material in the context of the profit before tax for the year and total assets of the Group; · the determination of whether this transaction is a business combination is a significant accounting judgement; and · the estimation of fair values of net assets acquired and the resulting GOBP are significant accounting estimates.	The directors appointed a number of experts to assist them in their determination of the significant accounting judgement and estimates. We have evaluated the competence, objectivity and independence of these experts. We critically assessed the rationale for the directors' determination that the transaction is a business combination under IFRS 3. We reviewed the detailed valuation reports supporting the calculation of the final fair values of the net assets acquired to assess whether the valuation methodology is appropriate and in accordance with IFRS. We agreed the overall loan book balances to the data tapes received by the Group from Ulster Bank. We identified the key data elements in the data tapes which were used in the valuation model and tested these data inputs on a sample basis. We built a challenger model to assess the valuation of the loan books and related derivatives with the assistance of our market risk specialists and compared our values to the directors' valuation reports to assess the reasonableness of the estimates. We recalculated the GOBP. We concluded that business combination accounting under IFRS 3 is appropriate, and that the fair value of the net assets acquired and resulting GOBP are materially within an acceptable range of reasonable estimates.

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), note 2 (Critical accounting estimates and judgements) to the Consolidated financial statements and note C to the Company financial statements. The investment in the 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. As set out in note C, impairment provisions of €697 million recognised in previous years were reversed in the current year as the estimated recoverable amount of the investment exceeded the carrying amount before impairment provisions. We determined this to be a key audit matter given the scale of the investment and because the determination of whether an impairment reversal is appropriate 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 reversal of €697 million at 31 December 2022. 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 release in respect of the investment in Permanent TSB plc is acceptable.

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	€13.0 million (2021: €10.0 million).	€13.0 million (2021: €9.5 million).
How we determined it	c. 0.56% of net assets (2021: c. 0.56% of net assets)	c. 0.56% 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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €9.75 million (Group audit) and €9.75 million (Company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €650,000 (group audit) (2021: €504,280) and €650,000 (Company audit) (2021: €476,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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) and the Companies Act 2014 require us to also report certain opinions and matters as described below.

- 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 2022 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

- 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).
- 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 Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014.
- 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 Corporate Governance Statement.
- 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 Corporate Governance Statement.

Corporate Governance Statement

The Listing Rules and ISAs (Ireland) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex (the "Code") specified for our review. Our additional responsibilities with respect to the Corporate Governance Statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditors’ report to the members of permanent tsb Group Holdings plc
(continued)

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 147, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking laws and regulations and in particular the regulations related to the consumer protection codes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014 and Irish tax legislation. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to affect performance and management bias through judgement and assumptions in significant accounting estimates.

Audit procedures performed by the engagement team included:

- Enquiries of management including the Head of Legal, Chief Risk Officer, the Head of Compliance, the Head of Tax and those charged with governance as to any known or suspected instances of non-compliance with laws and regulations, fraud or significant open tax matters in relation to the financial statements.
- Inspection of board minutes;
- Inspection of selected correspondence with the Central Bank of Ireland;
- Challenging assumptions and judgements made by management in their significant accounting estimates,
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing; and
- Applying risk-based criteria to journal entries posted in the audit period to determine journal entries for testing purposes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 Statements 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 23 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 10 years, covering the years ended 31 December 2013 to 31 December 2022.

John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
28 February 2023

Consolidated Income Statement
For the year ended 31 December 2022

	Note	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Interest income	5	**417**	354
Interest expense	5	**(55)**	(41)
Net interest income		**362**	313
Fees and commission income	6	**75**	64
Fees and commission expense	6	**(33)**	(29)
Net trading income	7	**3**	2
Net other operating income	8	**6**	11
Exceptional items			
Gain on bargain purchase	11	**362**	-
Total operating income		**775**	361
Administrative, staff and other expenses (excluding exceptional items)	9	**(302)**	(263)
Bank levy and other regulatory charges	10	**(51)**	(50)
Depreciation of property and equipment	25	**(21)**	(21)
Amortisation of intangible assets	26	**(31)**	(26)
Reversal of impairment of property and equipment	25	**1**	-
Exceptional items			
Restructuring and other costs	11	**(13)**	(14)
Costs incurred in relation to the Ulster Bank transaction	11	**(92)**	(28)
Total operating expenses		**(509)**	(402)
Operating profit/(loss) /profit/(loss) before credit impairment and taxation		**266**	(41)
Credit impairment			
Loans and advances to customers	23	**(7)**	1
Exceptional impairment arising from deleveraging of loans	11	**8**	19
Total credit impairment write-back		**1**	20
Operating profit/(loss) / profit/(loss) before taxation		**267**	(21)
Taxation	12	**(44)**	1
Profit/(loss) / profit/(loss) for the year		**223**	(20)
Attributable to:			
Equity holders of the parent		**223**	(20)
Earnings/(loss) per ordinary share		**€ Cent**	**€ Cent**
Basic earnings/(loss) per share of €0.5 ordinary share	13	**45.4**	(9.0)
Diluted earnings/(loss) per share of €0.5 ordinary share	13	**45.4**	(9.0)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Profit/(loss) / profit/(loss) for the year		**223**	(20)
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	36	**3**	2
Revaluation of property		**(8)**	2
Tax relating to items that will not be reclassified to the income statement	12	**1**	-
Items that may be reclassified to the income statement in subsequent periods			
Change in fair value of debt instruments	36	**-**	-
Tax relating to items that may be reclassified to the income statement	12	**-**	-
Other comprehensive (expense)/income, net of tax		**(4)**	4
Total comprehensive income/(expense) for the year, net of tax		**219**	(16)
Attributable to:			
Equity holders of the parent		**219**	(16)

Consolidated Statement of Financial Position
As at 31 December 2022

	Note	31 December 2022 €m	31 December 2021 €m
Assets			
Cash at bank	14	**58**	57
Items in the course of collection	14	**40**	20
Loans and advances to banks	15	**2,123**	4,174
Derivative financial instruments	16	**-**	1
Other assets	17	**1**	310
Assets classified as held for sale	18	**18**	28
Debt securities	19	**3,177**	2,494
Equity securities	20	**30**	26
Prepayments and accrued income	21	**207**	205
Loans and advances to customers	22	**19,593**	14,256
Interest in associated undertakings	24	**13**	2
Property and equipment	25	**204**	190
Intangible assets	26	**160**	122
Deferred taxation	27	**309**	350
Total assets		**25,933**	22,235
Liabilities			
Deposits by banks	28	**614**	347
Customer accounts	29	**21,730**	19,089
Derivative financial instruments	16	**13**	-
Debt securities in issue	30	**658**	524
Other liabilities	31	**181**	170
Accruals		**6**	8
Current tax liability		**1**	1
Provisions	32	**80**	55
Subordinated liabilities	33	**252**	252
Total liabilities		**23,535**	20,446
Equity			
Share capital	35	**273**	227
Share premium	35	**804**	333
Other reserves	35	**(791)**	(787)
Retained earnings	35	**1,744**	1,893
Shareholders' equity		**2,030**	1,666
Other equity instruments	35	**368**	123
Total equity		**2,398**	1,789
Total liabilities and equity		**25,933**	22,235

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Nicola O'Brien
Chief Financial Officer

Conor Ryan
Company Secretary

Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	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 2021	227	333	53	12	(856)	1,937	245	1,951
Loss for the year	-	-	-	-	-	(20)	-	(20)
Other comprehensive income, net of tax (note 36)	-	-	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 35)	-	-	-	-	-	(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
Balance at 1 January 2022	**227**	**333**	**55**	**14**	**(856)**	**1,893**	**123**	**1,789**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**223**	**-**	**223**
Other comprehensive income, net of tax (note 36)	**-**	**-**	**(6)**	**2**	**-**	**-**	**-**	**(4)**
Total comprehensive income/(expense) for the year	**-**	**-**	**(6)**	**2**	**-**	**223**	**-**	**219**
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
Issue of share capital	**46**	**110**	**-**	**-**	**-**	**-**	**-**	**156**
s71 Companies Act	**-**	**362**	**-**	**-**	**-**	**(362)**	**-**	**-**
Issue of other equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**250**	**250**
Issuance cost of share capital and other equity	**-**	**(1)**	**-**	**-**	**-**	**-**	**(5)**	**(6)**
AT1 coupon paid (note 35)	**-**	**-**	**-**	**-**	**-**	**(10)**	**-**	**(10)**
Loss on redemption of AT1 securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total contributions by and distributions to owners	**46**	**471**	**-**	**-**	**-**	**(372)**	**245**	**390**
Balance as at 31 December 2022	**273**	**804**	**49**	**16**	**(856)**	**1,744**	**368**	**2,398**

* All are included in other reserves in the statement of financial position

Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	31 December 2022 €m	31 December 2021 €m
Cash flows from operating activities		
Operating profit/(loss) / profit/(loss) before taxation	**267**	(21)
Adjusted for non-cash items and other adjustments:		
Depreciation, amortisation and impairment of property, equipment and intangibles	**52**	47
(Gain)/loss on revaluation of property	**(1)**	-
Impairment (write-back)/charge on:		
- Loans and advances to customers	**(1)**	(20)
Unrealised (gains)/losses on financial assets	**-**	4
Other income	**(6)**	(10)
Other mortgage related adjustments	**26**	17
Other provisions	**43**	27
Gain on bargain purchase	**(362)**	-
Other non-cash items	**14**	4
	32	48
(Increase)/decrease in operating assets:		
Derivative financial instruments	**1**	4
Other assets	**273**	22
Debt securities	**49**	51
Prepayments and accrued income	**(5)**	(131)
Loans and advances to customers	**7**	(374)
Increase/(decrease) in operating liabilities:		
Deposits by banks	**257**	348
Customer accounts	**2,634**	1,032
Debt securities in issue	**118**	(294)
Derivative liabilities	**1**	-
Other liabilities and accruals	**7**	63
Provisions	**(15)**	(49)
	3,327	672
Net cash (outflow)/inflow from operating activities before tax	**3,359**	720
Tax paid	**(1)**	(1)
Net cash (outflow)/inflow from operating activities	**3,358**	719

Consolidated Statement of Cash Flows
For the year ended 31 December 2022 (continued)

	31 December 2022 €m	31 December 2021 €m
Cash flows from investing activities		
Maturities of debt securities - HTC	**251**	49
Purchase of debt securities- HTC	**(972)**	-
Purchase of property and equipment	**(31)**	(13)
Purchase of intangible assets	**(30)**	(11)
Cash transferred for business combinations	**(4,816)**	-
Investment in subsidiary undertakings	**-**	3
Investment in associated undertakings	**(11)**	(2)
Net cash flows from investing activities	**(5,609)**	26
Cash flows from financing activities		
Issuance of AT1 securities (net of issuance costs)	**245**	-
Redemption of AT1 securities	**-**	(125)
Payment of lease liabilities	**(6)**	(3)
Interest paid on T2 capital notes	**(8)**	
AT1 coupon payment	**(10)**	(21)
Issuance of T2 capital notes (including interest)	**-**	252
Net cash flows from financing activities	**221**	103
(Decrease)/increase in cash and cash equivalents	**(2,030)**	848
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**4,251**	3,403
Increase/(decrease) in cash and cash equivalents	**(2,030)**	848
Cash and cash equivalents as at 31 December	**2,221**	4,251

* Due to an IFRIC decision, restricted cash held by the Groups securitisation entities, which was excluded from cash and cash equivalents in prior years is now included in cash and cash equivalents for 2022 and 2021. See note 14

Reconciliation of liabilities arising from financing activities

	31 December 2022 €m	31 December 2021 €m
1 January	**283**	34
Financing cash flows:		
Lease liability	**(6)**	(3)
Issuance of T2 capital notes (including interest)	**-**	252
Interest paid on T2 capital notes	**(8)**	-
Non-cash movements:		
Additions to lease liabilities	**13**	-
Interest accrued on T2 capital notes	**8**	-
31 December	**290**	283

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 2022.

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 2022 were approved by the Board and authorised for issue by the Directors on 28 February 2023.

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2022 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 46 for further information.

The Company's profit after tax for the year ended 31 December 2022 was €708m (31 December 2021: loss €56m). The Company issued €250,000,000 Additional Tier 1 securities on 26 October 2022. For further information, see the Company financial statements on pages 263 to 265.

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 23);
- Deferred taxation (notes 12 and 27);
- Fair value of financial instruments (note 37);
- Impairment review of subsidiary undertaking (note 46).
- Fair value assumptions in relation to business combination accounting (note 2).
- IFRS 3 Business Combination Accounting (BCA) including fair value of acquired assets (note 3)

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 2023, 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 2022. Management considered realistic alternatives, including downside scenarios applied by the Group and Company 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 Company consolidated financial statements for the twelve months ended 31 December 2022 is a period of twelve months from the date of approval of these financial statements (28 February 2024).

In making this assessment, the Directors and Management have considered the Group's and Company's 2023-2027 MTP, profitability forecasts, funding and capital resource projections. These projections include both base and stress scenarios applied by the Group and Company. Together with a number of factors such as 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

The Irish economy continues to perform strongly with a rapid recovery after the pandemic. Growth is continued to be forecast albeit at a lower rate. Consumer price inflation has risen due to increases in energy prices along with price pressures for other goods and services. To manage inflation, the ECB raised interest rates on a number of occasions during 2022 with further rate increases expected in 2023.

Further to this, the Group and Company continues to be materially reliant on Government and EU policy, and materially impacted by geopolitical events; such as the on-going war in Ukraine, the continuing uncertainty around the Northern Irish Protocol and the introduction of the global minimum corporation tax rate to a sector of the Irish market.

The Group and Company reassessed the financial impacts of the economic and political environment through the Group's and Company's integrated planning process and believes it is reasonably well positioned to withstand any volatility from economic events, particularly given the Group's and Company's acquisition of certain part of the Ulster Bank business in 2022 and continued management of its financial position through NPL reduction and capital management.

Funding & Liquidity

The Group and Company continued to have sufficient liquidity throughout 2022, 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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

The Group and Company continues to hold a significant liquidity buffer at 31 December 2022 that can be easily and readily monetised in a period of stress. The Directors and Management are aware that the Group's and Company'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 and Company during the period of assessment.

There are no material uncertainties, which would cast significant doubt on the ability of the Group and Company to continue as a going concern basis over the period of assessment.

Profitability and Capital Adequacy

The Group and Company made a profit for the year ended 31 December 2022. 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 and Company are well positioned to continue to deliver profits in future years.

The Directors and Management have also considered the Group's and Company's forecast capital position, including a deterioration in economic conditions due to high inflation and disruptions to the global supply chain. 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 and Company 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 and Company, 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 2021 has been prepared on a consistent basis with 2022.

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 46.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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.

(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 (vii)(a)). 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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Interest income and expense calculated using the effective interest method presented in the consolidated income statement 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.

(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 and losses on the disposal of businesses, gain on bargain purchase in respect of business combinations, 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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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).

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

The classification requirements for debt and equity instruments are described below.

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.

(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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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.

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 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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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.

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).

1. Corporate information, basis of preparation and significant accounting policies (continued)

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 at 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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Equity

Financial instruments classified as equity are accounted for directly in equity less any transaction costs deducted directly from equity. Transaction costs are incremented costs directly attributable to the equity transaction that otherwise would have been avoided. Equity instruments are not subsequently re-measured. Any coupon payments on the instrument are treated as dividends and accounted for, when declared as a distribution out of retained earnings. Equity instruments are issued at arm's length.

(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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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 37.

(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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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 consolidated income statement 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 consolidated income statement 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.

(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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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 an appropriate reflection of the Group's 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;
- 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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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.

Costs associated with research activities or maintaining computer software programmes are recognised as an expense as incurred.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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 or 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 is recognised when there is an approved detailed and formal Restructuring Plan, 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 exceeds 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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)
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 1(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 collateralised 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.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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.

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.

(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 2022, the Group assessed the impact of new and revised pronouncement of IFRSs which took effect during the year. The changes to IFRS during 2022 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
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 current 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 current or future reporting.	Annual periods beginning on or after 1 January 2022.
Amendments 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 current or future reporting.	Annual periods beginning on or after 1 January 2022.
Annual Improvements to IFRS Standards 2018-2020 Cycle	Minor amendments to IFRS 1, IFRS 16, IFRS 9 and IAS 41.	This amendment is expected to have no significant impact on current or future reporting.	Annual periods beginning on or after 1 January 2022.

1. Corporate information, basis of preparation and significant accounting policies (continued)

The following table outlines the new pronouncements coming into effect for accounting periods on or after 1 January 2023 and are not deemed to have a significant impact on the financial statements

Accounting Standard Update	Description of Change	Key impacts for PTSB	Effective Date
IFRS 17 'Insurance Contracts'	IFRS 17 will come into effect for 2023.	This amendment is expected to have no significant impact on current or future reporting. PTSB has no insurance contracts.	Annual periods beginning on or after 1 January 2023.
Amendments to IFRS 17 (Insurance contracts)	Amendments are intended to clarify some of the implementation challenges faced in the implementation of IFRS 17 Insurance contracts.	This amendment is expected to have no significant impact on current or future reporting.	Annual periods beginning on or after 1 January 2023.
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 current or future reporting.	Annual periods beginning on or after 1 January 2023. Not yet endorsed by the EU.
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 current 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 current or future reporting.	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 current or future reporting.	Annual periods beginning on or after 1 January 2023.
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	Clarifies how to measure sales in a sales and lease back agreement. The aim is to ensure it meets the requirements of IFRS15 revenue recognition.	This amendment is expected to have no significant impact on current or future reporting.	Annual periods beginning on or after 1 January 2024. Not yet endorsed for use in the EU.

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 current economic climate, with interest rate increases and high inflation, elevates the uncertainty associated with judgements, estimates and assumptions made by Management. The Irish economy demonstrated recovery post Covid and resilience in the current economic climate in 2022. The results of the actions taken by the Government, EBA and 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 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 2022, 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.€138m increase in Stage 2 volumes.

Forward Looking Information (FLI)

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 ECL, 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 FLI 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.

2. Critical accounting estimates and judgements (continued)

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 2022. Macroeconomic scenarios were most recently updated in December 2022. The update in the Base Case Scenario reflects a deterioration in the outlook for the Irish economy in future years as a result of higher inflation, with lower forecast HPI and GDP growth.

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 the current economic environment.

	31 December 2022				31 December 2021			
		Base Case	Upside Scenario	Down side Scenario		Base Case	Upside Scenario	Down side Scenario
	Average value over Year 1	Average value over the forecast period	Average value for 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%**		54%	23%	23%
Irish Residential House Prices	**0%**	**2%**	**12%**	**-10%**	4%	3%	13%	-8%
Irish Unemployment	**7%**	**5%**	**4%**	**11%**	7%	6%	4%	12%
Irish GDP	**4%**	**3%**	**6%**	**-2%**	6%	4%	6%	-1%
Consumer Price Index	**6%**	**3%**	**2%**	**4%**	3%	2%	2%	3%
ECB Base Rate	**3%**	**3%**	**1%**	**3%**	0%	0%	0%	2%

The Base, Upside and Downside scenarios are described as follows:

Base scenario

In the base scenario, the outlook for the global economy is one of slower growth and more uncertainty in 2023, as the economic rebound from the impact of Covid lockdowns in 2020 and 2021 dissipates, and the remaining inflationary shock drives the most aggressive response from global central banks for the past 30 years.

A forceful series of interest rate increases to stem burgeoning inflation, marks the end of the zero-rate environment and highly accommodative global monetary policy of the past decade. With fallout from the Russian invasion of Ukraine continuing to drive price instability in key energy and agri-food markets and combined with the Covid driven global supply chain issues, the inflation outlook continues to be highly uncertain, leading to a period of much greater economic uncertainty.

2. Critical accounting estimates and judgements (continued)

Property prices have now reached the peak last seen in April 2007, although wages are significantly ahead of that period in 2022, and the number of households in the economy has grown by c.400,000 with new housing supply meeting a fraction of demand. Underlying driving forces, such as a) decade of under supply of housing (with 2022 falling short of output forecasts), b) strong population growth through inward migration, c) record rental values, d) an influx of Ukrainian war refugees and e) exceptionally strong construction price increases, are expected to hold property prices at current levels in 2023.

On unemployment, the Baseline model reflects both the expectation of better than expected unemployment numbers in the end of 2022, and a rise in forecast unemployment level for 2023 to 6.5% (up 1%).

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.

Average GDP growth over the forecast period is 6%, which is higher than the average of 3.9% for the Irish economy since 1950. The outlook reflects an extreme positive of effective full employment.

Consistent with the longer term nominal house price average gain of 9.3% since 1970 (Irish property prices are 50X higher than in 1970 in nominal terms) 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 12% per annum.

Substantially below trend CPI growth returns in the Irish economy over the forecast horizon, with inflation trends remaining highly supportive of economic growth.

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 15% in 2024.

Five years of sub normal growth across the forecast horizon in 2022 to 2027, shows a sharp reversal from current expected growth levels and is significantly below the 3.9% average GDP growth seen in the Irish economy since 1950. GDP falls a low point of minus 11.5% over the forecast period.

The threat of CPI moving ahead at a much faster pace than expected, is a key feature of this 1 in 20 scenario for this period, acknowledging the weakness in the global supply chain, and the impact of the Ukraine /Russian conflict which has pushed inflationary forces to 40 year 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 2022. 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 €98m less than reported at 31 December 2022.

2. Critical accounting estimates and judgements (continued)

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 €126m less than reported at 31 December 2022. Whereas, if the Group were to only use its Downside Scenario, the ECL impairment allowance would be €336m greater than reported at December 2022.

The adequacy of ECL allowance is reviewed by the BAC on a half-yearly basis. At 31 December 2022, the total impairment provision included €137m of management's adjustments to modelled outcomes (31 December 2021: €118m) which primarily comprises the following:

- €44m 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; €31m of which are in default for greater than seven years.
- 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.
- Management are of the view that the modelled impairment allowance may not fully reflect expected credit losses for certain cohorts of borrowers. The Groups IFRS9 models are constructed based on a single economic cycle covering a period of low and stable inflation rates. In addition, post pandemic demand as a result of government-led supports and economic stimulus has weakened the relationships between model inputs and outputs. At the reporting date, a €26m management overlay is held for this risk.
- A €64m overlay to reflect the uncertainty associated with the current economic headwinds as a result of accelerated inflation and the increasing interest rate environment. CPI accelerated to 8.2% for 2022 with the ECB rates rising by 2.5% in the year. In addition, further increases to ECB rate are expected in 2023. The overlay comprises of €4m in respect of the consumer portfolio, €14m in respect of the commercial portfolio and €46m in respect of the residential mortgage portfolio.

At December 2022, 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. €138m increase in Stage 2 volumes.

(b) Deferred taxation

At 31 December 2022, the Group had a net deferred tax asset of €309m (31 December 2021: €350m). See note 27 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 €334m at 31 December 2022. 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.

2. Critical accounting estimates and judgements (continued)

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 geopolitical environment, the forecast interest rate rises and inflationary risks;
- 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 forecasted future profitability as a result of the Ulster Bank transaction;
- 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 global political uncertainty, 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;
  - NIM, which has benefitted from increasing interest rates, is also 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;
  - 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 €334m of a deferred tax asset on tax losses on the statement of financial position as at 31 December 2022.

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 2027 and assuming a level of profitability growth consistent with GDP growth of approximately 2.5%, it will take c. 10 years for the deferred tax asset on tax losses of €334m 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 geopolitical uncertainty 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 decreased since 31 December 2021 from 22 to 10 years. This is mainly due to forecast interest rate rises and the impact of the Ulster Bank transaction. These revised profitability figures also impact the assumed long-term projections for the Group with the result that the expected utilisation period has decreased.

2. Critical accounting estimates and judgements (continued)

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 27, 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 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 sensitivity 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 by 1 year. If all adverse assumptions were to arise the period of recoverability would be extended by 1 year (i.e. full utilisation by 2033). 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 10 years, i.e. full utilisation is expected by 2032.

(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(vii)(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 37.

2. Critical accounting estimates and judgements (continued)

(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. Management note that the market capitalisation of the Group is lower than its net assets. The depressed share price is a 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 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 investment in PTSB plc was €888m as at 31 December 2021. During 2022, an AT1 issuance of €245m (net of transaction costs) and a share issuance related to Project Sun of €516m occurred which brought the carrying value to €1,649m. The recoverable amount based on the VIU is in excess of the carrying amount after the reversal of previous impairment charges. On the basis that the VIU in in excess of the carrying value no impairment charge is required (31 December 2021: impairment charge of €66m). Management have considered whether a reversal of impairment charge from previous years is appropriate. Having reviewed external and internal information management noted that there had been a significant change in the value of the asset, primarily due to the increased forecast profitability as a result of the Ulster Bank transaction and increased interest rates. On this basis, management were satisfied there was sufficient headroom to take a full write back of the previous impairment charges of €697m.

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;
- Increase in the loan book as result of the Ulster Bank business combination;
- Increase in revenue due to interest rate increases;
- 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.

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.

2. Critical accounting estimates and judgements (continued)

Sensitivity analysis

The impact of changes in the growth rate, the discount rate and cash flows has been assessed by the Directors:

- A decrease in ECB interest rate of 100bps would result in a VIU in excess of the carrying value after impairment write-back, resulting in no impairment charge;
- An increase in operating expenses of €20m per annum, would result in a VIU in excess of the carrying value after impairment write-back, resulting in no impairment charge;
- An increase of 1% in long-term growth rate would result in a VIU in excess of the carrying value after impairment write-back, resulting in no impairment charge.;
- A decrease of 1% in long-term growth rate would result in a VIU in excess of the carrying value after impairment write-back, resulting in no impairment charge.;
- An increase of 1% in the discount rate would result in a VIU in excess of the carrying value after impairment write-back, resulting in no impairment charge.; and
- A decrease of 1% in the discount rate would result in a VIU in excess of the carrying value after impairment write-back, resulting in no impairment charge.

(e) IFRS 3 Business Combination Accounting (BCA) including fair value of acquired net assets

On 17 December 2021, PTSB entered into a conditional agreement to acquire a business from Ulster Bank consisting of certain elements of its non-tracker residential mortgage portfolio, SME portfolio and asset finance portfolio. The acquisition also included 25 branches and the workforce associated with the various businesses and branches. The agreement was effected through a series of linked contracts and became unconditional on 7 November 2022. For operational reasons, the above businesses/ assets will not transfer to the group on a single date. The group took possession of the majority of the mortgage book and its associated workforce on 7 November 2022 (the Principal Completion Date). The branches and associated workforce transferred in January 2023 and the SME assets (including associated employees) transferred in February 2023. The remainder of the mortgage book, and the asset finance assets (including associated employees) are expected to transfer to the group in the first half of 2023.

This agreement was accounted for as a business combination on the Principal Completion Date with the purchase price allocation (PPA) and fair value of the net assets acquired being determined on that date. This gave rise to gain on bargain purchase of €362m. The forward purchase of the loans yet to be transferred under the contract is accounted for as a derivative from that date. See note 3 for further details.

The accounting for this transaction required Management to make certain critical accounting judgements and estimates.

Critical Accounting Judgement

Management had to make the following accounting judgements:

- whether the agreement should be accounted for as one transaction or a number of transactions- this impacts both the measurement of the assets acquired and the recognition date;
- whether the agreement is a business combination or an asset acquisition - this impacts recognition of the gain on bargain purchase and the measurement of the assets at initial recognition (fair value for business combination or at the amount of consideration paid for an asset purchase);
- when the acquisition is accounted for - this determines the accounting period in which the assets and gain are recognised and measured; and
- what is measured at the acquisition date.

Management considered these judgements in detail and concluded as follows:

Judgement	Conclusion
How many transactions are there?	Management considered the requirements of IFRS 3 and IFRS 9 and believe that the group should account for this agreement as one overall transaction due to following reasons: 1. the various legal agreements are linked by one overarching framework agreement; 2. all the transactions documents were signed at the same time with the same counterparty and each such document contemplates the completion of the others; 3. there was a substantive business need to structure the transaction in this way i.e., operational reasons; 4. in substance, the entire transaction relates to the purchase of a certain part of Ulster Bank's Irish banking business by the group.

2. Critical accounting estimates and judgements (continued)

Judgement	Conclusion
What is PTSB acquiring – a business or assets?	Management considered the requirements of IFRS 3 and concluded that this transaction collectively constitutes the acquisition of a business on the basis it includes acquired inputs (the loan books) and substantive processes which are embodied in the key individuals transferring (credit risk, underwriting and customer relationship management) along with sufficient support staff. The assessment of whether an acquired set of activities and assets constitutes a business must include, at a minimum, an input and substantive process and whether when these are applied to an input or inputs it is critical to the ability to continue producing outputs. This assessment must be performed from the perspective of a market participant. The mere existence of an output (e.g. interest income) doesn't indicate that both an input and a substantive process have been acquired. Management considerd substantive processes to include strategic, operational and resource management processes in order to be considered a business. These processes are usually documented but the intellectual capacity of an organised workforce with the necessary skills and experience also provide the necessary processes to determine the acquired set of assets and activities as a business. Management determined that the acquisition of the organised workforce from Ulster Bank that included key individuals with the necessary skills and experience to direct the substantive processes within credit risk, underwriting and customer relationship management met the requirements of IFRS 3. As a result, the entire transaction was accounted for as a business combination.
When is the acquisition accounted for?	Management considered the requirements of IFRS 3 and concluded that there is one business combination date and that this takes place at the Principal Completion Date i.e., when the mortgage business (being the majority of the mortgage book and workforce (including key mortgage employees)) transfers. The fact that certain parts of the business do not transfer for operational reasons at this date does not change this judgement. As noted above this is one unconditional, interrelated transaction. The mortgage business, which amounts to the vast majority of the overall business, is irreversibly transferred on this date with the rest of the assets and workforce being contractually obliged to follow. As a result, the business combination is accounted for as at this date.
What is measured?	The Directors considered the requirements of IFRS 3 and IFRS 9 and concluded that what is measured is the fair value of the net assets transferred at the Principal Completion Date and that the contractual obligation for assets to be transferred after the Principal Completion Date creates derivatives (forward purchase) which are fair valued at the date. These derivatives are accounted for a fair value until the actual transfer of the underlying assets

This transaction has been accounted for as a business combination under IFRS 3 (as described above). If this transaction was not accounted for as a business combination no gain on bargain purchase would be recognised and the timing of asset recognition and associated measurement including subsequent EIR would be significantly different.

Critical Accounting Estimates

Business combination accounting required Management to make certain critical accounting estimates being the fair value of the assets acquired including derivatives. Management engaged the services of independent third-party valuers to provide valuations of the assets being transferred in the transaction. The fair value of the branch properties was determined using the open market prices. As there was no observable market price for the loans (Level 3), their fair value was calculated using discounted cashflow model and included calculating the expected contractual cash flows of the assets and applying the following to the portfolio of assets; prepayment rate, redemption rate, transition rate (from fixed to variable rates and vice versa), probability of default (PD) and loss given default assumptions, servicing cost, risk weights based on the asset characteristics and a discount rate based on cost of funding, capital and targeted capital ratio.

See notes 3 and 37 for sensitivities relating to the fair values.

3. Business combination

On 17 December 2021, PTSB entered into a legally binding agreement with NatWest Group Plc ('NatWest') to acquire certain elements of the Retail mortgage lending, Asset Financing and SME businesses, including 25 branch properties and staff of Ulster Bank Ireland DAC ('Ulster') in the Republic of Ireland. On 7 November 2022 the transaction was completed when €5.2bn of the Retail business assets and significant processes were acquired by the Bank thereby legally binding the Bank to acquire the remaining Retail, Asset Financing and SME assets. No voting interest in Ulster was acquired as part of the acquisition. The remaining Retail, Asset Financing and SME assets are envisioned to be acquired by the Bank on subsequent dates in the first half of 2023.See note 2(e) for further details on this transaction.

The acquisition of the Ulster business was accounted for under IFRS 3: Business Combinations and therefore, any resulting negative goodwill/gain on bargain purchase is calculated as the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the fair value of the consideration transferred. In this transaction a gain on bargain purchase arose because the fair value of the assets and liabilities acquired exceeded the fair value of the consideration paid. This is as a result of a number of external factor's including NatWest's decision to leave the Irish market therefore the Bank acquired the assets at a discount to their fair value. The accounting for the business acquisition was completed on 7 November 2022 when business combination accounting was achieved.

The details of the business combination are as follows:

	31 December 2022 €m
Fair value of consideration transferred	
Amount settled in cash	**4,816**
Equity consideration	**155**
Contingent consideration	**37**
Total	**5,008**
Recognised amounts of identifiable net assets – at fair value	
Retail mortgage lending	**5,386**
Forward Contract Derivatives	**(16)**
Total	**5,370**
Gain on bargain purchase	**(362)**

The total fair value of the consideration transferred on the acquisition date was €5,008m and consists of;

- Cash €4,816m;
- Liability for contingent consideration to be paid in cash €37m;
- 90,893,627 ordinary shares of the Group at €1.70 (share price on close of business 4 November 2022) €155m (See note 35 for further detail)

The liability for contingent consideration consists of a liability to pay an equity cash consideration amount based on 4.04% of the Banks ordinary shares (after the issuance of shares on the acquisition date described below) using a volume weighted average price (VWAP) of the Banks ordinary shares for a period of 60 days post the acquisition date. On the acquisition date the liability is measured using the closing share price on 4 November 2022 of €1.70. The undiscounted range of outcomes based on the highest and lowest VWAP in the 60 day period are €37m and €41m. The contingent consideration is accounted for at fair value until settlement. This liability was settled in January 2023 when cash of €41m was paid to NatWest.

The total fair value of the net assets acquired on the acquisition date was €5,370m and consists of;

- Loans and advances to customers: €5,385m
- Retail mortgages Fair value: €5,385m, Gross contractual receivable: €5,218m
- Forward Contract Derivatives Fair Value: €(16)m

The fair value measurements were performed by independent professional valuers having appropriate qualifications and recent experience in the fair value measurement of loans and properties in the locations and categories being valued.

3. Business combination (continued)

A discounted cash flow model was used to estimate the fair value of the acquired retail mortgage assets. This included calculating the expected contractual cash flows of the assets and applying the following to the portfolio of assets; prepayment rate, redemption rate, transition rate (from fixed to variable rates and vice versa), probability of default (PD) and loss given default assumptions, servicing cost, risk weights based on the asset characteristics and a discount rate based on cost of funding, capital and targeted capital ratio.

The forward contract derivatives represent the remaining Retail lending assets and the entirety of the Asset Financing and SME assets and Branch Properties that will not be transferred until a later date and therefore the Bank have not acquired control of these assets. As the business combination was accounted for on 7 November 2022, the Group is required to account for derivatives for the forward purchase of the remaining Retail lending assets and the entirety of the Asset Financing and SME assets and Branch Properties on that date. The forward contract derivatives are measured as the net of the fair value of the assets based on the above discounted cash flow model and the fair value of the consideration to be transferred i.e. the gross outstanding balance. The same discounted cash flow model was used to estimate the fair value of the remaining assets to be acquired. The Branch Properties were measured at their open market prices.

The gross fair value of the assets to be acquired as at the acquisition date included as part of the forward contract derivatives are as follows. These are based on an estimate of the outstanding balance of these loans on their expected transfer date.

- €889m in relation to the remaining mortgage assets
- €164m in relation to SME assets
- €436m in relation to asset finance assets
- €9m in relation to branch properties

The gross fair value of the consideration to be transferred as at the acquisition date included as part of the forward contract derivatives are as follows. These are based on an estimate of the outstanding balance of these loans on their expected transfer date.

- €893m in relation to the remaining mortgage assets
- €174m in relation to SME assets
- €438m in relation to asset finance assets
- €9m in relation to branch properties

See note 37 for further detail on fair value of the forward contract derivatives as at 31 December 2022 and the related sensitives.

The Branch Properties (including associated employees) transferred in January 2023 and €9m cash was paid to NatWest. The SME assets (including associated employees) transferred in February 2023 and €162m cash was paid to NatWest.

In accordance with IFRS 3 as the fair value of the assets acquired and the liabilities assumed (€5,008m) is in excess of the fair value of the consideration transferred (€5,370m) a gain on bargain purchase of €362m was recognised on the acquisition date in the Income Statement. Management recognised this gain in Exceptional Items.

An assessment of sensitivity to changes in the discount rates used in the discounted cash flow model was performed. A 25 basis point increase in the discount rate results in a reduction of the gross fair value of the business combination of €87m, a 25 basis point decrease in the discount rate results in an increase of the gross fair value of the business combination of €90m.

Under section 71 of the Companies Act 2014 as the consideration for the acquisition of the Ulster business includes the issuance of ordinary shares, Company law requires that the share premium be recognised as the difference between the nominal value of shares and the fair value of the consideration received. This results in the shares being issued at €5.68 per share as part of the consideration transferred. The share price on the issuance date was €1.70 per share with €0.50 being recognised in Share Capital and €1.20 being recognised in Share Premium. As the remaining fair value of the consideration received is in excess of the fair value of the shares this excess is required by law to be included in share premium and is, therefore, reclassified directly in equity between Retained Earnings and Share Premium. The excess amount is the gain on bargain purchase of €362m.

The acquired retail assets incurred a pre-tax loss of €21m from the acquisition date to the reporting date primarily due to initial recognition of ECL on the acquired loans. Revenue from the acquisition date to 31 December 2022 was €16m. The day 1 ECL recognised of this transaction was €30m. This is not included in the gain on bargain purchase.

3. Business combination (continued)

If the business assets (including retail, SME and asset finance) had been acquired on 1 January 2022, revenue of the Group for 2022 would have increased by €167m, and pre-tax profit for the year would have increased by €57m. The basis for this is estimate is data received on the loan assets since the acquisition date.

Acquisition-related costs amounting to €92m are not included as part of consideration transferred and have been recognised as an expense in the consolidated income statement, as part of exceptional items within total operating expenses. €1m of transaction costs were incurred as part of the share issuance to NatWest. These are recognised in Share Premium.

4. 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 (CCDM) 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.

4.1 Revenue from external customers split by products and services

The sources from which the Group earns external revenue are: interest income, fee and commission income, net trading income, and other operating income. Total revenue from external customers was €501m (2021: €431m). The main products from which the Group earns external revenue include: mortgages; consumer finance; and treasury assets. The interest income from these products is set out in the table below. Net interest income from external customers split by product:

	31 December 2022 €m	31 December 2021 €m
Mortgages	**354**	315
Consumer finance*	**33**	31
Treasury assets	**11**	7
Wholesale funding	**19**	1
Total	**417**	354

*Consumer finance comprises income from term loans, credit cards and overdrafts.

4.2 Profit for the year based on geographical location

During the years ended 31 December 2022 and 31 December 2021, the majority of the Group's profit/(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 2022 and 31 December 2021.

4.3 Assets and liabilities based on geographical location

31 December 2022	Ireland €m	IOM* €m	Of which inter-group balances €m	Total €m
Assets				
Held for sale	**18**	**-**	**-**	**18**
Other assets	**25,914**	**1**	**(56)**	**25,915**
Total segment assets	**25,932**	**1**	**(56)**	**25,933**
Total segment liabilities	**23,534**	**1**	**(56)**	**23,535**
		-	**-**	
Capital expenditure	**112**	**-**	**-**	**112**

*This is based on geographical locations and reflects Group intercompany activity with PBI Ltd.

4. Operating segments (continued)

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 locations and reflects Group intercompany activity with PBI Ltd.

5. Net interest income

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Interest income		
Loans and advances to customers	**387**	346
Loans and advances to banks	**15**	-
Debt securities and other fixed-income securities	**11**	7
Deposits from banks	**4**	1
	417	354
Interest expense		
Deposits from banks	**(10)**	-
Due to customers	**(10)**	(14)
Debt securities in issue	**(16)**	(8)
Loans and advances to banks	**(10)**	(14)
Subordinated liabilities	**(9)**	(5)
	(55)	(41)
Net interest income	**362**	313

Net interest income includes a charge of €22m in respect of deferred acquisition costs and €4m amortisation on the day 1 gain generated by the migration of the mortgages as a result of the Ulster Bank business combination(31 December 2021: deferred acquisition costs of €17m).

6. Fees and commission income

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Fees and commission income		
Retail banking and credit card fees	**65**	52
Brokerage and insurance commission	**9**	11
Other fees and commission income	**1**	1
Fees and commission income	**75**	64
Fees and commission expense *	**(33)**	(29)
Net fees and commission income	**42**	35

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

7. Net trading Income

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Held-for-trading		
Foreign exchange gains	**3**	2
Net trading income	**3**	2

8. Net other operating income

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Other income	**6**	11
Net other operating income	**6**	11

9. Administrative, staff and other expenses (excluding exceptional items)

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Staff costs (as detailed below)	**152**	142
Other general and administrative expenses	**150**	121
Administrative, staff and other expenses (excluding exceptional items)	**302**	263

Administrative, staff and other expenses (excluding exceptional items) includes costs of €4m in relation to legacy legal cases in 2022 (31 December 2021: €15m).

Fees paid to the Group's auditors for services outlined below

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Statutory auditor's remuneration (including expenses and excluding VAT)		
- Audit of the individual and the Group financial statements	**1.4**	1.1
- Other assurance services	**0.1**	0.1
- Other non-audit services*	**0.8**	0.3

* Other non-audit services for 2022 primarily relate to the Project Sun Class 1 Circular to shareholders and comfort letters and other services in relation to the Group's Euro Notes Programme and subsequent debt issuance, the AT1 issuance and the Fastnet securitisations. Other non-audit services in 2021 include comfort letters and other services in relation to the Fastnet securitisations, the Group's Euro Note Programme and subsequent debt and capital issuances.

9. Administrative, staff and other expenses (excluding exceptional items) (continued)

Staff costs

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Wages and salaries (including commission payable to sales staff)	**124**	115
Social insurance	**15**	14
Pension costs		
· Payments to defined contribution pension schemes	**13**	13
Total staff costs	**152**	142

Staff redundancy costs associated with exceptional items for the year ended 31 December 2022 and 31 December 2021 are included as part of note 11 exceptional Items.

Staff costs of €13m (31 December 2021: €13m), have been capitalised to Intangible assets (see note 26), 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 are as follows:

	Closing staff numbers*		Average staff numbers	
	2022	2021	2022	2021
Ireland	**2,614**	2,236	**2,422**	2,286
Total number of staff	**2,614**	2,236	**2,422**	2,286

*Closing staff numbers are calculated on a full time equivalent (FTE) basis. Includes 126 closing and 70.6 average staff numbers working on the Ulster Bank transaction.

10. Bank levy and other regulatory charges

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Bank levy	**22**	22
Other regulatory charges	**29**	28
Bank levy and other regulatory charges	**51**	50

Other regulatory charges include €19m for the Deposit Guarantee Scheme (DGS) (31 December 2021: €17m), €5m for the Single Resolution Fund (SRF) (31 December 2021: €4m), €4m for the Central Bank Industry Funding Levy (31 December 2021: €5m) and €1m related to other regulatory charges (31 December 2021: €2m).

11. Exceptional items

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Gain on bargain purchase (a)	**362**	-
Costs incurred in relation to the Ulster Bank transaction (b)	**(92)**	(28)
Restructuring and other costs (c)	**(13)**	(14)
Impairment arising from deleveraging of loans (d)	**8**	19
Exceptional items	**265**	(23)

(a) The Group recognised a gain on bargain purchase of €362m in respect of the Ulster Bank transaction. This was treated as an exceptional gain in the Income Statement. Please see notes 2 and 3 for further information.

(b) During 2022, the Group incurred costs of €92m in relation to the Ulster Bank transaction.

The Group incurred costs of €28m on the transaction in 2021, these costs were also recognised as exceptional costs in the income statement.

The Group has incurred total costs of €120m on the Transaction during 2021 and 2022.

(c) Restructuring and other costs of €13m (31 December 2021: €14m) 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.

(d) The definition of exceptional items was refined to exclude profit or loss on material loan deleveraging post 31 December 2021 (including any increase in impairment arising solely as a result of the sale of loans) due to the sale of loans becoming part of the Group's normal recovery strategy.

During 2022, warranty provisions and accruals of €8m were released in relation to loan transactions that the Group executed in prior years.

During 2021, an impairment write-back of €11m was 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 released relating to the sale of the Glenbeigh II loan sale.

The Group considers these releases as 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.

12. Taxation

(a) Analysis of taxation charge

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Current taxation		
Charge for current year	**2**	1
	2	1
Deferred taxation		
Origination and reversal of temporary differences	**42**	(2)
Deferred taxation recognised in the income statement (note 27)	**42**	(2)
Taxation charged/(credited) to income statement	**44**	(1)
Effective tax rate	**16%**	5%

The Group taxation charge for the year ended 31 December 2022 was €44m (31 December 2021: €1m credit) of which €39m was in respect of a corporation tax charge on exceptional items. The main drivers of this charge/credit include (i) a current tax charge of €2m arising on trading and non-trading income, (ii) a current year deferred tax charge of €39m arising from the utilisation of tax losses carried forward to shelter tax adjusted profits arising in the year, 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 2022 €m	Year ended 31 December 2021 €m
Profit/(loss) on the Group activities before tax	**267**	(21)
Tax calculated at standard ROI corporation tax rate of 12.5% (2021: 12.5%)	**33**	(3)
Tax effect of non-deductible expenses and non-trading income	**10**	2
Other	**1**	-
Adjustment to tax losses carried forward	**-**	-
Taxation charged/(credited) to income statement	**44**	(1)

(c) Tax effects of each component of other comprehensive income

	Year ended 31 December 2022		
	Gross €m	Tax €m	Net €m
Revaluation of property	**(8)**	**2**	**(6)**
Fair value reserve:			
- Change in fair value of equity instruments	**3**	**(1)**	**2**
- Change in fair value of debt instruments	**-**	**-**	**-**
- Transfer to income statement on asset disposal	**-**	**-**	**-**
31 December 2022	**(5)**	**1**	**(4)**

12. Taxation (continued)

	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

13. Earnings/(loss) per ordinary share

(a) Basic earnings/(loss) per ordinary share

	Year ended 31 December 2022	Year ended 31 December 2021
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares	**468,387,212**	454,690,912
Profit/(loss) for the year attributable to equity holders	**€223m**	(€20m)
Less AT1 coupon paid (see note 35)	**(€10m)**	(€21m)
Profit/(loss) for the year attributable to equity holders less AT1 coupon paid	**€213m**	(€41m)
Basic earnings/(loss) per ordinary share (€ cent)	**45.4**	(9.0)

(b) Diluted earnings/(loss) per ordinary share

	Year ended 31 December 2022	Year ended 31 December 2021
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of diluted earnings per share	**468,387,212**	454,690,912
Diluted earnings/(loss) per ordinary share (€ cent)	**45.4**	(9.0)

Diluted earnings/(loss) 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 2022 or 31 December 2021 as the AT1 securities issued in 2020 and 2022 have no conversion features. The AT1 securities issued in 2015 was assessed due to the conversion feature within the security, and was found to have an anti-dilutive effect. It was redeemed on the first call of 1 April 2021.

Weighted average number of ordinary shares*

	2022	2021
Number of ordinary shares in issue at 1 January (note 35)	**454,695,492**	454,695,492
Treasury shares held (note 35)	**(4,580)**	(4,580)
Net movements during the year		
Weighted average shares redesignated	**-**	-
Weighted average shares issued	**13,696,300**	-
Weighted average number of ordinary shares	**468,387,212**	454,690,912

* When calculating the earnings/(loss) per share the weighted average number of ordinary shares outstanding during the year and all years 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. Earnings/(loss) per ordinary share (continued)

On 7 November 2022, the Group issued 90,893,627 shares as part of the consideration transferred for the retail mortgage activities and significant processes of Ulster Bank. See notes 2 and 3 for further details.

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 35 for further detail). The AT1 securities issued in 2022 and 2020 have no conversion features within the securities.

14. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of following:

	31 December 2022 €m	31 December 2021 €m
Cash at bank	**58**	57
Items in the course of collection	**40**	20
Loans and advances to banks repayable on demand (maturity of less than 3 months) (note 15)	**2,123**	4,174
Cash and cash equivalents as per statement of cash flows	**2,221**	4,251

At 31 December 2022, restricted cash of €408m (31 December 2021: €330m) consists of cash of €405m (31 December 2021: €329m) held by the Group's securitisation entities and €3m (31 December 2021: €1m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

The following contractual restrictions apply to our securitisation vehicles cash balances;

· Each vehicle must hold an amount equal to a percentage of the outstanding notes in a reserve account on demand as part of the credit enhancement and liquidity support rules. These funds can only be used to fund any revenue shortfall for contractual payments and must be replenished as soon as additional funds are available. When the notes are fully repaid these reserve funds can be used to pay outstanding principal on the subordinated loan.

As a result of these restrictions, the group excluded these balances from cash and cash equivalents in prior period cash flow statements.

However, the group reviewed this treatment on foot of a decision taken by IFRIC in 2022. This IFRIC decision clarified that such balances should be included in cash and cash equivalents and removed inconsistencies in accounting treatment in the market place. As a result, the group are including these balances in cash and cash equivalents in the cash flow statement for both 2022 and 2021.

15. Loans and advances to banks

	31 December 2022 €m	31 December 2021 €m
Held at amortised cost		
Placed with central banks	**1,619**	3,709
Placed with other banks	**504**	465
Loans and advances to banks	**2,123**	4,174

Placements with other banks includes restricted cash of €408m (31 December 2021: €330m) of which €405m (31 December 2021: €329m) is held by the Group's securitisation entities and €3m (31 December 2021: €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 2022 is €8m (31 December 2021: €433m).

Loans and advances to banks amounting to €2,123m (31 December 2021: €4,174m) 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.

16. Derivative financial instruments

Derivative instruments are primarily used by the Group to hedge against 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.

As disclosed in note 3 the forward contract derivatives represent the remaining Retail lending assets and the entirety of the Asset Financing and SME assets and branch properties that will not be transferred until a later date. The forward contract derivatives are measured as the net of the fair value of the assets and the fair value of the consideration to be transferred i.e. the gross outstanding balance. The forward contract derivative was valued as a liability of €12m as at 31 December 2022. See notes 2 and 3 for further detail.

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 2022			31 December 2021		
	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m
Held for trading						
Forwards	**82**	**-**	**1**	84	1	-
Business combination forwards	**1,520**	**-**	**12**	-	-	-
	1,602	**-**	**13**	84	1	-
Derivative financial instruments as per the statement of financial position	**1,602**	**-**	**13**	84	1	-

17. Other assets

	31 December 2022 €m	31 December 2021 €m
Loan sale receivable	**-**	310
Other	**1**	-
	1	310

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.

Other assets include accruals for miscellaneous debtors of €1m at 31 December 2022 (31 December 2021:€nil).

18. Assets classified as held for sale

At 31 December 2022, assets classified as held for sale amounted to €18m (31 December 2021: €28m). This relates to collateral in possession. These properties are expected to be sold within the next 12 months.

19. Debt securities

	31 December 2022 Total HTC €m	31 December 2021 Total HTC €m
Government bonds	**3,128**	2,434
Corporate bonds	**49**	60
Gross debt securities	**3,177**	2,494

As at 31 December 2022, 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 €3.1bn (31 December 2021: €2.4bn) comprise Irish, Spanish, Portuguese, French, Italian and EU government bonds which are designated as HTC. Corporate bonds of €49m (31 December 2021: €60m) comprise Residential Mortgage Backed Securities (RMBS) and are designated as HTC. The HTC securities represent a portfolio of securities purchased for the purpose of collecting contractual cashflows to maturity. The Group has no HTC&S securities as at 31 December 2022 (31 December 2021: €nil).

At 31 December 2022, debt securities at amortised cost with a fair value of €654m (31 December 2021: €732m) 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.

All debt securities at 31 December 2022 are stage 1 for ECL purposes.

(a) HTC

The movement in HTC securities is classified as follows:

	31 December 2022 HTC €m	31 December 2021 HTC €m
As at 1 January	**2,494**	2,583
Additions	**972**	-
Maturities	**(251)**	(46)
Interest net of cash receipts	**3**	-
Amortisation of premium/(discount)	**(41)**	(43)
Total	**3,177**	2,494

(b) Amounts arising from impairment provisioning on debt securities:

Held at amortised cost

As at 31 December 2022, the amount arising from ECL on debt securities measured at amortised cost is €0.6m (31 December 2021: €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.

20. Equity securities

	31 December 2022 €m	31 December 2021 €m
As at 1 January	**26**	24
Revaluation	**4**	2
Total equity securities	**30**	26

The carrying value of equity securities can be analysed as follows:

	31 December 2022 €m	31 December 2021 €m
Unlisted	**30**	26
Gross equity securities	**30**	26

PTSB Group holds Series A and Series B preferred stock in Visa Inc. at 31 December 2022 with a value of €30m. The Series A preferred stock was initially acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc (the latest conversion occurred in July 2022). These were fair valued at €26m and €4m respectively at 31 December 2022 (31 December 2021: €17m and €9m) 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 value 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 37 for details).

21. Prepayments and accrued income

	31 December 2022 €m	31 December 2021 €m
Visa prepayments	**175**	182
Other prepayments	**32**	23
	207	205

22. Loans and advances to customers

Loans and advances by category are set out below:

	31 December 2022 €m	31 December 2021 €m
Residential mortgages		
- Held through special purpose entities	**7,915**	7,337
- Held directly	**11,249**	6,854
	19,164	14,191
Commercial mortgage loans	**239**	196
Consumer finance (term loans/other)	**401**	358
Gross loans and advances to customers	**19,804**	14,745
Less: provision for impairment (note 23)	**(521)**	(604)
Deferred fees, discounts and fair value adjustments	**310**	115
Net loans and advances to customers	**19,593**	14,256

22. 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 2022 €m	31 December 2021 €m	31 December 2022 €m	31 December 2021 €m
Tracker rate	**4,378**	6,027	**4,099**	5,605
Variable rate	**2,788**	2,820	**2,665**	2,688
Fixed rate	**12,638**	5,898	**12,519**	5,848
	19,804	14,745	**19,283**	14,141
Deferred fees, discounts and fair value adjustments	**310**	115	**310**	115
Total	**20,114**	14,860	**19,593**	14,256

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 2022 €bn	31 December 2021 €bn
Residential mortgages held through special purpose entities	**7.9**	7.3
Notes issued by special purpose entities		
- rated	**6.7**	6.1
- unrated	**1.2**	1.2

The notes issued by these special purpose entities comprise the following:

	31 December 2022 €bn	31 December 2021 €bn
Sold to third parties and included within debt securities in issue (non-recourse) on the Statement of financial position (note 30)	**-**	0.2
Held by other banks and institutions as part of collateralised lending or sale and repurchase agreements (note 28)	**0.3**	-
Available collateral*	**5.6**	5.3
Rated notes, unavailable for collateral	**0.8**	0.6
Unrated notes	**1.2**	1.2
Total	**7.9**	7.3

*The eligibility of available collateral will depend on the criteria of the counterparty.

22. Loans and advances to customers (continued)

Loans and advances balance movement for the year ended 31 December 2022 and the year ended 31 December 2021 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 2022	**11,689**	**2,239**	**815**	**2**	**14,745**
New assets originated*	**2,586**	**111**	**-**	**-**	**2,697**
Loans acquired	**5,063**	**-**	**-**	**-**	**5,063**
Stage Transfers:					
Transfers from Stage 1 to Stage 2	**(296)**	**296**	**-**	**-**	**-**
Transfers to Stage 3	**(16)**	**(119)**	**135**	**-**	**-**
Transfers from Stage 2 to Stage 1	**344**	**(344)**	**-**	**-**	**-**
Transfers from Stage 3	**2**	**155**	**(157)**	**-**	**-**
Net movement arising from transfer of Stage	**34**	**(12)**	**(22)**	**-**	**-**
Redemptions and repayments	**(1,575)**	**(242)**	**(62)**	**-**	**(1,879)**
Decrease due to write offs	**(1)**	**(2)**	**(40)**	**-**	**(43)**
Disposals	**(341)**	**(395)**	**(42)**	**-**	**(778)**
Other movements	**-**	**-**	**-**	**(1)**	**(1)**
Balance as at 31 December 2022	**17,455**	**1,699**	**649**	**1**	**19,804**

* Loan originations are net of repayments in the year

	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 nonstandard 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).

23. 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 customers portfolio.

The non-performing loan balance as at 31 December 2022 was €650m (31 December 2021: €817m). Refer to note 38 for further details.

				ECL provisions				
31 December 2022	**Loans and advances to customers**	**NPLs**	**NPL % of total loans**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total ECL provisions as % of total loans**
	€m	**€m**	**%**	**€m**	**€m**	**€m**	**€m**	**%**
Residential:								
-Home loans	**18,340**	**342**	**1.9%**	**127**	**50**	**103**	**280**	**1.5%**
-Buy-to-let	**824**	**270**	**32.8%**	**3**	**68**	**96**	**167**	**20.3%**
Commercial	**239**	**23**	**9.6%**	**1**	**30**	**9**	**40**	**16.7%**
Consumer Finance:								
-Term loans/other	**401**	**15**	**3.7%**	**5**	**15**	**14**	**34**	**8.5%**
Total gross loans	**19,804**	**650**	**3.3%**	**136**	**163**	**222**	**521**	**2.6%**
Impairment provision	**(521)**							
Deferred fees, discounts and fair value adjustments	**310**							
Balance as at 31 December 2022	**19,593**							

				ECL provisions				
31 December 2021	**Loans and advances to customers**	**NPLs**	**NPL % of total loans**	**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							

23. Impairment provisions (continued)

A reconciliation of the provision for impairment losses for loans and advances is as follows:

2022	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
Total by portfolio				
ECL as at 1 January 2022	**525**	**53**	**26**	**604**
Redemptions and repayments	**(18)**	**(9)**	**(1)**	**(28)**
Net remeasurement of loss allowance	**(41)**	**(16)**	**5**	**(52)**
Loan originations	**34**	**13**	**7**	**54**
Loans acquired	**37**	**-**	**-**	**37**
Net movement excluding derecognition	**12**	**(12)**	**11**	**11**
Derecognition-disposals	**(64)**	**-**	**-**	**(64)**
Derecognition-repossessions	**(3)**	**-**	**-**	**(3)**
Derecognition-write offs*	**(23)**	**(1)**	**(3)**	**(27)**
Derecognition	**(90)**	**(1)**	**(3)**	**(94)**
ECL as at 31 December 2022	**447**	**40**	**34**	**521**
Net movement excluding derecognition (from above)				**11**
Interest income booked but not recognised				**(8)**
Write offs net of recoveries				**4**
Impairment charge on loans and advances to customers for the year ended 31 December 2022				**7**

* 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. 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.

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 loans and advances to customers 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. 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.

23. Impairment Provisions (continued)

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2022	**61**	**238**	**305**	**604**
Transfer to Stage 1	13	(13)	-	-
Transfer to Stage 2	(3)	39	(36)	-
Transfer to Stage 3	-	(19)	19	-
Stage transfers	**10**	**7**	**(17)**	**-**
Redemptions and repayments	(5)	(11)	(12)	(28)
Net remeasurement of loss allowance	-	(34)	(18)	(52)
Loan originations	34	20	-	54
Loans Acquired	37	-	-	37
Net movement excluding derecognition	**66**	**(25)**	**(30)**	**11**
Derecognition-disposals	(1)	(56)	(7)	(64)
Derecognition-repossessions	-	-	(3)	(3)
Derecognition-write offs*	-	(1)	(26)	(27)
Derecognition	**(1)**	**(57)**	**(36)**	**(94)**
ECL as at 31 December 2022	**136**	**163**	**222**	**521**
Net movement excluding derecognition (from above)				**11**
Interest income booked but not recognised				(8)
Write offs net of recoveries				4
Impairment charge on loans and advances to customers for the year ended 31 December 2022				**7**

* 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. 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.

Notes to the Consolidated Financial Statements
(continued)

23. 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 loans and advances to customers 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.

Modified Financial Assets
At 31 December 2022 there have been no significant modified financial assets for which the loss allowance has changed from lifetime to 12-month ECL.

From time to time, the original terms of a customer's loan is modified either as part of the ongoing relationship or arising from changes in the customer's circumstances such as when that customer is unable to make the agreed original contractual repayments. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in de-recognition of the original asset.

The gross carrying amount of modified financial assets for which impairment loss allowance has changed from lifetime to 12-month expected credit losses during the year is €52m.

24. Interest in associated undertakings

	31 December 2022 €m	31 December 2021 €m
Synch Payments and Clearpay	**3**	2
First Home Scheme Ireland	**10**	-
	13	2

The Group owns 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 €3m at 31 December 2022 (31 December 2021: €2m). Post-acquisition costs of €0.4m have been capitalised in 2022.

These investments will be increased or decreased by the Group's share of the profit or loss which will be assessed annually.
On 1 July 2022, The Group entered into a joint venture with First Home Scheme Ireland DAC. This investment is accounted for under the equity method in the consolidated financial statements and was initially recognised at €11m, post-acquisition losses of €1m have been recognised.

In presenting details of the associates of the Group, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Registration Office.

25. Property and equipment

2022	Held at fair value land and buildings €m	Held at cost 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	**99**	**117**	**91**	**49**	**2**	**358**
Additions	**-**	**11**	**18**	**13**	**1**	**43**
Revaluations	**(7)**	**-**	**-**	**-**	**-**	**(7)**
Depreciation write-back on revaluation	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Disposals/lease exits or cancellations	**-**	**-**	**-**	**(1)**	**-**	**(1)**
At 31 December	**91**	**128**	**109**	**61**	**3**	**392**
Accumulated depreciation						
At 1 January	**-**	**(77)**	**(69)**	**(20)**	**(2)**	**(168)**
Provided in the year	**(1)**	**(7)**	**(8)**	**(5)**	**-**	**(21)**
Eliminate on revaluation	**1**	**-**	**-**	**-**	**-**	**1**
At 31 December	**-**	**(84)**	**(77)**	**(25)**	**(2)**	**(188)**
			-			
Net book value at 31 December	**91**	**44**	**32**	**36**	**1**	**204**

* For further details on right-of-use assets refer to note 34.

Of the €7m net revaluation loss, €8m is included in the revaluation reserve in the statement of comprehensive income and €1m impairment write-back is recognised on land and buildings in the income statement.

2021	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	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 34.

Of the €2m revaluation gain, €2m is included in the revaluation reserve in the statement of comprehensive income and no impairment write-back is recognised on land and buildings in the income statement.

25. Property and equipment (continued)

The net book value of land and buildings includes the following:

	31 December 2022 €m	31 December 2021 €m
Land	**30**	32
Buildings - freehold fair value	**61**	67
Buildings - freehold cost	**33**	26
Buildings - leasehold	**47**	43
	171	168

Land and buildings at 31 December 2022 held at fair value was €91m (31 December 2021: €99m). The historic cost of land and buildings under the cost model is €92m (31 December 2021: €117m).

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 2022 and 31 December 2021 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 2022 and 31 October 2021.

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% to 10.75%. 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 2022 and 31 December 2021 are as follows:

31 December 2022	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Land	**-**	**30**	**-**	**30**
Buildings - freehold	**-**	**61**	**-**	**61**
	-	**91**	**-**	**91**

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

26. Intangible assets

Software	31 December 2022 €m	31 December 2021 €m
Cost		
At 1 January	**224**	178
Additions	**69**	46
At 31 December	**293**	224
Accumulated amortisation		
At 1 January	**(102)**	(76)
Provided in the year	**(31)**	(26)
At 31 December	**(133)**	(102)
Net book value at 31 December	**160**	122

27. Deferred taxation

	31 December 2022 €m	31 December 2021 €m
Deferred tax liabilities	**(25)**	(26)
Deferred tax assets	**334**	376
Net deferred tax assets	**309**	350

Net deferred tax assets are attributable to the following:

2022	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)**	**-**	**-**	**2**	**(18)**
Unrealised gains/(losses) on assets/liabilities	**(6)**	**-**	**(1)**	**-**	**(7)**
Losses carried forward	**373**	**(39)**	**-**	**-**	**334**
Other temporary differences	**3**	**(3)**	**-**	**-**	**-**
	350	**(42)**	**(1)**	**2**	**309**

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 gains/(losses) on assets/liabilities	(5)	-	(1)	-	(6)
Losses carried forward	370	3	-	-	373
Other temporary differences	5	(2)	-	-	3
	349	2	(1)	-	350

27. 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 2022 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 2022 amounted to €20m (31 December 2021: €20m) which relates to the Group's subsidiaries.

Included in the overall deferred tax asset is a deferred tax asset of €nil in relation to Permanent TSB Group Holdings plc (31 December 2021: €42k).

In accordance with IFRS these balances are recognised on an undiscounted basis.

28. Deposits by banks

	31 December 2022 €m	31 December 2021 €m
Placed by other banks and institutions on repurchase agreements	**611**	347
Other deposits	**3**	-
Deposits by banks	**614**	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 €654m at 31 December 2022 (31 December 2021: €732m).Other deposits include €3m (31 December 2021: €nil) of cash collateral placed in relation to derivative positions and repurchase agreements.

29. Customer accounts

	31 December 2022 €m	31 December 2021 €m
Term deposits	**1,509**	2,226
Demand deposits	**8,871**	7,657
Current accounts	**8,983**	7,104
Notice and other accounts	**2,367**	2,102
Customer accounts	**21,730**	19,089

At 31 December 2022, the Group held corporate deposits of €1.2bn (31 December 2021: €1.4bn).

An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 38 of the consolidated financial statements.

30. Debt securities in issue

	31 December 2022 €m	31 December 2021 €m
At amortised cost		
Bonds and medium-term notes	**658**	352
Non-recourse funding	**-**	172
	658	524
Maturity analysis		
Repayable in less than 1 year	**10**	2
Repayable in greater than 1 year but less than 5 years	**648**	350
Repayable in greater than 5 years	**-**	172
	658	524

Bonds and medium-term notes

In June 2022, PTSBGH issued €300m of Senior Unsecured Medium Term Notes priced at a fixed rate of 5.25% per annum, maturing on 30 June 2025. Interest is payable on the nominal amount annually in arrears on the coupon date.

Non-recourse funding

As at 31 December 2022 the Group had no advances (31 December 2021: €172m) collateralised on residential property loans (31 December 2021: €153m) 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 €172m between 31 December 2021 and 31 December 2022 to nil, 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 2022.

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.

31. Other liabilities

	31 December 2022 €m	31 December 2021 €m
Amounts falling due within one year		
PAYE and social insurance	**5**	4
Creditor accruals	**84**	79
Other*	**54**	56
Lease liability (see note 34 for further information on lease liabilities)	**6**	5
Total amounts falling due within one year	**149**	144
Amounts falling due greater than one year		
Lease liability (see note 34 for further information on lease liabilities)	**32**	26
Total amounts falling due greater than one year	**32**	26
Total other liabilities	**181**	170

* Other includes €38m relating to additional cash consideration payable for the Ulster business acquired by the Group in 2022 and other miscellaneous liabilities. In 2021, 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 the Glenbeigh III portfolio and miscellaneous liabilities.

32. Provisions

	2022				2021			
	Restructuring costs €m	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m	Restructuring costs €m	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m
As at 1 January	**6**	**28**	**21**	**55**	28	29	20	77
Provisions made during the year	**2**	**8**	**39**	**49**	7	21	9	37
Write-back of provisions during the year	**-**	**(3)**	**(6)**	**(9)**	-	(3)	(7)	(10)
Provisions used during the year	**(4)**	**(10)**	**(1)**	**(15)**	(29)	(19)	(1)	(49)
As at 31 December	**4**	**23**	**53**	**80**	6	28	21	55

The provision at 31 December 2022 is €80m (31 December 2021: €55m) 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. During 2022 a further provision of €2m was made and an amount of €4m was utilised. The remaining provision of €3m 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 2022, the Group has provisions of €23m relating to legal, compliance and other costs of on-going disputes in relation to legacy business issues (31 December 2021: €28m).

A provision of €8m was made during 2022 relating to legal, compliance and other costs of on-going disputes 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 2022, the provision of €53m (31 December 2021: €21m) primarily relates to Stamp Duty (€25m) arising as a result of the Ulster Bank transaction. Other amounts include indemnities and guarantees provided by the Group, together with further costs, relating to the deleveraging of various asset portfolios.

33. Subordinated liabilities

	31 December 2022 €m	31 December 2021 €m
At amortised cost:		
€250m Tier 2 capital notes due August 2031, Callable 2026	**252**	252
	252	252

	31 December 2022 €m	31 December 2021 €m
Maturity date		
Repayable in less than 1 year	**3**	3
Repayable in greater than 1 year but less than 5 years	**-**	-
Repayable in greater than 5 years	**249**	249
	252	252

33. 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. The call is 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. 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.

34. Leases

Right-of-use assets*	Land and buildings	Motor vehicles	Total
	€m	€m	€m
As at 1 January 2022	**29**	**-**	**29**
Additions	**13**	**1**	**14**
Lease exits and cancellations	**(1)**	**-**	**(1)**
Depreciation of right-of-use assets	**(5)**	**-**	**(5)**
Balance as at 31 December 2022	**36**	**1**	**37**

Right-of-use assets*	Land and buildings	Motor vehicles	Total
	€m	€m	€m
As at 1 January 2021	32	-	32
Additions	3	-	3
Lease exits and cancellations	-	-	-
Depreciation of right-of-use assets	(6)	-	(6)
Balance as at 31 December 2021	29	-	29

Lease liabilities*	Land and buildings	Motor vehicles	Total
	€m	€m	€m
As at 1 January 2022	**31**	**-**	**31**
Additions	**13**	**1**	**14**
Lease exits or cancellations	**(1)**	**-**	**(1)**
Repayment of lease liabilities	**(6)**	**-**	**(6)**
Balance as at 31 December 2022	**37**	**1**	**38**

34. Leases (continued)

Lease liabilities*	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2021	34	-	34
Additions	3	-	3
Lease exits or cancellations	-	-	-
Repayment of lease liabilities	(6)	-	(6)
Balance as at 31 December 2021	31	-	31

* Right-of-use assets are included in PPE and lease liabilities are included in Other liabilities.

Lease liabilities	31 December 2022 €m	31 December 2021 €m
Maturity analysis - contractual undiscounted cash flows*		
Less than one year	**7**	6
One to five years	**18**	16
More than five years	**15**	10
Total undiscounted lease liabilities	**40**	32
Lease liabilities included in the statement of financial position	**38**	31
Current lease liability	**6**	5
Non-current lease liability	**32**	26

* The maturity analysis of undiscounted lease liabilities are disclosed in note 38.

Amounts recognised in income statement*

	31 December 2022 €m	31 December 2021 €m
Interest on lease liabilities	**-**	-
Expenses relating to short-term leases	**(1)**	(1)
Depreciation of right-of-use assets	**(5)**	(6)
Total charge in income statement	**(6)**	(7)

* Interest expense on the lease liabilities amounted to €0.4m (31 December 2021: €0.4m) whereas expenses relating to short-term leases amounted to €0.6m (31 December 2021: €0.6m) and is included in Administrative, staff and other expenses (excluding exceptional items).

Amounts recognised in statement of cash flow

	31 December 2022 €m	31 December 2021 €m
Cash outflow for leases	**(6)**	(6)
Total	**(6)**	(6)

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

The Group has no sub leases as at 31 December 2022 (31 December 2021: two properties).

35. 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 rank equally with regard to the Bank's residual assets.

Authorised share capital

31 December 2022	Number of shares	€m
Ordinary shares of €0.50 each	**1,550,000,000**	**775**

31 December 2021	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 shares is as follows:

Balances as at 31 December 2022	€ 0.50 Ordinary shares	Total
As at 1 January 2022	**454,695,492**	
Movement	**90,893,627**	
As at 31 December 2022	**545,589,119**	
Issued share capital (€m)	**273**	**273**
Shares held under employee benefit trust	**4,580**	
% of authorised capital issued		**35%**

On 7 November 2022, the Group issued 90,893,627 shares at €5.68 per share as part of the consideration transferred for the Ulster Bank transaction. The share price on the issue date of €1.70 was recognised in Share Capital at €0.50 per share and the excess in Share Premium. The remaining premium of €3.98 is recognised in Share Premium and represents the gain on bargain purchase that is transferred from Retained Earnings to Share Premium as per below. See notes 2 and 3 for further detail.

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%

Share Premium

The share premium reserve represents the excess of amounts received for share issues less associated issue costs over the par value of those shares of the Company.

Under section 71 of the Companies Act 2014 as the consideration for the Ulster Bank transaction includes the issuance of ordinary shares, Company law requires that the share premium be recognised as the difference between the nominal value of shares and the fair value of the consideration received. This results in the shares being issued at €5.68 per share as part of the consideration transferred. The share price on the issuance date was €1.70 per share with €0.50 being recognised in Share Capital and €1.20 being recognised in Share Premium. As the remaining fair value of the consideration received is in excess of the fair value of the shares this excess is required by law to be included in share premium and is, therefore, reclassified directly in equity between Retained Earnings and Share Premium. The excess amount is the gain on bargain purchase of €362m.

35. Share capital, reserves and other equity instruments (continued)

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

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.

€10m (2021: €21m) coupon interest on the AT1 securities was paid from this reserve during 2022.

Other equity instruments - Non-distributable

Additional Tier 1 Securities

	31 December 2022 €m	31 December 2021 €m
As at 1 January	**123**	245
Issued during the period		
Additional Tier 1 Securities - net of the transaction costs	**245**	-
Redemption during the period		
Additional Tier 1 Securities (issued 2015)	**-**	(122)
Additional Tier 1 securities	**368**	123

On 26 October 2022, PTSBGH issued additional €250m AT1 Fixed Rate Reset Perpetual Temporary Write Down Securities. The transaction costs incurred were €5m. The first reset date for the fixed rate is 26 April 2028.

The AT1 securities are perpetual and redeemable financial instruments with a semi-annual coupon of 13.25% paid in arrears on 26 April and 26 October of each year, commencing on 26 April 2023. On the first reset date on 26 April 2028, in the event the securities are not redeemed, interest will be reset to Euro 5 year Mid Swap rate plus a margin of 10.546% (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.

On 25 November 2020, PTSBGH 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.

35. Share capital, reserves and other equity instruments (continued)

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.

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.

36. 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 2022	Revaluation reserve €m	Fair value reserve €m	Total €m
Other comprehensive income/(expense) (net of tax)			
Revaluation of property	**(6)**	**-**	**(6)**
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	**-**	**-**	**-**
Total other comprehensive income/(expense), net of tax	**(6)**	**2**	**(4)**

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	-	-	-
Total other comprehensive income, net of tax	2	2	4

37. 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 2022	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Total carrying value €m	Fair value €m
Financial assets						
Cash at bank	14	**58**	**-**	**-**	**58**	**58**
Items in course of collection	14	**40**	**-**	**-**	**40**	**40**
Loans and advances to banks	15	**2,123**	**-**	**-**	**2,123**	**2,123**
Derivative financial instruments	16	**-**	**-**	**-**	**-**	**-**
Debt securities	19	**3,177**	**-**	**-**	**3,177**	**2,929**
Equity securities	20	**-**	**30**	**-**	**30**	**30**
Loans and advances to customers	22	**19,593**	**-**	**-**	**19,593**	**20,059**
Financial liabilities						
Deposits by banks	28	**614**	**-**	**-**	**614**	**614**
Customer accounts	29	**21,730**	**-**	**-**	**21,730**	**21,726**
Derivative financial instruments	16	**-**	**-**	**13**	**13**	**13**
Debt securities in issue	30	**658**	**-**	**-**	**658**	**634**
Subordinated liabilities	33	**252**	**-**	**-**	**252**	**204**
Other financial liabilities	31	**143**	**-**	**38**	**181**	**181**

31 December 2021	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Total carrying value €m	Fair value €m
Financial assets*						
Cash at bank	14	57	-	-	57	57
Items in course of collection	14	20	-	-	20	20
Loans and advances to banks	15	4,174	-	-	4,174	4,174
Derivative financial instruments	16	-	-	1	1	1
Debt securities	19	2,494	-	-	2,494	2,526
Equity securities	20	-	26	-	26	26
Loans and advances to customers	22	14,256	-	-	14,256	14,050
Financial liabilities*						
Deposits by banks	28	347	-	-	347	347
Customer accounts	29	19,089	-	-	19,089	19,092
Derivative financial instruments	16	-	-	-	-	-
Debt securities in issue	30	524	-	-	524	530
Subordinated liabilities	33	252	-	-	252	256
Other financial liabilities	31	170	-	-	170	170

* In addition the Group had an other asset of €310m and an other liability of €48m in respect of the sale of the sale of the Glenbeigh III, both of which were settled in early 2022.

The following table sets out the fair value of financial instruments that the Group holds at 31 December 2022. 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).
- Level 2 – financial assets and liabilities measured using valuation techniques which use observable 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 data inputs.

37. Measurement basis and fair values of financial instruments (continued)

Basis and fair values of financial instruments

31 December 2022	Note	Total carrying value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Cash at bank	14	**58**	**58**	**-**	**-**	**58**
Items in course of collection	14	**40**	**-**	**40**	**-**	**40**
Loans and advances to banks	15	**2,123**	**-**	**2,123**	**-**	**2,123**
Derivative financial instruments	16	**-**	**-**	**-**	**-**	**-**
Debt securities	19	**3,177**	**2,929**	**-**	**-**	**2,929**
Equity securities	20	**30**	**26**	**-**	**4**	**30**
Loans and advances to customers	22	**19,593**	**-**	**-**	**20,059**	**20,059**
Financial liabilities						
Deposits by banks	28	**614**	**-**	**614**	**-**	**614**
Customer accounts	29	**21,730**	**-**	**21,726**	**-**	**21,726**
Derivative financial instruments	16	**13**	**-**	**1**	**12**	**13**
Debt securities in issue	30	**658**	**634**	**-**	**-**	**634**
Subordinated liabilities	33	**252**	**204**	**-**	**-**	**204**
Other financial liabilities	31	**181**	**-**	**181**	**-**	**181**

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	14	57	57	-	-	57
Items in course of collection	14	20	-	20	-	20
Loans and advances to banks	15	4,174	-	4,174	-	4,174
Derivative financial instruments	16	1	-	1	-	1
Debt securities	19	2,494	2,526	-	-	2,526
Equity securities	20	26	17	-	9	26
Loans and advances to customers	22	14,256	-	-	14,050	14,050
Financial liabilities						
Deposits by banks	28	347	-	347	-	347
Customer accounts	29	19,089	-	19,092	-	19,092
Derivative financial instruments	16	-	-	-	-	-
Debt securities in issue	30	524	357	173	-	530
Subordinated liabilities	33	252	256	-	-	256
Other financial liabilities	31	170	-	170	-	170

37. Measurement basis and fair values of financial instruments (continued)

(b) Fair value measurement principles

The Group's accounting policy on valuation of financial instruments is described in note 1 and note 2 and 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.

Financial assets and financial liabilities not subsequently measured at fair value

Other than the HTC&S debt securities, derivative financial instruments 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)

Debt securities at 31 December 2022 are €3,177m (31 December 2021 €2,494m) and consist of HTC securities. HTC securities are derived from observable inputs through independent pricing sources such as Bloomberg. A weighted average method is used to apply the 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.

37. Measurement basis and fair values of financial instruments (continued)

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 financial instruments are held for trading and fair valued through the income statement.

Derivative financial instruments

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 2022. 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 €30m at 31 December 2022 (31 December 2021: €26m) 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.

Fair value measurements recognised in the Statement of financial position

31 December 2022	Notes	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Derivative financial instrument	**16**	**-**	**-**	**-**	**-**
Equity instruments	**20**	**26**	**-**	**4**	**30**
Financial liabilities measured at fair value					
Derivative financial instrument	**16**	**-**	**1**	**12**	**13**

31 December 2021	Notes	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Derivative financial instrument	16	-	1	-	1
Equity instruments	20	17	-	9	26
Financial liabilities measured at fair value		-	-	-	-
Derivative financial instrument	16	-	-	-	-

Reconciliation of level 3 fair value measurements of financial assets

	2022 €m	2021 €m
Equity Instruments		
As at 1 January	**9**	8
Revaluation movement in OCI – fair value reserve (equity instruments)	**-**	1
Conversion of Series B preferred stock to Series A preferred stock	**(5)**	-
As at 31 December	**4**	9

37. Measurement basis and fair values of financial instruments (continued)

There were no transfers between level 1, level 2 or level 3 of the fair value hierarchy during 2022 or 2021 for financial assets.

Level 3 fair value measurements of financial liabilities

There were no transfers between level 1, level 2 or level 3 of the fair value hierarchy during 2022 or 2021 for financial liabilities. The level 3 of €12m relates to business combination forwards. The fair value of the forward derivative at the acquisition date was a liability of €16m. This is calculated as the difference between the fair value of the consideration to be paid and the fair value of the assets to be acquired. See notes 2 and 3 for further detail.

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 2022	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%**	**4**	**0 - 90%**

* Discount has been applied for illiquidity and the conversion rate variability of the Visa Inc. Series B Preferred stock.

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.

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 €26m and €4m respectively at 31 December 2022 (31 December 2021: €17m and €9m) 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 2022 and 31 December 2021. 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. Measurement basis and fair values of financial instruments (continued)

Business combination forwards

There was a transfer in to Level 3 per the fair value hierarchy of €12m. As noted in note 3 the business combination became binding on 7 November 2022.

Valuation Methodology: The fair value of the forward derivative at 31 December 2022 was a liability of €12m. This is calculated as the difference between the fair value of the consideration to be paid and the fair value of the assets to be acquired.

Unobservable input: The unobservable inputs are the prepayment rate, redemption rate, transition rate (from fixed to variable rates and vice versa), probability of default (PD) and loss given default assumptions, servicing cost, risk weights based on the asset characteristics and a discount rate based on cost of funding, capital and targeted capital ratio. Taking account of the various uncertainties, Management estimate the range of changes in fair value on the receive leg (loans acquired) to be 95% to 105%, with no material change expected on the pay leg (the consideration).

38. 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 2022 €m	31 December 2021 €m
Cash at bank	14	**58**	57
Items in course of collection	14	**40**	20
Loans and advances to banks (iii)	15	**2,123**	4,174
Derivative financial instruments (ii)	16	**-**	1
Debt securities (i)	19	**3,177**	2,494
Loans and advances to customers (iv)	22	**19,593**	14,256
		24,991	21,002
Commitments and contingencies	43	**1,342**	1,181
		26,333	22,183

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 the credit worthiness 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 and Standard and Poor's for the EU.

	31 December 2022 €m	31 December 2021 €m
Rating		
Aaa	**49**	60
AA+	**110**	-
Aa2	**250**	-
A1	**1,734**	-
A2	**-**	1,463
Baa1	**497**	506
Baa2	**456**	465
Baa3	**81**	-
Total	**3,177**	2,494

38. Financial risk management (continued)

The following table discloses, by country, the Group's exposure to sovereign debt and corporate debt as at:

	31 December 2022 €m	31 December 2021 €m
Country		
Ireland	**1,783**	1,523
Portugal	**456**	465
Spain	**497**	506
France	**250**	-
Italy	**81**	-
EU	**110**	-
Total	**3,177**	2,494

(ii) Derivative financial instruments

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. FX forward derivatives are settled gross. The cumulative positive market value of derivative assets at 31 December 2022 was €nil (31 December 2021: €1m). 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 2022 €m	31 December 2021 €m
Rating		
AAA	**1,620**	3,709
Aa2	**199**	199
Aa3	**286**	258
A1	**10**	2
A2	**-**	6
Ba1	**8**	-
Total	**2,123**	4,174

38. Financial risk management (continued)

The following sections detail additional disclosures on asset quality.

(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 2022 €m	31 December 2021 €m
Residential mortgages:		
Home loan	**18,340**	12,568
Buy-to-let	**824**	1,623
Total residential mortgages	**19,164**	14,191
Commercial	**239**	196
Consumer finance	**401**	358
Total measured at amortised cost	**19,804**	14,745
Analysed by ECL staging:		
Stage 1	**17,455**	11,689
Stage 2	**1,699**	2,239
Stage 3	**649**	815
POCI	**1**	2
Total measured at amortised cost	**19,804**	14,745
Of which at the reporting date		
Neither past due nor Stage 3	**19,118**	13,885
Past due but not Stage 3	**36**	43
Stage 3	**650**	817
Total measured at amortised cost	**19,804**	14,745
Of which are reported as non-performing loans	**650**	817
Deferred fees, discounts and fair value adjustments	**310**	115

38. Financial risk management (continued)

31 December 2022 Asset quality*	Home loans €m	Buy-to-let €m	Total residential mortgages €m	Commercial €m	Consumer €m	Total €m
Stage 1						
Excellent	**12,826**	**65**	**12,891**	**11**	**143**	**13,045**
Satisfactory	**4,064**	**141**	**4,205**	**17**	**61**	**4,283**
Fair	**22**	**-**	**22**	**-**	**21**	**43**
Standardised	**-**	**-**	**-**	**-**	**84**	**84**
	16,912	**206**	**17,118**	**28**	**309**	**17,455**
Stage 2						
Excellent	**79**	**44**	**123**	**-**	**5**	**128**
Satisfactory	**296**	**107**	**403**	**27**	**21**	**451**
Fair	**711**	**197**	**908**	**161**	**26**	**1,095**
Standardised	**-**	**-**	**-**	**-**	**25**	**25**
	1,086	**348**	**1,434**	**188**	**77**	**1,699**
Stage 3						
Defaulted	**342**	**270**	**612**	**23**	**15**	**650**
Total measured at amortised cost	**18,340**	**824**	**19,164**	**239**	**401**	**19,804**

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.

38. 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 2022	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**16**	**2**	**-**	**18**
31-60 days	**4**	**1**	**-**	**5**
61-90 days	**5**	**-**	**-**	**5**
Total past due not Stage 3	**25**	**3**	**-**	**28**
Fair value of collateral held	**25**	**3**	**-**	**28**

Fair value of collateral held	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**16**	**2**	**-**	**18**
31-60 days	**4**	**1**	**-**	**5**
61-90 days	**5**	**-**	**-**	**5**
Total past due not Stage 3	**25**	**3**	**-**	**28**

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

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.

38. Financial risk management (continued)

Non-performing assets are defined as NPLs plus foreclosed assets.

31 December 2022	Stage 3				
	Home loans	Buy-to-let	Commercial	Consumer finance	Total
	€m	€m	€m	€m	€m
NPL is < 90 days	**175**	**118**	**17**	**2**	**312**
NPL is > 90 days and < 1 year past due	**31**	**15**	**-**	**3**	**49**
NPL is 1-2 years past due	**31**	**80**	**-**	**2**	**113**
NPL is 2-5 years past due	**51**	**28**	**-**	**2**	**81**
NPL is > 5 years past due	**54**	**29**	**6**	**5**	**94**
POCI	**-**	**-**	**-**	**1**	**1**
Non-performing loans	**342**	**270**	**23**	**15**	**650**
Foreclosed assets	**3**	**15**	**-**	**-**	**18**
Non-performing assets	**345**	**285**	**23**	**15**	**668**
NPLs as % of gross loans	**1.9%**	**32.8%**	**9.6%**	**3.7%**	**3.3%**

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%

Non-performing loans as a percentage of total loans and advances was 3.3% at 31 December 2022, a reduction from 5.5% at 31 December 2021.

Total portfolio loss allowance: statement of financial position

The tables below outline the ECL loss allowance total at 31 December 2022 in respect of total customer loans and advances.

The impairment charge in respect of the total loans and advances for year ended 31 December 2022 is €7m, compared to a write-back of €1m for the year ended 31 December 2021.

	31 December 2022	31 December 2021
	€m	€m
Loss allowance - statement of financial position		
Stage 1	**136**	61
Stage 2	**163**	238
Stage 3	**222**	305
Total loss allowance	**521**	604

38. Financial risk management (continued)

	31 December 2022 %	31 December 2021 %
Provision coverage ratio*		
Stage 1	**0.8%**	0.5%
Stage 2	**9.6%**	10.6%
Stage 3	**34.1%**	37.3%
Total provisions/total loans	**2.6%**	4.1%

*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 11% of the residential mortgage portfolio originated before 2006. Between 2006 and 2008 origination was €5bn or 24% of the residential mortgages. The residual of 65% of the residential mortgages were originated between 2009 and 2022.

31 December 2022	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance €m	Number	Balance €m
1999 and before	1,786	30	113	4
2000	1,483	40	57	3
2001	1,938	66	79	4
2002	2,801	127	99	6
2003	5,360	255	166	14
2004	7,729	514	220	23
2005	11,134	1,006	397	57
2006	14,396	1,796	723	169
2007	12,439	1,730	740	203
2008	7,912	1,006	408	90
2009	2,301	213	65	7
2010	936	70	14	1
2011	819	69	5	1
2012	1,190	110	3	-
2013	1,673	163	4	-
2014	2,960	316	13	3
2015	4,058	471	29	1
2016	4,664	639	23	4
2017	5,804	899	24	4
2018	7,607	1,345	52	8
2019	9,633	1,863	37	7
2020	7,940	1,735	14	1
2021	8,871	2,164	8	1
2022	9,409	2,537	4	1
Total	**134,843**	**19,164**	**3,297**	**612**

38. Financial risk management (continued)

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**

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 existing residential mortgage portfolios is 54% at 31 December 2022 compared to 58% at 31 December 2021.

The Group's residential mortgage lending LTVs at December 2022 reflect updated valuations obtained on high-exposure NPLs (largely impacting on high-exposure buy-to-let properties).

38. Financial risk management (continued)

31 December 2022	Home loans %	Buy-to-let %	Total %
Less than 50%	**44%**	**32%**	**44%**
50% to 70%	**40%**	**18%**	**39%**
71% to 90%	**14%**	**24%**	**14%**
91% to 100%	**1%**	**8%**	**1%**
Subtotal	**99%**	**82%**	**98%**
101% to 110%	**1%**	**5%**	**1%**
111% to 120%	**-**	**4%**	**-**
121% to 130%	**-**	**3%**	**-**
131% to 140%	**-**	**1%**	**-**
141% to 150%	**-**	**2%**	**-**
151% to 160%	**-**	**1%**	**-**
161% to 170%	**-**	**-**	**-**
171% to 180%	**-**	**-**	**-**
Greater than 180%	**-**	**2%**	**1%**
Subtotal	**1%**	**18%**	**2%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of existing residential mortgages	**53%**	**76%**	**54%**
New residential mortgages	**68%**	**58%**	**68%**
Acquired residential mortgages	**47%**	**39%**	**47%**
Stage 3 mortgages	**74%**	**100%**	**85%**

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%

38. 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 100% of residential home loan mortgages (31 December 2021: 99%) and 94% of residential buy-to-let mortgages (31 December 2021: 87%) that are neither past due nor Stage 3 are in positive equity as at 31 December 2022.

31 December 2022	Home loans %	Buy-to-let %	Total %
Less than 50%	**45%**	**44%**	**45%**
50% to 70%	**41%**	**23%**	**40%**
71% to 90%	**14%**	**23%**	**14%**
91% to 100%	**-**	**4%**	**1%**
Subtotal	**100%**	**94%**	**100%**
101% to 110%	**-**	**2%**	**-**
111% to 120%	**-**	**1%**	**-**
121% to 130%	**-**	**1%**	**-**
131% to 140%	**-**	**-**	**-**
141% to 150%	**-**	**1%**	**-**
151% to 160%	**-**	**-**	**-**
161% to 170%	**-**	**-**	**-**
171% to 180%	**-**	**-**	**-**
Greater than 180%	**-**	**1%**	**-**
Subtotal	**-**	**6%**	**-**
Total	**100%**	**100%**	**100%**

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%

38. Financial risk management (continued)

Analysis by LTV of the Group's residential mortgage lending which is classified as Stage 3:

The tables below illustrates that 79% of residential home loan mortgages (31 December 2021: 75%) and 55% of residential buy-to-let mortgages (31 December 2021: 53%) that are classified as Stage 3 are in positive equity as at 31 December 2022

31 December 2022	Home loans %	Buy-to-let %	Total %
Less than 50%	**33%**	**7%**	**22%**
50% to 70%	**22%**	**8%**	**16%**
71% to 90%	**19%**	**27%**	**22%**
91% to 100%	**5%**	**13%**	**8%**
Subtotal	**79%**	**55%**	**68%**
101% to 110%	**3%**	**12%**	**7%**
111% to 120%	**5%**	**10%**	**7%**
121% to 130%	**4%**	**9%**	**6%**
131% to 140%	**2%**	**3%**	**2%**
141% to 150%	**1%**	**3%**	**2%**
151% to 160%	**1%**	**2%**	**2%**
161% to 170%	**1%**	**1%**	**1%**
171% to 180%	-	**1%**	**1%**
Greater than 180%	**4%**	**4%**	**4%**
Subtotal	**21%**	**45%**	**32%**
Total	**100%**	**100%**	**100%**
	€m	**€m**	**€m**
Stage 3	**342**	**270**	**612**

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

(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 the non-repayment of the loan facility. The following tables outline the main movements in this category during the year.

38. Financial risk management (continued)

Stock of collateral in possession

Residential collateral in possession	31 December 2022 Number	31 December 2022 Balance outstanding at transfer of ownership €m	31 December 2021 Number	31 December 2021 Balance outstanding at transfer of ownership €m
Home loans	**14**	**7**	27	10
Buy-to-let	**105**	**27**	165	42
Total	**119**	**34**	192	52

Collateral in possession assets are sold as soon as practicable. These assets which total €18m as at 31 December 2022 (31 December 2021: €28m) are included in assets held for sale (see note 18 for further details).

During the year the ownership of 16 properties were transferred to the Group.

The details of the transfers are provided in the table below:

	Number
Home loans	-
Buy-to-let	16
Total	16

During the year 89 properties were disposed. The details of the disposals are provided in the tables below:

	Number
Home loans	13
Buy-to-let	76
Total	89

31 December 2022	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	**13**	**3**	**2**	**-**	**1**
Buy-to-let	**76**	**18**	**13**	**1**	**6**
Year ended 31 December 2022	**89**	**21**	**15**	**1**	**7**

* 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.

31 December 2021	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	23	7	5	-	2
Buy-to-let	114	25	16	1	10
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.

38. Financial risk management (continued)

(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 2022 and 2021. 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 2022	Home loans €m	Buy-to-let €m	Total residential mortgages €m	Commercial €m	Total €m
***Stage 2**					
Excellent	**5**	**-**	**5**	**-**	**5**
Satisfactory	**33**	**5**	**38**	**1**	**39**
Fair	**92**	**26**	**118**	**1**	**119**
Standardised	**-**	**-**	**-**	**-**	**-**
	130	**31**	**161**	**2**	**163**
Stage 3					
Defaulted	**228**	**68**	**296**	**6**	**302**
Total measured at amortised costs	**358**	**99**	**457**	**8**	**465**

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 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	96	30	126	3	129
Standardised	-	-	-	-	-
	178	72	250	4	254
Stage 3					
Defaulted	289	94	383	33	416
Total measured at amortised costs	467	166	633	37	670

* The information in the shaded box has not been subject to audit by the Group's Independent Auditor.

38. Financial risk management (continued)

(b) Weighted Average - LTV

LTV on total portfolio in forbearance

The tables below illustrates that 85% of residential home loan mortgages (31 December 2021: 84%) and 69% of residential buy-to-let mortgages (31 December 2021: 67%) that are neither past due nor Stage 3 are in positive equity as at 31 December 2022.

31 December 2022	Home loans %	Buy-to-let %	Total %
Less than 50%	**37%**	**7%**	**31%**
50% to 70%	**27%**	**11%**	**24%**
71% to 90%	**17%**	**42%**	**23%**
91% to 100%	**4%**	**9%**	**5%**
Subtotal	**85%**	**69%**	**83%**
101% to 110%	**3%**	**11%**	**4%**
111% to 120%	**3%**	**4%**	**3%**
121% to 130%	**3%**	**4%**	**3%**
131% to 140%	**1%**	**2%**	**1%**
141% to 150%	**1%**	**2%**	**1%**
151% to 160%	**1%**	**2%**	**1%**
161% to 170%	**1%**	**1%**	**1%**
171% to 180%	**-**	**1%**	**-**
Greater than 180%	**2%**	**4%**	**3%**
Subtotal	**15%**	**31%**	**17%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of residential mortgages	**66%**	**92%**	**72%**
New residential mortgages	**73%**	**-**	**73%**
Stage 3 mortgages	**75%**	**97%**	**80%**

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%

38. 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 2022 and 31 December 2021.

(i) Residential home loan mortgages:

The incidence of the main type of forbearance arrangements for owner occupied residential mortgages are analysed below:

31 December 2022	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	21	6	19	3
Reduced payment (less than interest only)	34	3	22	2
Reduced payment (greater than interest only)	1,369	192	782	120
Payment moratorium	32	5	19	3
Arrears capitalisation	433	53	252	31
Term extension	428	32	209	17
Hybrid*	277	41	178	26
Split mortgages	153	26	153	26
Total	**2,747**	**358**	**1,634**	**228**

* Hybrid is a combination of two or more forbearance arrangements.

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.

The tables above reflect a decrease of 777 cases in the year to 31 December 2022 for the Group in the number of residential home loan mortgages in forbearance arrangements, a decrease of €109m. The average balance of forborne loans is €0.130m at 31 December 2022 (31 December 2021: €0.133m).

38. 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 2022	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**19**	**8**	**17**	**7**
Reduced payment (greater than interest only)	**99**	**29**	**76**	**24**
Payment moratorium	**1**	**-**	**-**	**-**
Arrears capitalisation	**18**	**8**	**10**	**4**
Term extension	**27**	**6**	**12**	**3**
Hybrid*	**70**	**41**	**51**	**23**
Split mortgages	**22**	**7**	**22**	**7**
Total	**256**	**99**	**188**	**68**

* Hybrid is a combination of two or more forbearance arrangements.

31 December 2021	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	54	27	31	15
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.

The tables above reflect a decrease of 193 cases in the year to 31 December 2022 for the Group in the number of residential buy-to-let in forbearance arrangements, a decrease of €67m in balances. The average balance of forborne loans is €0.39m at 31 December 2022 (31 December 2021: €0.37m).

Commercial mortgages

The incidence of the main type of forbearance arrangements for commercial mortgages are analysed below:

Commercial mortgages	31 December 2022		31 December 2021	
	Number	Balances €m	Number	Balances €m
Interest only	**-**	**-**	-	-
Reduced payment (greater than interest only)	**11**	**5**	13	23
Payment moratorium	**-**	**-**	-	-
Arrears capitalisation	**1**	**1**	5	7
Term extension	**7**	**1**	9	4
Hybrid*	**6**	**1**	10	3
Split mortgages	**-**	**-**	-	-
Total	**25**	**8**	37	37

* Hybrid is a combination of two or more forbearance arrangements.

The table above reflects a decrease of 12 cases in the year to 31 December 2022 for the Group in the number of commercial mortgages in forbearance arrangements, a decrease of €29m in balances.

38. 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 2022	Residential mortgages							
	Home loans cases	Home loans 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 2022	**3,524**	**467**	**449**	**166**	**37**	**37**	**4,010**	**670**
New forbearance extended during the year*	**307**	**39**	**30**	**17**	**-**	**-**	**337**	**56**
Deleveraged loans	**(3)**	**(1)**	**(138)**	**(51)**	**-**	**-**	**(141)**	**(52)**
Exited forbearance								
- re-classified to Stage 3 non-forborne	**(18)**	**(3)**	**(7)**	**(4)**	**-**	**-**	**(25)**	**(7)**
- expired forbearance treatment	**(816)**	**(106)**	**(34)**	**(13)**	**(4)**	**(21)**	**(854)**	**(140)**
- expired loan paid down	**(247)**	**(25)**	**(44)**	**(12)**	**(8)**	**(8)**	**(299)**	**(45)**
Balance shift**	**-**	**(13)**	**-**	**(4)**	**-**	**-**	**-**	**(17)**
Closing balance of loans in forbearance as at 31 December 2022	**2,747**	**358**	**256**	**99**	**25**	**8**	**3,028**	**465**

* 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 2021	Residential mortgages							
	Home loans cases	Home loans 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	5,066	726	679	231	44	20	5,789	977
New forbearance extended during the year*	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.

38. Financial risk management (continued)

(ii) Reconciliation of movement in forborne loans Stage 3

31 December 2022	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 2022	**2,010**	**289**	**267**	**94**	**32**	**33**	**2,309**	**416**
New Stage 3 forborne extended during the year*	**354**	**43**	**29**	**15**	**-**	**-**	**383**	**58**
Deleveraged loans	**(3)**	**(1)**	**(32)**	**(10)**	**-**	**-**	**(35)**	**(11)**
Exited forborne Stage 3, now performing forborne	**(550)**	**(70)**	**(29)**	**(11)**	**(4)**	**(1)**	**(583)**	**(82)**
Exited forbearance								
- exited forborne Stage 3, now Stage 3 non-forborne	**(10)**	**(2)**	**(4)**	**(4)**	-	**-**	**(14)**	**(6)**
- expired forbearance treatment	**(19)**	**(9)**	**(4)**	**(3)**	**(1)**	**(17)**	**(24)**	**(29)**
- expired loan paid down	**(148)**	**(18)**	**(39)**	**(11)**	**(8)**	**(8)**	**(195)**	**(37)**
Balance shift**	**-**	**(4)**	**-**	**(2)**	**-**	**(1)**	**-**	**(7)**
Closing balance loans in forbearance as at 31 December 2022	**1,634**	**228**	**188**	**68**	**19**	**6**	**1,841**	**302**

* 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 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 of 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.

(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 2022 can be broken down into the below component parts:

	31 December 2022 %	31 December 2021 %
Customer accounts	**93**	94
Long-term debt	**4**	4
Short-term debt	**3**	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.

38. Financial risk management (continued)

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 2022	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	**614**	**-**	**-**	**-**	**-**	**-**	**614**
Customer accounts	**19,906**	**689**	**261**	**385**	**157**	**342**	**21,740**
Debt securities in issue	**2**	**4**	**6**	**11**	**371**	**308**	**702**
Derivative financial instruments	**10**	**169**	**1,343**	**-**	**-**	**-**	**1,522**
Subordinated liabilities	**1**	**1**	**2**	**4**	**7**	**300**	**315**
Other financial liabilities	**145**	**-**	**2**	**3**	**6**	**27**	**183**
Total liabilities	**20,678**	**863**	**1,614**	**403**	**541**	**977**	**25,076**

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
Derivative financial instruments	-	-	-	-	-	-	-
Subordinated liabilities	1	1	2	4	7	304	319
Other financial liabilities	92	48	1	3	4	22	170
Total liabilities	16,473	1,466	459	586	239	1,268	20,491

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.

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. These will not agree directly with the balances on the consolidated statement of financial position.

31 December 2022	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	**82**	**-**	**-**	**-**	**-**	**-**	**82**
- outflow	**(83)**	**-**	**-**	**-**	**-**	**-**	**(83)**
Business combinations forwards							
- inflow	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- outflow	**(9)**	**(169)**	**(1,343)**	**-**	**-**	**-**	**(1,521)**
Balance at 31 December 2022	**(10)**	**(169)**	**(1,343)**	**-**	**-**	**-**	**(1,522)**

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	-	-	-	-	-	-	-

38. Financial risk management (continued)

(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 2022 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 2022	Not more than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Assets	**9,884**	**697**	**1,757**	**11,516**	**2,148**	**26,002**
Liabilities	**(6,048)**	**(996)**	**(2,425)**	**(12,932)**	**(2,836)**	**(25,237)**
Derivatives	**81**	**-**		**-**	**-**	**81**
Interest rate re-pricing gap	**3,917**	**(299)**	**(668)**	**(1,416)**	**(688)**	**846**
Cumulative interest rate re-pricing gap	**3,917**	**3,618**	**2,950**	**1,534 846**		

31 December 2021	Not more than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Assets	12,608	587	1264	6505	1079	22043
Liabilities	(11,769)	(973)	(1,395)	(6,137)	(1,546)	-21820
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	

An increase in ECB interest rates of 100bps would increase net interest income by €58m and a decrease in ECB interest rates of 100bps would decrease net interest income by €58m.

39. 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 2022 regulatory CET1 (transitional) minimum requirement is 8.94% (December 2021: 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 2021: 1.94%) and the Capital Conservation Buffer (CCB) of 2.50%.

The Group's Total Capital minimum requirement of 13.95% at 31 December 2022 (31 December 2021: 13.95%) consists of a Pillar 1 CRR requirement of 8%, P2R of 3.45%, and CCB of 2.5%.

39. Capital management (continued)

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 2022 and 31 December 2021 which are calculated in accordance with CRD IV regulatory capital requirements.

The following information has not been subject to audit by the Group's independent auditor.

	31 December 2022 €m	31 December 2021 €m
Common Equity Tier 1 capital		
Share capital and share premium	**1,077**	561
Reserves	**940**	1,104
Prudential filters	**(299)**	(208)
Total qualifying CET1 capital	**1,718**	1,457
Additional Tier 1 capital	**369**	123
Total qualifying Tier 1 capital	**2,087**	1,580
Tier 2 capital		
Subordinated liabilities	**250**	250
Other	**32**	40
Total qualifying Tier 2 capital	**282**	290
Total own funds	**2,369**	1,870
	€m	€m
Risk weighted assets		
Total risk-weighted assets	**10,627**	8,600
- Credit risk (including CVA)	**9,927**	7,961
- Operational risk	**700**	639
Capital Ratios		
Common Equity Tier 1 Capital ratio (Transitional basis)	**16.2%**	16.9%
Total capital ratio (Transitional basis)	**22.3%**	21.8%

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:

	2022 €m	2021 €m
Balance as at 1 January	**1,870**	1,779
NatWest Equity Investment	**155**	0
Operating profit/(loss) after tax	**223**	(20)
Other intangible assets add-back/(deduction)	**(33)**	19
Deferred tax assets write-back/(deduction)	**2**	(36)
IFRS 9 phase-in	**(54)**	(28)
AT1 securities	**245**	(80)
Tier 2 Sub Debt	**(8)**	250
Other movements*	**(31)**	(14)
Balance as at 31 December	**2,369**	1,870

*Other movements include AT1 Coupons (-€17m), Calendar Provisioning (-€11m) and Revaluation Reserves (-€5m).

40. Current/non-current assets and liabilities

The following table provides an analysis of certain asset and liability line items as at 31 December 2022 and 31 December 2021. 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 2022			31 December 2021		
	Note	Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Assets							
Cash at bank	14	**58**	**-**	**58**	57	-	57
Items in the course of collection	14	**40**	**-**	**40**	20	-	20
Loans and advances to banks	15	**2,123**	**-**	**2,123**	4,174	-	4,174
Derivative financial instruments	16	**-**	**-**	**-**	1	-	1
Other assets	17	**1**	**-**	**1**	310	-	310
Assets classified as held for sale	18	**18**	**-**	**18**	28	-	28
Debt securities	19	**735**	**2,442**	**3,177**	214	2,280	2,494
Equity Securities	20	**-**	**30**	**30**	-	26	26
Prepayments and accrued income	21	**207**	**-**	**207**	205	-	205
Loans and advances to customers	22	**2,521**	**17,072**	**19,593**	2,071	12,185	14,256
Liabilities							
Deposits by banks	28	**614**	**-**	**614**	347	-	347
Customer accounts	29	**21,240**	**490**	**21,730**	18,476	613	19,089
Derivative financial instruments	16	**13**	**-**	**13**	-	-	-
Debt securities in issue	30	**10**	**648**	**658**	2	522	524
Other liabilities	31	**149**	**32**	**181**	144	26	170
Accruals		**7**	**-**	**7**	8	-	8
Provisions	32	**52**	**28**	**80**	19	36	55
Subordinated liabilities	33	**3**	**249**	**252**	3	249	252

41. 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 (vii), 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 22) and debt securities (note 19) 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 2022 is €611m (31 December 2021: €347m).

41. 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 that are not derecognised in their entirety and associated liabilities.

	31 December 2022		31 December 2021	
	Sale and repurchase agreements	Securitisations	Sale and repurchase agreements	Securitisations
	€m	€m	€m	€m
Carrying amount of assets	**678**	**-**	724	153
Carrying amount of associated liabilities	**612**	**-**	745	172
Liabilities that have recourse only to the transferred financial assets				
Fair value of assets	**654**	**-**	732	150
Fair value of associated liabilities	**612**	**-**	745	172
Net position	**42**	**-**	(13)	(22)

(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.

42. 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 derivative assets and liabilities and their net amounts disclosed in the below tables have been measured in the statement of financial position at fair value.

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 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.

42. Offsetting financial assets and financial liabilities (continued)

The tables below also provide analysis of derivative financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar agreements:

	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
31 December 2022	Gross financial assets/ (liabilities) recognised €m	Gross financial (liabilities)/ assets offset €m	Net amounts reported on the statement of financial position €m	Financial instruments €m	Cash collateral €m	Net amount €m
Assets						
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities						
Derivative financial instruments	**1**	**-**	**1**	**-**	**-**	**1**
Total	**1**	**-**	**1**	**-**	**-**	**1**

	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
31 December 2021	Gross financial assets/ (liabilities) recognised €m	Gross financial (liabilities)/ assets offset €m	Net amounts reported on the statement of financial position €m	Financial instruments €m	Cash collateral €m	Net amount €m
Assets						
Derivative financial instruments	1	-	1	-	-	1
Total	1	-	1	-	-	1
Liabilities						
Derivative financial instruments	-	-	-	-	-	-
Total	-	-	-	-	-	-

43. Commitments and Contingencies

The table below gives the contractual amounts of irrevocable credit commitments. Even though these obligations are not recognised in statement of financial position they do involve credit risk. 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 2022 €m	31 December 2021 €m
Guarantees and irrevocable letters of credit	**2**	2
Commitments to extend credit		
- less than 1 year	**1,284**	1,113
- 1 year and over	**56**	66
Total commitments to extend credit	**1,340**	1,179
Total credit commitments	**1,342**	1,181

43. 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 32, 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.

In June 2021 PTSB committed to participate in the First Home Scheme along with the State and AIB and Bank of Ireland. PTSB has engaged with these parties over the last year to determine the structure of the Scheme as well as the mechanism for funding the operations of the scheme. The Group committed €54m in funding to the Joint venture. €10m was recognised in the Statement of Financial Position in respect of the scheme as at 31 December 2022.

44. 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 2022 Ordinary shares	31 December 2021 Ordinary shares
Robert Elliott	Chairman	**16,500**	16,500
Eamonn Crowley	Chief Executive Officer	**50,000**	50,000
Nicola O'Brien (appointed 04 August 2022)	Chief Financial Officer	**-**	-
Michael Frawley (retired 31 March 2022)	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	Non-Executive Director	**-**	-
Anne Bradley	Non-Executive Director	**-**	-

44. Related parties (continued)

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 2021: 4,580).

There were no transactions in the above Directors' and Secretary's interests between 31 December 2022 and 28 February 2023.

Details of the Directors' remuneration is included in the Directors' Remuneration Report on pages 142 to 146.

(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 2022	
Eamonn Crowley	Chief Executive
Nicola O'Brien	Chief Financial Officer
Patrick Farrell	Retail Sales Director
Tom Hayes	Chief Technology Officer
Ger Mitchell	CHRO and Corporate Development Director
Andrew Walsh	Chief Legal Officer
Peter Vance	Chief Operations Officer
David Curtis	Interim Chief Risk Officer

During the year ended 31 December 2022, the following key management personnel changes occurred;

Nicola O'Brien was appointed as Chief Financial Officer following the retirement of Declan Norgrove as Interim Chief Financial Officer. David Curtis was appointed Interim Chief Risk Officer following the retirement of Michael Frawley as Chief Risk Officer.

Declan Norgrove, Breege Timoney and Shane O'Sullivan retired as members of the ExCo during 2021. Their details are included in the comparative figures for 2021.

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 2022	31 December 2021
Non-Executive Directors	**10**	10
Executive Directors and Senior Management	**8**	8
	18	18

44. Related parties (continued)

(b) (i) Total compensation to Executive and Non-Executive Directors is as follows:

	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
Fees	**1,044**	946
Taxable benefits	**2**	2
Salary and other benefits	**742**	856
Pension benefits		
- defined contribution	**106**	122
Total	**1,894**	1,926

Total compensation to other key management personnel is as follows:

	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
Taxable benefits	**5**	2
Salary and other benefits	**2,395**	2,221
Pension benefits		
- defined contribution	**332**	282
CFO Fees	-	359
Total	**2,732**	2,864

There were no connected persons to key management personnel employed by the group during 2022 or 2021,

(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 2022 €'000	31 December 2021 €'000
Balances		
Loans	**1,059**	1,948
Unsecured credit card balances and overdrafts	**1**	-
Deposits	**3,354**	4,663

	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
Transactions during the year		
Loan advances	**-**	660
Loan repayments	**892**	327
Interest received on loans	**41**	43
Interest paid on deposits	**(1)**	(1)

44. Related parties (continued)

Loans to Directors

31 December 2022	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
Ronan O'Neill*	**652**	**-**	**12**	**640**	**16**	**652**
	652	**-**	**12**	**640**	**16**	**652**

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

* Represents a loan for a person connected with this Director in accordance with section 307(3) of the Companies Act 2014.

(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 €1,734m (31 December 2021: €1,463m).
- 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 had an investment in associated undertakings of €13m for the year ended 31 December 2022 involving participants that are deemed related parties due to the common ownership by the Government. The amount and nature is referenced in note 24.
- 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 2022, the amount recognised in the income statement was €22m (31 December 2021: €22m). As announced by the Minister by Finance in October 2022, the bank levy was extended to 2023.
- During 2022, the Group also paid €19m DGS fees to the CBI (2021: €17m) 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 2022, the Group had recorded a payable of €2.3m due under the FIA (31 December 2021: €2m).

44. Related parties (continued)

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 2022 or 31 December 2021. As at 31 December 2022, the Irish Government no longer has significant influence over Bank of Ireland.

(d) Other related party transactions

- At 31 December 2022 the Company had an intercompany balance of €658m (31 December 2021: €352m) with its principal subsidiary PTSB plc relating to the MREL issuance.
- In November 2020, the Company made an investment of €123m in PTSB. This investment was through the issuance of AT1 securities by the Company. In October 2022, the Company made an additional investment of €245m in PTSB through the issuance of AT1 securities by the Company.

45. Sale of loans and advances to customers

Project Glenbeigh IV

On 21 September 2022, the Group agreed the sale of a predominately performing buy-to-let loan portfolio ('Glenbeigh IV'). The portfolio gross balance on the Statement of Financial Position was €767m with a net book value of €703m.

In line with IFRS 9, the assets have been derecognised from the Statement of Financial Position.

As a result of the transaction, an impairment write-back on the sale of the portfolio of €8m was recorded through the impairment line of the Income Statement. On 17 November 2022, the deal completed with the receipt of the sales proceeds.

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 were derecognised from the 2021 Statement of Financial Position and a receivable of €310m was recorded for the cash consideration. As a result of the transaction, an impairment write-back on the sale of the portfolio of €11m was recorded through the 2021 Income Statement. On 21 February 2022, the deal completed with the receipt of the sales proceeds.

46. 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 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.

46. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

(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 2022 the investment amounted to €2,346m (31 December 2021: €888m). 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 higher than the carrying value, in line with IAS 36, no impairment charge was taken (31 December 2021: impairment charge €66m). A write back of €697m was taken as the value in use calculation indicated that there was sufficient evidence for management to reverse the impairment losses taken in prior years. See company SOFP on page 263 for further details.

(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.

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 2022, Fastnet Securities 12 DAC which collapsed in 2021 went into liquidation, Fastnet Securities 13 DAC was collapsed and subsequently went into liquidation and Fastnet Securities 18 DAC was set up:

	Sub loan provided
SEs setup with ROI Residential Mortgages	
- Fastnet Securities 11 DAC	√
- Fastnet Securities 14 DAC	√
- Fastnet Securities 15 DAC	√
- Fastnet Securities 16 DAC	√
- Fastnet Securities 17 DAC	√
- Fastnet Securities 18 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 2022, restricted cash of €405m (31 December 2021: €329m) relates to cash held by the Group's securitisation.

47. 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 2022	31 December 2021
€ / £ exchange rate		
Closing	**0.8869**	0.8403
Average	**0.8549**	0.8583
€ / US$ exchange rate		
Closing	**1.0666**	1.1326
Average	**1.0500**	1.1814

48. Events after the reporting period

Subsequent to the statement of financial position date the Group paid €41m in relation to the equity cash component amount and the Branch Properties were transferred from Ulster Bank for consideration of €9m in January 2023. The SME assets were acquired in February 2022 and cash of €162m was paid. See note 3 for further detail.

No other 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 2022 and the date of the approval of these financial statements by the Board of Directors of 28 February 2023.

Company Financial Statements and Notes to the Company Financial Statements

Company Statement of Financial Position
As at 31 December 2022

	Notes	31 December 2022 €m	31 December 2021 €m
Assets			
Loans and advances to banks	B	**911**	604
Investments in subsidiary undertakings	C	**2,346**	888
Total assets		**3,257**	1,492
Liabilities			
Debt securities in issue	D	**658**	352
Other liabilities		**1**	1
Subordinated liabilities	E	**252**	252
Total liabilities		**911**	605
Equity			
Share capital		**273**	227
Share premium		**804**	333
Retained earnings		**901**	204
Shareholders' equity		**1,978**	764
Other equity instruments		**368**	123
Total equity		**2,346**	887
Total liabilities and equity		**3,257**	1,492

The Company's profit for the financial year determined in accordance with IFRS was €707m (2021: €56m loss).

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Nicola O'Brien
Chief Financial Officer

Conor Ryan
Company Secretary

Company Statement of Changes in Equity
For the year ended 31 December 2022

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 2021	227	333	270	126	956
	.				
Loss for 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
Balance at 1 January 2022	**227**	**333**	**204**	**123**	**887**
Profit for the year ended 2022	**-**	**-**	**707**	**-**	**707**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**707**	**-**	**707**
Transactions with owners, recorded directly in equity:					
Issue of share capital	**46**	**472**			**518**
Issue of other equity instruments				**250**	**250**
Issuance cost of share capital and other equity	**-**	**(1)**	**-**	**(5)**	**(6)**
AT1 coupon paid	**-**	**-**	**(10)**	**-**	**(10)**
Total contributions by and distributions to owners	**46**	**471**	**(10)**	**245**	**752**
Balance as at 31 December 2022	**273**	**804**	**901**	**368**	**2,346**

Company Statement of Cash Flows
For the year ended 31 December 2022

	31 December 2022 €m	31 December 2021 €m
Cash flows from operating activities:		
Operating profit/(loss) / profit/(loss) before taxation	**707**	(56)
Adjusted for non-cash items and other adjustments	**(688)**	65
	19	9
Increase in operating assets:		
Loans and advances to banks	**(307)**	(253)
(Increase)/decrease in operating liabilities:		
Debt securities in issue	**306**	1
Other liabilities	**-**	1
Net cash inflow/(outflow) from operating activities before tax	**18**	(242)
Tax paid	**-**	-
Net cash inflow/(outflow) from operating activities	**18**	(242)
Cash flow from investing activities		
Investments in subsidiary undertakings	**(245)**	-
Net cash flow from investing activities	**(245)**	-
Cash flow from financing activities		
Issuance of AT1 securities (net of issuance costs)	**245**	-
Proceed from T2 capital notes	**-**	252
Interest paid on T2 capital notes	**(8)**	-
AT1 Coupon payment	**(10)**	(10)
Net cash flow from financing activities	**227**	(242)
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	**-**	-
Cash and cash equivalents as at 31 December	**-**	-

Reconciliation of liabilities arising from financing activities

	31 December 2022	31 December 2021
1 January	**252**	-
Financing cash flows:		
Issuance of Tier 2 capital notes	**-**	252
Interest paid on T2 capital notes	**(8)**	
Interest accrued on T2 capital notes	**8**	-
31 December	**252**	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 304 (2) 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.

B. Loans and advances to banks

	31 December 2022 €m	31 December 2021 €m
Held at amortised cost		
Funds placed with subsidiary, Permanent TSB plc ('PTSB')	**912**	605
ECL allowance	**(1)**	(1)
Loans and advances to banks	**911**	604

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 "A2" with Outlook "Stable"; and
- DBRS: Long-Term Rating "BBBL" with Outlook "Stable".

In June 2022, the Company subscribed to the €300m of Senior Unsecured Medium Term Note 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 5.25% plus a margin of 0.14% per annum maturing on 30 June 2025. The interest is received annually in arrears on 30 June.

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 2022 is €911m (31 December 2021: €604m).

The expected credit losses on these placements were €1m at 31 December 2022 (31 December 2021: €1m).

The fair value of the loans and advances to banks closely equates to their amortised costs.

C. Investment in subsidiary

	31 December 2022 €m	31 December 2021 €m
At 1 January	**888**	956
Additional Investment	**516**	-
AT1 Securities redeemed	**-**	(2)
Additional Tier 1 securities - net of the transaction costs	**245**	-
Write-back/(Impairment) of investment	**697**	(66)
At 31 December	**2,346**	888

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 2022, the investment amounted to €2,346m (31 December 2021: €888m).

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 the impairment write-back of the investment was €1,649m. The recoverable amount based on the VIU exceeds the carrying amount after reversal of previous impairment charges. On this basis, €697m of an impairment write back was recognised for the year (31 December 2021: impairment charge €66m).

Following the completion of the business combination on 7 November 2022 the net assets of PTSB Company increased by €516m therefore increasing the value of the Investment in subsidiary by Permanent TSB Group Holdings plc. See notes 2 and 3 of the consolidated financial statements for further detail.

While the recoverable amount based on the VIU exceeds market capitalisation at the 31 December 2022, the depressed share price is a 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.

On 19 October 2022, PTSBGH plc ('Company') issued additional €245m AT1 Fixed Rate Reset Perpetual Contingent Temporary Write Down Securities. The first reset date for the fixed rate is 26 April 2028.

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 2022 €m	31 December 2021 €m
At amortised cost		
Bonds and medium-term notes	**658**	352
	658	352
Maturity analysis		
Repayable in less than 1 year	**10**	2
Repayable in greater than 1 year but less than 5 years	**648**	350
Repayable in greater than 5 years	**-**	-
	658	352

Bonds and medium-term notes

In June 2022, PTSBGH issued €300m of Senior Unsecured Medium Term Notes priced at Euro 5 year mid-swaps +375bps, which equates to a yield of 5.238%, maturing on 30 June 2025. Interest is payable on the nominal amount annually in arrears on the coupon date.

E. Subordinated liabilities

	31 December 2022 €m	31 December 2021 €m
At amortised cost		
€250m Tier 2 capital notes due August 2031, Callable 2026	**252**	252
	252	252
Maturity analysis		
Repayable in less than 1 year	**3**	3
Repayable in greater than 1 year but less than 5 years	**-**	-
Repayable in greater than 5 years	**249**	249
	252	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 35 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 44 of the consolidated financial statements for further details.

At 31 December 2022, the Company had an intercompany balance of €658m (31 December 2021: €352) with its principal subsidiary PTSB relating to the MREL issuance and €252m (31 December 2021: €252m) 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 2022 (31 December 2021: €0.04m).

APPENDIX

Alternative Performance Measures (unaudited)

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 2022 €m	Year ended 31 December 2021 €m
Operating profit / (loss) per IFRS income statement	**267**	(21)
Other exceptional items	**(265)**	23
Non-IFRS adjustments		
Other non-recurring items	**43**	15
Underlying profit/(loss) per management income statement	**45**	17

Management's definition of underlying profit excludes exceptional items and other items that Management view as non-recurring. In the current year, Non-recurring items include the Day 1 ECL booked as part of the purchase of the Ulster Bank transaction and additional impairment charges that are as a result of deleveraging.

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 2022 €m	31 December 2021 €m
Gain on bargain purchase	Income Statement	**(362)**	-
Restructuring and other costs	Income Statement	**13**	14
Costs incurred in relation to Ulster Bank transaction	Income Statement	**92**	28
Exceptional impairment write-back arising from deleveraging of loans	Income Statement	**(8)**	(19)
Exceptional items		**(265)**	23
Other non-recurring items	Financial Review	**43**	15
Exceptional and other non-recurring items	Financial Review	**(222)**	38

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 2022 €m	31 December 2021 €m
Total operating expenses	Income statement	**509**	402
Exceptional items (included within total operating expenses)	Financial Review	**(105)**	(42)
Non-recurring items (included within total operating expenses)	Note 9	**(9)**	(15)
Bank levy	Note 10	**(22)**	(22)
Regulatory charges	Note 10	**(29)**	(28)
Total operating expenses (excluding exceptional, other non-recurring items and regulatory charges)	Financial Review	**344**	295
Total operating income (excluding gain on bargain purchase)	Income statement	**409**	361
Adjusted cost income ratio		**84%**	82%

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 2022 €m	31 December 2021 €m
Total operating expenses	Income statement	**509**	383
Exceptional and other non-recurring items	Financial review	**(105)**	(42)
Non-recurring items (included in total operating expenses)	Note 9	**(9)**	(15)
Total operating expenses (excluding exceptional and other non-recurring items)		**395**	345
Total operating income	Income statement	**409**	361
Headline cost income ratio	Financial review	**96%**	96%

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 2022 Fully Loaded €m	31 December 2021 Fully Loaded €m
Common equity tier 1	Capital Management	**1,616**	1,265
Risk weighted assets	Capital Management	**10,627**	8,603
CET 1 fully loaded	Capital Management	**15.2%**	14.7%

* 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 2022 Transitional €m	31 December 2021 Transitional €m
Common equity tier 1	Capital Management	**1,718**	1,457
Risk weighted assets	Capital Management	**10,627**	8,600
CET 1 transitional basis	Capital Management	**16.2%**	16.9%

* 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 2022 Transitional €m	31 December 2022 Fully Loaded €m	31 December 2021 Transitional €m	31 December 2021 Fully Loaded €m
Tier 1 Capital	Capital Management	**2,090**	**1,984**	1,580	1,388
Gross balance sheet exposures					
Leverage ratio exposure measure		**25,979**	**25,876**	22,323	22,132
Leverage ratio	Capital Management	**8.0%**	**7.7%**	7.1%	6.3%

* 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 2022 €m	31 December 2021 €m
Liquidity coverage ratio	Financial Review	**178%**	274%

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 became binding in June 2022.

	Source / Cross Reference	31 December 2022 €m	31 December 2021 €m
Net stable funding ratio (minimum 100%)	Financial Review	**154%**	170%

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 2022 €m	31 December 2021 €m
Loans and advances to customers	Note 22	**19,593**	14,256
Customer accounts	Note 29	**21,730**	19,089
Loan to deposit ratio		**90%**	75%

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 2022 €m	31 December 2021 €m
Net interest income	Income Statement	**362**	313
Total average interest earning assets	Financial Review	**23,469**	20,731
Net interest margin (NIM)		**1.54%**	1.51%

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 2022 €m	31 December 2021 €m
Residential:			
-Home loans	Note 23	**342**	420
-Buy to let	Note 23	**270**	339
Commercial	Note 23	**23**	44
Consumer finance	Note 23	**15**	14
Non-performing loans		**650**	817

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 2022 €m	31 December 2021 €m
Foreclosed assets	Note 38	**18**	28

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 2022 €m	31 December 2021 €m
Non-performing loans	Note 23	**650**	817
Foreclosed assets	Note 38	**18**	28
Non-performing assets		**668**	845

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 2022 €m	31 December 2021 €m
Profit / (Loss) for the year after tax	Income Statement	**223**	(20)
Exceptional items and other non-recurring items	Financial Review	**(222)**	38
Profit/(loss) for the period after tax (before exceptional items)		**1**	18
Total average equity	Financial Review	**1,885**	1,853
Return on equity		**0.05%**	0.97%

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 2022 €m	31 December 2021 €m
Risk weighted assets	Note 39	**10,627**	8,600

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 2022 €m	31 December 2021 €m
Tier 1 Capital	Capital Management	**1,985**	1,388
Tier 2 Capital	Capital Management	**282**	290
Total Capital	Capital Management	**2,267**	1,678
Risk weighted assets	Capital Management	**10,627**	8,603
Total capital ratio (fully loaded basis)	Capital Management	**21.3%**	19.5%

*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 2022 €m	31 December 2021 €m
Tier 1 Capital	Capital Management	**2,087**	1,580
Tier 2 Capital	Capital Management	**282**	290
Total Capital	Capital Management	**2,372**	1,870
Risk weighted assets	Capital Management	**10,627**	8,600
Total capital ratio (transitional basis)	Capital Management	**22.3%**	21.8%

*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 2021 to December 2022, thirteen months in total.

	Source / Cross Reference	31 December 2022 €m	31 December 2021 €m
Average interest earning assets			
Loans and advances to banks	Financial Review	**5,521**	3,940
Loans and advances to customers	Financial Review	**15,099**	14,258
Debt securities and derivative assets	Financial Review	**2,849**	2,533
Total average interest earning assets		**23,469**	20,731

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 2021 to December 2022, thirteen months in total.

	Source / Cross Reference	31 December 2022 €m	31 December 2021 €m
Average interest bearing liabilities			
Customer accounts	Financial Review	**20,171**	18,606
Debt securities in issue and derivative financial instruments	Financial Review	**628**	705
Lease liabilities	Financial Review	**29**	31
Subordinated liabilities	Financial Review	**252**	155
Deposits by banks	Financial Review	**1,377**	134
Total average interest bearing liabilities		**22,457**	19,631

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 2021 to December 2022, thirteen months in total.

	Source / Cross Reference	31 December 2022 €m	31 December 2021 €m
Average interest income on interest earning assets			
Loans and advances to customers	Financial Review	**387**	346
Debt securities and derivative assets	Financial Review	**15**	7
Loans and advances to banks	Financial Review	**15**	-
Total average interest income from interest-earning assets		**417**	353
Negative interest earning assets – loans and advances to banks	Financial Review	**-**	(14)
Total average interest from assets	Financial Review	**417**	339
Total average earning assets	Financial Review	**23,469**	20,731
Average yield on average interest earning assets		**1.79%**	1.64%

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 2021 to December 2022, thirteen months in total.

	Source / Cross Reference	31 December 2022 €m	31 December 2021 €m
Average interest expense on interest bearing liabilities			
Customer accounts	Financial Review	**11**	14
Debt securities in issue	Financial Review	**16**	8
Subordinated liabilities	Financial Review	**8**	5
Deposits by banks	Financial Review	**20**	-
Total average interest income on interest bearing liabilities		**55**	27
Negative interest earning liabilities – deposits by banks	Financial Review	**-**	(1)
Total average interest from liabilities		**55**	26
Total average bearing liabilities	Financial Review	**22,457**	19,631
Average rate on average interest bearing liabilities		**0.24%**	0.13%

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 2022 €m	31 December 2021 €m
Non-performing loans	Note 23	**650**	817
Gross loans and advances to customers	Note 23	**19,804**	14,745
NPLs as % of gross loans		**3.3%**	5.5%

24. Average equity attributable to owners

This is an average of the equity position of each individual month from December 2021 to December 2022, 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 2022 €m	31 December 2021 €m
Average equity attributable to owners	Financial Review	**1,885**	1,853

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
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.