Annual Report 2020

Members of the Mount Sion Choir perform as part of the Marie Keating Foundation's Concert4Cancer event in August 2020, which was proudly supported by the Permanent TSB Community Fund

We are a community serving the community.

permanent tsb

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

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

Strategic Report

Corporate Governance

Consolidated Financial Statements

Company Financial Statements

General Information

Financial Highlights

Financial Performance

	Underlying (loss)/profit €m [a]	Net Interest Margin % [b]	Loss/return on Equity % [c]
2020	(€109)	1.73%	(5.4)%
2019	74	1.80%	3.1%
2018	94	1.78%	4.5%

2020: €(109)m
Underlying loss due to a fall in operating income and higher expected credit losses as a result of increased risk due to adverse changes in macro-economic conditions

2020: 1.73%
7bps lower because of margin pressures in the industry. Margin compressed as a result of the low interest rate environment impacting yields on treasury assets

2020: (5.4)%
Decreased due to a fall in operating income as a result of lower yields from treasury assets

Transformation and simplification

	Headline Cost to Income Ratio [d]	Adjusted Cost to Income Ratio [e]	Investment Spend [f]
2020	88%	75%	€72m
2019	80%	68%	€49m
2018	75%	64%	€24m

2020: 88%
Increased due to lower total income while costs remain stable

2020: 75%
Increased due to lower total income while savings from cost management has enabled digital investment, reflecting stable costs

2020: € 72m
Reflects significant reinvestment in the business

Sustainability

	CET Ratio (Transitional basis) [g]	NPL Ratio [h]	Risk weighted assets (R.W.A) [i]
2020	18.1%	7.6%	8,480
2019	17.6%	6.4%	10,012
2018	14.7%	10.0%	11,990

2020: 18.1%
Increase reflects generation of organic profits and deleveraging of non-performing loans (NPLs)

2020: 7.6%
Increased due to the sale of a portfolio of performing loans and the unfavourable economic outlook reflecting the impact of COVID-19

2020: € 8,480
Decrease primarily reflects the de-recognition of underlying exposures in 2020

Management has provided further information on IFRS and Non-IFRS measures including their calculation in the Alternative Performance Measurements (APM) section on pages 249 to 255.

(a) Operating (loss)/profit before exceptional items. See table on page 45 for a reconciliation of underlying (loss)/profit to operating (loss)/profit on an IFRS basis.
(b) Defined as net interest income (NII) divided by average interest-earning assets.
(c) Defined as (loss)/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 total operating expenses (excluding exceptional, other non-recurring items, bank levy and regulatory charges) divided by total operating income.
(f) Investment spend includes both capital and operating expenditure.
(g) Total common equity tier 1 (CET-1) capital on a transitional basis divided by total risk weighted assets (RWAs).
(h) Defined as non-performing loans (NPLs) expressed as a percentage of the total gross loans of the bank.
(i) RWAs are the Group's assets or off balance sheet exposures, weighted according to risk.

Non-Financial Highlights

A new Ambition, 'To be Ireland's best personal and small business bank'

A new Purpose, ' To work hard every day to build trust with our customers – we are a community serving the community'

71% Employee Engagement Score

3 training days delivered per employee in 2020, with more than 900 employees enrolled in banking education programming

37% of the Senior Leadership population are Women

c.€700,000 invested in Irish community organisations, supporting local communities across the country

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

A new partnership with the Strategic Banking Corporation of Ireland (SBCI) providing €50 million in funding to Irish Small and medium-sized enterprises (SMEs)

Reductions to our fixed and variable home loan mortgage interest rates, benefiting more than 70,000 new and existing home loan customers

100 million logins on both Open24 Web and App in 2020

10% reduction in carbon emission intensity in 2020 (-55% reduction since 2009)

Our Commitment To Responsible And Sustainable Business

Permanent TSB has a long banking history in Irish communities, with roots that stretch back over 200 years to the building society and Trustee Savings Bank movements. Throughout this time, our focus has been on delivering exceptional customer service and connecting with our local communities.

Our experiences over two centuries shape our culture and influence how we do things today and we are committed to continuing this long tradition through our Responsible and Sustainable Business Strategy.

Awards And Recognitions In 2020

- Achievement of the 'Business Working Responsibly Mark' from Business in the Community Ireland, recognising best in class Responsible and Sustainable Business Programmes in Ireland
- Winner of Best Training and Development Programme, Customer Contact Management Association (CCMA) Awards 2020
- Winner of Best First Time Buyer Mortgage, Bonkers Awards 2020
- Winner of Best Marketing Campaign, Bonkers Awards 2020
- Gold for Best Integrated Digital Campaign, Digital Media Awards 2020
- Silver for Best in Financial Services, Digital Media Awards 2020
- Silver for Best Native Campaign, Digital Media Awards 2020
- Highly Commended - Contact Centre of the Year, Customer Contact Management Association (CCMA) Awards 2020

Ambitions For 2020 And Onwards

- Delivering on our Purpose to build trust with customers, through enhancing our product suite and providing superior customer service
- Partnering with small businesses through our refreshed Business Banking Strategy, not just in terms of supporting their banking needs, but through acting as advisers to help them to grow
- Continuing to implement and embed our Culture and Diversity and Inclusion Strategy across all areas of our business, as we focus on evolving our maturity level
- Increasing our focus on Climate Change and the Bank's Sustainability Agenda
- Supporting the transition to a low carbon economy and committing to setting science based carbon emission targets by 2024
- Deepening our community impact through the Permanent TSB Community Fund

Chairman's Statement

In a year of unprecedented challenge, the people in Permanent TSB demonstrated an unwavering commitment to supporting our customers, our communities and the wider economy.

Our COVID-19 Response

The pandemic placed an enormous strain on our society and on our economy but I can say with certainty that it has brought out the best in the people who work in Permanent TSB.

I pay tribute to all my colleagues in the Bank, who have overcome great challenges every day to continue to serve our customers to the very best of their ability. They have shown tremendous resilience, professionalism and care in ensuring that the Bank has been there for our customers at a time when they needed our support more than ever.

Through their efforts, the Bank has kept all 76 of its branches open throughout the pandemic; it has supported customers experiencing financial difficulty; it has continued to provide its products and services without interruption; and it has continued the work of building trust with our customers and striving to be Ireland's best personal and small business bank.

Our Commercial Performance

In such challenging circumstances, the Bank has reported a loss of €162 million for 2020. This is an unwelcome change from the improvements to our profitability over recent years but it reflects the economic impact of the pandemic which is evident throughout the banking industry. The extent of the change in our macro-economic environment has resulted in the Bank increasing its impairment provisions. This is an appropriate response in the circumstances but it unavoidably results in a significant impact on our overall financial performance.

The pandemic has also impacted the quality of our loan book, with our ratio of non-performing loans (NPLs), increasing to 7.6%. While part of this increase was a consequence of a significant transaction involving the sale of a portfolio of performing loans during the year, the Bank still maintains its medium-term commitment to a mid-single digits NPL ratio.

Our commitment to supporting our customers is evident from the fact that the Bank granted payment breaks to c.12,000 customers whose ability to repay was affected by the pandemic. This was an unprecedented intervention that required enormous effort from our staff to put in place the necessary structures and systems at short notice. But it was a much-needed intervention that has been crucial for our customers and one that we have been only too glad to make.

At a time of such uncertainty for our customers over their families, their health and their livelihoods, the Bank sent an important signal that we would be there to help them.

In addition to supporting customers in financial difficulty, we also took great care to keep serving those customers who continued to need access to our full range of products and services.

It was very encouraging to see that, despite a sharp fall-off in new lending in the early months of the pandemic, the second half of the year saw a strong rebound that exceeded our expectations significantly.

By way of example, mortgage applications in the second half accounted for 62% of all applications in 2020 – a far higher percentage than we see in a conventional year. This is very positive and shows the competitiveness and attractiveness of our offering to mortgage customers, which is based on excellent service and attractive rates.

It was equally encouraging to see the Bank make excellent progress in further developing its SME offering, which is a key area of focus for us. As 2020 came to a close, the Bank made a significant statement of its intent in the SME sector with the announcement of a €50 million low-cost lending partnership with the Strategic Banking Corporation of Ireland (SBCI), the State's SME promotional lending institution.

This new partnership has been very successful in its early days, with a very strong pipeline of applications and a very favourable reaction from both existing and new SME customers.

Another area of critical importance to the Bank's progress is the ongoing development and enhancement of our digital proposition. This continued to evolve during 2020 as the pandemic saw us witness a significant migration among customers to our digital services.

We made it as easy as possible for customers to use our digital channels and brought in a range of enhancements, such as an improved app and online services; enhanced cashback for using debit cards in the early months of the pandemic; higher limits for using contactless payments; and the introduction of Apple Pay facilitating even greater take-up of digital payments. Our multi-year Digital Transformation Programme is being well received by customers and will bring benefits to the Bank, shareholders and customers in the form of better ways of banking, enhanced efficiency and a more robust IT platform.

2020 also saw the Bank successfully issue a €125m AT1 instrument which provides financial flexibility and further diversifies funding sources and investor base.

Our Business Environment

During 2020 and the early 2021 we have been operating in a dramatically changed business environment that has created significant headwinds for the Bank. Notwithstanding these headwinds, our business performance remains stable and we have seen a strong rebound in new business volumes since the early months of the pandemic.

While significant public health restrictions on movement and economic activity continue to be a feature in 2021, the Irish economy has proven resilient and recent forecasts from the Central Bank of Ireland and analysts such as Goodbody are more favourable than previous forecasts and obviously an improvement in the Irish economy will be supportive of the Bank's business strategy.

However, the lower for longer interest rate environment continues to erode the profitability of the overall financial sector. The Bank is subject to similar pressures as other banks arising from the low interest rate environment, which continues to exert downward pressure on the Bank's net interest margin.

Our Culture Journey

The continuing enhancement of the Bank's culture continues to be a priority for the Board and the Management Team. In 2020 we maintained a strong focus on adopting and embedding our cultural improvements that arose from our culture strategy of Leading at Every Level. This strategy is being delivered through three cultural pillars; Living as Leaders, Promoting the Customer, and Quality Communications.

The Bank has partnered with LIFT Ireland (Leading Ireland's Future Together) to launch our 'Living As Leaders' programme, which aims to promote and encourage the right behaviours across all levels within the Bank on the basis of 'One Conversation at a Time'.

This has been a significant support in our efforts to engage with customers and communities during the pandemic. During 2020 we continued to promote our Speak Freely Programme, which was relaunched in July 2019, to embed it fully throughout all levels of the Bank, and to promote a culture in which all our colleagues feel psychologically safe and empowered to use their voice.

The Bank has continued its membership of the Irish Banking Culture Board (IBCB), established by the five retail banks in 2018 to promote industry-wide cultural change. I was particularly delighted to welcome both the Chairman and CEO of the IBCB to attend a meeting of the Board Nomination, Culture and Ethics Committee in 2020 to discuss areas of mutual interest. The Bank has supported colleague participation in IBCB workshops and has adopted the DECiDE (Ethical Decision Making) framework, as part of our Code of Ethics.

The Board is satisfied that we are on the right path to grow a Diverse and Inclusive, Risk Aware, Growth Culture. We continue to strive towards greater gender equality within the Bank, with a particular emphasis at increasing the number of women at Board and Senior Management levels. I am conscious that we still need to do more to promote greater gender equality in the Bank; while it takes time for the changes we have already implemented to deliver the outcomes we are looking for, we also cannot use time as an excuse. We are not where we should be, but I want to assure all of our colleagues who work in Permanent TSB, as well as those who may consider working for us in the future, that we want the Bank to be one where everyone has the same career opportunities regardless of gender.

Board Of Directors

The composition of the Board is reviewed regularly. The Bank is committed to ensuring it has the right balance of Board knowledge, skill, experience and diversity to provide the required oversight of Senior Management. There were a number of changes to the Board in 2020 and I would particularly like to thank our former CEO Jeremy Masding and our Senior Independent Director Julie O'Neill each of whom stepped down from the Board in 2020, for their tireless work and dedication to the Bank during their tenure. I am also delighted to welcome Paul Doddrell to the Board as a Non-Executive Director and member of the Board Audit and Board Risk and Compliance Committee. Paul has extensive management and broad expertise in the area of risk management, auditing and finance and his appointment to the Board will no doubt enhance the effectiveness of Board discussion and decision making.

Management And Staff

2020 saw the appointment of our new Chief Executive, Eamonn Crowley. As I said at the time of his appointment in June, Eamonn had made an enormous contribution to the Bank in his role as Chief Financial Officer and Executive Director over the previous three years and I have no doubt that, given his breadth of experience and his in-depth knowledge of the Bank, he will successfully lead Permanent TSB through the challenges of the pandemic and beyond.

I also extend my thanks to my fellow Board members for their valuable counsel and support throughout the year. I acknowledge the assistance that the Department of Finance and Central Bank of Ireland continued to give the Bank throughout 2020.

Outlook

Despite the challenges we face, the manner in which the people throughout Permanent TSB have faced up to these challenges gives me great confidence about the Bank's prospects.

We continue to maintain our capital levels, reduce costs and enhance our digital offering. We have the resilience, the commitment, the innovation and the ambition to be Ireland's best personal and small business bank, delivering for our shareholders while always focused on our Purpose – of building trust with our customers and the communities which we serve.

Robert Elliott
Chairman

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

2020 was an exceptionally difficult year that created upheaval in our personal and professional lives, our society and our economy. The environment in which the Bank operates changed dramatically – but the Permanent TSB community has responded to these changes in a way that we can all be proud of.

Introduction

For me, nothing has underlined all that is great about Permanent TSB more than the immense commitment to serving our customers and our communities that I have seen displayed by Permanent TSB colleagues in the most challenging of circumstances.

I would like to echo the comments in the Chairman's statement paying tribute to our people; I am very grateful to all colleagues in the Bank for all their efforts. I am particularly grateful when I think of the individual challenges that each of them has faced, which have included the loss of loved ones; worries about vulnerable family members and friends; the difficulties in performing their jobs while coping with increased family responsibilities; and being kept apart from people they want and need to see in person.

I am very proud of how we have come together, stronger than ever, providing support to each other and to our customers through this unprecedented time.

I will address the Bank's 2020 financial performance in more detail but at the outset I would like to talk about the Bank's Purpose.

Shortly after my appointment I set out a new Purpose for the organisation. This is centred on building trust with our customers and connecting with the Bank's community heritage, which has evolved over the past 200 years from our unique roots as a building society and trustee savings banks throughout Ireland.

That tradition of being member-owned or customer-owned is important because it created and reinforced a way of doing things that was particularly customer-centric and customer-focused; it created a Bank that was very tuned into a sense of social purpose and the broader role the Bank played in the community.

This community and customer service ethos is something I want to harness and build on in the months and years ahead because I strongly believe that maximising the return for customers is what leads to maximising the return for shareholders over the long term.

Throughout 2020 we have put that Purpose into action by putting in place a range of supports, including; c.12,000 Mortgage Payment Breaks; temporary overdraft and credit card limit increases; and cashback incentives of more than €1m to our Explore current account customers.

We kept all 76 of our branches open to serve our customers and increased our service footprint by mobilising four new centres in regions across the country.

Despite the upheaval in the market, the Bank has shown great resilience. We continued to compete very strongly, bringing real innovation to the market, introducing great new customer offerings and winning new customers.

"Throughout 2020 we have put that Purpose into action by putting in place a range of supports, including; c.12,000 Mortgage Payment Breaks; temporary overdraft and credit card limit increases; and cashback incentives of more than €1m to our Explore current account customers."

Our new business volumes and our financial performance were undoubtedly impacted by the pandemic, but we saw a strong rebound in activity as the year progressed and entering 2021 we are in an excellent position to support our customers and the wider economy through the post-pandemic recovery phase.

Business Performance Overview

Funding

Current Accounts

Current Account balances were €5.8 billion which is an increase of 24% from 31 December 2019. Current Account balances have been consistently increasing over the last number of years and this trend continued throughout 2020. The growth rate accelerated during the pandemic as customers tended to spend less and save more.

Retail Deposits

Retail Deposit balances increased marginally to €10.5 billion and represent 56% of the Bank's total funding. We continue to manage the cost of funds in line with the low interest rate environment.

Corporate And Institutional Deposits

Corporate and Institutional Deposit balances decreased marginally to €1.7 billion. We will continue to manage these resources carefully in line with the reduction of the Bank's funding requirements and its obligation to add other long term funding sources under the Single Resolution Board's Minimum Requirement for own funds and Eligible Liabilities (MREL).

Lending

Total new lending in 2020 was €1.4 billion, a decrease of 15% versus 2019. Mortgage lending, which represented 90% of total new lending, decreased by 14% compared to 2019. This reduction in overall lending reflects pandemic-related market movements but, Mortgage Applications and Mortgage Approvals both recovered strongly in H2 2020 after a slowdown in H1.

While Mortgage Lending in the market for 2020 was 12% lower year-on-year, with an increase in demand in Applications in the market in Q4. Housing supply, which was already insufficient to meet demand, was curtailed by the restrictions imposed to halt the spread of COVID-19. Estimates before the current crisis for total housing completions in 2020 were between 24,000 to 26,000 units. The Banking and Payments Federation Ireland (BPFI) has estimated that total completions would be lower, ranging from 19,000 to 20,000 units in 2020.

The Bank recorded gross new Term Lending of €97 million in 2020. This is a decrease of 31% compared to 2019. SME Lending in 2020, €48m, was broadly in line with 2019 (€47m), representing a strong performance in the circumstances.

Financial Performance Overview

The Bank recorded a total loss after tax of €162 million, which compares to a profit after tax of €30 million for the same period in 2019.

While impairment provisions are driving the decrease, other factors such as the low interest environment and the effect of lower transactions have impacted underlying income.

Impairment

The total Impairment Charge for the year was €155 million. This compares to a €10m charge for the same period in 2019. The impairment charge for the year reflects the impact of a more negative macroeconomic outlook together with the increased uncertainty for some portfolio sectors impacted by the COVID-19 pandemic.

Operating Income

Overall Net Interest Income has reduced by 4% from the prior period as a result of reduced income from a lower level of non-performing loans (NPLs), due to NPL sales in 2019 and lower treasury income. The bank's NIM has reduced to 1.73%, showing a decrease of 7 basis points from the full year 2019. The lower for longer interest rates environment continues to erode the profitability of the overall financial sector.

Net Fees and Commission income reduced by €9 million from the same period in 2019 due to the reduction in transactions as a result of the COVID-19 pandemic. In November 2020, the Bank launched Apple Pay for both Credit and Debit cards, with approximately 54% of customers who signed up for the service actively using it in its first full month of operation.

Net Other Income has reduced due to lower gains from the sale of properties in possession, resulting in a gain of €6m for the period. The stock of properties in possession has reduced from 406 at the end of December 2019 to 295 properties, of which 59 are sale agreed, at the end of December 2020.

Operating Expenses

We continue to deliver on cost saving initiatives throughout the period with operating expenses excluding exceptional items broadly in line with the prior period. The reduction in our underlying cost base created capacity to invest in the business and enabled a rapid response to the challenges presented by COVID-19.

Exceptional Costs

The total Exceptional Costs for the year are €57m which consist of €26m deleveraging costs and €31m restructuring costs, primarily associated with the Bank's Enterprise Transformation programme.

NPLs

Non-performing loans of €1,128 million increased marginally from 31 December 2019. The NPL ratio increased to 7.6% from 6.4% at 31 December 2019, with the sale of a significant portfolio of buy-to-let performing assets contributing to the increase during the period. The Bank continues to actively manage the NPL portfolio and is still committed to reducing the NPL ratio to mid-single digits in the medium term.

Capital

The Common Equity Tier 1 (CET1) capital ratio was 15.1% and 18.1%, on a Fully Loaded and Transitional basis respectively. This compares to the Bank's reported CET1 ratio of 14.6% and 17.6% at 31 December 2019, on a Fully Loaded and Transitional basis respectively.

Capital ratios increased in the year primarily due to the de-recognition of exposures (Glas II and Glenbeigh II) which more than offset the adverse impact of increased impairment charges.

Chief Executive Review
(continued)

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 COVID-19 crisis to support the sustainable provision of credit to the economy.

A Customer Focused Culture

As I said earlier, the Bank's Purpose is to work hard every day to build trust with customers by building a sustainable organisation that is transparent and fair with customers.

We have matched our words with actions during 2020, examples of this include our Branch colleagues working face to face with customers daily to provide an essential service from all 76 of our branches to people right across the country. We also introduced priority banking hours for vulnerable customers to visit our branches.

2020 also saw us demonstrate our commitment to our customers with significant changes to our mortgage pricing for both new and existing customers. These changes addressed a discrepancy which traditionally existed between our pricing for new and existing mortgage customers and combined enhanced competitiveness with increased fairness. We will continue to evolve our mortgage pricing strategy in this direction as we go forward in line with our ambition to build trust with customers.

We are also supporting valuable societal and citizenship projects, such as our recent partnership with Ó Cualann Affordable Housing, an approved housing body that develops fully integrated, cooperative and affordable schemes in communities across the country. The Bank is providing €350,000 towards this partnership alongside valuable strategic and operational support. We hope our support will accelerate Ó Cualann's development plans, which include plans for more than 1,800 family homes across the country.

I am also delighted to announce that the Bank was awarded the Business Working Responsibly Mark in 2020, a significant achievement which demonstrates the progress we have made on our Responsible and Sustainable business agenda over the last number of years.

Evolving our culture for the better of our customers and communities continues to be a key area of focus. Embedding an open, inclusive, risk aware and growth culture is one of the five strategic priorities for the Bank, as set out in H2 2020.

Permanent TSB is also actively involved in improving culture across the banking industry as a member of the Irish Banking Culture Board (IBCB), which was established in 2018 by the five Irish retail banks alongside other stakeholders, with the aim of rebuilding confidence in the Irish banking sector.

Digital Transformation

The pandemic has accelerated the move towards digital channels for both our customers and our colleagues, evolving the way we work and the way we bank. While personal service will remain at the heart of everything we do, digital will play an ever increasing role in our service offering and our future ways of working, as we adapt to meet changing customer behaviour and address their preferences and their needs.

At the onset of the pandemic, our Technology team reacted quickly to provide significant enhancements for both customers and colleagues, building a COVID-19 hub on our website and enabling over 1,200 of our colleagues to work from home.

We are also making good progress with our multi-year Digital Transformation Programme, with 81% of our Term Loan applications now being completed online. During H1, 2021 we will offer an end to end Current Account - a new, easy digital process that will allow customers to open a Current Account from anywhere.

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

Outlook

Despite the challenges that 2020 brought, I am confident that the Bank is in a strong position to make the most of the opportunities that will arise in the post-pandemic recovery phase.

To take advantage of these opportunities we will focus on our strategic priorities:

- We will continue to increase the trust, advocacy and loyalty of our customers.
- We will continue to enhance our digital capabilities.
- We will further enhance a culture of growth that's both open and inclusive.
- We will keep simplifying our business.
- And, ultimately, we will deliver better and more sustainable profitability.

We will keep an unrelenting focus on making Permanent TSB the best bank it can possibly be, continuing to grow, continuing to support our customers and continuing to find new and better ways to serve them and the communities in which we operate.

We continue to keep operating costs relatively stable in this challenging economic environment and look to further deliver cost savings in the medium term.

Despite the challenging outlook, we maintain capital levels comfortably above the required regulatory and management minima.

And, I can assure you of the commitment that my colleagues and I share, to combining the best of our digital offering with that of our long history of personal service, as we continue to rebuild trust, build a sustainable bank for the future, and fulfil our Ambition of being Ireland's best personal and small business bank.

Eamonn Crowley
Chief Executive

COVID-19

Protecting And Supporting Our Customers, Colleagues And Communities Through COVID–19

Permanent TSB is fully committed to supporting our customers, colleagues and communities through the COVID-19 pandemic. Under our "Protect, Adapt, Renew" approach to planning, proactive measures were undertaken from early February 2020 to protect the health and welfare of our colleagues and customers, including the mobilisation of the Group's Incident Management Team.

These measures included mitigation of key operational risks and risks to our customers, our cybersecurity, third party business partners and mission-critical systems, as well as enhancements in the way we work, in our property arrangements and in our allocation of teams and resources.

Throughout this period of uncertainty, we will continue to work closely with the Government, Regulators and other authorities and play our part in supporting Ireland's recovery.

Scenario Planning

Prior to the onset of the pandemic in Ireland, the Bank undertook a Business Continuity COVID-19 scenario exercise to ensure the Bank was prepared to the greatest extent possible for potential disruption. Comprehensive scenario planning continued as part of the Bank's response, with detailed scenario plans prepared in advance of the Wave 1, Wave 2 and Wave 3 lockdowns. This ensured that the Incident Management Team was ready to respond to the evolving situation. While rigorous scenario planning gives considerable assurance that the Bank is prepared for risks posed by unforeseen developments, the true value of this planning is demonstrated when such developments become reality and the resilience of the Bank's people, systems and processes is tested and proven in a live setting.

Mobilising Our Incident Management Team

From early February, the Incident Management Team were actively monitoring and preparing for the onset of COVID-19. As the situation progressed at a national level, the Bank established a dedicated team to manage the day-to-day running of the response to the pandemic. This incorporated all elements of the Bank's operational response, including: the implementation of new health and safety protocols for customers and colleagues; oversight of the Bank's mission critical processes; managing colleague communications and mobilising remote working.

Throughout the year, the Incident Management Team have remained in situ to ensure adequate oversight of the Bank's response, and to ensure sufficient reporting and escalation of issues to the Executive Committee, Board and external stakeholders.

The Incident Management Team has met weekly since the onset of the pandemic. As the situation escalated throughout various stages of the year, the Incident Management Team has supported a high-frequency information sharing programme among the Board, the senior management team, and key external stakeholders including our regulator, to manage and mitigate specific issues related to the Pandemic on a 24/7 basis. This programme supported the Bank in demonstrating agile, responsive and decisive leadership at all stages as the pandemic evolved and moved through different phases.

In addition, a COVID-19 response resourcing forum was established to optimise colleague resources to ensure continuity of services for our customers. Contingency resource plans were activated at various stages throughout the year.

This forum demonstrated the agility of the Bank and the flexibility of our colleagues by creating highly effective mechanisms to redeploy colleagues from their existing roles to areas of the business that needed temporary additional support.

Protecting And Supporting Our Customers

Our Branches and Customer Contact Centres

Throughout COVID-19, all 76 branches have remained open to support and serve our customers. In addition, we opened four new regional hubs and redeployed over 100 staff to support in answering the increased volume of customer queries coming through our contact centre channels.

We enhanced hygiene measures across all of our facilities and introduced new social distancing practices to keep our customers and colleagues safe. Additionally, Permanent TSB introduced priority in-branch hours to support our elderly and vulnerable customers. We also created a dedicated COVID-19 support page on our permanenttsb.ie website to support customers impacted by the pandemic.

Payment Breaks

Since the onset of the public health restrictions in March 2020 we have provided c.12,000 Payment Breaks to our personal and business customers and circa 90% of these customers have returned to full repayments. We are now working to provide support to those customers that need it most, working with them on a case-by-case basis to put in place a solution that reflects their individual circumstances. As has always been the case, payment breaks will continue to be part of the wide range of solutions offered to customers, as suited to their needs.

Following the blanket payment break approach, which was an appropriate response that reflected the environment in the early months of the pandemic, we believe that a case-by-case approach is in the best interest of our customers, as this allows both the customer and the Bank ensure that the solution in place best suits a customer's individual circumstances. For example, for customers with certainty of future income, we are offering restructure arrangements based on what they can afford and with the intention that they will return to full repayments over an appropriate period of time. For customers who have no certainty of future income at present, we are offering shorter-term alternative arrangements (c. 9 months) to help with their immediate challenge, while working with them to assess their financial circumstances with regular ongoing interactions and individual one-to-one engagements.

Giving Back

To give back to our customers during these unprecedented times, we provided unlimited 10c cashback payments on debit card transactions for Explore Current Account customers for the months of April, May and June 2020. Through our GoRewards programme, we also offered €5 back for customers when they spent €30 in any supermarket during April 2020.

Additionally, we increased the contactless payment limit to €50, reducing the need for physical interaction and helping to keep our customers safe.

Protecting and Supporting Our Colleagues

The Bank placed a high priority on measures that recognised the enormous commitment demonstrated by our colleagues to serving customers face-to-face and through our digital and phone channels throughout what has been a protracted period of uncertainty.

Certainty Of Pay
To support the health and wellbeing of our colleagues, Permanent TSB made a commitment to paying all employees from the onset of the pandemic through to the end of May in the event they were impacted by COVID-19 and unable to work. This certainty of pay for colleagues, which was subsequently extended throughout 2020, provided peace of mind and security for those who were directly impacted by COVID-19.

Remote Working
Over a ten day period throughout March, the Bank enabled remote working for over 1,200 colleagues. Through the following weeks and months, we rolled out new video conferencing technology and provided staff with ample guidance on the use of new remote working technology tools and information security while working from home. All colleagues working from home were also provided with a working from home kit including technology and facilities equipment. Colleagues who were able to work from home continued to do so throughout the remainder of the year.

Health And Wellbeing
Given the nature of this crisis event, we took significant action to ensure the health, safety and wellbeing of our workforce for those working both on and off-site, this included:

- Introducing a COVID-19 support page on our internal intranet, Connect.
- Curating resources, tips and tools with a focus on Health, Safety and Wellbeing through COVID-19.
- Rolling out 'Learning To Adapt To COVID-19' courses on our online learning portal, Compass, including a 'Safety At Home' learning module for colleagues working remotely.
- Putting in place a network of trained COVID-19 Safety Representatives across all sites.
- Increasing frequency of cleaning and sanitation across our branch network and office buildings.
- Upgrading all buildings with queue management systems, social distancing protocols and signage.
- Providing Personal Protective Equipment (PPE) for colleagues in all locations.
- Rolling out 'Working From Home' Kits.
- Introducing a virtual home work station assessment programme.
- Launching a 'Checking In And Staying Connected' survey to understand what additional supports our teams required through this period of uncertainty.
- Setting up a Colleague Assistance COVID-19 Helpline and extended our Employee Assistance Programme to now include our colleagues' immediate families.

Enhancing Our Operational Resilience

Operating Model
In responding to the challenges brought by COVID-19, the Bank implemented changes to its operating model in early 2020, particularly with respect to Ways of Working, so as to protect the wellbeing of our customers and colleagues while maintaining a focus on continued operation of all services. The changes overseen by the Incident Management Team and supported by a team of full-time resources included the enablement of a Work From Home (WFH) solution for over 1,200 colleagues, and the splitting of teams performing business critical activities across multiple sites.

A major focus for us throughout the crisis has been that our critical IT Systems are monitored, protected and proactively managed to ensure that the mission critical processes of the Bank continue to operate without issue. This was a key priority as it goes to the heart of building trust with our customers and key stakeholders at a very sensitive time.

Furthermore, we engaged closely with all suppliers to ensure their ability to continue supporting the Bank and have created groups of contingency resources to support key customer-facing areas in the event of localised issues emerging, such as a site specific outbreak.

The steps taken by the Bank, have endured through the period since implementation and the Bank continues to encourage those colleagues who can work from home, to continue doing so, while those supporting critical services are based across our branch network and key administration buildings. Steps have also been taken to prepare the workplace for the safe return of colleagues to on-site working for when the time and COVID environment allow for this.

Cyber Security
Our Information Technology Security Team constantly monitors cyber security threats, horizon scanning, investing in infrastructure and implementing preventative measures when required. To support our colleagues in navigating the online world in a safe and responsible way, the Bank continues to invest in learning and development programming, with all employees completing a compulsory cyber security learning module in 2020.

The Bank recognised that COVID-19 presented a period of heightened cyber risk and our operational response has been stepped up accordingly. This has included:

- Reviewing and bolstering our remote working platforms from a security, capacity and resilience perspective.
- Enhancing the performance and security of the remote access endpoints to ensure effective security patching and anti-malware management.
- Undertaking phishing simulations and cyber/other activities to evaluate and improve our response to these scenarios.
- Increasing our focus on education and awareness for staff in 'safe and secure' work practices (from home).
- Elevating the levels of monitoring for critical IT systems/services and cyber activity, as reported to the Incident Management Team weekly.
- Ensuring continuity of the Bank's 'Secure and Resilient' investment programme across our core IT infrastructure, including telecommunications, computer environments and storage systems.

Enhanced Oversight And Reporting
It was critical that the Bank had a clear picture of the impact of COVID-19 on the Bank's overall performance. Commencing in March 2020, the Bank increased monitoring and reporting to the Executive Committee (ExCo), Board and stakeholders, to ensure the continued operation of critical services. This included:

- Process Performance
- System Operational Performance
- Resource Availability
- Third Party Reliance and Performance

In addition, the Incident Management Team developed the Incident Impact Dashboard to monitor key metrics across our colleagues (people data), customers (contact centre and complaints data) and resilience (tech performance data).

Market Context

Retail Banking Trends in Ireland

The COVID-19 pandemic is reshaping how people live and work and, accordingly, is having a significant impact on the Irish retail banking industry. This can be evidenced through: changing customer behaviour; challenging economic environment; technological disruption; and, competitive and regulatory pressures.

Prior to 2020, 'lower for longer interest rates' had been putting pressure on the interest income of banks. This has been compounded by the pandemic impacting the incomes of many customers and decreasing the overall demand for retail lending in the market. Banks have supported thousands of customers though offering payment breaks. At the same time, many other customers have not experienced an impact on their income and have, in fact, grown their savings through 2020. This has resulted in banks having excess deposits, lower than predicted lending, reduced profitability and higher credit loss provisions. In this context, banks are shifting their focus towards reducing costs, optimising retail deposits and growing non-interest income.

The pandemic has accelerated the ongoing customer shift towards digital channels and contactless payments over six months that may otherwise have taken several years. This can be evidenced from PTSB customers' channel usage which shows 60% reduction in cash transactions, 92% customers using Contactless payments, c.50k new Apple Pay users in a week since its launch, etc. National lockdowns and risk aversion to social contact has encouraged many more customers to use digital channels, despite their previous hesitancy in using this medium. Use of digital channels has increased amongst both younger and older customers. It is unclear whether these behaviours are permanent shifts.

It is expected that Fintechs, tech giants and players from other industries will continue to enter the financial services market and challenge the loyalty of banking customers by offering more customer centric products and better customer experience. The pandemic has enabled banks to demonstrate their existing digital capabilities to their customers, while also providing an opportunity to close the digital capability gap with Fintechs through accelerating digital transformation programmes. Broadly speaking, the near-term objectives of established banks are different and complementary to the objectives of new digital entrants. Banks are seeking to improve their ability to innovate in order to attract and retain customers; while new digital entrants are seeking to acquire a customer base and develop a distribution model through which to serve. This increases the possibility of both increased competition and collaboration in the future.

Regulatory focus, globally and in Europe, is increasing in areas including: consumer data protection; cyber security; facial recognition; artificial intelligence; and cryptocurrencies. Regulations like Open Banking, which open up access to customers' banking data to third parties, are likely to lead to more partnership opportunities for incumbent banks with Fintechs and may result in the creation of an improved API based ecosystem. Regulators will continue to monitor banks' handling of borrowers in financial distress while ensuring the resilience of the financial systems is maintained.

To conclude, while headwinds will continue to exist in the banking industry for the foreseeable future, the present moment offers an opportunity for Irish Banks to transform their business models in order to deliver on customer needs by meeting their expectations in a profitable manner.

SME Banking Trends In Ireland

The last year has been challenging for small business owners, with many requiring temporary support during the COVID-19 pandemic and others busy preparing for the post-BREXIT environment. The recent rise in unemployment and fall in domestic demand has undermined confidence and reduced borrowing demand, while the long-term economic outlook remains uncertain. Excluding financial intermediation and property-related sectors, the Central Bank reported a 10% reduction in new SME lending to €3.2bn for the year to June 2020 and a 10% reduction in total outstanding amounts to €13.1bn. While total outstanding amounts had been declining, the new lending trends had been positive before the pandemic. Despite this contraction in the market, 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 both its new SME lending and total outstanding amounts by 14% during the year and the business lending portfolio is well spread across industry sectors. We continue to invest in our capabilities. During 2020 we increased the number of business lending specialists and enhanced our digital channels, including the November launch of online applications for Future Growth Loans provided in partnership with the Strategic Banking Corporation of Ireland. Additional new products are planned for 2021 to further satisfy the banking needs of SMEs across Ireland. We are confident that the strength of our proposition and the additional investment we have made in our capabilities will generate continued growth in business lending during 2021.

Our Strategy, Business Model and Culture

Our Strategy

Introduction

Under the leadership of our new CEO, the Bank's Strategy was reviewed and rearticulated in 2020. The Strategy that has been developed builds on the strong foundations that have been laid in recent years, while providing a new level of focus and direction in key strategic areas. The Bank's Strategy, when executed in full, will support delivery of the Bank's revised Purpose and Ambition:

Our Purpose

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

Our Ambition

To be Ireland's Best Personal and Small Business Bank

Developing The Bank's Strategy

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

By undertaking this process on an annual basis, the Bank is in a position to review and flex its priorities on the basis of changes in the external market or internal environment. Most notably in 2020, this has included the global impact of COVID-19 and its impact at a local level on PTSB's existing and potential customers.

Input during the Strategic Planning Process is invited from subject matter experts from all areas of the business. The Process only commences following the approval of the Bank's RAS, facilitating a clear, risk aware culture during strategy development, and ensuring that the Bank's Strategy Development Tracking & Insights Team and all Business Unit level strategies are developed within the strict boundaries set out in the RAS. In addition, the Medium Term Plan ('MTP' – the financial articulation of our strategy) is tested against the RAS, to identify potential or likely breaches, with the outputs of this being shared with Senior Management and the Board.

Our Strategic Vision For 2023

Permanent TSB's Strategic Vision for 2023 has been developed with our customers at its heart, and in consideration of all other stakeholders (i.e. our Colleagues, Shareholders, Investors, Regulators and the broader Irish community). It can be articulated through: 1. Our Business Model, i.e. 'what' the organisation will look like in 2023; and, 2. Our Strategy, i.e. 'how' we'll get there.

i. Our 2023 Business Model – The 'What'

Digitally-Led

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

Routine Services on Digital Channels

Everyday, routine transactions will transition to digital channels and be available at a time that is convenient for our customers.

Nation-wide Physical Footprint

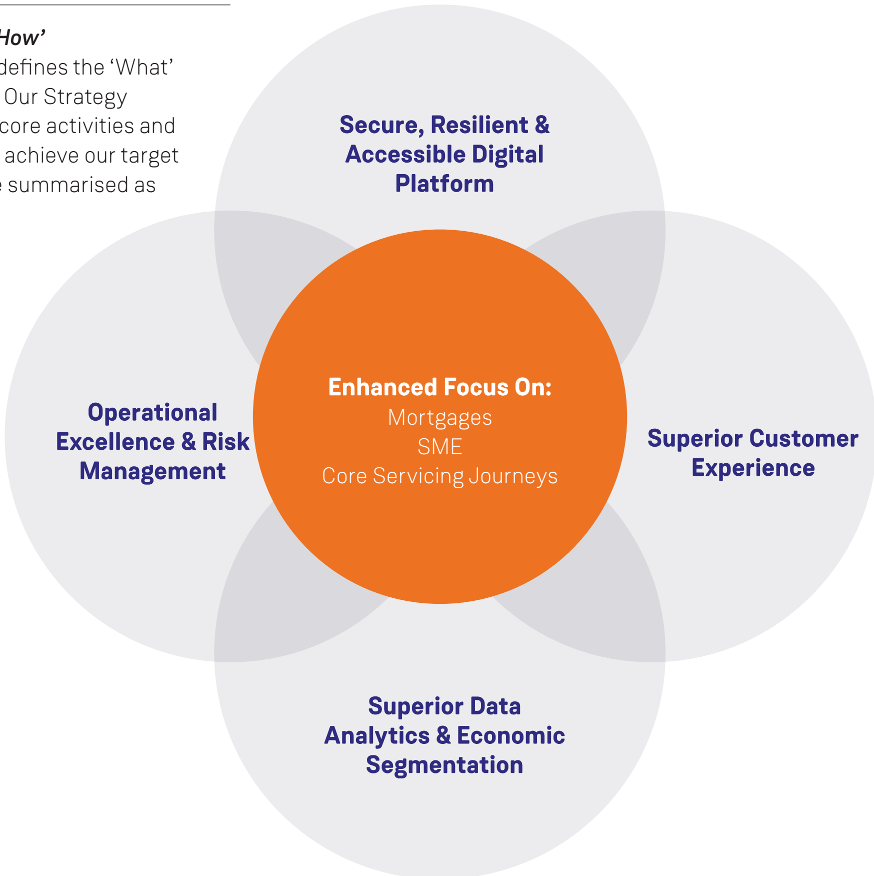
A continued physical presence in our communities in Ireland, helping our customers in person when they need our sales support.

Right Products, Right Price

The right products, at the right price, with strong market shares in our target segments.

ii. Our Strategy – The 'How'

If Our Business Model defines the 'What' of our Strategic Vision, Our Strategy defines the 'How'. The core activities and capabilities required to achieve our target Business Model can be summarised as follows:



Strategic Pillars For 2021-2023

To ensure that the Bank's Strategy is focused, ambitious, and easily communicable to all stakeholders, a set of Strategic Pillars is developed by Senior Management. These Pillars represent the key themes in the Bank's overarching Strategic Vision for 2023. Underpinning all of our Strategic Pillars is a commitment to strengthening our Information Security and Operational Risk capabilities, ensuring the ongoing protection of our Customer and Colleagues' data, and maintaining robust systems and processes.

The Strategic Pillars for 2021-23 are:

Our Strategy, Business Model and Culture
(continued)

Our Strategy Brought To Life

Over the coming years, our Strategy will be executed through a series of high priority Strategic Programmes, aligned to our Strategic Pillars.

Strategic Pillars	Our Strategic Ambition Per Pillar	2020 Achievements
Customer Increase Trust, Advocacy and Loyalty Amongst 'Customers'	**Superior Customer Experience** · Deep understanding of our customer base, with defined strategies for key segments · Propositions which meet our customers' needs, supported by fair and transparent pricing · A recognised and trustworthy brand in the market · Optimised mix of sales and service channels · Efficient and effective customer communications	**2020 Achievements:** · €1.28bn in new Mortgage lending in 2020 · €48m in new SME lending in 2020
	Payments & Lifestyle Banking · Giving our customers control over their lifestyle and banking needs · Align benefit received by customers for services offered to the fees and charges associated with those services · Support the implementation of the Bank's Payment Strategy and identify additional opportunities to provide an enhanced payments service to our customers in a manner that generates value for the Bank	**2020 Achievements:** · Launch of Apple Pay in November 2020 · Commencement of Google Pay and P2P Pegasus commitments · S149 prepared and approved for personal and business accounts
Digital Enhance Digital Capabilities	**Digital Banking** · Market leading digital propositions for Mortgage and SME Banking customers · Digitisation of selected front and back-end customer journeys, for benefit of both customers and colleagues · Enhanced analytical capabilities to support improved customer engagement and generate customer-focused insights	**2020 Achievements:** · New digital journey for Business Banking customers, supporting new partnership with SBCI Future Growth Loan Scheme · End-to-end Overdraft application process in App
Cultural Embed an Open and Inclusive Growth Culture	**Culture** · All colleagues are empowered to develop as leaders · A mind-set of accountability and risk awareness is fostered in all teams, and at an individual level; senior leaders recognise significance of own accountabilities · Diversity is celebrated and encouraged; a culture of openness is embedded throughout the Bank	**2020 Achievements:** · Rollout of LIFT Ireland 'Living As Leaders' programme to c.600 Colleagues · Obtained the 'Business Working Responsibly Mark', awarded by Business In The Community Ireland

Strategic Pillars	Our Strategic Ambition Per Pillar	2020 Achievements
Simplification Simplify Our Business	**Enterprise Transformation** · Sustainable future-fit digitally connected, customer centric organisation · Colleague's skills and capabilities are aligned to the right future-fit organisational, digital and property structure for PTSB to deliver on Our Purpose and Ambition	**2020 Achievements:** · Formal launch of Enterprise Transformation Programme Bank-wide in November including: · Launch of Voluntary Severance Scheme with Enhanced Terms · Launch of Smarter Working Options to support future Ways of Working
	Operational Excellence · Automated processes and sub-processes will reduce manual risk and provide efficiencies	**2020 Achievements:** · Greater automation and new capabilities to streamline processes and reduce customer call times · Introduction of Online SFS, accompanied by enhanced SFS by phone options · Launched new Customer Correspondence Management tool, which will be a key enabler for migration to digital correspondence
Profitability Grow Sustainable Profits	**Asset Management** · Assets managed in a way which protects and generate value for the Bank · Sustainable capital maintained on an ongoing basis	**2020 Achievements:** · Agreed sale of €1.2bn Buy-To-Let (BTL) Portfolio in October · €125m raised through issuance of AT1 bonds in November
	Cost Transformation · Cost-aware culture embedded at all levels of the organisation, with real savings realised	**2020 Achievements:** · Launch of 'Project Titan', large-scale non-payroll cost transformation programme
Information Security & Operational Resilience	**Information Security & Operational Resilience** · Modern and enduring information and technology systems and processes embedded across the Bank · Long-term security of all customer and internal data as a primary focus for the organisation	**2020 Achievements:** · Enhanced cyber security testing campaigns run and completed in H2 · Establishment of Cloud Centre of Excellence

Managing Risk Through Our Strategy

Business Model

Description	Mitigation Through Our Strategy
Economic activity nationally and globally will continue to be adversely impacted by COVID-19 and Brexit throughout 2021, with the macro-economic environment outlook remaining uncertain. From a financial perspective, the Bank will continue to see and be required to respond appropriately to significant cost and capital challenges.	2020 has proved to be exceptionally challenging, with COVID-19 impacting on the Bank's ability to generate organic capital as a result of restricted new lending. Through its revised Strategy, the Bank is focused on ensuring its Business Model is fit for the future and sustainable. An enhanced presence in the SME sector provides diversification in what has previously been a heavily mortgage focused Bank. The Titan and Enterprise Transformation Programme will ensure that costs are reduced in a manageable way, while maintaining a strong physical presence in the Irish market, and retaining top talent in the organisation. A strong commitment to our customers, as evidenced through the Superior Customer Experience programme, will ensure that we both attract new customers to the Bank, as well as enhancing existing customer relationships, with defined segmental strategies and customer focused propositions.

People and Culture

Description	Mitigation Through Our Strategy
The success of an organisational strategy and the delivery of fair and transparent outcomes for all customers is predicated on having a strong organisational culture. An ineffective organisational culture can result in poor outcomes for customers, unethical behaviours and increased attrition, all of which contribute to negative reputational impacts and excess costs (e.g. legal fees, regulatory breaches, increased recruitment etc.)	PTSB has invested heavily from a cost, time and resource perspective to ensure a diverse, inclusive and risk aware culture is embedded and maintained throughout the organisation. 'Culture' is one of the Strategic Pillars for the organisation, ensuring it will be a key focus for Senior Management and all Colleagues. The Bank's People Strategy is focused on to: Ways Of Working; Organisational Design; and Leadership Behaviours. Employee Engagement and Experience is tracked through regular staff surveys and feedback, and in 2021, industry benchmarks will be used to assess PTSB's relative performance in the market. In addition, a significant programme of activity has been stood up in preparation for the Senior Executive Accountability Regime (SEAR), with further detail on requirements expected to follow in 2021.

Regulatory Compliance

Description	Mitigation Through Our Strategy
Ever increasing regulatory expectations throughout the financial services sector continue to challenge Permanent TSB's ability to ensure full compliance, while delivering on its strategic ambitions. COVID-19 has increased the obligations in this space, for example through the implementation of Payment Breaks during 2020. Failure in this space would be of significant consequence to PTSB, from a financial and overall viability perspective.	PTSB has made a firm commitment in its strategy to continue to comply with all regulatory requirements. There is a renewed focus on identifying requirements in a timely manner, through an upstream reporting process. In addition, a 'Regulatory & Mandatory Programme' has been established under which all key Regulatory and Compliance related programmes of activity can be executed, tracked and reported on in a similar manner to the Strategic Programmes set out previously. In 2020, the Bank has taken strides to open pro-active, on-going communication channels with the Central Bank.

Cyber Security

Description	Mitigation Through Our Strategy
Cyber fraudsters continue to pose a threat to all sectors, not least Banking and Financial Services. COVID-19 has provided further opportunities for committing cyber fraud. In addition, a move towards Cloud based capabilities presents new and unknown challenges for Banks. Failures in cyber-security could impact both the Bank and its customers, financially and, perhaps most consequentially, from a reputation and trust perspective.	Establishment of a Strategic Programme on 'Information Security and Operational Resilience' will provide an increased focus on the threat of cyber security, and other Technology related risks. A specific 'Cyber Security Strategy Roadmap' will be executed within this Programme, which includes: a Vulnerability Management Improvement Programme; Information Security Awareness communications; and, ongoing investment into developing a secure and resilient banking environment.

Changing Customer Behaviours

Description	Mitigation Through Our Strategy
Based on their experiences in other sectors, and the emergence and increasing prevalence of Fintechs, customers' expectations and behaviours are changing in relation to their banking experience. Increased digitisation and the option of banking at the most convenient time for the customer will soon be seen as minimum requirements for banks. If customers' changing behaviours are not addressed, we could expect to see increased customer attrition, and difficulty in attracting new customers.	The 'Customer' and 'Digital' Strategic Pillars, underpinned by our Superior Customer Experience and Direct and Digital Banking Programmes are heavily focused on meeting the changing names of our customers, in a sustainable and profitable way. Significant progress has been made to date and continues to be made on offering enhanced, digital customer journeys for both sales and service activities. In addition, as we move forward, new customer propositions will be developed with customers' needs at the forefront of decision making. The 2023 ambition of an 'opti-channel' experience will allow our customers to bank in a way that is most appropriate for them.

Increased Competition

Description	Mitigation Through Our Strategy
Developments in the Fintech space and Payment Services Directive 2 (PSD2) regulation have lowered barriers to entry into the financial services market, leading to increased competition for new business, and challenging our ability to retain existing customers.	Each element of our strategy will enhance PTSB's ability to respond to the ever increasing competition in the Irish financial services sector. Our strategy builds on the areas where we feel we have an existing competitive advantage: our 200 year heritage in Ireland; our smaller scale and local presence, which enables us to develop deeper, personal relationships with our customers; and, our support for customers in their home buying journey. Where appropriate to do so, we'll seek to work with Fintechs to enhance existing and future capabilities, rather than viewing them explicitly as our competitors. In addition, our relentless focus on being a safe, secure and resilient organisation from an IT and Data perspective will provide comfort to our customers that new competitors may be unable to provide.

Our Culture – Bringing the Lived Experience to Life

Our Purpose and Values

2020 marked the beginning of a new chapter of leadership for Permanent TSB, in our over 200 year history, with the launch of a new Purpose for the Bank as set out by our CEO, Eamonn Crowley. Continuing the cultural evolution, which has been underway since 2015, this new Purpose reflects our origins which are rooted in the building society and Trustee Savings Banks movements of long ago, and are firmly anchored within our communities and the customers that we serve every day.

Our Purpose:

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

A great culture starts with a Purpose; one that is sourced from values, orients our decision making and is expressed in our actions and products. Our Values are at the core of our culture. While a Purpose sets out a clear reason for being, our Values offer a set of guidelines on the behaviours and mind-sets needed to achieve that Purpose and Ambition. To bring the Purpose and Ambition to life, a series of virtual face-to-face events were held by the CEO with every business unit and function across the Bank, to share our new direction and focus, and to ensure that every colleague understands our culture, the 'PTSB Way', and the importance of building trust with our customers.

Although there are many definitions of organisational culture it is, in essence, the collection of values, expectations and practices, supported by strategy and structure that guide and inform the actions of all team members. Culture epitomises the characteristics that make an organisation what it is, as a dynamic, colleague-powered concept. We have long since recognised the importance and influence of a great culture in driving improved performance, and it has been a key area of focus for the Bank over the last number of years. At Permanent TSB, our goal for cultural transformation was, and is, not for 180° change but 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.

Our Ambition: To becomes Ireland's best personal and small business bank.

In tandem with the re-purposing of the Bank, our ambition was also re-orientated to reflect our aspiration to best serve our personal and small business customers to further build trust. We have a long history of supporting customers and communities, and our new Purpose and Ambition builds upon this legacy. We are an inclusive and adaptive organisation which personifies our Values of Customer Focus, Courageous, United, Open and Straightforward that underpin the delivery of our Purpose and Ambition. We live our Purpose and Ambition by our Values and Behaviours each and every day:

Our Values	Lived Every Day Through Our Behaviours
Customer Focus	Customer Care and Compassion Always
Courageous	Courageous, Every Day
United	United, One team, One PTSB
Open	Open, Every Voice Matters
Straightforward	Straightforward, Keep it Simple

Embedding our Purpose, Ambition and Values in the way we do things will be the key to our success. Our new Purpose is resonating with our colleagues across the Bank, and we are continuing to make progress in evolving our culture as evident from the increase in both our colleague engagement scores and business performance. A further indication of our progress and level of colleague engagement are the annual colleague-voted recognition awards, the Values in Practice Awards (VIPs). Now in their fourth year, the VIPs received 938 nominations in 2020, almost doubling the nominations received in 2019.

Culture Evolution in 2020

Since 2015 and the approval in principle of the Bank's Restructuring Plan, evolving the culture of Permanent TSB has been a core area of focus. Following a number of separate culture based initiatives in the intervening period, Permanent TSB set-up a universal Organisation Culture Programme in 2018, with the objective of bringing the Bank's culture to life across the organisation. With representation from all areas of the Bank, a comprehensive programme of 65 actions was developed and implemented, delivering significant cultural progress and culminating in the closure of the Behaviour and Culture Audit and Diversity and Inclusion Assessment Risk Mediation Plan by the Central Bank of Ireland in December 2019. In 2020 our focus shifted to adopting and embedding our cultural improvements achieved under the programme back into the business via our culture strategy of Leading at Every Level.

In continuing our cultural journey, we identified the opportunity to create a strong emotional connection to our Purpose, through our Values and Behaviours, by harnessing the inherent personal leadership traits of all colleagues, which resonates at every level of the organisation. Through our Leading at Every Level Programme our cultural evolution is being delivered through three cultural pillars; Living as Leaders, Promoting the Customer, and Quality Communications. In considering our Risk Appetite in 2020 we re-designed our approach to culture measurement, evolving from our Culture Scorecard to a dynamic culture diagnostic to support transparent tracking, measurement and reporting of Engagement, Culture and electronic Net Promoter Scores (eNPS) on a sustained basis.

Living As Leaders - One Conversation at a Time

Our Purpose is to work hard every day to build trust with our customers, to ensure that we live up to our promise of being a community that serves the community. At Permanent TSB we believe that our Purpose and Values are meaningless if we are not living them authentically in our behaviours and actions every day; both at an individual level and collectively as an organisation. The consistent actions and behaviours of everyone every day is essential to create a better future for colleagues, customers and communities.

In our goal to create better leaders we have partnered with LIFT Ireland (Leading Ireland's Future Together) to launch our 'Living As Leaders' programme, which aims to promote and encourage the right behaviours across all levels within the Bank 'One Conversation at a Time'. LIFT Ireland (www.liftireland.ie) 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. Every colleague across the organisation will have the opportunity to participate in this Leadership Programme, the first of three voluntary waves of Leadership Roundtables commenced in October 2020, involving over 100 Permanent TSB hosts and over 600 colleagues.

In continuing to listen to the voices and ideas of our colleagues, a new People Experience Council was established with representation from right across the organisation, with a mandate and suite of accountabilities aligned to the Executive Committee to drive cultural initiatives functionally.

Speak Freely

As an organisation, we seek to have 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 our Purpose. During 2020 our goal has been to ensure that our Speak Freely Procedure, which was relaunched in July 2019, is fully embedded across the Bank at all levels, ensuring our colleagues feel psychologically safe and empowered to use their voice. Our Speak Freely Procedure, protects colleagues who wish to raise a concern, or to make a protected disclosure, relating to an actual or potential wrongdoing in the workplace. Speak Freely focuses on encouraging colleagues to raise a concern via a number of different channels, and ensures that they can do so without any fear of retribution or penalisation.

As part of our embedding plan in 2020 we took a number of actions, to educate, track and highlight examples of Speaking Up in the workplace, including:

CULTURE
SPEAK FREELY
Change behaviour. Start the conversation.

I want to support the Bank in creating an environment of trust and mutual respect, where colleagues know it is safe to raise any concerns, and trust that those concerns will be investigated and dealt with efficiently and effectively – A Bank Where Everyone Can Speak Freely.

My pledge of support will mean that:

- I will take responsibility for my own behaviour, language and actions; treating others the way I want to be treated.
- I will speak out about things that just don't feel quite right, including processes, behaviours, 'banter' and actions.
- I will treat all colleagues with dignity, respect and compassion; valuing and respecting all differences.
- I will listen to a colleague if they have a Speak Freely concern and help them to raise it through the appropriate channel.
- In doing so, I will speak up to a Manager or a Speak Freely Champion (or other Speak Freely Channels as appropriate) if I see/ hear inappropriate behaviour, actions or processes that negatively impact the customer.

I will make a difference. I will be part of changing the Bank for the good of all. I will play my part to change behaviour and to start the conversation.

NAME: ______________________

SIGNED: ______________________

permanent tsb

- Training all People Managers and Speak Freely Champions on Speak Freely and Protected Disclosure procedures
- Completion of Code of Ethics Training by all colleagues which included further awareness and a focus on Speak Freely
- Shared regular monitoring and reporting on Speak Freely concerns to the Board
- Sharing of Speak Freely Management Information with colleagues and the launch of a bank-wide Speak Freely survey and focus groups
- Supporting the one year anniversary of Speak Freely, a spotlight series aimed to promote Speak Freely and educate colleagues on the simplicity of raising a concern was launched

To encourage the mind-set shift from colleague awareness to action and personal accountability, the Speak Freely Pledge was launched across the Bank. Endorsed by the Board, the ExCo and the Senior Leadership team, the Speak Freely Pledge invites colleagues to be part of creating an environment of trust and mutual respect, and provides colleagues with a way in which they can show support for Speak Freely.

Living Our Culture Through COVID-19

Permanent TSB has always taken pride in how it has supported colleagues, customers and communities. However, it is in times of crisis, that you see the true character of an organisation. Throughout the pandemic, we have supported, and continue to support our customers, our colleagues and the communities which we serve, listening to their concerns and showing understanding and compassion for their circumstances. During this crisis, we have heard many wonderful stories of colleagues going above and beyond to support customers and each other, providing the best examples of us living our culture. By working together we provided a vital service for our customers and the wider community, underpinned by our commitment to look after both the welfare of our colleagues and to support our customers in a fair, humane and reasonable manner. This year has presented challenges like no other, however throughout the year the Permanent TSB Community has come together stronger than ever to deliver for our customers and our communities.

Whilst work was in process to develop new Ways of Working and our Smart Working Framework, COVID-19 expedited its delivery for our colleagues, with in excess of 47% of colleagues moving to working from home during the pandemic. Our new Ways of Working were mobilised across the organisation integrating People, Process, Property and Technology to enable Smart working, with extensive engagement with all colleagues through two Sentiment Survey's (April and August 2020), Senior Leadership Team Sentiment Calls and Working from Home / On Site Survey's to support the sustainability of Permanent TSB through COVID-19 and beyond. The Sentiment Surveys included statements relating to Culture, Leadership and Compliance and Standards which have remained high, and stable compared with the April survey, demonstrating a consistent and positive view from responding colleagues in terms of how, as an organisation, we have adjusted, and supported our colleagues, customers and communities.

Re-building Trust in the Banking Industry

In 2020, as one of the five member banks, Permanent TSB continued it's active contribution to and support of the Irish Banking Culture Board (IBCB) and its programme of work, to help re-build trust in the banking sector through demonstrating a change in behaviour and overall culture. The strategy of the IBCB is based on positively changing culture in the industry, with a focus on customers, colleagues and society. The Bank has supported colleague participation in IBCB workshops and has adopted the DECiDE (Ethical Decision Making) framework, as part of our Code of Ethics. Set up in 2018, the IBCB is an independent industry initiative, established and funded by the five retail banks in Ireland, with the aim of rebuilding trust in the sector through demonstrating a change in behaviour and overall culture.

Our Culture Ambition 2021

In supporting the delivery of our Purpose and our Ambition our Culture Ambition 2021 is to grow a Diverse and Inclusive, Risk Aware, Growth Culture. Our key activities to continue our culture evolution will include:

- Living As Leaders: Continuing the roll-out of our Living As Leaders Programme, embedding our new Culture, Values and Leadership Behaviours, one conversation at a time in partnership with LIFT Ireland.
- Customer Focus - Building trust-based relationships with customers with due care and consideration always.
- Speak Freely - Creating psychological safety by promoting early awareness, action and personal accountability supported by regular reporting.
- Diverse & Inclusive – Fostering an environment and culture where colleagues can be themselves and which values every voice and view as we seek to move further along the Diversity and Inclusion maturity curve from 'awareness' to 'integration over the life of the strategy.
- Risk Awareness – Continuing our Risk Aware focus with colleagues providing them with the right supports and tools integrating risk awareness into all aspects of our behaviour.
- Wellbeing – Developing a resilient and productive workforce, where colleagues are supported to bring their best selves to work.
- Strong Stakeholder Engagement – Continuing proactive engagement with all our stakeholders to align our colleagues, customers and communities.
- Culture Measurement – Leveraging our culture diagnostic to deliver actionable insights to support the delivery of our Purpose and Ambition.

Our new Purpose centers on building trust with our customers and connecting with our 200 year community heritage, as we continue to rebuild trust and make a difference in our customer's lives. As we look towards 2021, and our culture journey, we are committed to delivering the right strategy, the right talent, the right structure and the right culture to best serve our customers - we are a community serving the community.

Gender Gap

In Ireland, the government plans to introduce legislation for mandatory gender pay gap reporting for business. This will obligate businesses to publish statutory calculations each year showing the extent of the pay gap between what women earn as a group and what men earn as a group.

At Permanent TSB, we are committed to creating a diverse and inclusive, risk aware, growth culture. 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. Evidence shows us that diversity can lead to improved outcomes in terms of governance, decision-making, and productivity. Permanent TSB is voluntarily publishing our gender pay gap of 14.9%, which has improved by 0.5% since 2019. The nationally reported gender pay gap is 14.4% in Ireland. While it compares favourably to the reported mean pay gap of 31.9% in the financial and insurance sector in the United Kingdom in 2019, we acknowledge we have more to do. Permanent TSB is committed to taking action and we have put in place an action plan which focusses on four key pillars of activity:

Leadership Development
Focused Inclusive Leadership Development Initiatives to ensure we have a gender balanced and inclusive mix of talent, attending leadership development programmes to support their career development.

Smart Working Practices
Promote and role model New Ways of Working, such as reduced hours, home working, compressed hours, to enhance flexibility and work life balance, aimed at attracting and retaining diverse talent across Permanent TSB.

HR Policy enhancements
Set ambitious Diversity and Inclusion targets for all aspects of People Practices across the organisation to drive better balance leading to a more inclusive work environment.

Promoting our Employee Resource Group – Better Balance Network.

Better Balance Network to set up a Female Leadership Network Bank-wide as one of a suite of initiatives, supported by members of our ExCo, our Senior Leadership Team and allies at all levels across Permanent TSB who advocate for the benefits of inclusion.

At an organisational level, Permanent TSB is promoting Diversity and Inclusion through our partnership with Work Equal and pledging our commitment to the Women in Finance Charter, Better Balance for Business and continued support of the 30% Club and Ernst & Young's (EY) Triple Female Fast Forward Mentoring programme.

We are making a visible commitment to the advancement of women in leadership in order to achieve a greater gender balanced and inclusive working environment.

We remain confident that all colleagues are paid equally for doing equivalent roles across Permanent TSB and that equal pay is not a contributing factor to our gender pay gap.

We know from our analysis that our pay gap is largely driven by the fact that there are more men in senior roles within the business, and this is an area of focus for Permanent TSB. 37% of senior leadership roles are held by women and we are committed to achieve greater gender balance and inclusivity through our HR practices.

Improving the gender balance across Permanent TSB is a priority and something to which our Board is committed. We are making progress. Improving our gender balance will take time and require sustained focus over the long term. Our plan for 2021 is to further progress on our committed plan of action, with specific focus on improving the representation of females at the Executive and Senior Leadership levels across Permanent TSB.

* Data used for this analysis as at 31 October 2020 including employees only

Responsible And Sustainable Business

People have always been at the heart of our business. Permanent TSB has a long history of supporting our customers and communities and we are committed to building upon this legacy.

Through our commitment to Responsible and Sustainable Business we are focused on delivering on our purpose of working hard every day to build trust with our customers and playing an active role in communities across Ireland'.

Eamonn Crowley,
Chief Executive Officer

Highlights

Permanent TSB is proud to have had a positive and meaningful impact on local communities in 2020

COVID-19

Supporting our customers, colleagues and communities through COVID-19

c.€700,000

in financial contributions to Irish community organisations in 2020

Ó Cualann

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

5

new Community Fund Partners

The Mark

Achievement of the Business Working Responsibly Mark from Business in the Community Ireland

10%

reduction in carbon emission intensity in 2020 (55% reduction since 2009)

Responsible And Sustainable Business

Permanent TSB has a long banking history in Irish communities, with roots that stretch back over 200 years to the building society and Trustee Savings Bank movements. Throughout this time, our focus has been on delivering exceptional customer service and connecting with our local communities.

Our experiences over two centuries shape our culture and influence how we do things today and we are committed to continuing this long tradition through our Responsible and Sustainable Business Strategy. This Strategy is built around four pillars – Customers, Colleagues, Community and Environment – for which the following overarching objectives have been set:

- Delivering personal customer experiences and fair outcomes that set us apart.
- Making Permanent TSB a great place to work for our colleagues by creating a diverse, inclusive and supportive working environment, where our people feel engaged and valued, and are given the tools they require to be the very best they can be.
- Having a positive and meaningful impact on the communities in which we live and work.
- Minimising the impact of our business on the natural environment by reducing our environmental footprint.

As we move into the next phase of our journey, 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.

Sustainability

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

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

Following the EY assessment, the Bank mobilised a Sustainability Committee with representation from Senior Leaders from every area of our business. The Sustainability Committee operates as a sub-committee of the Executive Committee and reports progress into the Nominations, Culture and Ethics Board Committee at regular intervals throughout the year.

Led by the Board, the Sustainability Committee has commenced work on turning the findings of the EY Report into an action plan for the organisation. This work will continue through 2021.

You can read more about our commitment to climate change and supporting the transition to a low carbon economy on page 38.

The 'Business Working Responsibly' Mark

Following a comprehensive programme of work, in 2020 the Bank was honoured to receive the 'Business Working Responsibly Mark' (The Mark) from Business in the Community Ireland (BITCI).

The Mark is an external accreditation recognising best in class Responsible Business Programmes in Ireland and as such, the Bank now joins a prestigious group of only 40 other companies who have achieved this accolade.

As part of this accreditation, our CEO, Eamonn Crowley will sit alongside the CEOs of other member companies as part of the Leaders Group on Sustainability – a collaborative group who work with key stakeholders to drive Environmental, Social and Governance (ESG) change across the country.

We will continue to work alongside BITCI to develop our Responsible and Sustainable Business Programme in the years that lie ahead.

Materiality

Permanent TSB takes a number of factors into consideration when assessing materiality and, thereby, where to prioritise resources for its Responsible and Sustainable Business activity. These include, but are not limited to; our business model and strategy, principal risks, sectorial issues, public policy and regulation, and the impact of our activities on wider society.

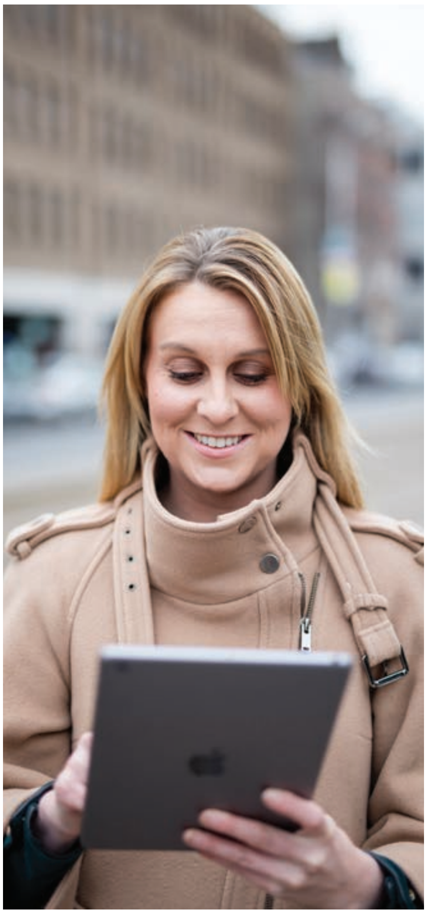
In 2021, we will engage with stakeholders to complete a comprehensive materiality assessment of our Responsible and Sustainable Business Programme.

This assessment will offer insights on the relative importance of specific Environmental, Social and Governance (ESG) issues and will assist us as we build out our Sustainability Strategy.

The following is a summary of progress made under each of the four pillars of the Bank's Responsible and Sustainable Business Programme in 2020.

Customers

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



Highlights

€30 million

committed to branch refurbishments in our Retail Network, introducing the latest technology and enhancing our customer service offering

c.€100 million

invested in digital transformation, allowing us to better serve our customers through a channel of their choosing

c.100 million

logins on our digital channels in 2020

c.€48 million

in SME lending, including a new partnership with the SBCI providing €50 million in funding to Irish SMEs

7,000

financial reviews completed last year, supporting customers in taking control of their financial future

+8 Relationship Net Promoter Score*

A customer brand tracking survey carried out in December 2020 indicated a Relationship Net Promoter Score* (RNPS) of +8, up four points on last year and placing Permanent TSB in second position among the retail banks in Ireland.

**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*

Supporting Customers Through COVID-19

COVID-19 has affected all of us – our families, our business, our communities, and ultimately, the way we do business.

Permanent TSB is fully committed to supporting our customers, colleagues and communities through these unprecedented times. In early 2020, proactive measures were undertaken to protect the health and welfare of customers and communities, with all 76 of our branches remaining open to continue providing a critical service.

The Bank will continue to work closely with the Government, Regulators and other authorities and play our part in supporting Ireland's recovery.

For more on our COVID-19 response for customers, please visit page 9.

Rewarding Our Customers Through COVID-19

The onset of COVID-19 was a national emergency and the Bank recognised an opportunity to encourage our customers to pay using their card as a safer payment option, and go contactless where possible, to help slow the spread of the virus. Because our Explore Current Account is built around the concept of rewarding customers, it gives us great flexibility to do just that – reward our customers when they need it most.

With that in mind, in March 2020 the Bank announced a new rewards incentive linked to our Explore Current Account. As part of the initiative, all Explore customers received payments of 10 cent for every purchase they made using the card (including contactless) during the months of April and May.

To support our response further, customers signed up to the GoRewards programme linked to all of our Current Accounts received €5 cash back when they completed a grocery shop to a value of €30 or more at any supermarket in the Republic using their card, both online and in store during the month of April.

The initiatives built on the move by all the retail banks in Ireland to raise the limit for contactless transactions from €30 to €50 and were well received – seeing Permanent TSB pay more than €1.1m in cash and rewards to customers.

Evolving Our Culture For Our Customers

Our ambition to be Ireland's best personal and small business bank is only possible if we continue to work hard every day to build trust and transform our culture for our customers.

In addition to our own focus on culture improvement, Permanent TSB is also actively involved in improving culture across the banking industry as a member of the Irish Banking Culture Board (IBCB). 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 IBCB Board includes representation from all five of the Irish Retail Banks.

For more on our commitment to evolving our culture, including the actions we took in 2020, please visit page 18.

Vulnerable Customers

Permanent TSB is committed to understanding the needs of our vulnerable customers, ensuring that they are not only considered in the financial products and services we provide, but through every stage of the customer journey. With a focus on continuous improvement, the Bank has processes and procedures in place to support our vulnerable customers.

In 2020 the Bank implemented a new set of principles, our Vulnerable Customer Guiding Principles, to enable us both to further support the needs of our customers who may be vulnerable and to provide guidance and support to our colleagues.

Following the onset of COVID-19, a range of additional supports were mobilised for our vulnerable customers in order to provide appropriate access and support. Actions taken include:

- The mobilisation of a cross functional working group focused on developing appropriate supports for vulnerable customers
- The introduction of priority banking hours across our Retail Network
- The launch of priority banking hours through Open24, with specialist agents trained to assist
- The implementation of a third party withdrawal process in branch for those customers cocooning at home
- The rollout of communication campaigns to drive awareness for colleagues on such items as fraud prevention, financial abuse and details of advocacy support groups for vulnerable customers
- The release of the Safeguarding Ireland Guide for Customers Cocooning at Home in collaboration with the BPFI

We look forward to building on this programme of work in 2021, with a comprehensive programme of work planned that is focused on enhancing our service offering and removing barriers for our vulnerable customers, while ensuring that our colleagues are equipped will the skills they need to better serve our vulnerable customer cohort.

Permanent TSB is an active member of the BPFI's Vulnerable Customer Forum.

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. Given the impacts of COVID-19, in 2020 we moved consultations to virtual channels, completing nearly 7,000 financial reviews to support customers in taking control of their financial future.

Providing Responsible Products And Services

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

Examples of our commitment to enhancing customer experience include the introduction of a Voice of the Customer Programme, our focus on digital transformation, the continued investment into our Branch Network and our commitment to supporting our Business Banking customers.

Listening To Our Customers And Acting On Their Feedback

In 2020, Permanent TSB launched 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 ExCo.

Evolving Our Digital Service

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

The onset of COVID-19 in early 2020 accelerated the pace of change for our customers and the way they interact with us has fundamentally changed:

- 72% of customers are now choosing to bank using online channels
- c.500,000 active users of Open24 Web and App in 2020
- c.100 million logins on both Open24 Web and App in 2020
- 81% of our Term Lending applications are now being completed online
- 92 million contactless payments made by Permanent TSB customers last year

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

Permanent TSB has embarked on a four year journey to deliver a Digital Transformation Programme, investing c.€100 million in digital transformation.

The programme of work is well underway and significant progress was made last year in enhancing our customers' digital offering. Actions taken include:

Digital Support Through COVID-19

- The increase of contactless payment limits to €50, encouraging contactless as a safer payment option
- The introduction of a COVID-19 Hub on permanenttsb.ie
- The implementation of an online portal to facilitate Mortgage and Term Loan Payment Breaks for more than 12,000 customers
- The mobilisation of four new regional contact centres to further support in answering customer queries

Digital Support For Our Customers' Everyday Banking Needs

- The introduction of Apple Pay
- The launch of video banking, the first of its kind in Ireland
- The implementation of in App overdraft application capability
- Transformed secure customer login to App, removing the complexity of passwords
- Digital documentation upload functionality
- The roll out of identity verification and document uploader technology
- The introduction of Artificial Intelligence (AI) technology, with a chat bot pilot underway

Digital Support For Our Business Banking Customers

- The introduction of digital supports for our Business Banking customers, including the development of a digital portal to support credit applications through our partnership with the SBCI

Digital Support Across Our Workplace

- The retrofitting of our branches to include the latest in digital technology
- The deployment of a new digital collaboration platform to enable more agile ways of working
- The roll out of digital workplace technology to enable our colleagues to support our customers when working remotely

These new service offerings allow us to support our customers further, allowing them to bank in a way that is both flexible and secure. We look forward to building on this momentum with further rollouts planned for the year ahead.

Investing In Our Branch Network

Following a significant upgrade of our flagship Grafton Street location in 2018, we have continued the investment into our Retail Network, committing more than €30 million in funding to transform our branches – allowing us to adapt to changing customer behaviour and 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 Automated Teller Machine (ATM) and Single Supervisory Mechanism (SSM) technology.

In addition, the Bank introduced additional ATM functionality that allows us to now accept cash and cheque lodgements across many branches in our network. This follows feedback from both customers and colleagues, and has been a welcome addition to our service offering through COVID-19. The introduction of new ATM technology is ongoing.

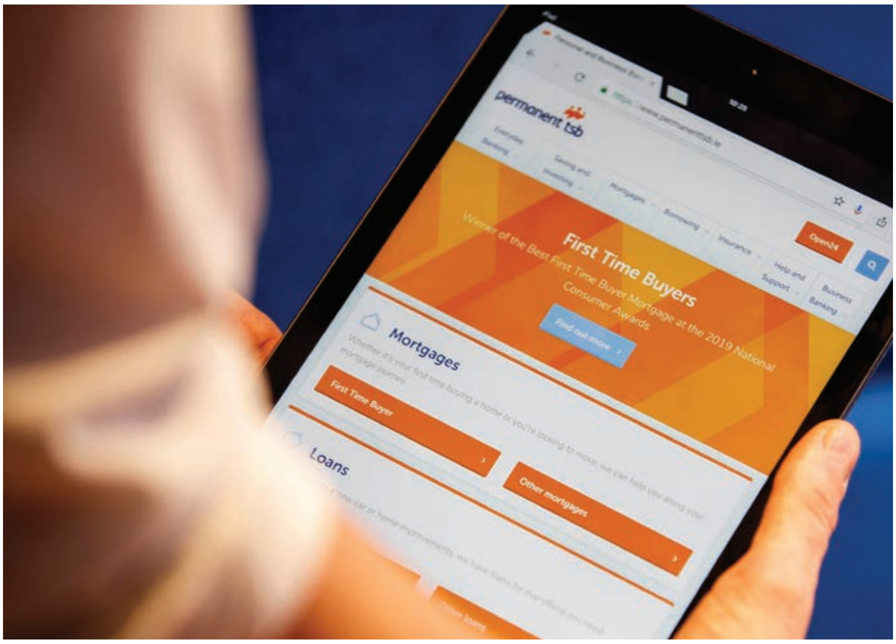
This continued investment in our Branch Network supports us in delivering on our ambition to be Ireland's best personal and small business Bank. We look forward to building on this momentum with the refurbishments of Ennis, Co. Clare and Portlaoise, Co. Laoise planned this year.

Supporting Our Business Banking Customers

Permanent TSB's refreshed Business Banking strategy is focused on partnering with small businesses, not just in terms of supporting their banking needs, but through acting as advisers to help them to grow.

In 2020, we announced a major expansion of our SME offering by partnering with the SBCI to provide €50 million in low-cost loans under the Irish Government's Future Growth Loan Scheme for SMEs.

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. To support the partnership, the Bank launched a new digital journey to help SMEs avail of SBCI lending through an online portal.



The partnership has proven successful, and we expect the €50 million in funding to be fully drawn during Quarter 2 this year, demonstrating our commitment to supporting our SME customers, backed by our strong commitment to the communities in which we operate.

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

- The launch of a partnership with Digital Business Ireland (DBI), supporting our SMEs to migrate their business to online channels through the supports offered by DBI
- The introduction of Apple Pay for our Business Customers
- The recruitment of sector and market expertise to help us further support our customers
- The sponsorship of the Small Firms Association (SFA) National Business Innovator of the Year Award, encouraging innovation and driving new business in what was a challenging year for SMEs

In 2021, 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 and services.

Guiding Our Customers Through Brexit

Permanent TSB is committed to supporting our customers and assisting them in navigating Brexit and preparing for the future. During 2020, we were focused on putting the necessary supports in place for our customers through a suite of 'Getting Brexit-Ready' communications.

In addition, we introduced dedicated supports for both our personal and business customers via our website and mobilised a range of other activity to ensure that our customers were 'Brexit-Ready'. These included:

- Writing to customers potentially impacted by additional information requirements for Direct Debits and Credit Transfers coming from the UK
- Implementing technical enhancements to ensure that all the required information was contained within the payment files in respect of payment transactions from Permanent TSB to the UK
- Issuing proactive communication to the most impacted business borrowers by sector, location and debt level
- Delivering a suite of digital 'Getting Brexit-Ready' communications through our website, SMS and social media channels
- Introducing dedicated phone lines for customers seeking additional Brexit support
- Offering all customers borrowing in a business capacity the option of a credit facility review
- Providing impacted borrowers the option of temporary payment breaks and/or increased overdrafts
- Continuing to track customer transactions likely to be impacted by FTR changes as part of our regular business practices

The Bank was also part of a joint Banking and Payments Federation of Ireland (BPFI) proactive national awareness campaign, urging Irish businesses to check important changes to direct debit processing as Brexit approached.

We continue to work alongside our customers as we navigate the period of uncertainty in the weeks and months ahead. Brexit is now part of the regular engagement we have with our business banking customers, and is reflected in all credit submissions which refer to the risks associated with Brexit and actions taken by business to mitigate against those risks into the future.

Reducing Our Mortgage Rates For Both New And Existing Home Loan Customers

In an effort to combine enhanced competitiveness in the market with increased fairness for our customers in 2020, the Bank announced changes to our fixed and variable home loan mortgage interest rates, benefiting more than 70,000 new and existing home loan customers. The updated offering goes a long way to addressing the discrepancy which traditionally existed between our pricing for new and existing mortgage customers and is a demonstration of our purpose in action.

We will continue to evolve our mortgage pricing strategy in this direction as we move forward.

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).

Colleagues

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

Highlights

3 out of 4

employees say that they are proud to work for Permanent TSB

More than 85%

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

88%

of our employees understand the Bank's Purpose and Values

3 training days

delivered per employee in 2020

c.200 colleagues

received an Institute Of Banking (IOB) accreditation, with more than 900 employees enrolled in banking education programming

c.1000 nominations

to our Values In Practice (VIP) Awards, Permanent TSB's colleague recognition programme. Award nominations were up 100% on 2019.

Supporting Colleagues Through COVID-19

The COVID-19 pandemic has affected all of us. Together, we have faced a truly unprecedented situation and undoubtedly, it has been a challenging time for our people.

At the onset of COVID-19, the Bank was focused heavily on providing a quick response for colleagues, providing our people with certainty of pay, extending our Employee Assistance Programme service offering to include our colleagues' immediate families, introducing a COVID-19 helpline and enabling over 1,200 of our colleagues to work from home.

For more on our COVID-19 response for colleagues, please visit page 9.

The health, safety and wellbeing of our colleagues remains our number one priority and we are focused on continuing to support our people through this period of uncertainty.

Ways Of Working

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

In 2020, Permanent TSB introduced a Smarter Working Programme to enable optionality and more flexible ways of working for colleagues, while encouraging the use of a broader range of technology.

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

We will continue to assess and evolve our colleague offering, and corresponding policies, supports and technology, with a view to ensuring that we are driving openness and collaboration, while delivering optionality for our people.

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.

In 2020, we introduced a new diagnostic tool based on a five point Likert Scale, enabling us to assess culture, colleague engagement and trust at regular intervals through a holistic approach.

Permanent TSB's 2020 Every Voice Counts survey results showed that we increased our Culture Index by 7% to 72%, while our new Engagement Index registered at 71%, which compares strongly against industry standards. A selection of our employee survey results include:

- 3 out of 4 employees trust Permanent TSB to do what is right, 1.4% higher than global benchmarks
- 3 out of 4 employees feel engaged in the company and are proud to work for Permanent TSB
- More than 85% of employees feel comfortable to be themselves at work regardless of background or life experiences

Employee feedback from the Every Voice Counts results also identified three areas of opportunity for the Bank: Supports And Tools (which will be delivered through new ways of working); Living As Leaders (through which we commit to deepening our colleagues' understanding of behaviour aligned to our Values); and, Communication And Recognition.

With a focus on continuous improvement, the Bank is focused on addressing the feedback and has implemented action plans across the business.

Through COVID-19, the Bank recognised the importance of checking in and staying connected with our colleagues.
To get insight into how our people were dealing with the period of uncertainty, and to enable us to learn more about how we could support them further, the Bank ran two additional 'Checking In And Staying Connected' Colleague Sentiment Surveys. A section of the results can be found below:

- 97% of remote-working employees felt that Permanent TSB was dealing with COVID-19 effectively
- 90% of on-site employees felt that Permanent TSB was dealing with COVID-19 effectively
- 98% of employees felt that Permanent TSB cared about customer wellbeing and thought we were doing everything we could to support our customers

To further support the above, we conducted numerous colleague sentiment calls to check in with our people and also introduced additional 'Working From Home' and 'Working On Site' surveys at different intervals to ensure that the right supports were in place to enable our people to continue to bring their best selves to work.

Supporting Career Development

Permanent TSB has in place a Career Development Framework (CDF) to support our colleagues on the job learning and development. The framework offers the tools and techniques both to support our employees in developing their careers within Permanent TSB and to enable the realisation of full potential.

The Bank's learning and development philosophy is focused on self-development, on the job experience and, formal online and classroom training.

Investing In Growing Our People

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 the Association of Chartered Certified Accountants, Chartered Accountants Ireland and the Chartered Institute of Management Accountants, and have been recognised at a national level for excellence in learning and development in financial services.

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 2020, Permanent TSB were proud to partner with LIFT Ireland to launch an innovative new Programme, called 'Living As Leaders', which aims to promote and encourage the right behaviours across all levels within the organisation.

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

More than 600 colleagues took part in the Living As Leaders Programme last year; embracing a growth mind-set and being open to improving how they do things for themselves, our customers and our communities. The Living As Leaders Programme will continue into 2021.

For more in Living As Leaders, please visit page 19.

Creating A High Performance Culture

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

- What You Do
- How You Do It
- How Your Role And Performance Delivers The Bank's Strategic Performance Priorities

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

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

Pay And Reward

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

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

Values In Practice Awards

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

In 2020, c.1,000 nominations were received, up 100% on 2019, with representation from all parts of the business. In addition to our five 'Values' categories, the Bank included 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 the communities where they live and work, and those who consistently live all five of our Values each and every day.

Diversity And Inclusion

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

In 2018, we launched our Diversity and Inclusion Strategy to support the above ambition, with a vision to evolving our level of maturity from 'compliance' to 'awareness' on the EY Global Maturity Model.

Actions we took in 2020 include:

- The launch of an Equality Through Diversity and Inclusion Charter
- A full review of our HR Policies through a Diversity and Inclusion lens
- An accessibility review of our premises and customer processes
- Delivering comprehensive Diversity and Inclusion training to all colleagues, with an added layer of training for our customer facing teams and those in people management positions
- Launched Smarter Working Options to enable greater flexibility
- Promoted a culture of psychological safety through Speak Freely, our channel for encouraging colleagues to speak up and raise a concern

In November 2020, EY completed an external diagnostic review of our Diversity and Inclusion Strategy. The review confirmed that the Bank had achieved a maturity rating of 'awareness' on their

Global Maturity Model and confirmed that there has been a sea-change in both mind-set and behaviour over the last two years.

In 2021, we will focus on further implementing and embedding our Diversity and Inclusion Strategy across all areas of our business as we continue to focus on evolving our maturity level.

Employee Resource Groups

To support the delivery of the Diversity and Inclusion Strategy, the Bank has set up 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.

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 BPFI's Women in Finance Charter.

Analysis of our workforce by gender and type of contract is as follows:

	2020
Total Headcount At Year End	**2,543***

Analysis By Type Of Contract	2018	2019	2020
Permanent	89%	89%	90%
Fixed Contract	11%	11%	10%

Analysis By Type Of Gender	2018		2019		2020	
Gender Analysis	Male	Female	Male	Female	Male	Female
Total	44%	56%	47%	53%	47%	53%
Senior Management	72%	28%	70%	30%	63%	37%
Part-Time/Job Sharers	9%	91%	12%	88%	10%	90%

*excluding Non-Executive Directors and Subsidiaries

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.

The WorkEqual Campaign

To further support the work of our Diversity and Inclusion Strategy, in 2020 Permanent TSB announced a three year partnership with the WorkEqual Campaign, promoting gender equality in workplaces across Ireland.

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

Throughout the month of November, WorkEqual delivered a series of virtual panel discussions entitled, 'The Solutions Series: a whole-of-society approach to progressing gender equality' covering a range of topics from banishing gender stereotypes and flexible working, to increasing female representation in leadership positions and was open to anyone who wished to attend, free of charge.

Our CEO, Eamonn Crowley, represented Permanent TSB as part of the campaign and spoke at the last event of the series addressing female underrepresentation in positions of leadership and the steps we need to take to change the conversation.

With the increased challenges of COVID-19, there has never been a more important time for businesses across Ireland to focus on addressing the barriers to women's and men's full and equal participation in the workplace, taking direct and proactive steps to make this a reality across society.

This is the responsibility of every employer and we are proud to contribute to this national effort, in partnership with the WorkEqual campaign.

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:

In 2020, the Bank provided all colleagues with a paid Wellbeing Day, encouraging our workforce to take a day away from the office to focus on their wellbeing. In addition, we launched a new set of Mental Health Guidelines to support our people in managing their own mental health, and all colleagues were provided the opportunity to participate in comprehensive mental health training.

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

Wellbeing Offering

Physical / Emotional /Mental Health

- Health Screening
- Eye Testing
- Employee Assistance Programme For Colleagues And Their Spouse, Adult Dependent Children And Dependent Parents (Counselling Service)
- Mental Health Training
- Resilience Training
- Lifestyle/Wellbeing Workshops
- Work Station Assessments (Both In Office And At Home)
- Education Support
- Paid Maternity And Paternity Leave
- A Range Of Health And Wellbeing Related Information Sessions

Financial

- Pension Plan
- Income Protection Benefit
- Sick Pay Scheme
- Staff Banking
- Cycle To Work Scheme
- Annual Travel Pass Scheme
- Employee Discount Scheme
- Holiday Fund
- Life Stage Workshops

Wellbeing Committee

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

- The introduction of an Employee Wellbeing Homepage on our internal intranet, Connect
- The mobilisation of Wellbeing Week in October
- The roll out of the MyLife App, dedicated to supporting employees to manage their own wellbeing
- The launch of the 'At Your Own Pace Race Series', a series of virtual running events that engaged our colleagues throughout the summer months, while raising money for our Staff Charity Partners

In response to the COVID-19 pandemic, we took early action to ensure the health, safety and wellbeing of our workforce. You can read more about Employee Health, Safety And Wellbeing Through COVID-19 on page 9.

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.

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

Representative Body Relationships And Employee Consultation

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

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

All material organisational changes, including changes to terms and conditions of employment (to the extent they arise), are discussed and negotiated in advance with the Trade Unions. Throughout the COVID-19 Pandemic we increased our communication frequency with our Representative Bodies as we sought their input to Health and Safety related matters and to resolve any concerns arising as a result of the pandemic.

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

Community

With a presence in more than 80 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 having a positive and meaningful impact in communities across the country is a demonstration of that purpose in action. The Bank engages with the community through building strong community partnerships, providing financial support to local charities through the work of the Staff Charities Fund and Permanent TSB Community Fund, and through engaging employees in volunteering initiatives.

Highlights

4

Community Partnerships;

- Social Entrepreneurs Ireland
- Ó Cualann Cohousing Alliance
- CyberSafeIreland
- Business In The Community Ireland

3

New Staff Charity Partners

5

Community Fund Partners

c.€700,000

in financial contributions to community

Chambers Ireland Sustainable Business Impact Awards

Shortlisted in two Award Categories – Leaders in Community (LIC);

- Excellence in Community – Partnership with Charity: A Partnership with Barretstown
- Excellence in Community – Community Programme: Championing Social Entrepreneurship, a partnership with Social Entrepreneurs Ireland

c.€340,000

in charitable giving through the Permanent TSB Community Fund and the Staff Charities Fund, which included matched funding by the Bank

Changing Ireland: My Big Idea – A Docuseries For RTÉ One In Association With Social Entrepreneurs Ireland

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

In March 2020, the Bank was proud to support Changing Ireland: My Big Idea, a six-part docuseries produced for RTÉ One, in association with our community partner Social Entrepreneurs Ireland. The documentary followed some of the most successful social entrepreneurs from the Social Entrepreneurs Ireland Alumni Network, showcasing the positive impact that their work is having across the country and detailing their journey from start-up to scale-up.

The docuseries observed considerable engagement in communities across the country and provided the entrepreneurs a platform to tell their story in a way that they had not done before. Following its success, Changing Ireland: My Big Idea aired a second time on RTÉ One in September 2020.

The Community Fund

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

With more than 20,000 votes cast by the Irish public, in January 2020 the Bank was proud to announce the Jack and Jill Foundation, Arch Clubs, Aoife's Clown Doctors, Mallow Search and Rescue, Mayo Roscommon Hospice and Milford Care Centre as its Community Fund Partners for the inaugural fundraising year.

Numerous fundraising events were organised and managed by our colleagues from around the Bank throughout the year. All money raised was match funded by the Bank, for an overall donation to our Community Fund Partners of c.€130,000.

The Community Fund works in tandem with Staff Charities, and through a combined effort aims to contribute c.€300,000 back into local communities each year.

Ó Cualann Cohousing Alliance

In July 2020, Permanent TSB announced a three year partnership with Ó Cualann Cohousing Alliance to support the agency's work developing fully integrated, co-operative and affordable housing schemes in communities across the country.

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

The Bank was delighted to welcome the Minister for Housing, Darragh O'Brien TD to the launch of the partnership at Ó Cualann's second development at Cranogue Islands, Ballymun in Dublin.

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

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

National Gallery Of Ireland

Permanent TSB is proud to support the Arts through our partnership with the National Gallery of Ireland. The Bank supports Room 21, a newly refurbished gallery in the historic wing, containing an impressive display of Irish portraits and landscapes.

CyberSafeIreland

Did you know that 93% of 8-12 year olds own their own smart device, 65% are on social media and more than 70% are gaming online? Of these children, 31% play online games with people they don't know and 30% of kids on social media have friends or followers that they don't know in real life.

Our community partner CyberSafeIreland (CSI) is a not-for-profit organisation that focuses on works that empower children, parents and teachers to navigate the online world in a safe and responsible manner. Whilst they recognise the many benefits that technology use brings to our everyday lives, they also believe it is essential to find a healthy balance when using technology; and, in particular, equipping children and young people with the tools to stay safe and avoid harm while online.

With that in mind, Permanent TSB was proud to team up with CSI for the launch of their first Cyber Break, which took place in October.

Cyber Break, brought to you by the Permanent TSB Community Fund, was a 24 hour break for families to swap their screens and devices for a day filled with family fun. The campaign was observed by c.5,000 school children in the CSI network and saw significant engagement by the Irish public across social media channels and online platforms – reaffirming the message that finding a healthy balance when using technology is imperative in this new digital era.

CyberSafeIreland 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.

Staff Charities Fund

In 2020, Permanent TSB Staff Charities donated €210,000 to local charities, supporting the work of Make-A-Wish Ireland, Pieta House and CyberSafeIreland.

The charities supported are nominated and selected by Permanent TSB employees for the fundraising year.

Numerous fundraising events were organised and managed by our colleagues from around the Bank throughout the year including: Payroll Giving; the Annual Table Quiz; At Your Own Pace Online Race Series and Virtual Steps Challenges; together with various local fundraising initiatives that are driven by our teams in the Branch Network. All money raised by employees is match funded by the Bank.

Since its establishment, the Staff Charities Fund has donated in excess of €1 million to Irish Charities, supporting local communities across the country.

A Concert4Cancer Brought To You By The Permanent TSB Community Fund

Now, more than ever, business has a profound role to play in supporting communities to navigate this new, incredibly disrupted world and transformed society. The impacts of COVID-19 have been challenging for the charity sector and the Marie Keating Foundation is no different, as the provision of vital cancer services were impacted by the onset of a global pandemic. To help support delivery of these critical services, the Permanent TSB Community Fund joined forces with the Marie Keating Foundation for the Concert4Cancer event in August 2020.

The Concert4Cancer featured a host of national and international stars, including Ronan Keating, Gary Barlow, Nathan Carter, the Coronas, Kodaline and Riverdance – raising more than €500,000 on the night, enabling the Foundation to continue to provide a critical service to the people of Ireland, at a time when they need it most.

As cancer incidence continues to grow across the country, there isn't a family anywhere that hasn't been impacted, either directly or indirectly. More than 43,000 new cases are diagnosed every year, with 1 in 2 people being affected.

The Marie Keating Foundation is one of the leading voices in Ireland for cancer prevention, awareness and support. Permanent TSB is proud to support their commitment to being there for people diagnosed with cancer, and their families, at every step of their cancer journey.

Employee Volunteering

Permanent TSB has in place an Employee Volunteering Programme and corresponding Volunteering Policy. The programme is driven by the Responsible Business Steering Committee and sees our colleagues from across the organisation take part in the volunteering initiatives affiliated with the Bank's Staff Charity Partners. Prior to the onset of COVID-19, more than 500 volunteering hours were provided on the ground in local communities in Q1 2020, equating to c. €12,100 of in-kind giving.

Feedback from our people is overwhelmingly positive, with 100% of participants saying that they would recommend the Volunteering Programme to a colleague.

The Responsible and Sustainable Business Team and Staff Charities Committee manage the engagement with both, our charity and community partners, and ensure that effective governance is in place via the implementation of comprehensive partnership agreements as required. In addition, the Bank has in place a Staff Charities Charter, a document which governs how we engage with charities, manage relationships and includes processes for completing effective due diligence at regular intervals.

Permanent TSB's Chief Executive receives regular updates regarding the implementation of the Community Pillar of the Bank's Responsible and Sustainable Business Strategy. Progress against Key Performance Indicator's (KPIs) is reported upward to the ExCo and the Nominations, Culture and Ethics Board Committee on a quarterly basis.

Environment

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 focused on managing climate risk, supporting the transition to a low carbon economy and taking action to reduce our environmental footprint.

Highlights

100%

Renewable electricity supply for the Bank

Low Carbon Pledge

Signatory of Business In The Community Ireland's 'Low Carbon Pledge'

10%

Reduction in Scope 1 & 2 carbon emission intensity in 2020, -55% since 2009

A Focus On Sustainability

A Sustainability Committee and Permanent TSB Green Team

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 Steering Committee, the team are focused on environmental programming across the following areas:

- 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
- Communication and awareness

With a focus on continuous improvement, the Green Team meet at regular intervals inviting new ideas and encouraging new ways of thinking.

Actions taken in 2020 to reduce our environmental footprint are outlined below.

Climate Risk

Given the increased focus on sustainability, both in Ireland and around the world, the Bank commissioned EY to conduct a comprehensive sustainability assessment of Permanent TSB in 2020. The comprehensive assessment covered a number of topics, including: the transition to a low carbon economy, green products and services, the regulatory landscape; responsible procurement; and, perhaps most notably, climate risk and the effect that it will have on all areas of our business.

Following the assessment, the Bank mobilised a Sustainability Committee with representation from Senior Leaders from each part of the organisation. Led by the Board, the Sustainability Committee commenced work on turning the findings of the EY Report into an action plan for the Bank across a number of dedicated work streams.

This work will continue through 2021 and will cover the following in relation to climate risk:

- Integrating climate risk into our existing Risk Management Frameworks
- Identifying activities and assets exposed to climate related risks and measuring impact, for example, our suite of loan portfolios
- Assessing our value chain with a view to limit our exposure and impact
- Monitoring the regulatory landscape and aligning with reporting disclosure frameworks

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.

You can read more about our commitment to long term sustainability on page 23.

We are now using 100% renewable energy

Energy Usage

	2017	2018	2019*	2020
Energy Consumption	**Gwh**	**Gwh**	**Gwh**	**Gwh**
Electricity - Total (Gwh)	9.1	9.2	9.2	8.8
Gas (Gwh)	2.1	2.3	2.4	2.4
Oil (Gwh)	0.1	0.1	0.1	0.1
Total Energy Consumption	11.3	11.6	11.7	11.3
CO2 Emissions (tonnes)	4,100	4,283	3,928	3,262
Average FTE	2,437	2,416	2,386	2,429
CO2 Emissions per FTE (tonnes)	1.68	1.77	1.65	1.34

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

Following an in depth piece of work, Permanent TSB identified the use of energy as the biggest contributor to our emission intensity accounting for more 70%.

With this in mind, in 2020 we took additional action to support our emission reduction targets and to minimise the impact that our business has on the environment, including:

- Upgrading to energy efficient Light-Emitting Diode (LED) lighting across all our Head Office locations, replacing more than 3,000 lightbulbs across our business
- Implementing LED lighting across our branch network as part of our ongoing branch refurbishment process
- Controlling our Head Office locations by movement sensors, ensuring that all our non-essential lighting remains off when the areas are not in use
- Celebrating Earth Hour, raising awareness and encouraging our colleagues to reduce their energy consumption both in the office and at home

To further support the above, in 2017 Permanent TSB switched energy provider and we are now using 100% renewable energy.

Carbon Impact And The Transition To A Low Carbon Economy

In November 2018, following a significant programme of work, the Bank joined more than 54 of Ireland's leading companies in signing the BITCI's 'Low Carbon Pledge', committing to reduce our Scope 1&2 Carbon Emission Intensity by 50% by 2030.

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

Using employee Full Time Equivalent (FTE) as an intensity measure, we estimate that we have achieved a 55% reduction in Scope 1&2 carbon emission intensity per employee since 2009, our baseline year for the pledge. This reduction reflects an increase in the use of renewable energy by electricity providers, efficiencies in energy use by the business through projects such as our LED lighting upgrade and the impacts of COVID-19 last year, which saw a large portion of our workforce begin to work remotely.

We will begin reporting on our selected Scope 3 emission intensity from 2021.

As we look to the future, we are committed to going further by conducting an in depth review of all areas of our business, with a vision to setting science based carbon emission reduction targets that are in line with the Paris Agreement by 2024.

Disclosing Through CDP

In 2020, Permanent TSB furthered its commitment to environmental transparency by disclosing its environmental impact through the Carbon Disclosure Project (CDP), the non-profit organisation that runs the world's leading environmental disclosure platform.

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

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

Waste Generation

	2017	2018	2019	2020
Waste Generation	**Tonnes**	**Tonnes**	**Tonnes**	**Tonnes**
General Waste	106	86	138	86
Recycling Waste	174	139	86	40
Recycled Confidential Shred Waste*	293	322	280	218
Recycled Used Cooking Oil	1.8	1.4	1.8	1.0
Recycled Grease	2.8	2.8	2.9	2.8
Recycled Lamps	1.5	0.6	0.4	12.55**

*As restated **LED Lighting upgrade completed in 2020

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 bins in our Branch Network.

Actions taken in 2020 include:

- Replacing more than 600 colleague uniforms in our Retail Network with ones made from 95% recycled plastic bottles
- Introducing a Travel Mug For Life at the end of 2019, resulting in a reduction of more than 850,000 single use paper cups last year
- 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 800,000 customer accounts are now registered for eStatements, resulting in an on-going reduction of paper by c.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 continue to migrate our customer correspondence to digital channels on a continuous basis, thereby allowing us to further reduce our reliance on paper
- Engaging shareholders to encourage them to receive the Annual Report by electronic means. The Bank has c. 130,000 shareholders. In 2021, we expect to only issue c. 1,000 units of the Annual Report in hardcopy, saving more than 16 million pages of paper
- Monitoring water consumption in all of our branch and administrative sites
- Celebrating Earth Day, raising awareness and encouraging our colleagues to reduce, reuse and recycle, both in the office and at home

Environmental Policy Statement

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

The Bank is focused on continuous improvement through the following:

- Implementation of our Policy Statement
- Supporting the transition to a Low Carbon Economy through our signature to Business in the Community Ireland's Low Carbon Pledge
- Focussing on our use of natural resources and ensuring that our business maintains current levels and identifies areas for reducing consumption, where possible
- Committing to reduce waste across our business by 5% annually
- Engaging our workforce in green volunteering initiatives and awareness campaigns that both, support biodiversity and have a positive impact on the environment
- Measuring environmental performance on an ongoing basis and identifying areas for continuous improvement
- Working with suppliers and sub-contractors to minimise their environmental impacts
- Communicating our environmental progress against KPIs to both our internal and external stakeholders

This Permanent TSB Environmental Policy Statement is reviewed annually as part of Senior Management's review of all Responsible and Sustainable Business Programming. Permanent TSB's Chief Executive receives regular updates regarding the implementation of the Environment Pillar of the Bank's Responsible and Sustainable Business Strategy. Progress against KPIs is reported upward to the ExCo and the Nominations, Culture and Ethics Board Committee on a quarterly basis.

Responsible Procurement

Permanent TSB continues to enhance its Procurement and Sourcing Frameworks to ensure that they support our sustainability goals and objectives. Our Procurement Policy sets out a framework for engaging with our suppliers including a commitment to procure goods, services and works from suppliers who can support the needs of our business in a sustainable manner. It sets out the key social, ethical and environmental standards that we want our suppliers to achieve and is supported by our procurement processes, supplier on boarding procedures and ongoing due diligence practices.

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

Responsible And Sustainable Business Governance

The Board approved the Responsible and Sustainable Business Strategy and ensures Management have comprehensive plans in place for achievement of the Bank's Responsible and Sustainable Business 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 ExCo and the Nominations, Culture and Ethics Board Committee on a quarterly basis.

In 2020 the Bank enhanced its approach to Responsible and Sustainable Business Governance and now has in place a Sustainability Committee. The Sustainability Committee is an evolution of the previously established Responsible Business Committee, and operates as a Sub-Committee of the Executive Committee. The Sustainability Committee is chaired by the Chief Human Resources Officer (CHRO) and Corporate Development Director and includes representation from both 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 resource is in place to provide leadership and coordinate activities, with the support of the Sustainability Committee.

For more on Governance, please refer to the Directors' Report on page 84.

Operating Responsibly

Permanent TSB is committed to operating responsibly and conducting our operations to the highest ethical and professional standards. We are similarly committed, under our Responsible and Sustainable Business Strategy, to rebuilding trust and playing an active role in the communities in which we live and work.

We are focused 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 rebuild trust with our customers and help to make a difference.

Colleague Conduct Policy

In 2020, the Bank introduced a Colleague Conduct Policy, an overarching framework which includes the policies and procedures that are integral to upholding the 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 with dignity and respect.

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 also gives consideration to both, our Dignity And Respect Code and Equality through Diversity And Inclusion Charter, recognising our responsibility to respect the human rights of every individual that works for us and ensuring the protection of our colleagues' human rights.

Code Of Ethics

The Bank has in place a Code of Ethics that provides a general framework for expected behaviours 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 colleagues at Permanent TSB. The Bank has in place procedures to deal with breaches of the Policy and reports to the ExCo and the Board on a half yearly basis.

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

Ethics training was delivered to all employees in 2020.

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 ExCo and the Board on a half yearly basis.

You can read more about our commitment to Speak Freely in 2020 on page 19.

Human Rights

Permanent TSB recognise our responsibility to respect the human rights of every individual who works for us. 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 timely reporting of issues.

The Human Resources team monitor all nonadherences to these policies. Procedures are in place for dealing with suspected human rights allegations and reported instances are addressed on a timely basis.

Permanent TSB also has in place additional requirements set out in other policy documents that help govern 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 ExCo and the 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 related 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 Politically Exposed Persons (PEPs) and Sanctions screening in line with our policies.

Policy Governance

Permanent TSB is committed to mitigating the social, employee and environmental risks associated with its business activities and complying with all laws and regulations in the jurisdictions in which it operates. We manage our social, employee and environmental risk through the effective implementation of our Responsible and Sustainable Business 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.

The Future

As we look to build our Responsible and Sustainable Business Programme through 2021 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, the legislative changes that shape Non-Financial reporting, and of international developments, including: the UN Sustainable Development Goals; the UN Principles for Responsible Banking; and, the Partnership For Carbon Accounting Financials (PCAF).

We will provide annual updates on our Responsible and Sustainable Business Programme through this Non-Financial Report.

Financial Review

The financial year 2020 was a challenging year globally due to the unprecedented economic uncertainty the COVID-19 pandemic caused, the effects of which negatively impacted the Irish economy. The trade deal between the UK and the EU has reduced the uncertainty about the future trade relationship. The potential future impact of the pandemic and how the new trading relationship will impact the Irish economy is difficult to estimate.

Despite the current difficult trading conditions, the Group has continued to strengthen its capital and liquidity positions. While the Group continues to be operationally profitable, COVID-19 has adversely impacted the Group's expected credit losses, resulting in an overall loss for the year ended 31 December 2020.

As a result of the active reduction of the Group's non-performing loans over the past number of years the Group has strengthened is core capital and liquidity positions, and, continues to build a simple and resilient business model. As such, the Group is ready to support its customer base and the economy to recovery from the challenges that this pandemic has brought upon us.

The asset quality has remained stable and non-performing assets have marginally increased due to the COVID-19 pandemic.

The lower interest rate environment has led to a compression on the Group's Net Interest Margin (NIM). The Group aims to manage margin compression through diversifying further its non-interest based income portfolio and continued active management of funding costs.

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 2020.

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

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

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

- Profit/loss on disposal of businesses;
- Profit/loss on material deleveraging including any increase in impairment arising solely due to the sale of NPLs becoming part of the Group's recovery strategy; and
- Material restructuring costs.

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 51.

Management has provided further information on IFRS and Non-IFRS measures including their calculation in the Alternative Performance Measurements (APM) section on pages 249 to 255.

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 2020 €m	Year ended 31 December 2019 €m
Net interest income	1	**341**	356
Net fees and commissions income	3	**28**	37
Net other income	4	**6**	20
Total operating income		**375**	413
Total operating expenses (excl. exceptional items, bank levy and other regulatory charges)*	5	**(280)**	(282)
Bank Levy and other regulatory charges	6	**(49)**	(47)
Underlying profit before impairment		**46**	84
Impairment charge on loans and advances to customers	7	**(155)**	(10)
Underlying (loss)/profit		**(109)**	74
Exceptional and other non-recurring items comprises:	8	**(57)**	(32)
Restructuring and other costs		**(31)**	(13)
Impairment on deleveraging of non-performing loans		**(26)**	(16)
Charges in relation to legacy legal cases		**-**	(3)
(Loss)/profit before taxation		**(166)**	42
Taxation		**4**	(12)
(Loss)/profit for the year		**(162)**	30

* See table 9 on page 51 for a reconciliation of underlying profit to operating profit on an IFRS basis.

Management performance summary consolidated income statement - key highlights

- **Total operating income** has decreased by €38m during 2020 primarily due to:
  - **Net interest income** decreased by €15m (4%) during 2020 to €341m. The reduction is mainly driven by lower yielding treasury assets and the deleveraging activity in 2019.
  - **Net other income** was €6m for the year ended 31 December 2020 compared to €20m at 31 December 2019 due to lower sales of properties in possession during the year.
  - **Operating expenses (excl. exceptional items, bank levy and other regulatory charges)** are €280m for the year ended 31 December 2020 compared to €282m at 31 December 2019. While the overall cost base has remained stable, underlying costs have decreased reflecting the initial effects of the Group's Enterprise Transformation programme, offset by significant re-investment into the business and additional COVID-19 related costs of €5m.
- **Underlying profit before impairment** has decreased by €38m since 31 December 2019. This is due to a decrease in total operating income while the cost base has remained stable.
- **Impairment charge** is €155m on loans and advances to customers for the year ended 31 December 2020, compared to a charge of €10m for the year ended 31 December 2019. The impairment charge for the year reflects the impact of a more negative macroeconomic outlook together with the increased uncertainty for some portfolio sectors impacted by the COVID-19 pandemic.
- **Exceptional and other non-recurring items** for the year ended 31 December 2020 comprises of €31m in restructuring charges relating to the Group's Enterprise Transformation Programme announced in November 2020, and €26m as a result of deleveraging performed in the second half of the year.
- **Loss before tax** of €166m for the year ended 31 December 2020 is €208m lower than the year ended 31 December 2019 primarily driven by the significant impairment charge for the year.

Net interest income	Net interest margin
€341m	**1.73%**

Table 1: Net Interest Income

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Interest income	**382**	413
Interest expense	**(41)**	(57)
Net interest income	**341**	356
Net interest margin (NIM)	**1.73%**	1.80%

Net interest income

Net interest income (NII) decreased by €15m (4%) and the NIM decreased by 7bps to 1.73%. While the interest income from the loan book declined modestly due to the deleveraging of loan activity in 2019, the overall reduction is mainly driven by the impact of reduced income from treasury assets as a result of the maturity of high yielding Irish sovereign gilts partially offset by savings in funding costs.

The low interest rate environment continues to challenge the Group's NIM as of result of balance sheet composition and growth in liquid assets.

Interest income

Interest income of €382m for the year ended 31 December 2020 decreased by €31m (8%), compared to the prior year. This was mainly driven by the maturity of higher yielding treasury assets, which were replaced at a lower yield reflecting the subdued interest rate environment in which the Group operates.

The reduced income from NPLs following the Glas II loan sale in 2019 resulted in a modest reduction in interest income.

Interest expense

Interest expense decreased by €16m (28%) for the year ended 31 December 2020 as a result of active management of the funding costs.

Table 2.1: Average balance sheet

	Year ended 31 December 2020			Year ended 31 December 2019		
	Average Balance €m	Interest €m	Average Yield/ Rate %	Average Balance €m	Interest €m	Average Yield/ Rate %
Interest earning assets						
Loans and advances to banks	**2,087**	**-**	**-**	1,587	1	0.06%
Loans and advances to customers	**15,083**	**371**	**2.46%**	15,768	378	2.40%
Debt securities and derivative assets	**2,410**	**11**	**0.46%**	2,349	34	1.45%
Total average interest earning assets	**19,580**	**382**	**1.95%**	19,704	413	2.10%
Interest bearing liabilities						
Customer accounts	**17,689**	**26**	**0.15%**	17,227	40	0.23%
Deposits by banks	**10**	**-**	**-**	561	1	0.18%
Debt securities in issue and derivative liabilities	**863**	**11**	**1.27%**	862	12	1.39%
Lease Liabilities	**37**	**-**	**-**	44	-	-
Loans and advances to banks	**-**	**4**	**-**	-	4	-
Total average interest bearing liabilities	**18,599**	**41**	**0.22%**	18,694	57	0.30%
Total average equity attributable to owners	**1,961**			1,994		
Net Interest Margin	**1.73%**					1.80%

Net interest margin

NIM decreased by 7bps to 1.73% for the year ended 31 December 2020 compared to 1.80% for the prior year. The NIM of the Group has tightened as a result of the low interest rate environment. This has impacted yields on the new treasury assets and growth in liquid assets resulting in elevated negative interest charges on deposits with the CBI. This has been partially offset by the lower funding costs.

The Group's corporate strategy is shifting towards further diversifying its income base with an increase in reliance on non-interest income.

The main drivers for the 7bps reduction in the NIM include:

Table 2.2: Volume drivers

	(€m)	Impact on NIM (bps)
Volume drivers		
Reduction in the average interest bearing assets from deleveraging activity	**(59)**	1
Yield drivers		
Reduced income from treasury assets due to the replacement of high yielding sovereign gilts	**(18)**	(9)
Reduced income from loan book due to deleveraging activities	**(7)**	(3)
Increase in interest expense due to the issuance of medium term notes	**(4)**	(2)
Reduction in NII during the year	**(29)**	(15)
Saving through deposit rate cuts during the year	**14**	8
Increase in NII during the year	**14**	8
Overall net reduction NII	**(15)**	(7)
Overall movement in the NIM		(7)

Interest income/Average interest earning assets

- Interest income on loans and advances to customers reduced by €7m for the year ended 31 December 2020 due to reduced income from deleveraged loans and the impact of fixed rate cuts in the second half of 2019.
- The average balance of loans and advances to customers decreased by €685m as a result of as a result of the capital accretive Glenbeigh II transaction, the sale of a non-performing book in the second half of 2020 and lower business origination activity due to COVID-19.
- Interest income on debt securities reduced by €23m for the year ended 31 December 2020.The reduction of interest income reflects the impact of the continued challenging interest rate environment impacting yields on new treasury assets.

Interest expense/Average interest bearing liabilities

- Interest expense on customer accounts decreased by €14m for the year ended 31 December 2020 primarily due to effects of rate cuts to customer accounts, reflecting market trends. The average balance however increased by €462m to €17,689m from €17,227m reflecting a change in customer spending behaviour.
- Interest expense of deposits by banks was minimal. The average balance reduced by €551m for the year ended 31 December 20 from €561m to €10m in the current year as the Group has reduced reliance on secured financing to support its operational cash flow requirements. This is in line with the Group strategy to reduce the elevated levels of excess liquidity.
- Interest expense on debt securities in issue and derivative liabilities decreased by €1m with average balances increased to €863m at 31 December 2020 from €862m at 31 December 2020. This is due to the issuance of MREL debt in the second half of 2020 offset by the natural reduction of securitisations.
- Interest expense on loans and advances to banks amounted to €4m for the year ended 31 December 2020 as a result of cash held with the CBI at a negative interest rate and securitisations cash held with external banks.

Net fees and commission income

€28m

Table 3: Net fees and commissions income

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Fees and commission income		
Retail banking and credit card fees	**43**	51
Brokerage and insurance commission	**9**	10
Other fees and commission income	**1**	1
Fees and commission income	**53**	62
Fees and commission expense (*)	**(25)**	(25)
Net fees and commission income	**28**	37

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

Net fees and commission income was €28m for the year ended 31 December 2020, a decrease of €9m from the prior year. This decrease is due to a lower level of economic activity as a result of the nationwide lockdowns throughout 2020 which adversely affected consumer spending.

Net other income

€6m

Table 4: Net other income

	Year ended Thursday 31 December 2020 €m	Year ended Tuesday 31 December 2019 €m
Other income	**6**	20
Net other income	**6**	20

Net other income of €6m for the year ended 31 December 2020 decreased by €14m compared to €20m income for the year ended 31 December 2019. This decrease was due to a reduction in sales of properties in possession in 2020 compared to the prior year.

Total operating expenses [1]	**Adjusted cost income ratio**
€329m	**75%**

1. Excluding exceptional and other non-recurring items.

Table 5: Operating expenses

	31/12/2020 €m	31/12/2019 €m
Staff costs		
Wages and salaries including commission paid to sales staff	**122**	121
Social insurance	**15**	14
Pension costs	**14**	13
Total staff costs	**151**	148
General and administrative expenses	**92**	101
Administrative, staff and other expenses	**243**	249
Depreciation of property and equipment	**21**	21
Amortisation of intangible assets	**16**	12
Total operating expenses (excluding exceptional and other non-recurring items and regulatory charges)	**280**	282
Bank levy	**24**	24
Regulatory charges	**25**	23
Total operating expenses (excluding exceptional and other non-recurring items items)	**329**	329
Headline cost to income ratio*	**88%**	80%
Adjusted cost to income ratio**	**75%**	68%
Closing staff numbers***	**2,435**	2,379
Average staff numbers	**2,429**	2,386

*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

Management exercises very strict cost controls and the cost base has remained stable with the prior year. Management has also adopted various cost management initiatives in recent years, the effect of which are now becoming visible partially offset by additional COVID-19 related costs.

Staff costs

Total staff costs have increased by €3m (2%) from €148m for the year ended 31 December 2019 to €151m for the year ended 31 December 2020. This increase is consistent with the 2% increase in average staff numbers.

General and administrative expenses

General and administrative expenses decreased by €9m for the year ended 31 December 2020 to €92m. Other general and administrative expenses include legal and professional fees, technology costs, property costs and business as usual administrative expenses. The year on year decrease is due to the Group's focus on cost saving initiatives.

Depreciation of property and equipment

Depreciation of property and equipment is in line with the charge for the year ended 31 December 2019.

Amortisation of intangible assets

The increase in the amortisation expense of €4m reflects increased capital spending in software development as a result of various digitisation projects that the Group commenced in prior years and continues to invest in. The increase in amortisation reflects the utilisation of the capital spending.

Adjusted cost income ratio

Operating costs (excluding exceptional and other non-recurring items and regulatory charges) of €280m and operating income of €375m for the year ended 31 December 2020 led to an adjusted cost income ratio of 75% for 2020, compared to an adjusted cost income ratio of 68% for the year ended 31 December 2019. The increase in adjusted cost income ratio was due to lower income in the period as the cost base has remained stable for the Group.

Bank levy and other regulatory charges

€49m

Table 6: Bank levy and other regulatory charges

	Year ended 31/12/2020 €m	Year ended 31/12/2019 €m
Bank levy	**24**	24
Other regulatory charges	**25**	23
Bank levy and other regulatory charges	**49**	47

Bank levy and other regulatory charges amounted to €49m for the year ended 31 December 2020. Other regulatory charges include €15m for the Deposit Guarantee Scheme (DGS) (31 December 2019: €14m). The Single Resolution Fund (SRF) costs for the year ended was €5m (31 December 2019: €5m).

Impairment

€155m

Table 7: Impairment

	Year ended 31/12/2020 €m	Year ended 31/12/2019 €m
Total impairment charge on loans and advances to customers	**155**	10

The Impairment charge is €155m on loans and advances to customers for the year ended 31 December 2020, compared to a charge of €10m for the year ended 31 December 2019. The impairment charge for the year reflects the impact of a more negative macroeconomic outlook together with the increased uncertainty for some portfolio sectors impacted by the COVID-19 pandemic.

Income tax credit

€4m

The effective tax rate was 2% for 2020 compared to 29% in 2019. The income tax credit for 2020 amounted to €4m compared to a charge of €12m in 2019. The main drivers of this credit include a current tax charge of €2m arising on non-trading income, a current year deferred tax credit of €10m which arises due to an increase in tax losses carried forward, and the partial release of a DTA of €3m created on the introduction of IFRS 9.

Exceptional and other non-recurring items

€57m

Table 8: Exceptional and other non-recurring items

	Year ended 31/12/2020 €m	Year ended 31/12/2019 €m
Restructuring and other charges	**31**	13
Impairment on deleveraging of loans	**26**	16
Charges in relation to legacy legal cases	**-**	3
Exceptional items and other non-recurring items	**57**	32

Exceptional and other non-recurring items as viewed by Management for the year ended 31 December 2020 of €57m comprise:

Restructuring and other charges

Restructuring and other charges include €31m mainly relating to the Group's voluntary severance scheme as part of the Enterprise Transformation Programme announced in November 2020.

Net impairment arising from the deleveraging of loans

Net impairment charge arising from deleveraging of loans for the year ended 31 December 2020 was €26m, of which €32m was as a result of the capital accretive Glenbeigh II sale offset by a €6m release of provisions in respect of loan sales the Group had executed in prior years.

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 9: Reconciliation of underlying profit to operating profit on an IFRS basis

	Year ended 31/12/2020 €m	Year ended 31/12/2019 €m
Operating profit per IFRS income statement	**(166)**	42
Other exceptional items in IFRS total operating expenses	**31**	13
Exceptional impairment in IFRS credit impairment loss	**26**	16
Non-IFRS adjustments		
Charges in relation to legacy legal cases*	**-**	3
Underlying (loss)/profit per management income statement	**(109)**	74

*Included in IFRS administrative, staff and other expenses

Summary consolidated statement of financial position

	Table	31 December 2020 €m	31 December 2019 €m
Assets			
Home loans		**12,145**	12,098
Buy-to-let		**1,649**	3,077
Total residential mortgages		**13,794**	15,175
Commercial mortgages		**128**	127
Consumer finance		**291**	342
Total loans and advances to customers (net of provisions)	10	**14,213**	15,644
Debt securities	12	**2,583**	2,005
Remaining asset balances	13	**4,190**	2,629
Total assets		**20,986**	20,278
Liabilities and equity			
Current accounts		**5,779**	4,667
Retail deposits		**10,516**	10,301
Corporate & institutional deposits		**1,744**	2,222
Total customer accounts	14	**18,039**	17,190
Debt securities in issue	15	**809**	923
Other liabilities	16	**187**	168
Total liabilities		**19,035**	18,281
Total equity		**1,951**	1,997
Total equity and liabilities		**20,986**	20,278
Liquidity coverage ratio (1)		**276%**	170%
Loan to deposit ratio (2)		**79%**	91%
Net stable funding ratio(3)		**160%**	138%
Return on equity (4)		**(5.4%)**	3.1%

(1) Calculated based on the Commission Delegated Regulation (EU) 2015/61.
(2) Defined as the ratio of loans and advances to customers compared to customer accounts as presented in the statement of financial position.
(3) Defined as the ratio of available stable funding to required stable funding.
(4) Defined as (loss)/profit 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

The Group maintains a strong capital, liquidity and funding position and continues to have the strength to withstand the current adverse economic climate.

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

- **Loans and advances to customers (net of provisions)** were €14,213m as at 31 December 2020, a reduction of €1,431m from €15,644m at 31 December 2019, which is mainly due to the disposal of the Glenbeigh II performing mortgage portfolio. The information regarding the disposal of Glenbeigh II loan portfolio is set out in note 41.
- **Customer accounts** were €18,039m at 31 December 2020, an increase of €849m from 31 December 2019. This is due to the COVID-19 restrictions which impacted customer spending resulting in higher average customer balances during the year.
- **Remaining asset balances** were €4,190m as at 31 December 2020, an increase of €1,561m from €2,629m at 31 December 2019, which was due to increased balances held with the CBI arising from the proceeds of the deleveraging transactions in 2020 and 2019.

Loans and advances to customers

Table 10 (a): Summary of movement in loans and advances to customers

	2020 €m	2019 €m
Gross loans and advances to customers 1 January	**16,389**	16,916
New lending	**1,332**	1,594
Redemptions and repayments of existing loans	**(1,418)**	(1,528)
Write-offs and restructures	**(53)**	(87)
Net movement from non-performing and Other	**(1,395)**	(506)
Gross loans and advances to customers 31 December	**14,855**	16,389

Table 10(b): Composition of loans and advances to customers

	31 December 2020 €m	31 December 2019 €m
Residential mortgages:		
Home loans	**12,338**	12,260
Buy-to-let	**2,009**	3,598
Total residential mortgages	**14,347**	15,858
Commercial	**181**	165
Consumer finance	**327**	366
Total measured at amortised cost	**14,855**	16,389
Of which are reported as non-performing loans	**1,128**	1,050
Deferred fees, discounts & fair value adjustments	**86**	73
Provision for impairment losses	**(728)**	(818)
Total loans and advances to customers	**14,213**	15,644

Total loans and advances to customers (net)

€14,213m

Total loans and advances to customers (after provisions for impairment) of €14,213m at 31 December 2020 decreased by €1,431m when compared to the year ended 31 December 2019. This decrease is mainly due to the disposal of the Glenbeigh II performing mortgage portfolio.

New lending has reduced by €262m at 31 December 2020 from €1,594m at 31 December 2019 to €1,332m, as a result of the impacts from COVID-19.

Total new lending (gross)

€1,424m

Total new lending in the financial year 2020 amounted to €1,424m, down by 15% from 31 December 2019. Mortgage lending, which represented 90% of total new lending, decreased by 14% compared to 2019. This reduction in overall lending reflects the market uncertainty due to the COVID-19 pandemic. However, Mortgage Applications and Mortgage Approvals recovered strongly in H2 2020.

The Irish mortgage market activity in H1 2020 was impacted by the COVID-19 pandemic with a global decline however demand increased in H2 2020 following a reopening of the economy after the first lockdown. While Mortgage Lending in the market for 2020 was down 12% year-on-year, pent up demand saw a surge in Applications in the market in Q4. Housing supply, which was already falling short, has been impacted by the restrictions imposed to halt the spread of COVID-19.

Estimates before the current crisis for total housing completions in 2020 were between 24,000 to 26,000 units. BPFI has estimated that total completions would be between 19,000 to 20,000 units in 2020.

The Group recorded gross new Term lending of €97m in 2020. This is a decrease of 31% compared to 2019. SME Lending in 2020, €48m, was broadly consistent with 2019 (€47m).

NPLs	NPLs as a % of gross loans
€1,128m	**7.6%**

Table 11: NPLs

	31 December 2020 €m	31 December 2019 €m
Home loans	**658**	614
Buy-to-let	**418**	377
Commercial	**35**	41
Consumer finance	**17**	18
Non-performing loans	**1,128**	1,050
NPLs as % of gross loans	**7.6%**	6.4%
Foreclosed assets*	**30**	58
Non-performing assets (NPAs) **	**1,158**	1,108
NPAs as % of gross loans	**7.8%**	6.8%

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

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

NPLs increased by €78m in the year ended 31 December 2020 primarily attributed to the impacts of COVID-19.

NPLs as a percentage of gross loans was 7.6% at 31 December 2020, an increase of 1.2% from 6.4% at 31 December 2019 driven primarily by the deleveraging of the Glenbeigh II performing mortgage portfolio.

Non-performing assets increased by €50m mainly due to €78m increase in NPL loans offset by €20m decrease in foreclosed assets sold in the year.

Debt securities

Table 12: Debt securities

	31/12/2020 €m	31/12/2019 €m
Government bonds	**2,477**	1,963
Corporate bonds	**106**	42
Total debt securities	**2,583**	2,005

The Group purchased Irish, Portuguese, and Spanish sovereign bonds during the year ended 31 December 2020. In addition, during the year the Group also purchased residential mortgage backed securities. The total cash investment that the Group made in debt securities was €1,046m and debt securities amounting to €414m matured during the year.

Remaining asset balances

Table 13: Remaining asset balances

	31/12/2020 €m	31/12/2019 €m
Loans and advances to banks	**3,312**	1,556
Assets classified as held for sale	**31**	59
Other assets	**847**	1,014
Total	**4,190**	2,629

The remaining assets balances are in line with the Management expectations. The key movements in the year related to an increase of €1,756m in loans and advances to credit institutions primarily related to increased balances held with the CBI as a result of the receipt of proceeds from the sale of the Glenbeigh II transaction.

Other assets reduced by €254m reflecting the receipt of the Glas II proceeds at the start of the year.

Liabilities

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

Customer accounts

€18,039m

The following table outlines the Group's customer accounts as at 31 December 2020 and 31 December 2019.

Table 14: Customer accounts

	31/12/2020 €m	31/12/2019 €m
Current accounts	**5,779**	4,667
Retail deposits	**10,516**	10,301
Total retail deposits (including current accounts)	**16,295**	14,968
Corporate deposits	**1,744**	2,222
Total customer deposits	**18,039**	17,190
Loan to deposit ratio*	**79%**	91%

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

At 31 December 2020, customer accounts increased to €18,039m from €17,190m at 31 December 2019. Customer account growth accelerated during the COVID-19 outbreak as a result of a reduction in consumer spending.

In the current period, account openings exceeded the closures resulting into net inflows to the Group. While the Group continues to closely track the market, its attractive product propositions continue to expand its customer base.

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

Debt securities in issue

€809m

Table 15: Debt securities in issue

	31/12/2020 €m	31/12/2019 €m
Bonds and medium-term notes	**351**	308
Non-recourse funding	**458**	615
Debt securities in issue	**809**	923

Debt securities in issue decreased by €114m for the year ended 31 December 2020. The reduction in non-recourse funding is a result of natural amortisation of mortgage backed securitisations. The increase in bonds and medium term notes is due to an additional issuance of €50m MREL debt net of maturity of a €7m medium term notes.

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

Remaining liabilities

Table 16: Remaining liability balances

	31/12/2020 €m	31/12/2019 €m
Derivative liabilities	**-**	2
Accruals	**2**	5
Current tax liability	**1**	2
Provisions	**77**	41
Other liabilities	**107**	118
Total	**187**	168

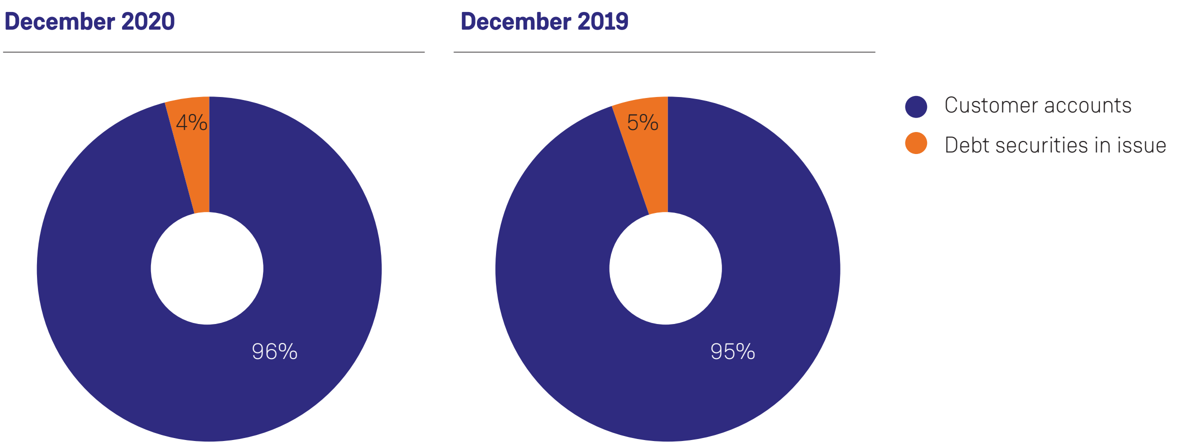
The Group provisions increased by €36m to €77m at 31 December 2020. The increase is primarily driven by the Group's voluntary severance scheme as part of the Enterprise Transformation Programme announced in November 2020 and remediation of historic third party legal costs offset by the release of other provisions. Other liabilities have decreased due to the natural reduction of lease liabilities.

Funding Profile

The following tables show the Group's funding profile as at 31 December 2020 and 31 December 2019.

The Group's funding profile at 31 December 2020 is broadly in line with the position at 31 December 2019. The Group is predominantly funded by retail deposits, which the Group considers a stable source of the funding.

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



Capital Management

Capital Management Objectives and Policies

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

CRD IV

Implementation of the CRD IV legislation commenced on a phased basis from 1 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 27 June 2013 and subsequent clarifications, including ECB regulation 2016/445 on the exercise of options and discretions.

Regulatory Capital Developments

The European Commission published an amendment to the Capital Requirements Regulation on 28 April 2020 ("the CRR quick fix") to bring forward certain changes made to the CRR announced last year ("CRR2") in light of the challenges posed to the banking sector by the current COVID-19 crisis. Other amendments not contained in CRR2 were also announced to provide further flexibility to banks in meeting capital requirements. The European Parliament voted to approve these measures, which contain some amendments to the original text, on 18 June 2020.

The key measures in the CRR quick fix include an extension of the IFRS 9 transitional arrangements by two years, the introduction of a prudential filter on sovereign bonds held at fair value, the acceleration of CRR2 amendments to exempt certain software assets from capital deduction[1] and to revise the SME supporting factors.

The Basel Committee has also announced a delay by one year in the implementation of revisions to the Basel Framework for Credit Risk, Credit Valuation Adjustment ("CVA") and Operational Risk. These changes are expected to form part of CRR 3 in the EU with an expected application date of 1 January 2023 as opposed to an application date of 1 January 2022 expected pre COVID.

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

Flexibility provided by the Central Bank of Ireland in the context of the COVID-19 crisis[2]

The CBI has provided additional flexibility to banks under its direct supervision when meeting its capital requirements. This includes:

- Allowing banks to use Additional Tier 1 and Tier 2 capital to partially meet Pillar 2 Requirements ("P2R"), bringing forward a measure due to be implemented in January 2021 as part of the amendments to the Capital Requirement Directive ("CRD V");
- Announcing a reduction in the Countercyclical Capital Buffer ("CCyB") rate on Irish exposures to 0% at the beginning of April 2020; and
- Allowing banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance ("P2G") and the Capital Conservation Buffer ("CCB").

Regulatory Capital Requirements

The Group's Common Equity Tier1 (CET1) minimum requirement of 8.94% (31 December 2019: 11.45%) is comprised of a Pillar 1 Requirement of 4.5%, Pillar 2 Requirement of 1.94% (31 December 2019: 3.45%), Capital Conservation Buffer (CCB) of 2.5% and a Countercyclical Capital Buffer (CCyB) of 0% (31 December 2019: 1.0%).

The year on year decrease in the Group's minimum CET1 requirement of (-2.51%) is due to the aforementioned reduction of the CCyB from 1% to 0% and the accelerated application of the CRD V amendments which permits a portion (up to 44%) of P2R to be met with non-CET1 (AT1 & Tier2) capital (-1.51%).

The Group's Total Capital minimum requirement of 13.95% at 31 December 2020 (31 December 2019: 14.95%) consists of a Pillar 1 CRR requirement of 8%, P2R of 3.45%, CCB of 2.5%. The year on year decrease in the Group's Total Capital minimum requirement (-1%) is driven by the reduction of the CCyB from 1% to 0%.

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

Capital ratios at 31 December 2020

At 31 December 2020, the regulatory transitional CET1 was 18.1% (31 December 2019: 17.6%) and Total Capital ratio 21.0% (31 December 2019: 19.1%), exceeding the Group's 2020 minimum requirement of 8.94% and 13.95% respectively.

On a fully loaded basis, the CET1 ratio was 15.1% (31 December 2019: 14.6%) and the Total Capital ratio was 18.2% (31 December 2019: 16.3%).

During the year the volume of CET1 has reduced primarily due to losses incurred in the year, driven by impairment charges of €155m. Ratios have however improved as a result of a significant BTL loan disposal in the year.

In Q4 2020 the Bank successfully executed an Additional Tier 1 issuance (+€125m incl. €2m transaction costs) which provided a further Total Capital uplift.

The leverage ratio on a fully loaded and transitional basis amounted to 7.1% and 8.2% respectively at 31 December 2020 (31 December 2019: 7.8% and 9.1%). Movement in leverage ratio was primarily due to a reduction in Tier 1 capital, driven by P&L losses and prudential filters.

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

1. https://eur-lex.europa.eu/eli/reg_del/2020/2176/oj
2. https://www.centralbank.ie/regulation/covid19-flexibility-measures/credit-institutions

Capital Management
(continued)

Table 17: Regulatory Capital

	31/12/2020		31/12/2019	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Capital Resources:				
Common Equity Tier 1	**1,535**	**1,282**	1,765	1,464
Additional Tier 1*	**190**	**198**	85	103
Tier 1 Capital	**1,725**	**1,480**	1,850	1,567
Tier 2 Capital	**54**	**59**	61	61
Total Capital	**1,779**	**1,539**	1,911	1,628
Risk Weighted Assets	**8,480**	**8,471**	10,012	9,996
Capital Ratios:				
Common Equity Tier 1 Capital	**18.1%**	**15.1%**	17.6%	14.6%
Tier 1 Capital	**20.3%**	**17.5%**	18.5%	15.7%
Total Capital	**21.0%**	**18.2%**	19.1%	16.3%
Leverage Ratio**	**8.2%**	**7.1%**	9.1%	7.8%

*The amount of Additional Tier 1 (AT1) Capital and Tier 2 instruments included within the consolidated capital of the holding company is restricted within the limits laid down under the CRR. Effective January 2018, these restrictions are now fully phased in.
** The leverage ratio is calculated by dividing the Tier 1 Capital by gross balance sheet exposure (total assets and off-balance sheet exposures).

Table 18: CET1 Capital

	31/12/2020		31/12/2019	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Total Equity	**1,951**	**1,951**	1,997	1,997
Less: AT1 Capital	**(245)**	**(245)**	(122)	(122)
Adjusted Capital	**1,706**	**1,706**	1,875	1,875
Prudential Filters:			-	-
Intangibles	**(72)**	**(72)**	(66)	(66)
Deferred Tax	**(213)**	**(343)**	(170)	(337)
IFRS 9 (Transitional adjustment)*	**122**	**-**	134	-
Others	**(8)**	**(9)**	(8)	(8)
Common Equity Tier 1	**1,535**	**1,282**	1,765	1,464

*The CET1 transitional impact to the Group as a result of EU Regulation 2017/2395 mitigating the impact of the introduction of IRFS 9 own funds. This was further amended by the adoption of Regulation EU 2020/873 ("CRR Quick Fix").

Transitional (regulatory) capital
The year on year transitional CET1 capital reduced by €230m to €1,535m at 31 December 2020 (31 December 2019: €1,765m). This reduction was primarily driven by P&L losses in the year €(162)m after tax and the phasing of the prudential filters €(61)m.

Fully loaded capital
The year on year fully loaded CET1 capital reduced by (€182m) to €1,282m at 31 December 2020 (31 December 2019: €1,464). This reduction was primarily driven by P&L losses in the year €(162)m after tax.

Risk Weighted Assets (RWAs)
The following table sets out the Group's risk weighted assets (RWAs) at 31 December 2020 and 31 December 2019.

Table 19: RWAs

	31/12/2020		31/12/2019	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
RWAs				
Credit risk	**6,958**	**6,958**	8,341	8,341
Counterparty credit risk*	**137**	**137**	141	141
Securitisation	**165**	**165**	90	90
Operational risk	**672**	**672**	695	695
Other**	**548**	**539**	745	729
Total RWAs	**8,480**	**8,471**	10,012	9,996

*Counterparty credit risk includes Treasury, Repo & CVA RWAs
**Other includes Standardised Exposures including a receivable in 2019 in relation to loan deleveraging (RWAs of €273m)

RWAs reduced by €1,532m (on a transitional basis) during the year ended 31 December 2020. This was primarily driven by de-recognition of underlying Glas II exposures (€273m) in Q1 2020 and Glenbeigh II exposures (€1,121m) in Q4 2020.

Risk Management

The information in Section 3.1, 3.2 and 3.3 on pages 72 to 83 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 153. 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

The Enterprise Risk Management Framework (RMF) is the Group's overarching Risk Management Framework articulating the Risk Management Process governing risks within the following key risk categories; Capital Adequacy Risk, Liquidity & Funding Risk, Market Risk, Credit Risk, Strategic Business Risk, Operational Risk, Information Technology ('IT') Risk, Model Risk, Compliance Risk, Conduct Risk and Reputational Risk. The RMF outlines the Group-wide approach to the identification; assessment and measurement; mitigation and control; monitoring and testing; and, reporting and escalation of risk 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 and supported by the CRO. The RAS describes the Group's Risk Appetite at the enterprise level, serving as a boundary for the Group's business, support and control function leaders to; enable a consistent approach to risk management; endorses risk discipline; and, integrates risk management into decision making at all levels of the organisation. The RAS further ensures the Group's risk is communicated clearly and well understood by both Senior Management and Group employees so that risk management is continually embedded into the Group's culture.

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

The RAS is an articulation of how the Group's appetite for and tolerance of risk will be expressed. This comes in the form of qualitative statements about the nature and type of risk that the Group will take on, and quantitative limits and thresholds that define the range of acceptable risk. The RAS includes component Risk Appetite statements for each of the distinct key risk categories including qualitative expressions of Risk Appetite as well as quantitative measures which translate the qualitative expressions of Risk Appetite into actionable metrics (RAS Metrics) and 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 to deliver a full-service Retail and SME Bank with a low Risk Appetite exclusively focussed on the Republic of Ireland. In light of this, the Risk Appetite is not decomposed into individual business unit-specific statements of Risk Appetite.

Risk Governance

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

The responsibilities set out below relate to risk management activities. Further roles and responsibilities are documented in the Internal Control Framework ("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 that are based on relevant regulatory guidelines.

These principles include:

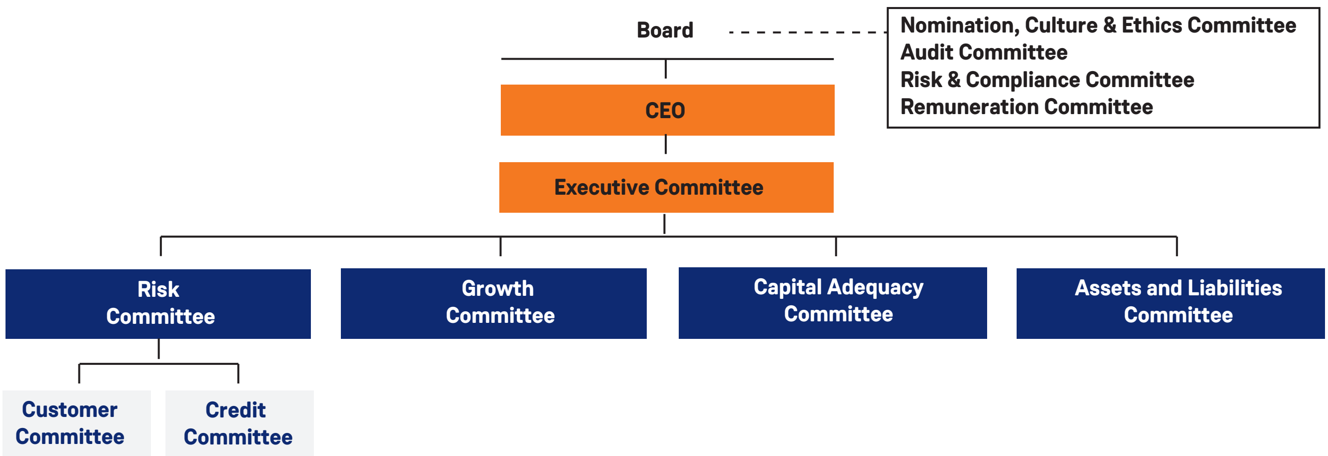
- **Committee Structure:** The number of committees at Board and Management levels reflects the nature and types of risk faced by the Group. Criteria for establishing risk sub-committees give due consideration to the: purpose of the committee; duration of the committee; proposed membership; committee reporting line; and flight path for outputs from the committee.
- **Board Committees:** Made up of Non-Executive Directors whose role is to support the Board in overseeing risk management and overseeing and challenging Senior Management's decisions.
- **Management Committees:** 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.

Risk Management
(continued)

- **Independence Safeguards:** The risk governance structure features safeguards to protect the independence of key relationships between Senior Executives and the Board. In this respect, the ExCo may not override or modify decisions of the ALCO, GRC or GCC committees, 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 should be appropriate to the Group's resources and business model. This should be reviewed on a regular basis and the feedback of the committee members should be sought.

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

Risk Governance Structure



Key Risk Governance Roles and Responsibilities

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

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

Committee/Role	Key Responsibilities
Assets and Liabilities Committee (ALCO) ALCO reviews, and is responsible for overseeing all activities relating to the management of Asset Liability Management (ALM), Treasury and Market Risks including Liquidity Risk, Interest Rate Risk, Treasury Counterparty Risk and Foreign Exchange Risk. It 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 the ExCo.	Key activities of the ALCO include, but are not limited to: · Recommending the relevant ALM, Treasury and Market Risk elements of the Group's RAS for approval by the Board; · Refresh and recommend for onward approval a suite of policies; · Maintaining, monitoring and enforcing adherence to the Group's Risk Management Frameworks and policies for all ALM, Treasury and Market Risks; · Overseeing and monitoring the ALM, Treasury and Market 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 Risk profiles against set limits and propose remediation plans to restore Risk Appetite where required; · Reporting any breaches of approved limits in accordance with agreed protocol; · Managing the capital requirements for the Group's ALM, Treasury and Market Risks in line with the capital adequacy directive; · Ensuring there is adequate and effective segregation of duties within Treasury and to approve any significant amendment to the responsibilities of Treasury; and · Approving new products or material changes to existing products which have interest rate or capital implications; · Approval of the Funds Transfer Pricing (FTP) methodology and metrics, to ensure that such process is economically fair, transparent and incentivises appropriate behaviour in accordance with FTP Policy.
Group Risk Committee (GRC) GRC is an ExCo sub-committee chaired by the Chief Risk Officer, who has unfettered access to the Board Risk and Compliance Committee ("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 CAC and 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 the 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; · Maintaining, monitoring and enforcing adherence to the Enterprise Risk Management Framework, for all key risk categories excluding those which fall directly under the remit of the CAC and the ALCO. · Responsible for overseeing Resolution Planning activity which involves delivering the prescribed templates/annual submissions.

Committee/Role	Key Responsibilities
Group Growth Committee The Group's Growth Committee (GrowthCo) provides context and promotes understanding of the commercial agenda. In this context, the commercial agenda is defined as the plans by the organisation to meet both income and cost targets as set through the MTP, in the context of the Group's Risk Appetite. GrowthCo exists to prioritise opportunities, resources and capabilities in order to deliver the first year of MTP, and make recommendations to maximise shareholder value in future years which build on the group ambitions and feed these recommendations into the ExCo and the IPP. GrowthCo is an ExCo sub-committee.	The Group's Growth Committee is responsible for: · Prioritising opportunities, resources and capabilities in order to deliver the first year of MTP. The Committee is also responsible for proposing new Management Agenda items for consideration by the CEO and the ExCo. · Acting as a gateway through which all developments to product, price, service or channels are initiated and reviewed prior to delivery or submission to the Growth Committee. · Acting as a steering group to all relevant Group Performance Agenda work.
Capital Adequacy Committee (CAC) CAC is responsible for the detailed execution and initial oversight responsibilities for Capital Adequacy. CAC is also responsible for reviewing the adequacy of capital on an ongoing basis and should receive monthly reporting on the capital position. CAC is a sub-committee of the ExCo.	The CAC is responsible for: · Monitoring (i) the minimum capital requirements set by the Group's Regulators; and (ii) the Basel III minimum Solvency rules, as implemented by the CRD IV Directive and Regulation, which details the Pillar 1 minimum capital ratios that the Group needs to hold; · Reviewing and recommending ICAAP documentation to the BRCC/Board; · Maintain a level of oversight and management of the ongoing execution of capital-impacting stress testing exercises and; · Considering both the quality and quantity of capital held by the Group including the composition of the Group's total capital resources (i.e. the preferred split of CET 1, Tier 1 and Tier 2 capital) while remaining within the parameters of the approved budget and recommending any remedial actions to the ExCo/Board accordingly.
Group Credit Committee (GCC) GCC is the body accountable for the execution and delivery of the Group's system of Portfolio Credit Risk Management, encompassing the identification, measurement, monitoring and reporting of Portfolio Credit Risks. GCC ensures that the appropriate operating frameworks governing the portfolio credit risk management activities of the Group are approved and are enforced. It operates as the forum for Group-wide Portfolio Credit Risk Management issues across the full Credit Risk Management Lifecycle. GCC is a sub-committee of the 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 high authorities (the 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. the BRCC/Board) and they are the forum review of Group-wide credit risk management issues.

Committee/Role	Key Responsibilities
Group Customer Committee The Group Customer Committee ensures that the Group monitors, controls and mitigates Conduct and Customer Outcome Risk by embedding a culture where achieving positive customer outcomes in order to generate sustainable long-term shareholder value permeates the Group's approach and thinking. In doing so, it oversees all significant business strategies and propositions that may have a material impact on customers, and in turn, ensures the 'Customer Value Equation' is delivered at all times. This covers new product development, product delivery and fulfilment, ongoing product and customer management, and customer interaction. Customer Co is a sub-committee of the GRC.	The Group Customer Committee is responsible for, but not limited to: · Providing guidance to Executive Management (including the ExCo and other ExCo sub-committees) for business and commercial decisions which may have a material impact on customers and for the endorsement of such proposals; · Reviews "high impact" customer events, issues and complaints arising, to provide both guidance on significant individual issues/events, and to analyse trends to inform future strategy and decision-making with regard to customers; · Reviews the Conduct Risk that exists within the Group against the Board-approved Conduct Risk Appetite and Principles; and · Serving as the central oversight body for all significant customer matters ensuring fair treatment of customers (via the 'Customer Value Equation') is at the heart of key decisions made by the business.

Role of the Chief Risk Officer

The Chief Risk Officer (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 Group's Executive Committee and directly manages the Group's Risk Function. The CRO has a shared reporting line to the BRCC and the Chief Executive Officer (CEO).

The CRO is accountable for the development of the Group's RAS, which the CRO submits to the GRC for recommendation to the 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 Integrated Planning Process (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 the point-in-time 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 the ExCo Risk Sub-Committees (such as the 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 for the effective oversight and management of risks across the Group.

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

2. Principal Risks and Uncertainties

Risk registers, containing details of current and emerging risks, from each of the Group Risk functions utilise the 'top down' Risk Identification and 'bottom up' Risk and Control Self-Assessment (RCSA) processes and form the basis of the Banks 'Top and Emerging Risks' report. The 'Top and Emerging Risks' report is included in the CRO report quarterly, this is presented to Board and is used to ensure identification, measurement, management and monitoring of all material risks.

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

The risk factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties as there may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant but which may become significant. As a result of the challenging conditions in the global financial environment due to COVID-19 and the consequences of Brexit due to ongoing political uncertainty and economic weakness within the Eurozone, the precise nature of all risks and uncertainties that the Group faces cannot be predicted as many of these risks are outside of the Group's control.

Strategic Business Risk

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

Business Risk is typically assessed over a one year horizon while Strategic Risk generally relates to a longer timeframe and pertains to volatilities in earnings arising from a failure to develop and execute an appropriate strategy. Business Units are responsible for delivery of their business plans and management of such factors as pricing, sales and loan volumes, operating expenses and other factors that may introduce earnings volatility. 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 Statement. Monitoring of Strategic Business Risk is evaluated through regular updates to the GRC, BRCC and Board. The Group also reviews Strategic Business Risk as part of the risk identification process.

COVID-19

The current economic shock as a result of the COVID-19 virus outbreak poses a significant challenge to businesses in Ireland and globally. The outlook is challenging with the long term consequences largely dependent on its severity and the ensuing timeline over which business activity and employment levels begin to recover.

Anticipated higher impairments and in time significantly higher arrears profile, adjustments to RWAs due to declining credit quality (impacting the risk parameters), higher costs and lower income will together negatively impact the Group's financial performance, capital and financial position. In light of the current economic outlook, the net impairment charge on the Group's loan book increased to €155m.

The unprecedented nature of the crisis gives rise to an elevated degree of uncertainty regarding the Group's financial and capital outlook at this time. Management continue to review and benchmark internal projections against economic assessments published by reputable independent sources.

In addition, the COVID-19 virus brought significant change across the organisation in relation to our 'Ways of Working' with reliance on remote working and remote collaboration becoming the new normal and redeployment and reorganisation of how teams are setup to work being required.

The health of all colleagues continues to be our utmost priority and in this regard work is being undertaken in designing a 'future fit' organisation for a return to the physical workplace, as well as an enduring home working approach. To assist with this, we are developing longer term technology solutions and an improved equipment infrastructure to enable flexible working

Brexit

Whilst a deal between the UK and Europe has been negotiated, it is nevertheless widely expected that the UK's decision to leave the European Union will have an adverse impact on the Irish economy in the near-to-medium term which, in turn, is likely to negatively impact PTSB's results and financial outlook. However, the extent of the likely impact of 'Brexit' on the Irish economy remains uncertain.

Economic Outlook

The CSO estimates that Irish GDP grew by 3.3% in 2020 whereas GDP fell by 6.8% in the euro area and 6.4% in the EU according to Eurostat. This overall figure disguises an increasingly two-speed Irish economy, one in which exports grew by 4.3% and industrial and ICT output grew by 17%, while domestic demand, consumer spending and investment fell by 8.8%, 9.9% and 14% respectively.

Economic projections for 2021 are heavily dependent on assumptions regarding the extent of lockdowns and vaccine efficacy. The ESRI projects growth of 4.9% for the year while Davy forecasts GDP to grow by "4.8% in 2021 on the back of resilient multinational export sectors, but with a delayed recovery in indigenous sectors due to COVID-19 restrictions so that GDP growth accelerates to 5.5% in 2022."

Mirroring economic developments, the Department of Finance announced that Ireland ran a general Government deficit of €19bn or 5.5% of GDP in 2020 compared to an 8.9% deficit for the Eurozone. Key to this better performance has been the remarkable resilience of income tax receipts which declined just 1% in the year and corporation tax receipts which increased by 9%; these partly offset a 23% increase in public expenditure. Davy estimates Ireland's government balance will narrow modestly to €18bn, 4.6% of GDP, in 2021 and to €12bn, 3% of GDP, in 2022. The Central Bank estimates "Government debt stood at €255bn in Q3/2020, the highest level in the series for a second consecutive quarter."

During 2020, the ECB committed itself to a 'lower for longer' interest rate policy which saw it maintain its 0% repo rate and commence a Pandemic Emergency Purchasing Programme (PEPP) in addition to expanding its Asset Purchase Programme (APP). Statista estimates the Irish inflation rate was -0.2% in 2020 compared to an EU rate of 0.23%.

The Central Bank estimates Irish household debt had fallen to 104% of GDP by the end of 2020 leaving Irish households with the seventh-highest debt level in the EU. This stands in marked contrast to the situation in 2011 when the ratio peaked at 210%, the highest in the EU. The Central Bank also noted that loans for house purchase grew at 0.9% p.a. in December 2020, less than half the 1.9% rate a year earlier. It further noted that the year was also "marked by a significant contraction in consumer borrowing, with repayments exceeding new drawdowns" by €2.2 billion, or 16%.

The pandemic has caused the household savings ratio almost to double from 12.4% in 2019 to 23.2% in 2020. The Central Bank noted that "Irish household deposits in credit institutions reached a historic high of €125 billion at end-2020, increasing by €14.2 billion over the year." Meanwhile, corporate deposits grew 18% to €73bn over the year.

BPFI notes that 35,617 mortgages to a value of €8,365 million were drawn down in 2020 and a total of 43,151 mortgages to the value of €10,340 million were approved in 2020. While these were the lowest levels since 2017 reflecting the impact of the lockdowns on the market, of particular note is the level of mortgage approvals in the final months of the year. BPFI comments: "Our latest mortgage data is showing strong year-on-year growth in approvals and drawdowns in December and Q4, respectively. In fact, during the final quarter of 2020, we recorded the highest value of drawdowns since Q4 2008. This was driven by first-time buyers who reached their highest levels in both volume and value terms since Q3 2007." The average mortgage for house purchase which was over €250,000 in Q4/20, 7% higher than the €234,000 figure a year earlier, points to inflationary pressures in the market.

Housing completions in Q4 2020 surged 16% higher than Q4 2019 levels, with the completion of 7,400 units marking the best ever quarter for homebuilding in the available 10 years of CSO data. However, this only brought the full-year total to 20,700, still 1.9% lower than the 21,100 units built in 2019. The BPFI Housing Market Monitor for Q3/20 notes that commencement notices were 20% to 50% lower during the year compared to 2019. It concludes that "lower than expected commencement numbers in 2020 will put pressure on the number of new dwellings to be completed in 2021 at a time when most observers expected housing supply to catch up with both current and pent-up demand, estimated to be around 35,000 units. It is now likely that housing output will not reach these levels until the end of 2023." Davy projects "that housing completions will rise to 21,000 in 2021 and 24,000 in 2022."

Activity within the existing stock of homes has been noticeably lower in Ireland than elsewhere for many years and that difference became even more pronounced during 2020. Daft and MyHome both recorded the lowest number of listings on their sites for many years. Davy suggests that "negative equity and borrowers unwilling to refinance out of favourable tracker mortgage rates" partly explain this phenomenon. With mortgages drawn on just 1.2% of existing homes annually, this is the lowest level of activity in this market since the 1970s.

Furthermore, as Goodbody notes, non-households now account for 40% of new home purchases. The January 2021 report from Society of Chartered Surveyors Ireland (SCSI), The Real Costs of New Apartment Delivery, outlines the high cost of apartment delivery makes build-to-rent the only viable model for many apartment types and concludes that the private rented sector (PRS) is now the buyer of choice for these apartment types. Knight Frank's Dublin PRS Report comments that there "has been a move away from home ownership to PRS, with 60% of under-35s now renting in Dublin" and that "interest in PRS has primarily been driven by pension funds." At the last census, the home ownership rate in Ireland was 67.6%, lower than the EU average of 69% and far below the 79.3% peak in 1991.

At the outset of the pandemic, there was an expectation house prices would drop. However, after an initial drop, house prices quickly stabilised and the Residential Property Price Index (RPPI) increased by 0.2% in the year to end-November. Davy expects house prices to rise by 3% during 2021. They attribute this growth to the significant pent-up demand as a result of the ongoing housing shortfall, Government incentives such as Help-to-Buy and the Affordable Purchase Shared Equity scheme, the increase in deposits and increased bank willingness to lend. They note that "the labour market damage has been concentrated among younger, part-time and low-paid workers", groups not normally considered natural homebuyers.

The impact of COVID-19 is particularly evident in the rental market. After many years of very high inflation, the Residential Tenancies Board report that the "annual national standardised average rent increased by 1.4% (or €17 per month), going from €1,239 in Q3 2019 to €1,256 in Q3 2020" noting "this is the lowest national annual growth rate since Q4 2012."

Banks in Ireland face many challenges – credit losses due to the impact of COVID-19, excess deposits, negative returns on high-quality liquid assets and on deposits with the Central Bank, and limited lending opportunities as a result of constrained construction output, low housing turnover and the impact of build-to-rent on the new apartment sector. These partly explain why all banks in Ireland and many across Europe trade at a significant discount to book equity.

Nevertheless, there is hope that with a successful vaccine rollout, Ireland can return to growth and many of these headwinds will abate. Davy expects "mortgage lending to grow to €9.5bn in 2021 and €11bn in 2022 as housing market liquidity and homebuilding rebound" which will see "the stock of mortgage lending growing by 1.2% in 2022 to €91.4bn." When the business and travel restrictions which have decimated businesses and employment are finally lifted, the corporate and SME sectors will need to undertake the investments which they postponed initially because of Brexit uncertainty and more recently on virus concerns. This will afford Irish banks further opportunities to put their excess deposits to work.

Climate Risk

The Group is conscious of the effect that climate change can have and may manifest itself into two different ways, firstly on the operations of our business and secondly, in the longer term, as an associated financial risk and increased credit risk for the Group.

Retail mortgage portfolios (such is the Group's focus) can be impacted by climate related physical risks through persistent or chronic changes in the environment. Climate change can lead to an increase in storms and flooding events, such events can subsequently impact property values and defaults, posing credit risk.
There is also a growing need to transition to a low carbon economy, with likely major impacts to reduce oil and gas power generation and increase wind, solar and wave technologies. If the pace of change transition is too slow, a sharper adjustment will be ultimately required, posing macroeconomic and financial stability risks.

Climate Risk and sustainability is captured across a number of lenses including: Green Products, Credit Assessment, Capital allocation, Pricing, Corporate Social Responsibility (CSR) and Carbon footprint. Integrating Climate risk into the broader risk management framework will require PTSB to measure its potential exposures to climate change. This has been an increasing area of focus with the Group commissioning EY to conduct a comprehensive sustainability assessment of Permanent TSB in 2020. This assessment covered many areas but most ostensibly it addressed climate risk and the effect that it will have on all areas of the business. As a result of the EY report a Sustainability Committee of Senior Leaders from across the organisation was mobilised and were tasked with turning the findings of the report into an action plan to implement across the Group. The work of this Committee is expected to continue through to 2021 and will include, amongst other work streams, integrating climate risk into the Group's existing Risk Management frameworks.

The Group have in place a Business Continuity Management (BCM) plan that takes into account adverse weather conditions that may in some cases cause a reduction in operational capacity. The BCM plan is tested annually to ensure the Group is prepared. The Group also discloses its Carbon Emission (see page 40) and has signed the Business in the Community Low Carbon Pledge, committing to a 50% reduction in Carbon Emissions by 2030.

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, (however it arises e.g. Coronavirus, a public health crisis transferring into an economic risk), as well as the socio-political environment adversely impacting or causing further deterioration in the credit quality of the Group's loan portfolios. This may give rise to increased difficulties in relation to the recoverability of loans or other amounts due from borrowers, resulting in further increases in the Group's impaired loans and impairment provisions.

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

Capital Adequacy Risk

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

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

The core objective of the Group's Capital Management Policy 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 to ensure that it maintains sufficient capital to cover its business risks and support its market 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 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, CAC and ALCO in accordance with Board approved policy.

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 culminate in Basel IV regulations replacing or supplementing Basel III.

Government Control and Intervention

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

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

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

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

Liquidity and Funding Risks

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

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

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

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

The management of the Group's Liquidity and Funding risks 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 liquidity and funding risk. Group Risk and GIA provide further oversight and challenge to the liquidity and funding risk framework

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

Market Risk

Market Risk is 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 mitigated using hedging.

From the Group's perspective, Market Risk consists of three components being Interest Rate Risk, Credit Spread Risk and Foreign Exchange Risk. These risks are covered in detail in section 3.3.

The Group's Risk Appetite Statement 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 and BRCC on a regular basis. Group Treasury is responsible for the management of market risk exposures on the balance sheet. Group Risk and Group Internal Audit provide further oversight and challenge of Group Treasury's compliance with the Market Risk Framework and associated Policies.

Interest Rate Benchmarks

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

For PTSB this potentially may impact the payment and receipt of interest on PTSB's securitised transactions and interest rates swaps but the impact is considered minimal given the low level of exposure. The Group will continue to monitor and address potential challenges from any transition to new reference rates.

Model Risk

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

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

- Macro-economic risk – the Group's suite of models is built on data that spans the period immediately prior to the Global Financial crisis through the recent recovery. The degree to which the impacts of a new economic downturn (particularly the current pandemic) will mirror the last is uncertain. The degree of risk increases with the speed and volatility of economic change;
- Regulatory change – the pace of evolution of regulation and guidance increases the burden of maintaining the Group's regulatory models;
- Competition for skills – significant competition exists within the Irish market for those with the experience and expertise to build, implement and interpret models; and
- Data – encouraging customers to share their data, particularly in the area of environment and sustainability (ESG) 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 Enterprise Risk Management Framework. 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, a sub-committee of the GRC is the primary body for overseeing Model Risk. The Group Risk Appetite Statement 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 and IT Risk are defined as the risk of loss or unplanned gains resulting from inadequate or failed processes, people, and systems or from external events. 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. Risks from both these risk categories are inherently present in the Group's business.

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

External events can have a major impact on the Group's operations. In 2020 we experienced the unprecedented world-wide COVID-19 pandemic and this coupled with the increased risk of external fraud and cybercrime as criminals try to exploit the situation. A number of actions were taken since Q1 2020 in order to ensure that day to day business critical processes were performed without disruption and to maintain a safe and healthy environment for staff and customers.

Progress continues to be made to improve the Group's defences and the Group's IT security defence mechanisms, and the enhanced security programme. Scenario testing is performed on an annual basis, as outlined in the Enterprise Risk Management Framework, for critical processes including but not limited to: Payments Systems Failure, Information Security, Cyber Security, Internal Fraud, Business Disruption, 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, the Group is challenged in its ability to retain and nurture a high performing and diverse workforce due to an extremely competitive market, in particular the roles that require key technical skills and those involved in Control Functions. Our People Growth Strategy involves a significant focus on the identification of key talent, retention and development strategies as well as a series of programmes aimed at improving capability at all levels of the Group. Our Succession Planning processes have been enhanced, in particular an increased focus on gender diversity built into our succession, development and senior talent acquisition planning.

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.

A RCSA process is in place for the identification of Operational and IT risk throughout the Group. It provides a mechanism for consistently capturing, measuring, monitoring and reporting Operational and IT risks, including the controls and loss mitigation actions designed to minimise and 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. 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.

This system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring.

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

From time to time, 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 defined as the current or prospective risk of any loss or reputational damage connected with the engagement of third parties contracted internally or externally.

The Group's Third Party Risk Management Policy outlines the processes and controls in place for identifying, assessing, mitigating and managing third party risks.

Conduct and Reputational Risk

Conduct Risk is the risk that the conduct of the Group towards customers or the market leads to poor customer outcomes, a failure to meet customers' or regulators' expectations, or breaches of regulatory rules or laws.

Conduct Risk can occur in every aspect of the Group's activities, including through:

- The strategy of the Group and how it is executed;
- The way the Group is run and managed;
- The existence of group think or localised cultures;
- The design type and pricing of products/services offered, the customers to whom they are offered and the distribution channels used;
- The way sales are made or transactions are executed;
- The post-sales fulfilment process throughout the life of the product; and
- Interactions with customers throughout the lifetime of the relationship, including when customers make complaints or where customer-impacting errors occur.

The Group recognises that the management and mitigation of Conduct Risk is fundamental and intrinsically linked to the achievement of its governing objective. It recognises that Conduct Risk can occur in every aspect of the Group's activities and is committed to continuing to achieve best practice in this area.

The Group's Senior Management are responsible for the identification and management of Conduct Risk in their business areas and for ensuring fair customer outcomes. The Group has a team within its Regulatory Compliance function responsible for second line Conduct Risk oversight. This team is guided by a Conduct Risk Management Framework, including a Board-approved Risk Appetite and Conduct Risk Principles for the Group. Its purpose is to help ensure that the Group achieves its strategic objectives by acting honestly, fairly and professionally in the best interests of its customers and the integrity of the market, and acts with due skill, care and diligence. In doing so, the Group is placing the achievement of fair outcomes for its customers at the heart of its strategy, governance and operations.

Reputational risk, meaning the risk to earnings and capital from negative public opinion, is inherent in the Group's business. 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.

Board and Senior Management have ensured that there is regular reporting of metrics and KRIs against the Conduct Risk Appetite as well as events that could affect or have already impacted on customers. The primary governance body responsible for Conduct issues is the Group Customer Committee (a sub-committee of the GRC).

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 CBI, 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 Risk 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 or 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);
- 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, 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.

At a European level, amendments to the Capital Requirements Regulations and Directive, and the Bank Recovery and Resolution Directive are scheduled to be implemented through to 2022. The amendments include changes to the Net Stable Funding Ratio, counterparty risk, market risk, large exposures, reporting and disclosures and the introduction of minimum provision coverage for NPLs. A number of the changes have been implemented ahead of schedule as part of the regulatory response to COVID-19. These changes may impact the Group's capital requirements, liquidity management and market disclosures. Operational Resilience is receiving increased focus with draft legislation being introduced by the European Commission, recognising increased reliance on third parties and outsourcing.

At a Global and European level, Sustainable Finance has emerged as a key priority for governments and regulators. The EU Action Plan on Sustainable Finance sets out the EU's strategy to integrate environmental, social and governance (ESG) considerations into its financial policy framework and mobilise finance for sustainable growth. The Plan is broad and encompasses many elements including: measures to develop a common European taxonomy or "classifications system" for Sustainable Finance, enhanced disclosure rules to make sustainability risks fully transparent to investors and measures to make ESG considerations part of investment advice.

At a domestic level, the Irish Government will bring forward legislation to introduce an Individual Accountability Regime for Banks and other regulated entities, via a Senior Executive Accountability Regime (SEAR). This regime is expected to include Conduct Standards for Staff and enhancements to both the Fitness and Probity and the Administrative Sanctions Regimes. Following the enactment of the legislation the Central Bank will undertake a consultation process. In addition, the CBI has commenced a review of the Consumer Protection Code (CPC) and is expected to undertake a consultation process during 2021.

Regulators continue to emphasise the importance of culture, conduct risk, diversity practices, IT resilience and cyber security. These will continue to be important areas of regulatory focus especially in light of the response to COVID-19 on maintaining banking services and meeting customer needs.

3. Group Risks

The Board has overall responsibility for the establishment and oversight of the Group Risk Management Framework (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,CAC 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.

Governance

Credit Risk Appetite defines the Group's tolerance for risk and its willingness to grant credit based on product type, customer type, collateral concerns and various other risk factors. The Board is ultimately responsible for the governance of credit risk across the Group, setting the Risk Appetite and ensuring that there are appropriate processes, systems and reporting lines in place to monitor and manage risks against the appetite.

The BRCC, a sub-committee of the Board provides oversight to the Board on the setting and monitoring of the Risk Appetite and risk governance. The Group Credit Risk Management Framework specifies those Credit policies that require approval by the BRCC. Under the Group Credit Risk Management Framework the BRCC may also delegate to the GRC, who in turn delegates to the GCC, the authority to approve certain Credit policies, subject to these policies remaining within specified policy boundaries. Any amendment to policy which results in a policy breaching these boundaries requires the BRCC's approval.

The GCC is responsible for the execution and delivery of the Group's system of Portfolio Credit Risk Management. The Board has granted authority to the BRCC to approve a delegated framework of lending authority within which the GCC and Customer Credit function operate.

Credit Risk Management

The Group's credit risk management approach is focused on detailed credit assessment at underwriting together with early borrower engagement where there are signs of pre-arrears or delinquency with a view to taking remedial action to prevent the loan becoming defaulted. Where a borrower is in pre-arrears, arrears or default the Group will consider offering treatments/options which apply to the borrower's circumstance cognisant of affordability and sustainability.

The Group's system of Portfolio Credit Risk Management incorporates the following key components:

- Credit policy;
- Lending authorisation;
- Credit risk mitigation;
- Credit risk monitoring;
- Arrears management and forbearance; and
- Credit risk measurement.

Credit Policy

To aid in the management of credit risk, the Group has put in place credit policies which set out the core values and principles governing the provision and management of credit. These policies take account of the Group's RAS, applicable sectorial credit limits, the Group's historical experience and resultant loan losses, the markets in which the business units operate and the products which the Group provides. Each staff member involved in assessing or managing credit has a responsibility to ensure compliance with these policies and effective procedures are in place to manage the control and monitoring of exceptions to policy.

Lending Authorisation

The Group's credit risk management systems operate through a hierarchy of lending authorities. Exposures above certain predetermined levels require approval by the GCC or the Board. Below the GCC level, a tiered level of discretion applies with individual discretion levels set to reflect the relevant staff members' level of seniority, expertise and experience and the Group's operational needs. All mortgage lending is currently approved by experienced credit risk professionals assisted by scoring models. For Group unsecured personal lending portfolios, scoring models and automated processes are utilised to support the credit decision process for those segments that present a lower credit risk. Exposures that present a higher credit risk, but remain within Risk Appetite are manually reviewed prior to approval.

Credit Risk Mitigation

The granting of a loan in the first instance is always assessed based on the borrower's repayment capacity and proven ability. Credit risk mitigation forms a key supplementary element of the credit granting process. Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product, as set out in the Group's policies and procedures. The Group takes collateral as a secondary source, which can be called upon if the borrower is unable or unwilling to service and repay the debt as originally assessed. At portfolio level, credit risk is assessed in relation to name, sector and geographic concentration.

Collateral

The nature and level of collateral required depends on a number of factors including, but not limited to, the amount of the exposure, the type of facility made available, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or probability of default (PD).

Various types of collateral are accepted, including property, securities, cash and guarantees etc., grouped broadly as follows:

- real estate;
- financial collateral (lien over deposits, shares, etc.); and
- other collateral (guarantees etc.).

Valuation Methodologies

The valuation methodologies for the Group's key portfolios of collateral held are adjusted for costs to sell, as appropriate:

- Residential property valuations are based on the CSO RPPI or on a recent valuation from a professional valuer. In respect of residential property securing performing loan exposures of greater than €0.5m, the Group policy is to ensure an independent valuation is updated within the last 3 years. For residential property securing NPL exposures of greater than €0.3m, the Group policy is to ensure an independent valuation is updated within the last year.
- Commercial property valuations are based on opinions from professional valuers, the Investment Property Database Index, local knowledge of the properties, benchmarking similar properties and other industry-wide available information, including estimated yields discount rates. In respect of commercial property securing performing loan exposures of greater than €0.5m, the Group policy is to ensure an independent valuation is updated within the last 3 years. For commercial property securing NPL exposures of greater than €0.3m, the Group policy is to ensure an independent valuation is updated within the last year.

The valuation methodologies outlined above are determined as close to the SOFP date as is feasible and are therefore considered by the Group to reflect its best estimate of current values of collateral held.

The Group's requirements in respect of collateral in relation to (i) completion; (ii) taking of security; (iii) valuation; and (iv) ongoing management are set out in credit policies.

The following table details the loan balance distribution by indexed Loan to value (LTV) band for the Group's residential mortgage portfolio (home loan and buy-to-let).

Residential Mortgage Exposures by Indexed LTV
31 December 2020

	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	**7,119**	**783**	**7,902**
71% to 90%	**4,186**	**306**	**4,492**
91% to 100%	**455**	**189**	**644**
Subtotal	**11,760**	**1,278**	**13,038**
Greater than 100%	**578**	**731**	**1,309**
Subtotal	**578**	**731**	**1,309**
Total Residential Mortgages	**12,338**	**2,009**	**14,347**
Commercial			**181**
Consumer Finance			**327**
Total loans and advances to customers			**14,855**

31 December 2019

	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	7,260	1,025	8,285
71% to 90%	3,738	717	4,455
91% to 100%	623	494	1,117
Subtotal	11,621	2,236	13,857
Greater than 100%	639	1,362	2,001
Subtotal	639	1,362	2,001
Total Residential Mortgages	12,260	3,598	15,858
Commercial			165
Consumer Finance			366
Total loans and advances to customers			16,389

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.

COVID-19 Measures

In response to the COVID-19 pandemic, in accordance with the European Banking Authority guidelines, the Bank implemented a number of measures for customers financially impacted by the crisis. Subject to certain criteria, impacted residential mortgage customers were eligible to apply for a COVID-19 loan payment break, a temporary repayment arrangement where the customer makes no payment, or a partial loan payment break where the customer repays an amount they can afford on their mortgage for an initial period of up to three months with an option to extend for a further three months. Personal loan customers were also eligible to apply for a COVID-19 term loan payment break for an initial period of up to three months with an option to extend for a further three months whereas personal current account holders were eligible to apply for an additional overdraft limit of up to six months.

SME and Commercial customers who experienced a significant fall in income or had to temporarily close a business as a result of COVID-19 were eligible to apply for a new or additional overdraft facility and/or COVID-19 loan payment break for up to six months on their commercial mortgage or term loan.

For all customers who were granted a COVID-19 loan payment break, at the end of the loan payment break their repayments are adjusted so that the mortgage or loan will be repaid within its original term or alternatively the customer has the option of extending the term of the mortgage or loan by the number of months they availed of the COVID-19 payment break.

Customers experiencing financial difficulty on exit from a payment break are assessed on a case by case based on their individual circumstances prior to any decision to grant a forbearance treatment.

Since the onset of the COVID-19 restrictions in March 2020 the Bank has provided c.12,000 payment breaks to its personal and business customers and approximately 90% of these customers have returned to full repayments. At 31 December 2020, c.200 COVID-19 payment breaks (€ 27m in exposure), had not expired. For information, at 31 December 2020, the IFRS 9 classification by loan balance in respect of those facilities granted a COVID-19 payment break during 2020 was €833m classified as Stage 1, €598m classified as Stage 2 and €181m classified as Stage 3.

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 effective from Q1 2020.

Internal Ratings Based Models

Scorecards have been designed for each portfolio based on the drivers or characteristics of default associated with that portfolio. Typical scoring characteristics include financial details, bureau information, product, behavioural and current account data. For portfolios where there is not enough data to develop statistical models, expert judgement-based models are used.

For each of the Group's key residential home loan and buy-to-let mortgage portfolios, a scorecard combining application and behavioural factors has been developed which allows for the consistent ranking of exposures for risk through time. These scorecards are used consistently across IFRS 9 and IRB models to assign grades and in turn PD, 12 month and lifetime, to individual exposures.

For capital purposes and in accordance with the CRR, all of the Group's exposures are mapped to a risk rating scale (master scale) which reflects the risk of default. The assignment of an exposure to a grade is based on the probability of an exposure defaulting in the next year. The credit risk ratings employed by the Group are designed to highlight exposures requiring Management attention. The Group uses the Basel 25 point scale for the internal ratings based approach (IRB) for credit risk. The scale ranges from 1 to 25 where 1 represents the best risk grade or lowest PD and 25 represents the defaulted exposures or PD equal to 100% for credit risk. All of the Group's exposures are mapped to the rating scale based on PD.

Credit grading and scoring systems are used by the Group to assist in the identification of vulnerabilities in loan quality in advance of arrears. Changes in scoring information are reflected in the credit grade of the borrower and where there is a significant deterioration may result in pre-arrears engagement activity on the part of the bank together with 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.

Definition of default and credit risk assessment

As part of the implementation of IFRS 9, the Group has sought to reach a single aligned definition of default for risk measurement purposes. Full alignment to this revised definition of default for IRB purposes took effect on 31 December 2018.

Reaching alignment on a definition of default allows for the mapping of risk categories to the IFRS 9 3 stage process as follows:

The following information has not been subject to audit by the Group's independent auditor.

Satisfactory and above can primarily be expected to be classified as IFRS 9 Stage 1

- Investment grade (IRB ratings 1 to 7) – includes very high quality exposures.
- Excellent risk profile (IRB ratings 8 to 16) – includes exposures whose general profiles are considered to be of a very low risk nature.
- Satisfactory risk profile (IRB ratings 17 to 21) – includes exposures whose general profiles are considered to be of a low to moderate risk nature. Accounts are considered satisfactory or above if they have no current or recent credit distress, are not more than 30 days in arrears and there are no indications they are unlikely to pay.

Fair can primarily be expected to be classified as Stage 2

- Fair risk profile (IRB ratings 22 to 24) – Accounts of lower quality and considered as less than satisfactory are categorised as fair and include the following;
  - Emerging: Accounts exhibiting weakness and are deteriorating in terms of credit quality and may need additional management attention e.g. missed payments, deteriorating savings performance;
  - Recovery: Includes accounts with recent default experience, accounts which are performing as a result of forbearance measures and need to complete a probationary period and accounts with significant terminal payments; and
  - Latent: Accounts that are performing but exhibit underlying credit characteristics which could threaten recoverability should they become non-performing e.g. interest only accounts which are projected to be in negative equity at maturity.

Non-performing will align to Stage 3

Defaulted (IRB rating 25) – Accounts that are considered as defaulted or non-performing.

Credit Exposure

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table outlines the maximum exposure to credit risk before collateral held or other credit enhancements in respect of the Group's financial assets as at the SOFP date.

	Note	Year ended 31/12/2020 €m	Year ended 31/12/2019 €m
Cash and balances with central banks	13	**71**	63
Items in course of collection	13	**20**	15
Debt securities	14	**2,583**	2,005
Derivative assets	16	**-**	1
Loans and advances to banks	17	**3,312**	1,556
Loans and advances to customers	18	**14,213**	15,644
Other assets (Loans sale receivable)	23	**-**	251
		20,199	19,535
Commitments and contingencies	38	**1,069**	873
		21,268	20,408

Further detail on loans and advances to customers is provided in note 33, 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 an internally set rating that is equivalent to a Moody's rating. There are no impaired debt securities as at 31 December 2020 or at 31 December 2019, with the exception of the corporate bond.

Debt securities neither past due nor impaired

	31/12/2020 €m	31/12/2019* €m
Rating		
Aaa	**67**	-
A2	**1,488**	1,436
Baa1	**515**	284
Baa3	**474**	243
Unrated	**39**	42
Total	**2,583**	2,005

*The presentation of the debt securities' ratings has been updated to include an enhanced disclosure of the Moody's rating attributable to each banking counterparty with no material impact as at 31 December 2019.

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

	31/12/2020 Sovereign debt €m	31/12/2019 Sovereign debt €m
Country		
Ireland	**1,594**	1,478
Spain	**515**	284
Portuguese	**474**	243
Total	**2,583**	2,005

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.

	31/12/2020 €m	31/12/2019* €m
Rating		
Aaa	**2,813**	1,038
Aa2	**209**	240
Aa3	**254**	234
A1	**32**	33
A2	**3**	9
Baa2	**1**	2
Total	**3,312**	1,556

*The presentation of the loans and advances to banks' ratings has been updated to include an enhanced disclosure of the Moody's rating attributable to each banking counterparty with no material impact as at 31 December 2019.

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).

Facilities where payment breaks or partial payment breaks were granted by the Group in response to the COVID-19 pandemic are not reported as forbearance in accordance with regulatory guidance and as a result are not automatically considered a SICR solely as a result of being granted the full or partial loan payment break.

Stage 3

Financial assets that have objective evidence of impairment at the reporting date are classified as Stage 3, i.e. are credit impaired. For these assets, lifetime ECL is recognised.

The definition of default used in the measurement of ECL for IFRS 9 purposes is aligned to the regulatory definition of default used by the Group for credit risk management purposes, and which has been approved for use for capital management. For the Group's main Mortgage Portfolio, this is the definition of default approved for use under Targeted Review of Internal Models (TRIM) from 31 December 2018. The definition of default was implemented under IFRS 9 with effect from 1 January 2018 in anticipation of this approval. This definition of default has been designed to comply with Regulatory requirements and guidelines on default, NPLs and forbearance.

IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. The Group did not rebut this presumption for any portfolio.

Under the Group's definition of default an exposure is considered defaulted and is classified as Stage 3 credit-impaired where an account is greater than 90 days past due or any material credit obligation or is otherwise assessed as unlikely to pay. Where a material amount of principal on interest remains outstanding at the reporting date, the counting of days past due commences from the first date that a payment, or part thereof, met materiality thresholds and became overdue.

Key indicators of unlikely to pay include:

- Accounts that have, as a result of financial distress, received a concession from the Group with respect to terms or conditions. Such exposures will remain in Stage 3 until certain exit conditions are met and for a minimum probationary period of 12 months before moving to a performing classification;
- Accounts that have, as a result of financial distress, received a concession from the Group with respect to terms or conditions which result in a significant

terminal payment. Such exposures must fulfil additional conditions in relation to that terminal payment before moving to a performing classification; and

- Accounts where the customer is assessed as otherwise unlikely to pay, including bankruptcy, personal insolvency, assisted voluntary sale, disposal etc.

Exception to the general three stage impairment model

Purchased or originated credit impaired assets (POCI) are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted 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 effective interest rate (EIR) for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the modification does not result in derecognition and the date of origination continues to be used to determine SICR.

ECL Framework

The Group's IFRS 9 models leverage the systems and data used to calculate expected credit losses for regulatory purposes. In particular, key concepts such as the definition of default and measurement of credit risk (i.e. ranking of exposures for risk) have been aligned across the impairment (accounting) and regulatory frameworks. IFRS 9 models, however, differ from regulatory models in a number of conceptual ways (e.g. the use of 'through the cycle' (TTC) (regulatory) versus 'point in time' (IFRS 9) inputs, 12 month ECL (regulatory) versus lifetime ECL (IFRS 9)) and as a result the Group did not leverage the outputs of its regulatory models, but instead developed statistical models tailored to the requirements of IFRS 9.

Measurement

For all material portfolios, the Group has adopted an ECL framework that takes cognisance of industry best practice, as set out in the Global Public Policy Committee paper, and reflects a component approach using PD, Loss Given Default (LGD) and Exposure at default (EAD) components calibrated for IFRS 9 purposes. To adequately capture life-time expected losses, the Group also modelled early redemptions as a separate component within the ECL calculation.

IFRS 9 PD

For estimating 12 month and lifetime default, the Group uses a statistical model methodology that allows the Group to estimate the risk that a loan will default at a given point in time, through grouping exposures with similar risk characteristics and measuring the historic rate of default for exposures of this type. This technique effectively provides a TTC measure of likelihood of default. To translate this TTC probability to a Point in Time probability and to reflect forward looking information (FLI) at the balance sheet date, the Group calibrates the starting point for the projection to the current Observed Default Rate (ODR). The Group then uses an economic response model to reflect future expected macroeconomic conditions.

Behavioural scorecards, containing key loan performance indicators for each customer are used for the purpose of grouping exposures with similar risk characteristics as described above. A PD is calculated for each group (internally referred to as risk grades) which drives the PD used for the ECL process. All components of PD, risk grade, ODR and economic response model are independently monitored by the Group's MVT to confirm ongoing fitness for purpose.

IFRS 9 LGD

For the Group's key mortgage portfolios, LGD assumes that the Group will have recourse to collateral in the event that an exposure fails to return to a performing state. The LGD model incorporates the probability of each defaulted account returning to performing together with the estimated loss rate should they return to performing and the estimated loss rate should they not return to performing. The Group uses a consistent approach for LGD estimation for both 12 month and lifetime.

IFRS 9 EAD

For performing loans, the EAD is calculated for each future period based on the projected loan balance (after expected capital and interest payments) at that future period. A Credit Conversion Factor (CCF) is then applied to calculate the percentage increase in balance from the point of observation to the point of default including accrued missed interest payments and any related charges. The CCF is segmented by the accounts' repayment type.

Expected life

When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options, extension and rollover options. For most instruments, the expected life is limited to the remaining contractual life, adjusted as applicable for expected prepayments.

For certain revolving credit facilities that do not have a fixed maturity (e.g. credit cards and overdrafts), the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by Management actions.

For instruments in Stage 2 or Stage 3, loss allowances will cover expected credit losses over the expected remaining life of the instrument.

Effective Interest Rate

The discount rate used by the Group in measuring ECL is the EIR (or 'credit-adjusted effective interest rate' for POCI financial assets) or an approximation thereof.

For undrawn commitments, the EIR, or an approximation thereof, is applied when recognising the financial assets resulting from the loan commitment.

Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery or on foot of a negotiated settlement. Indicators that there is no prospect of recovery include the borrower being deemed unable to pay due their financial circumstances or the cost to be incurred in seeking recovery is likely to exceed the amount of the write-off. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier than collateral realisation. Write-off on those financial assets subject to enforcement activity will take place on conclusion of the enforcement process.

In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the income statement.

Governance

The Group has a detailed framework of policies governing development, monitoring and validation of Models. Model Governance Committee (MGC) oversees the execution of this framework and approves model changes and model validation reports prior to their consideration by the GRC and/or the ALCO and the BRCC, where appropriate.

The GCC is responsible for oversight of changes to credit policies, data or post model adjustments that would affect model outcomes. The Impairment Reporting Governance Group (IRGG), 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 IRGG 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 CAC 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. However, given the unprecedented nature of the COVID-19 pandemic, updates were more frequent in 2020. Macroeconomic scenarios were most recently updated in December 2020. A review conducted post year-end concluded that no further update to the macroeconomic scenarios for 2020 year-end reporting was required at that time. This was recommended by the CAC to the BRCC where it was approved.

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. IRGG reviewed the scenario probabilities and recommended them to the BRCC, where they were approved. Using statistical techniques combined with expert credit judgement, the Group then formulates an unbiased probability weighted estimate of ECL at the reporting date (see note 2, Critical accounting estimates and judgements for further detail).

Expert Credit Judgement
The Group's ECL accounting framework methodology, in line with the requirements of the standard, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting period dates (see note 2, Critical accounting estimates and judgements for further detail).

At 31 December 2020, the impairment provision included €172m of Management's adjustments to modelled outcomes.

3.2 Liquidity and Funding 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 96% 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 becomes binding in 2021. 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 to meet the liquidity needs for a 30-calendar day liquidity stress scenario.

NSFR, Asset Encumbrance and Liquidity Stress Survivability constitute additional core liquidity and funding metrics within the overarching liquidity management framework that are measured, monitored and reported within the Group.

The Group also actively monitors a comprehensive suite of 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 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, as outlined in the EBA SREP Guidelines. The stress testing framework is designed to reflect the liquidity 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 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 and Funding Risk Management Framework

The exposure to Liquidity and Funding risk is governed by the Group's liquidity and funding policies, RAS and associated limits. The Liquidity and Funding 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 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 to the Liquidity Risk Framework.

The Liquidity and Funding Risk 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 HQLA and non-HQLA liquidity capacity to meet LCR and stress testing requirements.

The Group measures and monitors the NSFR which is designed to limit over-reliance on short-term funding and promote longer-term stable funding sources. The NSFR will become binding from a regulatory perspective in 2021. The Group asset encumbrance level is also monitored and tracked against the internally prescribed limit on an ongoing basis.

(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 a considerable portion of 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 level over recent years. Following the successful NPL deleveraging programme and the execution of the Treasury funding plan, encumbrance is now 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 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 2020, S&P and DBRS downgraded PTSB plc's senior unsecured credit ratings outlook to negative reflecting the view that the economic contraction will make the operating environment in Ireland more challenging, leading to weaker business and profitability prospects for PTSB Group and PTSB.

The ratings for PTSB plc are as follows:

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

The ratings for PTSB Group Holdings are as follows:

- Standard & Poor's (S&P): Long-Term Rating "BB-" with Outlook "Negative";
- Moody's: Long-Term Rating "Ba1" with Outlook "Stable"; and
- DBRS: Long-Term Rating "BBH" with Outlook "Negative".

For further details on liquidity and funding risk see note 33.

3.3 Market Risk - audited

Market Risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. From the Group's perspective, market risk consists of three components being Interest Rate Risk, FX Risk and Credit Spread Risk. Often market risk cannot be fully eliminated through diversification, though it can be hedged against.

The Group's RAS and the associated Market Risk Framework set out the Group's approach to management of market risk. The Framework is approved annually by the BRCC on the recommendation of the ALCO.

All market risks arising within the Group are subject to strict internal controls and reporting procedures and are monitored by the ALCO and the BRCC on a regular basis. Group Treasury is responsible for the management of market risk exposures on the balance sheet. Group Risk and GIA provide further oversight and challenge of Group Treasury's compliance with the Market Risk framework and associated Policies.

(i) Interest rate risk

Interest rate risk is the risk to earnings or capital arising from a movement in the absolute level of interest rates, the spread between rates, the shape of the yield curve or in any other interest rate relationship. The risk may be subdivided into gap, option and basis risk. In line with regulatory standards, the approved Interest Rate Risk in the Banking Book (IRRBB) methodology determined that the Group's interest rate risk exposure must be derived from both an earnings (accrual) (Earnings at Risk (EaR)) and economic value perspective (EV).

The Group separately calculates the contractual Basis Risk exposure which is factored into the Pillar II ICAAP process. The risk position is added to the most severe of EV or EaR risk levels in order to ensure all material sources of Interest Rate Risk are capitalised for.

Interest rate gap analysis is used to capture re-price risk, the EV approach measures yield curve risk while EAR is utilised to calculate the risk to earnings.

The following information has not been subject to audit by the Group's independent auditor.

In defining the level of interest rate risk the Group applies the most severe of the 13 core stress scenarios inclusive of the six scenarios prescribed by the Basel and EBA Guidelines on the Management of IRRBB, under both EV and EAR models and subject to interest rate flooring assumptions. The results are measured and reported against the Board approved risk limits.

The Group also monitors PV01 (impact of 0.01% movement in interest rates), duration mismatches and NII sensitivity when assessing interest rate risk.

The aim of modelling several types of interest rate shock scenarios is to measure the Group's vulnerability to loss under multiple stressed market conditions.

The 31 December 2020 interest rate risk level, based on the EV calculation (more severe than EaR), was calculated as €44m (31 December 2019: €44m). The risk position has remained at the same level as the impacts of the movements in balance sheet components have offset each other.

Based on the internally derived Basis Risk calculation methodology, the 31 December 2020 risk level stands at €16m. A floor of ECB Refi minus 25bps is applied for the ECB refinance rate and 100bps for Euribor positions.

(ii) Foreign Exchange Risk

Foreign currency exchange risk is the volatility in earnings resulting from the retranslation of foreign currency denominated assets and liabilities. Consistent with its business model as a domestically focused Retail bank, the Group is predominantly exposed to GBP and USD positions arising from customer deposits denominated in these currencies or branch bureau activities.

Derivatives (FX swaps and forwards) are executed to minimise the FX exposure. Overnight FX positions are monitored against approved notional limits. It is the responsibility of both Group Treasury and Group Risk to measure and monitor exchange rate risk and maintain the exposure within approved limits. The aggregate euro denominated 31 December 2020 FX position was €1.9m (31 December 2019 €2.9m).

(iii) Credit Spread Risk

Credit Spread Risk is defined as the risk of a decline in the value of an asset due to changes in the market perception of its creditworthiness over its life to maturity. 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.

For further details on market risk see note 33.

Directors' Report

The Directors present their Annual Report and audited Group and Company financial statements to the shareholders for the year ended 31 December 2020.

Results

The Group loss for the year was €162m (2019 profit: €30m) and was arrived at as presented in the consolidated income statement.

Dividends

No dividends were paid in 2020.

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 BAC 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 report on Corporate Governance, 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 66 of the Annual Report.

Financial Instruments

The financial instruments and use thereof are outlined in the risk management section, financial risk management and derivative assets/liabilities 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 120 under the BAC's 2020 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 2021-2023. 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 Governance Statement on page 120 under the Board Audit Committee's 2020 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 2020 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 96 to 100 of the Annual Report. Paul Doddrell was appointed as a Non-Executive Director on 26 November 2020. Julie O'Neill retired as a Non-Executive Director on 05 August 2020.

Following a competitive tendering process, Eamonn Crowley, an existing Board Executive Director (CFO) replaced Jeremy Masding as CEO who stepped down from the Board on the 1 July 2020.

With the exception of Julie O'Neill who had indicated her intention to retire from the Board, all of the Directors stood and were re-appointed by election at the 2020 Annual General Meeting (AGM). All of the Directors will stand for re-appointment by election at the Group's 2020 AGM to be held on 19 May 2021.

Information on Directors' remuneration is detailed in the Remuneration Report on pages 133 to 136 of the Annual Report and Directors' and Secretary interests in shares are outlined in note 40 to the financial statements.

Other than the Directors' interests set out in note 40, 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 02 March 2021.

Share Capital and Shareholders

Under the terms of the Credit Institutions (Stabilisation) Act 2010 (the "Act") the Minister for Finance could, in certain circumstances, direct the Company to undertake actions that could impact on the pre-existing legal and contractual rights of shareholders. The Act had an original expiry date of 31 December 2012. However, the Act was subsequently extended to 31 December 2014, but has not since been extended. The expiry of the Act does not affect any order already made, or the variance, termination, enforcement, variation or revocation of any existing order nor does it affect the ability of the Minister to impose certain conditions on any financial support provided under or in connection with the Act.

Relationship Framework with the Minister for Finance

The Minister for Finance of Ireland owns and controls 74.92% of the Company's issued ordinary share capital. Under the terms of the Relationship Framework entered into between the Minister for Finance and the Company, the Minister for Finance expects the Board and Management team of the Group to conduct the Group's commercial operations in a prudent and sustainable manner which seeks to create a commercially oriented credit institution that recognises the need to encourage and enforce implementation of lessons learned from the financial crisis.

The Minister for Finance recognises that the Group remains a separate economic unit with independent powers of decision and that its Board and Management team retain responsibility and authority for determining the Group's strategy and commercial policies (including business plans and budgets) and conducting its day-to-day operations. The Minister for Finance will ensure that the investment in the Group is managed on a commercial basis and will not intervene in day-to-day management decisions of the Group (including with respect to pricing and lending decisions).

Transactions and arrangements between the Group and the Minister for Finance or associates of the Minister for Finance will be conducted at arms-length and on normal commercial terms. The Minister will not, in his capacity as a shareholder in the Company, take any action that would have the effect of preventing the Group from complying with its obligations under applicable law and regulations, including, but not limited to, the Listing Rules and will not propose or procure the proposal of a shareholder resolution which is intended to circumvent the proper application of regulatory requirements.

The Minister engages with the Group, including in respect of the manner in which he exercises his voting rights, in accordance with best institutional practice in a manner proportionate to the shareholding interest of the State in the Company. The views of the Minister for Finance and the DOF are expected to be appropriately considered by the Group as part of any consultation process under the Relationship Framework. However, the Board and Management team have full responsibility and authority for determining the Group's strategy and commercial policies.

The Relationship Framework also provides that the Minister for Finance and the Company will review the Relationship Framework from time to time when either party reasonably considers that changes to the Relationship Framework or to the State Agreements (as defined therein) would be necessary or desirable to ensure that the Relationship Framework continues to reflect certain principles specified in the Relationship Framework and to enable the Group to continue to comply with its obligations under applicable law and regulations, including, but not limited to, the Listing Rules.

The Relationship Framework also imposes restrictions on the Group undertaking certain actions without where specified, providing information to, consulting with, or obtaining the consent of the Minister for Finance. The principal restrictions are set out in the Relationship Framework, a copy of which is available on the Group website www.permanenttsbgroup.ie.

The Board is satisfied that the Company has complied with the relevant independent provisions set out in the Relationship Framework. The Board is also satisfied, in so far as it is aware, that the Minister for Finance has complied with the relevant independence provisions set out in the Relationship Framework.

Authorised Share Capital

The authorised share capital of the Company is €775,000,000 divided into 1,550,000,000 ordinary shares of €0.50 each.

Issued Ordinary Shares

At 31 December 2020, the Company had 454,695,492 ordinary shares of €0.50 each in issue (2019: 454,695,492). Ordinary shares represent 100% of the Company's issued share capital value. During the year, one Director bought 50,000 ordinary shares. No ordinary shares were issued in 2020. Each ordinary share carries one vote and the total number of voting rights at 31 December 2020 is 454,695,492 (2019: 454,695,492).

At 31 December 2020, the Company holds, through an employee benefit trust, 4,580 (2019: 4,580) ordinary shares of €0.50 each.

Additional Tier 1 Equity Securities

On 6 May 2015, the Company's subsidiary, PTSB plc, issued €125m of AT1 securities. These AT1 Securities may be converted into ordinary shares of the Company if the events triggering such conversion arise. A triggering event arises if the CET1 Ratio of PTSB or the CET1 Ratio of the Company falls below 7 per cent. The EU Single Resolution Board is the resolution authority for the EU Banking Union. The Company from 1 January 2019 on classification as LSI by the ECB became subject to direct supervision by the CBI as National Competent Authority. The CBI through powers vested by the ECB could direct a write-down or conversion of the Securities in certain limited circumstances where the CET1 Ratio is in excess of the trigger level.

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 was held on 12 February 2021 for the purposes of passing resolutions to facilitate the migration of the share settlement system used by the Company from CREST to Euroclear Bank Belgium. Further details on this event can be found on the Company's website www.permanenttsbgroup.ie/investors/shareholders/extraordinairy-general-meeting.

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 2020, the Directors have been notified of the following substantial interests in the voting rights of Ordinary shares held:

Name	Interest	Date Notified
Minister for Finance of Ireland	74.92% 340,661,653 shares	5 May 2015
Janus Henderson Group plc	3.77% 17,181,881 shares	31 May 2017

There were no other changes to substantial interests in the voting rights of ordinary shares reported to the Directors as at 2 March 2021.

Voting Rights of Ordinary Shares

No person holds securities carrying special rights. There are no particular restrictions on voting rights. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of its shares or on voting rights.

Voting rights at General Meetings of the Company are exercised when the Chairman puts the resolution at issue to the vote of the meeting. A vote may be decided on a show of hands or by poll. A vote taken on a poll for the election of the Chairman or on a question of adjournment is also taken forthwith and a poll on any other question or resolution is taken either immediately, or at such time (not being more than 30 days from the date of the meeting at which the poll was demanded or directed) as the Chairman of the meeting directs. Where a person is appointed to vote for a shareholder as proxy, the instrument of appointment must be received by the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the appointed proxy proposes to vote, or, in the case of a poll, not less than 48 hours before the time appointed for taking the poll.

Voting at any General Meeting is by a show of hands unless a poll is properly demanded. On a show of hands, every member who is present in person or by proxy has one vote regardless of the number of shares held. On a poll, every member who is present in person or by proxy has one vote for each share of which they are the holder. A poll may be demanded by the Chairman of the meeting or by at least five members having the right to vote at the meeting or by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. It is current standing practice at the AGM that voting is conducted on a poll.

The holders of the ordinary shares have the right to attend, speak, ask questions and vote at General Meetings of the Company. The Company, pursuant to Section 1105 of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68/1996), specifies record dates for General Meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend and vote at the meeting.

Pursuant to Section 1104 of the Companies Act 2014, a shareholder, or a group of shareholders who together hold at least 3 per cent of the issued share capital of the Company, representing at least 3 per cent of the total voting rights of all the members who have a right to vote at the meeting to which the request for inclusion of the item relates, have the right to put an item on the agenda, or to modify an agenda which has been already communicated, of a general meeting. In order to exercise this right, written details of the item to be included in the general meeting agenda must be accompanied by stated grounds justifying its inclusion or a draft resolution to be adopted at the general meeting together with evidence of the shareholder or group of shareholders' shareholding must be received, by the Company, 42 days in advance of the meeting to which it relates.

The Company publishes the date of its AGM on its website www.permanenttsbgroup.ie on or before 31 December of the previous financial year or no later than 70 days before the date of the AGM.

Director Appointments

Save as set out below, the Group has no rules governing the appointment and replacement of Directors outside of the provisions thereto that are contained in the Articles of Association. Under the Relationship Framework entered into between the Company and the Minister for Finance, the Board must consult with the Minister for Finance for the appointment or re-appointment of the CEO or Chairman. Upon receipt of written notice from the Minister for Finance, the Board shall appoint up to two nominees of the Minister for Finance as Directors of the Company and the appointment(s) shall be deemed to take effect on the date of the next Board meeting following receipt of the aforementioned notice (and regulatory approval). In 2018, the Board received written notice from the Minister for Finance of his intention to appoint two Directors to the Board. In this regard Marian Corcoran was appointed to the Board on 24 September 2019 and Paul Doddrell was appointed to the Board on 26 November 2020.

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 2019 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

At the 2015 AGM held on 8 April 2015, authorisation was provided to the Directors, to allot shares and dis-apply statutory pre-emption rights up to a nominal value of €20,833,333 connected to the issue of ordinary shares should there be a conversion of the AT1 Debt instrument (see page 85).

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 2020 AGM held on 05 August 2020, 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 3 July 2020 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 3 July 2020 referred to above may be applied to allot shares pursuant to a rights issue. The authority conferred commenced on the 05 August 2020 and will expire at the conclusion of the 2021 AGM or 05 November 2021 (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 2020 AGM held on 05 August 2020, 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 05 August 2020 and shall expire at the conclusion of the 2021 AGM or 05 November 2021(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 3 July 2020.

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 05 August 2020 and shall expire at the conclusion of the 2021 AGM or 05 November 2021 (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 3 July 2020; 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 3 July 2020.

Market purchases of own Shares

At the 2020 AGM held on 05 August 2020, members gave the Company (and its subsidiaries) the authority to make market purchases and overseas market purchases provided that the maximum number of ordinary shares authorised to be acquired shall not exceed:

(a) 5% above the higher of the average of the closing prices of the Company's ordinary shares taken from the Euronext Dublin Daily Official List and the average of the closing prices of the Company's ordinary shares taken from the London Stock Exchange Daily Official List in each case for the five business days (in Dublin and London, respectively, as the case may be) preceding the day the purchase is made (the "Market Purchase Appropriate Price"), or if on any such business day there shall be no dealing of ordinary shares on the trading venue where the purchase is carried out or a closing price is not otherwise available, the Market Purchase Appropriate Price shall be determined by such other method as the Directors shall determine, in their sole discretion, to be fair and reasonable; or, if lower,

(b) the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052 relating to regulatory technical standards for the conditions applicable to buy-backs and stabilisation (being the value of such an ordinary share calculated on the basis of the higher of the price quoted for: (i) the last independent trade; and (ii) the highest current independent purchase bid for any number of such ordinary shares on the trading venue(s) where the purchase pursuant to the authority conferred will be carried out). The authority will expire on close of business on the date of the next AGM of the Company or on the 05 November 2021 (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 next AGM of the Company or on the 05 November 2021 (whichever is earlier) unless previously varied, revoked or renewed. While the Directors do not have any current intention to exercise this power, this authority and flexibility was sought as it is common practice for companies on the Official List of the Irish and/or London.

Change of control of the Company
In the event of a change of control of the Company there are no agreements (other than under normal employment contracts) between the Company, its Directors or employees providing for compensation for loss of office that might occur.

Post Balance Sheet Events
Events after the reporting period are described in note 44 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 2020.

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 6.8.1C

Listing Rule	Information Included*
LR 6.8.1 (12)	The Trustees of the Employee Benefit Trust have elected to waive dividend entitlements.
LR 6.8.1 (14)	As stated on page 68, 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 42 to the financial statements.

Independent Auditor
In accordance with section 383 (2) of the Companies Act 2014, the Auditor, PricewaterhouseCoopers (PwC) Chartered Accountants and Statutory Audit Firm, will continue in office.

Board Diversity Statement
The Board Diversity Statement, as set out in the Corporate Governance Statement (see page 115) 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	Environment, pages 38 to 41 Climate Risk. Page 39 Low Carbon Pledge, page 40 Waste Management, page 41 Go Paperless Initiative, page 41 Environmental Policy Statement, page 41
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	Having an Employee Voice, page 29 Health, safety and wellbeing, page 32 Conflicts of interest, Page 43 Speaking Up, page 19 Board Diversity Policy, page 115 Colleague Conduct Policy, Page 42

Directors' Report
(continued)

Reporting requirements	Policies and standards which govern our approach	Risk management and additional information
Human rights	Dignity and Respect Policy Equality Through Diversity Policy	Operating Responsibly, page 42 The Business Working Responsibility Mark, page 23
Social matters	Community Partnerships	Helping communities, page 34
Anti-corruption and anti-bribery	Anti-bribery Policy Anti-bribery Policy Statement Anti-money laundering and counter terrorist financing Policy	Customer privacy and data security, page 70 Responsible conduct and culture, page 42 Operational risk, page 70 Speaking Up, page 19
Description of principal risks and impact of business activity		Risk overview, pages 59 Principal risks, pages 66
Description of the business model		Our Strategy, page 12 Our business model, page 12
Non-financial key performance indicators		Non-financial performance indicators, page 3 Responsible Business Governance, page 41 Customers, page 24 Colleagues, page 28 Community, page 34 Environment, page 39

On behalf of the Board

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Donal Cortney
Audit Committee Chair

Conor Ryan
Company Secretary

Corporate Governance Statement
Chairman's Introduction

Good corporate governance is imperative to enable the Board to balance the interest of its stakeholders and promote growth.

Dear Shareholder,

I am pleased to report that the Bank continues to drive commercial momentum notwithstanding the challenges presented by COVID-19 during the year. 2020 was a year in which the culture of the Bank continued to evolve centred on a new corporate purpose "to work hard every day to build trust with customers – we are a community serving the community". The Board also approved a new ambition for the Bank to be Ireland's best personal and small business bank. The Board set out a new strategy to achieve its ambition through: increasing trust, advocacy and loyalty among customers; enhancing digital opportunities; embedding and open and inclusive growth culture; simplifying our business; and, growing sustainable profitability. All of this will be 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 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 118,123,125 and 128 respectively highlight the key activities and areas of focus for each Committee.

The Board has responsibility for the leadership, financial soundness, strategic direction, operational performance, risk management and the sustainable long-term success of the Bank. In pursuing the objective of delivering on our priorities and promoting the long-term success of the Bank, for the ultimate benefit of the Bank's shareholders and other key stakeholders, including colleagues, customers and communities, the Board observes the highest standards of corporate governance, integrity and professionalism. We keep our governance structures and arrangements under review on a continuing basis in the pursuance of effective risk management and the provision of assurance and accountability in a transparent manner. During 2020, I was particularly pleased with the quality of reporting and discussions at the Board Nomination Culture and Ethics Committee following the addition of responsibilities in supporting the Board oversight on culture, ethics, employee engagement and reputation management.

COVID-19

I am very pleased by the manner in which both colleagues and board members responded to the COVID-19 pandemic. Our mind-set during this time was to do everything we could to support our customers, many of whom found themselves in very challenging circumstances. I am proud of the fact during 2020 we kept all of our branches and call centres open in support of our customers. I would also like to thank the Bank's Non-Executive Directors for their support in attending a total of 30 Board Meetings during 2020. Our 2020 Board evaluation has demonstrated that while COVID-19 necessitated a change in how Board business was conducted (moving to virtual board meetings), this did not diminish the quality of Board engagement or decision making.

Culture

2020 was the first full year in which the Nomination Culture and Ethics Committee carried out its enhanced responsibilities on the evolving culture journey at the Bank. While further details are available on pages 125 to pages 127 on the issues addressed by the committee during 2020, I am very pleased with the quality of the conversations that have taken place at committee meetings supported by high quality insightful papers. In particular I found the experience of attending the Bank's People Experience Council, a body made up of colleagues at every level from right across the Bank an insightful experience, to hear first-hand the stories of colleagues in the day to day running of the Bank. I look forward to leading the Board in 2021, on setting the right tone on culture for the Bank and specifically the behaviours that will empower our colleagues to work as one community in working hard every day to build trust with our customers.

Diversity and Inclusion

A diverse and inclusive culture is essential to the sustainable long-term success of the Bank. Diversity enables our business to grow by responding to diverse customer and wider stakeholder needs. At PTSB, we value each individual's contribution to our business and look to ensure that greater diversity is achieved at all levels. Following the launch of our Diversity and Inclusion Strategy in November 2018, we have progressed our ambition to build a culture of inclusion and belonging where employees are engaged, confident and connected to both their colleagues and customers. I am very pleased that, following the completion of a diagnostic exercise undertaken by EY in November 2020, the Bank has achieved its stated two year target of achieving 'awareness' status. The Board has also set a target of achieving 30% female representation on the Board by June 2021 and I am confident that this objective will be met on or before this date.

Board Succession Planning

A key focus for the Board in 2020 was succession planning and ensuring the composition of the Board continued to be effective in supporting the Bank's updated purpose and ambition. The Board Nomination, Culture and Ethics Committee undertook a detailed review of both Board and Board Committee succession with a focus on knowledge, experience, skills, Board tenure, independence and diversity. In carrying out this review the Committee was mindful of the dates on which Directors' terms of office were due to expire and the Board's Gender Diversity target. Arising from this review, the Board commenced a process to engage two new Independent Non-Executive Directors. It was further agreed that, having considered the Board's current composition and current business environment, competencies/experience in: i) Culture/Responsible Business/Ethics and ii) Technology/IT resilience would be sought. The recruitment process for these positions is now well-advanced and the Company will update the market further once the appointments have concluded.

Robert Elliott
Chairman

CBI Corporate Governance Code

The 2015 Central Bank of Ireland Corporate Governance Requirements for Credit Institutions (the "CBI Code") imposes statutory minimum core standards upon credit institutions, with additional requirements upon entities designated as High Impact Institutions. The Company's retail banking subsidiary, PTSB, was subject to the provisions of the CBI Code during the reporting period. PTSB has been designated as a High Impact Credit Institution under the CBI Code and is subject to the additional obligations set out in Appendix 1 of the CBI Code. PTSB has also been designated as LSI for the purposes of the Capital Requirements Directive (SI 158/2014) and is subject to the additional obligations set out in Appendix 2 to the CBI Code. A copy of the CBI Code is available on the CBI's website www.centralbank.ie.

Compliance Statement with UK Corporate Governance Code and Irish Annex

The Company's shares are admitted to trading on the Main Securities Market of Euronext Ireland and the London Stock Exchange and the Company must comply or explain against the provisions of the 2018 UK Corporate Governance Code (the "UK Code") and the Irish Corporate Governance Annex (the "Irish Annex"). A copy of the UK Code is available on the UK Financial Reporting Council's website www.frc.org.uk and the Irish Annex is available at www.ise.ie.

Details of how the Group applied the main principles and supporting provisions of the UK Code are set out in this Corporate Governance Statement, the Business Model and Strategy section, the Risk Management section and in the Directors' Report on Remuneration. These also cover the disclosure requirements set out in the Irish Annex, which supplement the requirements of the UK Code with additional Corporate Governance provisions. The Board confirms that the Company has complied with the detailed provisions of the UK Code and Irish Annex during 2020, save as set out in the following paragraphs.

Provision 25 and 32 and of the UK Code requires the audit, risk (where established) and remuneration committees to consist of Independent Non-Executive Directors. Marian Corcoran is a member of the Board Remuneration and Risk Committees and Paul Doddrell is a member of the Board risk and audit committees. Both Paul Doddrell and Marian Corcoran were nominated to the Board by the Minister for Finance of Ireland under the terms of a Shareholder Relationship Agreement. Each of the aforementioned committees is chaired by and has a majority of independent non-executive directors within their membership. The Board believes it appropriate to ensure that the aforementioned committees consist of members with appropriate knowledge, experience and skills and, notwithstanding the basis of their appointment, can demonstrate effective contribution through an independent mind-set.

Planned Board appointments in 2021 will facilitate Ms Corcoran's move from the Board Remuneration Committee to the Board Nomination, Culture and Ethics Committee. However, the Board believes it is in the best interest of the Bank to utilise Mr Doddrell's and Ms Corcoran's considerable risk management experience on the Board Risk and Compliance Committee and on the Board Audit Committee for Mr Doddrell, given his accounting credentials. If the Board were to fully comply with the UK Code provisions on independence, it would have to further increase the size of the Board, unnecessarily duplicating existing skill-sets and creating a risk the Board size becomes unwieldy. The Board's ambition is that no Non-Executive Director would be a member of more than two Board Committees to ensure Non-Executive Directors have appropriate time to allocate to busy committee activities; we are on track to achieve this ambition in 2021 when two new independent Non-Executive Directors are appointed.

The basis on which the Minister for Finance conducts his relationship with the Company is set out in a published shareholder agreement which can be viewed on the Company's website www.permanenttsbgroup.ie.

Provision 33 of the UK Code requires that the Remuneration Committee shall have delegated responsibility for setting the remuneration for all executive directors and the chairman. However, under EBA guidelines on sound remuneration practices, the Remuneration Committee is designated as being responsible for the preparation of decisions to be taken by the Board regarding the remuneration for executive directors and other identified staff. The Board's view is that, from a regulatory perspective, the Group is compelled to comply with the EBA guidelines and therefore its Remuneration policy reflects this position.

Provision 38 of the UK Code requires that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. In 2019, the Board approved certain enhancements to staff defined contribution pension schemes where, following a market benchmarking exercise, the maximum employer contributions were increased, with new maxima linked to increases in each employee's own contributions and subject to certain age-based eligibility criteria. In carrying out this review, the remuneration committee paid due cognisance to existing State Agreements relating to remuneration and the Group's ability to provide competitive reward arrangements to retain and motivate executive talent in an increasingly competitive marketplace. Whilst the maximum pension contribution levels are consistent across the workforce, members of the Bank's Executive Committee (including the Executive Directors) were exempted from the age-related eligibility criteria.

Corporate Governance Statement
Stakeholder Engagement

"How the Board ensures effective engagement with, and encourages participation from the Company's Stakeholders"

Stakeholder Engagement
A key role of the Nomination, Culture and Ethics Committee is to ensure there is effective engagement with and participation from the Bank's key stakeholders. Reputation management is an integral part of the corporate affairs strategy for the Bank.

What we did in 2020 – Reputation Audit & Purpose Led Action
In the second half of 2019, the Bank initiated its first ever reputation audit in order to gain a better understanding of the Bank's reputation amongst key stakeholders. This work was an important opportunity to obtain feedback as the Bank worked to improve culture and strengthen trust with stakeholders. The reputation audit incorporated a qualitative multi-stakeholder audit and a quantitative study with 1,800 members of the general public. This is the first time the Bank has run a multi-stakeholder audit of this nature, the purpose of which was to obtain feedback from key stakeholders to better understand the Bank's reputation and identify areas of focus required to strengthen trust in the Bank.

The Reputation Audit was completed in Q1 2020 and findings were reported to the Nomination, Culture and Ethics Committee. A set of recommendations for improving the Bank's reputation were also presented.

From June 2020, at the direction of the Bank's new CEO, the Bank initiated a programme of activity focused on improving the Bank's reputation and further building trust with stakeholders in line with the recommendations as set out in the Reputation Audit.

The first significant step was the development of a new Purpose for the organisation, which was centred on building trust with Customers. This Purpose was presented to the Board in July 2020 prior to its internal and external launch.

Shortly thereafter the Bank implemented a series of proactive external and internal engagements to put our new Purpose into action with the aim of further building trust with customers, colleagues and communities. This programme of work encompassed a number of initiatives including: a new three year partnership with the Ó Cualann Co Housing Alliance; mortgage rate cuts for both new and existing customers; significant financial and non-financial support for not-for-profit organisation through the Bank's Community Fund; the achievement of the Business Working Responsibly Mark; and, support for SME customers through the SBCI Future Growth Loan Scheme.

The Bank continues to focus on proactive measures to demonstrate its Purpose in action and respond to the feedback from Stakeholders as set out in the Reputation Audit.

Focus for 2021
The Bank's focus for 2021 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 has also developed a new Corporate Development and HR Function which will ensure that feedback from colleagues, customers and communities is measured effectively in line with our new 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 2020, while COVID-19 impacted on the capability of the Board to engage with employees in a face to face manner, the utilisation of electronic communication facilitated this engagement:

There are currently a number of ways the Board engages with the Bank's workforce and hears the employee 'Voice' on an on-going basis. A summary of these are outlined in the below table.

Mechanism	Detail
Board and Committee Meetings	During 2020 the Board met in total on 30 occasions with focussed attention given to the impact of COVID-19 on customers and colleagues. This ensured regular Board engagement with subject matter experts from across the Bank. Throughout 2020 the Board engagement aligned a core principle of ensuring the health safety and wellbeing of all colleagues whilst ensuring a resilient and sustainable Bank.
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
Branch Visits	CEO branch visits in line with government (COVID-19) restrictions.
	Other Director branch visits during the year in line with government (COVID-19) restrictions.
Employee Events	Attendance at and participation in employee events on an on-going basis.
	Examples include the Institute of Bankers Culture Series Webinars, Speak Freely Pledge, Employee Resource Group Initiatives such as Wellbeing week, Values in Practice Awards and CSR events.
Living as Leaders Round Table Series	A series of weekly meetings where Non-Executive Directors individually joined small groups of colleagues from all levels and from across the bank to reflect on key leadership themes.
Employee Representative Bodies	CFO bi-annual engagement with Employee Representative Bodies to update them on the organisational trading position, opportunities and challenges being faced. CEO, introduction to the Employee Representative Bodies to update them on Permanent TSB's new Purpose and on-going Organisational Fit for the Future alignment.
Employee Surveys	The Employee collective voice is shared with the Board Nomination, Culture and Ethics through a variety of employee surveys that are run.
	Examples include the Employee Engagement Survey, COVID Temperature Survey's, Working From Home Survey, Leadership Sentiment Calls, Every Voice Counts survey.
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. The Board Chairman attended PEC in November 2020 to engage with all representatives across the Bank to discuss culture and employee sentiment.

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 will not only gain a deeper understanding of the drivers behind the employee engagement survey results (COVID Sentiment, Every Voice Counts), they also gain diverse perspectives on what actions will address the areas for development and also any emerging areas of discontent from employees. Following attendance by the Chairman to the November 2020 monthly PEC meeting, it is intended that further attendance by Non-Executive Directors will occur in 2021.

Having reviewed the series of employee engagement during 2020, the Nomination, Culture and Ethics Committee was satisfied that this engagement was effective.

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 Ambitions, considers the appropriate skillsets and perspectives and sets them out in a Board approved Suitability Matrix. Appointments to the Board are recommended in accordance with the Suitability Matrix. The key skillsets and experience that each of the Directors bring to the Board are set out in the Biographies on next page.

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ROBERT ELLIOTT (68)

CHAIRMAN NON-EXECUTIVE DIRECTOR INDEPENDENT ON APPOINTMENT

Appointed Chairman:
31 March 2017

Nationality:
British

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

External Appointments:
Chairman of Saranac Partners Ltd and Chairman of Windship Technology Ltd

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 and cultural direction, and the long-term sustainable success of the Bank. Robert also has extensive legal, banking and leadership experience and a track record of championing greater inclusiveness and diversity.

Robert is an experienced Chairman and Lawyer, having advised on major UK and international banking and restructuring projects. Robert is a former Chairman and Senior Partner of Linklaters LLP, the global law firm with a partnership of 490 members and approximately 5,500 staff. In his role as the firm's ambassador, he also contributed widely to industry and City organisations, think tanks and community-led initiatives. Robert previously chaired the Nomination and Governance Committee for the TheCityUK, which champions UK-based financial and related professional services.

- Certified Bank Director

EAMONN CROWLEY (51)

CHIEF EXECUTIVE OFFICER

Appointed to Board
10 May 2017

Nationality:
Irish

Committee Membership:
None

External Appointments:
Banking and Payments Federation Ireland CLG

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, Ambitions and Strategy to build trust and grow a sustainable Bank for the longer-term.

Before joining PTSB as Chief Financial Officer in 2017, Eamonn worked as Chief Financial Officer at Bank Zachodni WBK S.A. ("BZ WBK"), Banco Santander's publicly listed Polish retail and commercial bank. (BZ WBK was formerly 70% owned by AIB. Banco Santander acquired that AIB stake in 2010.) During his period as CFO, Eamonn executed the merger of BZ WBK with Kredyt Bank to form Poland's number three bank, placed over 20% of the bank on the Warsaw Stock Exchange through a Euro 1.2bn secondary IPO and led the acquisition of a controlling stake in Poland's number one Consumer Bank. Prior to joining Santander, Eamonn worked for the AIB Group in a variety of different roles.

- MBA Smurfit Business School
- Certified Accountant (FCCA) and Member of Association of Corporate Treasurers

MIKE FRAWLEY (48)
CHIEF RISK OFFICER

Appointed to Board:
29 October 2019

Nationality:
Irish

Committee Membership:
None

External Appointments:
None

Key Strengths, Skills and Experience

Mike has extensive international risk management and senior management experience in commercial and retail banking sectors. Mike provides the Board with significant risk oversight and regulatory engagement capabilities enabling the Bank to sustain appropriate levels of banking and operational risk in the development of its strategic objectives. Mike's appointment as an Executive Director demonstrates a key focus for the Board in providing robust oversight of risk management and internal control at the Bank.

Mike joined the Bank in December 2018 and has a depth of experience in the Commercial and Retail banking sectors, having spent 19 years with HSBC in positions in Asia, U.K., Latin America, U.S.A. and Bermuda, most recently as Chief Risk Officer at HSBC Bermuda.

- Chartered Financial Analyst (CFA)
- Bachelor of Commerce from UCC
- MBA from Columbia Business School

RONAN O'NEILL (67)
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
26 July 2016

Nationality:
Irish

Committee Membership:
Risk & Compliance Committee(Chair)
Nomination, Culture and Ethics Committee

External Appointments:
Woodland Advisers Limited

Key Strengths, Skills and Experience

Ronan brings to the Board extensive banking and leadership experience with a particular competency in 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 Risk and Compliance 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

KEN SLATTERY (72)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
30 August 2013

Nationality:
Irish

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

External Appointments:
Director of Home Building Finance Ireland, Home Building Finance Ireland (Lending) DAC, National Shared Services Office, Acorn Housing, Choice Housing Ireland Ltd and Oaklee Housing

Key Strengths, Skills and Experience

Ken has wide-ranging experience of the Irish Financial Services landscape and his retail banking experience complements the key markets in which the Bank operates. Ken has a deep understanding of the legal and regulatory environment for Irish Banks and his previous role at MABS provides the Board with the customer advocacy skills in order to fulfil PTSB's purpose to build trust and grow a responsible and sustainable business. Ken also has significant experience serving as chair and member of various Board Committees which is of particular benefit as Chair of the Board Remuneration Committee and is well versed in the challenges of ensuring employee talent is both attracted to and retained by the Bank.

Ken is an experienced banker having retired from Bank of Ireland in 2006 following a career spanning 40 years in both 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

PAUL DODDRELL (53)
NON- EXECUTIVE DIRECTOR

Appointed to Board:
26 November 2020

Nationality:
British

Committee Membership:
Risk & Compliance Committee
Audit Committee

External Appointments:
Director of 3 to 48 Ltd and Cabot Financial Ireland Ltd

Key Strengths, Skills and Experience

Paul has significant executive leadership experience spanning finance, lending, operations, sales with specific management expertise in business strategy development and execution; risk management and change management. Paul's strategic insights, and experience in organisational transformation programmes complements the existing skillset on the Board.

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

ANDREW POWER (64)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
26 September 2016

Nationality:
British

Committee Membership:
Audit Committee
Remuneration Committee

External Appointments:
Director of Andrew Power Consultancy Limited and The Tennis & Rackets Association Ltd.

Key Strengths, Skills and Experience

Andrew has wide-ranging experience as industry subject matter expert across banking, insurance, wealth management and investment management. Andrew's extensive retail financial services experience particularly around strategy development and 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

DONAL COURTNEY (56)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
3 October 2018

Nationality:
Irish

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

External Appointments:
Director of Dell Bank International and IPUT plc

Key Strengths, Skills and Experience

Donal is highly experienced finance and accounting professional across leasing, lending and property financing with a particular competence in financial reporting, governance and internal controls. Donal brings to the Board experience of asset financing funding vehicle structures such as collateralised loans, securitisations, aircraft leasing and non-performing loan assets. Donal also has extensive experience serving as an audit committee chair at Dell Bank International and IPUT plc and brings essential leadership capability to the Board Audit Committee.

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

RUTH WANDHÖFER, (44)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
30 October 2018

Nationality:
German

Committee Membership:
Risk and Compliance Committee
Remuneration Committee

External Appointments:
Director of Digital Identity Net Ltd, Gresham Technologies plc, Leximar Ltd and Sinonyx

Key Strengths, Skills and Experience
Ruth has substantial banking and leadership experience with extensive experience 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 next phase of the Bank's digital transformation development.

Ruth was Head of Regulatory and Market Strategy at Citi from 2007 to 2018 where she drove regulatory and industry dialogue in addition to developing product/market strategy in line with the evolving regulatory and innovation landscape. Prior to joining Citi, Ruth was Policy Advisor for Securities Services and Payments at the European Banking Federation.

- MA in Financial Economics (UK)
- MA in International Politics (FR)
- LLM in International Economic Law (UK)

MARIAN CORCORAN, (56)
NON- EXECUTIVE DIRECTOR

Appointed to Board:
24 September 2019

Nationality:
Irish

Committee Membership:
Risk and Compliance Committee
Remuneration Committee

External Appointments:
Director of the Industrial Development Authority and Managing Director of MC2 Change Limited

Key Strengths, Skills and Experience
Marian has extensive 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 executive remuneration and risk management brings invaluable experience to the Board Remuneration, and Risk and Compliance Committees.
Marian's cross-industry skills in stakeholder management, risk management, corporate governance and technology-enabled transformation benefits the existing skillset on the Board. Marian has a strong track record in championing inclusion and diversity.

Marian is a former partner and board member in Accenture Ireland where she served in numerous management and executive roles delivering major strategy, technology and business transformation programmes 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 was also a member of the Irish Public Service Pay.

- BSc Biotechnology
- Chartered Director
- Certified Bank Director
- Professional Certificate in Leadership Coaching

CONOR RYAN,
COMPANY SECRETARY

Conor joined the Bank in 1989 and was appointed Company Secretary in 2017. As Company Secretary, Conor is responsible for advising the Board, through the Chairman, on all governance matters. The role of Company Secretary is to align the interests of different parties around the boardroom table, facilitate dialogue, gather and assimilate relevant information, and support effective decision-making. Conor is a fellow of the ICSA: The Governance Institute and was President of the Institute in Ireland from 2014 to 2016.

2020 Board Meeting Attendance and Directorships

Member	Appointed	Ceased	Number of Years on Board	2020 meetings	Number of Directorships held
Non-Executive Directors					
Robert Elliott	31 Mar 2017	-	3.9	30/30	7/3
Ken Slattery	30 Aug 2013	-	7.4	30/30	8/3
Paul Doddrell	26 Nov 2020	-	0.1	2/2	4/2
Ronan O'Neill	26 Jul 2016	-	4.5	30/30	3/1
Andrew Power	26 Sep 2016	-	4.3	29/30	4/1
Donal Courtney	03 Oct 2018	-	2.2	30/30	5/3
Ruth Wandhöfer	30 Oct 2018	-	2.2	28/30	6/3
Marian Corcoran	24 Sep 2019	-	1.3	30/30	4/2
Julie O'Neill	28 Jan 2014	05 Aug 2020	6.8	20/21	7/4
Executive Directors					
Eamonn Crowley	10 May 2017	-	3.7	30/30	8/1
Mike Frawley	29 Oct 2019	-	1.2	29/30	2/1
Jeremy Masding	28 Feb 2012	01 July 2020	8.5	19/19	6/1

Notes:
PTSB is the sole direct subsidiary of PTSBGH. During 2020, 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 followed by 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 2020 or at time of cessation from the Board.

Division of Responsibilities

The roles and responsibilities of the Board collectively, the Executive and Non-Executive Directors, the Chairman, Senior Independent Director and Company Secretary, are clearly laid out and documented in a Board Manual, which is reviewed and updated on a regular basis by the Board and at least annually.

The Chairman

Robert Elliott's responsibility as Chairman is to ensure the efficient and effective working of the Board. His role is to lead and manage the business of the Board, promoting the highest standards of corporate governance and ensuring accurate, timely and clear information for the Board, and to lead the process for the annual performance evaluation of the Board, its Committees and the Non-executive Directors. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular, and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman has a strong working relationship with the CEO, Eamonn Crowley, and acts as a confidential sounding board for the Directors. Robert Elliott is also Chairman of the Nomination Culture and Ethics Committee.

The Senior Independent Director

Ronan O'Neill is the Board's Senior Independent Director and his primary role is to support the Chairman on all governance related matters. In addition, he specifically leads the annual appraisal of the Chairman's performance, acts as an intermediary for other Directors, and ensures that the views of the Non-Executive Directors are heard. He is available to shareholders, should they wish to raise any matter directly.

The CEO

The Board delegates executive responsibility to Eamonn Crowley, the CEO, for the Bank's operations, compliance and performance. The role of the CEO is to select and lead an effective team to manage the Bank. The executive management team is called the Executive Committee, details of which are set out on pages 103 to 104. The CEO is responsible for the formulation of the Group's strategic, operating and financial plans, for review and presentation to the Board, and for the implementation of these plans. The CEO is also required to provide information to the Board that is reliable, relevant, timely, clear and balanced, in order to assist the Board in monitoring the performance of the Group and in making well informed and sound decisions.

The Company Secretary

Conor Ryan, Company Secretary and Head of Corporate Governance, assists the Chairman in promoting the highest standards of corporate governance. He supports the Chairman in ensuring Directors receive timely and clear information so that the Directors are properly equipped for constructive debate and informed decision making. He is a central source of guidance and advice on policy, procedure and governance. He co-ordinates, when necessary, access to independent professional advice for Directors. He oversees compliance with all of the Group's governance related legal and regulatory obligations. In addition, he has responsibility for providing a high quality service on all shareholder related matters. All Directors have access to the advice and services of the Company Secretary and Head of Corporate Governance.

EXECUTIVE COMMITTEE

EAMONN CROWLEY
CHIEF EXECUTIVE

MIKE FRAWLEY
CHIEF RISK OFFICER

GER MITCHELL
CHRO & CORPORATE DEVELOPMENT DIRECTOR

Ger has been a member of the Executive Committee since 2012. Ger is an experienced Commercial Leader who has held a number of senior 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; Customer Marketing, Brand, Corporate Affairs, Sustainability and Communications together with Talent Development, Employee Experience and Culture Evolution. The newly created 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. The function has mobilised four current strategic programmes of work through which key initiatives are managed and delivered, they are; Brand, Culture and Reputation; Customer Strategy and Experience; Enterprise Transformation; and, Citizenship 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.

PAUL MCCANN
CHIEF FINANCIAL OFFICER (interim)

Paul joined the Bank on an interim basis from Grant Thornton where he is a senior partner in that firm's Financial Services Advisory team in Dublin. Paul has extensive corporate finance, restructuring and financial advisory experience. Paul spent six years as the firm's Managing Partner, from 2012-2018.

The Group Finance Function includes the following span of operations: Investor Relations; Finance Operations; Bank Property; Central Data Office; Treasury; Strategy Development, Tracking & Insights Strategy and Planning; Financial Reporting; Financial Accounting, Statutory Reporting and Tax; and, Regulatory Reporting.

TOM HAYES
CHIEF TECHNOLOGY OFFICER

Tom is an accomplished business change leader with extensive experience in Digital and Technology enabled transformation. Tom joined the Bank in 2017 from AIB where he had worked since 1992, and where he was most recently Head of Digital Transformation Delivery. Tom has held various senior roles including: Head of Customer Engagement Technology, AIB Digital and Group Head of IT Infrastructure & Operations.

Group Technology has responsibility for the development and delivery of the Bank's Technology roadmap, Digital capability, and the day-to-day protection of technology enabled services for our customers... This involves working closely with the Retail Banking and Operations teams to design and deliver the Banks Digital Transformation and IT Re-Architecture agendas.

BREEGE TIMONEY
PRO DUCT ASSURANCE DIRECTOR

Breege is an experienced financial services professional having spent over 20 years in the financial services industry. Breege joined the Bank in 2014 and was Head of Finance before joining the Executive Committee in 2017, when becoming director of the Bank's Tracker Mortgage Examination. Breege previously worked in senior finance roles in Bank of Ireland and Ulster Bank as well as infrastructure finance advisory roles in the public service.

Product Assurance is responsible for monitoring and reviewing the Bank's products to ensure that they meet customer needs in addition to responsibility for overseeing the resolution of customer impacting issues. This function was established in 2018 in line with the Bank's ongoing commitment to delivering fair customer outcomes.

PATRICK FARRELL
RETAIL SALES DIRECTOR

Patrick has over 20 years' experience across the banking industry. Patrick joined the Bank in December 2018 from AIB where he held the position of Head of Retail Area South. Patrick has previously held senior management roles in Strategy, Product and Proposition Development, Marketing, Private Banking and, Retail Sales and Service Distribution.

The Retail Sales Division is responsible for all sales channels and the Bank's product management strategy. The Function has multi-channel oversight across sales and service with a focus on enabling income growth and delivery. The division closely collaborates with the Corporate Development and HR Team on customer propositions and experience.

PAUL REDMOND
HEAD OF INTERNAL AUDIT

Paul is an experienced banker providing insights and guidance to the Group Executive Committee and Board on all risk related matters. Paul joined the Bank in 2012 and has over 25 years' experience in financial services. He previously held senior internal audit positions in Goodbody Stockbrokers, AIB and RBS in both Ireland and the UK.

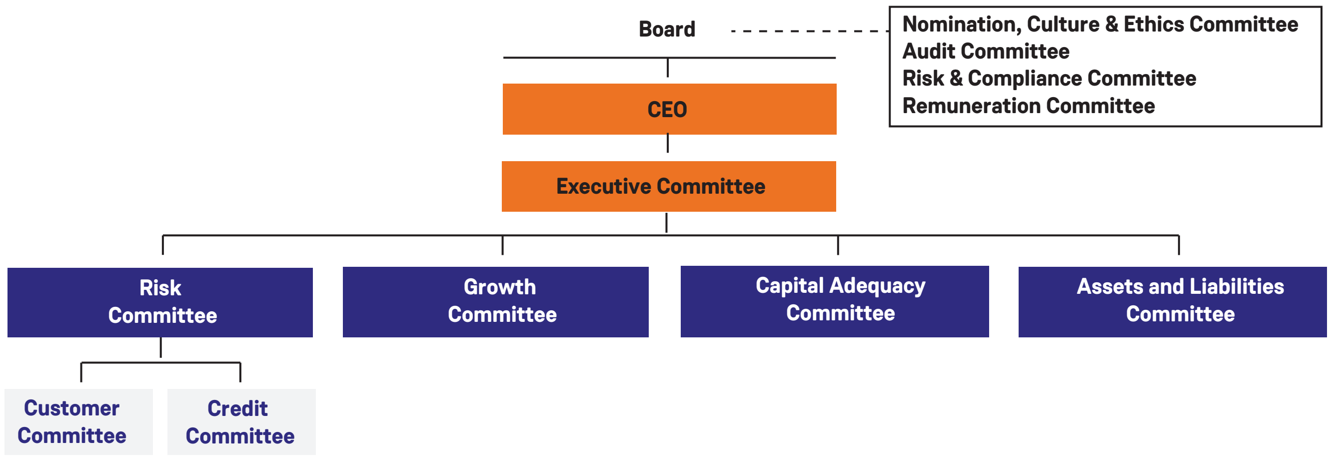
Internal Audit provides independent assurance to the Board over the adequacy and effectiveness of the governance, risk management and control processes in operation across the Bank. Paul is a regular attendee at Group Executive Committee meetings but, in accordance with good governance practice, has no voting rights. Paul has a direct reporting line to the Chairman of the Board Audit Committee.

Executive Committee Vacancies

Shane O'Sullivan retired from the Bank as Director of Group Operations at the end of January 2021 and the Bank is well progressed in the recruitment process to fill this vacancy.

Eamonn Crowley ceased as Chief Financial Officer upon his appointment to the Chief Executive Officer role in June 2020. Paul McCann was appointed to fill this position on an interim basis and as above, the Bank's recruitment process to fill the position on a permanent basis is well progressed.

Corporate Governance Statement
Governance Structure, Roles and Responsibilities



Board
The Board retains primary accountability for corporate governance within the Bank at all times. The Board has reserved for itself a documented schedule of matters for its own approval. The Board delegates executive responsibility to the CEO for the Bank's operations, compliance and performance. The CEO is the principal executive accountable to the Board for the day to day management of the Bank. The CEO has established the Executive Committee whose terms of reference are approved by the Board.

Without prejudice to the powers delegated to it, the Board, directly or through its Committees, has exclusive powers regarding a number of matters including acting on behalf of the shareholders to oversee the day-to-day affairs of the business, ensuring the Bank's sustainability by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders, customers, colleagues and other key stakeholders. In addition to business and financial issues, the Board will determine the business strategies and plans that underpin the corporate strategy, whilst ensuring that the Bank's organisational structure and capability are appropriate for implementing the chosen strategies. The Board must deal with challenges and issues relating to corporate governance, sustainability and corporate ethics.

Board
- Sets and oversees performance against strategy.
- Ensures the Company adheres to governance protocols.
- Oversees all risk, financial, compliance and performance standards.
- Demonstrates leadership.

In line with its legal and regulatory obligations, the Board has established Audit, Risk, Remuneration and Nomination committees as described below. Being composed of the same members and in managing a common agenda, Board Committee meetings of the Company and PTSB run concurrently.

Nomination, Culture and Ethics Committee
Robert Elliott (C)
Ken Slattery
Ronan O'Neill
Donal Courtney

- Reviews structure, effectiveness and composition of the Board.
- Reviews all new Director and senior management appointments.
- Oversees succession planning.
- Performance Evaluations of CEO, Executive Directors and CEO's assessment of Performance of the Executive Committee.
- Oversees the Company's Culture, Ethics, Workforce Engagement, and Responsible and Sustainable Business Programmes.

Audit Committee
Donal Courtney(C)
Paul Doddrell
Andrew Power
Ken Slattery

- 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
Ronan O'Neill (C)
Paul Doddrell
Donal Courtney
Ruth Wandhöfer
Marian Corcoran

- Oversees financial and non-financial risks.
- Approves and monitors risk framework and risk appetite.
- Oversees credit, funding and liquidity policies.
- Review and make recommendations to Board on Internal Capital and Liquidity Adequacy Assessments including Stress testing (via outputs from ICAAP and ILAAP).
- Recovery and Resolution Planning

Remuneration Committee
Ken Slattery (C)
Robert Elliott
Andrew Power
Ruth Wandhöfer
Marian Corcoran

- Oversees remuneration and reward strategies.
- Ensures remuneration Strategy is aligned with recruitment and risk appetite.
- Oversees senior management compensation.
- Monitoring relevant external benchmarks for posts within the scope of Committee.

Executive Committee

The Executive Committee report 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, investment and risk. The Executive Committee is accountable for the operations, compliance and performance of the Bank. They are responsible for delivery all delegated governance commitments. The terms of reference of the Executive Committee are approved by the Board.

The Executive Committee has established six sub-committees made up of senior management with relevant expertise to address the delegated obligations of each sub-committee. The duties of these sub-committees are based on providing organisational direction on behalf of the Executive Committee. Each Executive Committee member provides relevant leadership to the sub-committees, making sure objectives are met. The Executive Committee member which chairs the respective sub-committee provides updates to the Executive Committee, serving as a conduit between the sub-committees and the Executive Committee. The Board has delegated oversight of Bank Wide Risk Management Issues to the Group Risk Committee and an important safeguard in exercising this delegation is the requirement that all members of the Executive Committee be concurrent members of the Group Risk Committee.

Executive Committee

- Developing and implementing (as approved by the Board) the Bank's Strategy, Strategic Direction and Management Model
- Allocating, and re-allocating, the Bank's resources (financial and people) to ensure that commitments are executed and delivered
- Accountable for the Group's operations, compliance and performance
- Oversees day-to-day management of the Group
- Forum for Group-wide functional issues

Risk Committee

- Oversight of Bank wide Risk Management Issues
- Developing the structure and content of the Bank's Risk Management Architecture
- Maintains, monitors and enforces adherence to risk policies and frameworks
- Recommends changes to risk appetite and internal capital and liquidity levels
- Measure and monitor the total risk position of the Bank and to maintain a Risk Register of top risks facing the Bank, together with an assessment of the probability and severity of those risks

Assets and Liabilities Committee

- Manages assets and liabilities, treasury investments, capital management and asset allocation
- Manages risks, hedging and ALM systems
- Refresh and recommend to Risk and Compliance Committee for approval a number of Treasury and Liquidity related Policies
- Reviews the ongoing capital adequacy for the Group
- Reviews the output from internal capital stress testing programmes
- Oversees the Capital Risk related activities and supporting Policies

Credit Committee

- Recommends relevant Portfolio Credit Risk elements of the Group's RAS for approval by the Board
- Monitors adherence to the Group's Credit Policy
- 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

Capital Adequacy Committee

- 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

Customer Committee

- Central oversight body for significant business / commercial 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

Growth Committee

- Provides context and promotes understanding of the commercial agenda
- Monitors performance against key targets and is responsible for identifying, initiating, and executing on activities/ projects to achieve those targets based on customer insight

Corporate Governance Statement
Board Leadership and Effectiveness

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

Board Role and Responsibilities
The Board as a whole is collectively responsible for the leadership, strategic direction and policy, operational performance, financial matters, risk management and compliance of the Bank. The Board exercises leadership, integrity and judgement in directing the Bank, based on transparency, accountability and responsibility. The Board is also the focal point for the implementation of best practice corporate governance within the Bank. All Directors must take decisions objectively in the interests of the Bank. The key responsibilities of the Board as a whole are to:

Key Responsibilities of the Board	
Customers	Ensure that the Bank's culture, systems and practices promotes the fair and transparent treatment of customers, both existing and new.
	Deliver a positive customer-focused culture that is both embedded through adherence to the Bank's purpose, ambition and values and can be effectively demonstrated through regular updates from Management.
Culture and Diversity	Setting the Bank's purpose, ambition and values, and monitoring culture and alignment to the established purpose and values.
	Embedding the Bank's Organisational Culture and Diversity and Inclusion Programmes.
Strategy	Question, challenge, assist in the development of, and approve the strategic and operating plans proposed for the Bank by Management. Ensure that an appropriate level of balance exists between its strategic contribution and that of its monitoring and policing activity.
Stakeholders	Ensure effective engagement with and understanding of stakeholders views.
Risk Appetite and Risk Management	Define the strategy for the ongoing management of material risks and ensure that the Board is sufficiently briefed on major risk factors by ensuring that there is a robust and effective internal control framework that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.
	Provide leadership for the Bank within a framework of prudent, ethical and effective controls which enable risk and compliance to be assessed and managed.
Capital Structure	Set and oversee the amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Bank.
	Be accountable, particularly to those who provide the Bank's capital.
People and Reward Strategy	Ensure that there is a remuneration framework that is in line with the risk strategies of the Bank.
	Ensure that there is a robust and transparent organisational structure with effective communication and reporting channels.
	Ensure that Management create and develop a performance culture that drives value creation without exposing the Bank to excessive risk of value destruction.
	Ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success and that the workforce should be able to raise any matters of concern.
Oversight	Make well informed and high quality decisions based on a clear line of sight into the business.
	Ensure that the Bank has a robust finance function responsible for accounting and financial data.
Governance Arrangements	Review regularly the appropriateness of its own governance arrangements and conduct internal as well as external evaluation of the Board's effectiveness.
	Review corporate governance matters such as Group policies, terms of reference and succession plans.

Directors must also act in a way they consider, in good faith, would promote the success of the Bank for the benefit of shareholders as a whole and, in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long-term; the need to foster the Bank's business relationships with customers, suppliers and others; interests of the Bank's employees; impact of the Bank's operations on the community, environment and tax payer; and desirability of the Bank maintaining a reputation for high standards of business conduct.

Board Decisions

There is an effective Board to lead and control the Bank with members who have diverse expertise in various aspects of the Bank's business. The Board has reserved to itself for decision, a formal schedule of matters pertaining to the Bank and its future direction, such as the Bank's commercial strategy, major acquisitions and disposals, Board membership, the appointment and removal of senior executives, executive remuneration, trading and capital budgets, risk management and compliance frameworks. This schedule is updated on a regular basis and at least annually. On an annual basis, the Board approves a RAS together with its strategic, operating and financial plans. The RAS is a description of the level and types of risk the Bank is willing to accept or to avoid, in order to achieve its business objectives.

The Board delegates day-to-day management of the Bank to the CEO. The Board relies on the Risk Appetite and the delivery of strategic, operating and financial plans to be implemented by the CEO, the Bank's Executive Management Committee and their Management sub-committees. All strategic decisions are referred to the Board. Documented rules on management authority levels and on matters to be notified to the Board are in place, supported by an organisational structure with clearly defined authority levels and reporting responsibilities.

Board Focus Areas and Priorities
During the course of 2020, against the back drop of COVID-19, a priority focus for the Board was oversight of the Bank's operational effectiveness to support the Bank's customers during a very challenging period. This included oversight on supports put in place for customers that included Mortgage Payment Breaks, a fully operational and open branch network, resourcing of call centres and availability of online banking services. The Board also continued to focus on ensuring the Bank was evolving its culture, strengthening its balance sheet, adapting its corporate strategy, conforming to effective, prudent and ethical standards of corporate governance and effectively managed in the areas of risk and compliance.

The priorities for the Board during 2021 will be to continue to monitor and address the impacts of COVID-19 on the Bank's customers and on its own commercial performance. The Board will ensure the Bank will continue to invest in systems, transform its business and support enhanced operational resilience and business performance.

"The Board is responsible for setting, approving and overseeing the implementation of the overall business strategy taking into account the Bank's long-term financial interests and sustainability"

Strategy Development

The Board has responsibility for developing the Bank's purpose, ambition, values and strategy, ensuring these are the drivers of the Bank's evolving culture.

The Board has approved five strategic pillars through which key transformational programmes of work will be executed to ensure the Bank's strategy is aligned to its stated purpose and ambition.

The Board annually approves a rolling three year strategic and rolling five year financial and operating plan (Medium Term Plan or MTP) that links through an integrated planning process to the Bank's ICAAP, ILAAP, Recovery Plan and Risk Appetite Statement.

The role of the Non-Executive Directors is to help Management develop, constructively challenge and critically review proposals on strategy, oversee and monitor strategy implementation and address any weaknesses identified regarding its implementation. While there is a formalised strategy development and approval process as set out below, there is regular and ongoing Director discussion and challenge on strategy development and execution at Board meetings. The effectiveness of the strategy development process is a key element of the annual Board review where feedback is sought from each of the directors on the effectiveness of the strategy development and execution process during the year in review.

3 Stage Annual Strategy Development Process
Strategy Session 1 (October 2020) This is a standalone strategy session which sets the internal and external operating environment through presentations from Management and the Bank's external economist. This session outlines the key challenges facing the Bank over the planning period. The Board discuss and debate the key areas of strategic focus for the Bank over the coming years and discuss the relevant priorities of the Bank and discuss strategic trade-offs that may have to be made. This is a key opportunity for Non-Executive Directors to provide feedback and input to the strategy planning process before Management formally present the Bank's financial plans to the Board at strategy Session 2.
Strategy Session 2 (Early November 2020) The Board is presented with a draft five year financial plan (MTP). This plan sets the key risks and opportunities faced by the Bank, the key assumptions underpinning the plan and a summary of profit and loss, balance sheet and capital performance over the planning period. This affords the Board the opportunity to challenge the key assumptions underpinning financial performance, seek assurance on elements of the plan, discuss the aforementioned risks and opportunities and suggest changes to the plan over the planning period.
Strategy Session 3 (Late November 2020) Management presents how Board feedback from Strategy Sessions 1 and 2 have been addressed in a set of strategic and financial plans presented for approval. The Board also considers a full risk assessment of the plans and considers separate papers which stress test financial performance over the planning period. This includes a full review and challenge of available management actions to correct off track performance. The Board is responsible for overseeing the implementation of the overall business strategy, and receives reports on the execution of the Bank's strategy as a standing item on the Board agenda.

Independence

The independence status of each Director on appointment is considered by the Board. In addition, the independence status of each Director is reviewed on an annual basis to ensure that the determination regarding independence status remains appropriate. In determining independence, the Board will consider whether any Director has, or has had within the last three years, a material business relationship with Permanent TSB directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with Permanent TSB.

The Board has carried out its annual evaluation of the independence of each of its Non-Executive Directors, taking account of the relevant provisions of the UK Code, namely whether the Directors are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect the Directors' judgment.

With the exception of Marian Corcoran and Paul Doddrell, who were each appointed to the Board under the terms of a Relationship Framework with the Minister for Finance of Ireland, the Board is satisfied that each of the current Non-Executive Directors including the Chairman fulfil the independence requirements of the UK Code.

Each of the Chairman and all of the Non-Executive Directors bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Board Size and Composition

The Composition of the Board and its Committees is reviewed by the Nomination, Culture and Ethics Committee and the Board annually, to ensure that there is an appropriate mix of knowledge, experience and skills. This review considers tenure, succession planning, Board gender diversity targets and assessment of 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 skill, 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 close of business on 31 December 2020, the Board comprised ten Directors: the Chairman, who was independent on appointment (and continues to be so), the CEO, the CRO and eight Non-Executive Directors, six of whom have been determined by the Board to be independent Non-Executive Directors. Changes to the Board during 2020 included the appointment of Mr. Paul Doddrell as a Non-Executive Director on 26 November 2020 and the cessation of both Jeremy Masding as CEO and Executive Director on 1 July 2020 and Julie O'Neill as a Non-Executive Director on 5 August 2020. Biographies of each of the Directors are set out in the Board of Directors section on pages 96 to 100. The wide range of qualifications, skills and experience 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, 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.

During 2020, the Board approved an updated Board Suitability Matrix (the optimal knowledge, experience and skills needs of the Board) and arising from this review identified the need to appoint two new Independent Non-Executive Directors. The desired knowledge and experience sought for the first of these board positions was in the area of Technology/ Cyber/IT Resilience. The second position sought candidates with experience that would provide the Board with insight on culture evolution, ethical behaviour and responsible business. The recruitment process for these appointments is well advanced with expected appointments to be filled in late Q1 or early Q2 2021. The Board is also at an advanced stage in the recruitment process for the Board position of CFO with an expected announcement in Q2 2021.

Decisions on Board membership are taken by the Board or by shareholders with recommendations coming from the Nomination, Culture and Ethics Committee.

Term of Office

The term of office of Non-Executive Directors is three years, (with an option for a further three years) and is subject to satisfactory performance that is reviewed annually. In accordance with the UK Code, all Directors are required to seek re-appointment by election at the AGM. Non-Executive Directors will automatically retire from the Board after six years. It is always at the discretion of the Board to invite a Non-Executive Director to continue for a further period but this discretion will only be exercised in exceptional circumstances. During 2019, Ken Slattery accepted an invitation from the Board to serve a third three year term of office. This extension was granted following a review of Board succession plans carried out by the Nomination, Culture and Ethics Committee and the need to ensure the retention of Board corporate memory.

The Chairman is proposed for re-appointment by the Directors on an annual basis. The term of office of the Chairman is six years.

Executive Directors' service contracts are reviewed by the Remuneration Committee and approved by the Board. Existing Executive Directors' contracts provide for a rolling 11.5 month notice period to be provided, however, this has been reduced to six months for all future Executive Director Board appointments. Holders of Executive office in the Company will vacate the office of Director on ceasing to hold Executive office. Directors who hold any directorship in a subsidiary of the Company will vacate said directorship on ceasing to be a Director of the Company and no Director will receive compensation for loss of office as a Director of a subsidiary of the Company.

Board Performance Evaluation

The Board has a formal and rigorous performance evaluation process to assess the effectiveness of the Board, its Committees, and individual Directors. The performance evaluation is conducted internally on an annual basis, and externally facilitated every three years. An externally facilitated evaluation of performance last took place in 2018 and is due again in 2021.

The evaluation of the Board and its Committees considers the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

The process for the 2020 Board performance evaluation is set out 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.

Individual Director evaluations aimed to show whether each Director continued to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and Committee meetings and any other duties) was also completed. The value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals is taken into account in deciding chairmanship and membership of Committees. In addition, the evaluation ensures that Committees have the requisite expertise to properly discharge their duties, such as the Audit Committee as a whole is required to have competence relevant to the sector in which the Bank operates.

2020 Board Evaluation Process

During 2020

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

November 2020

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 2020 - January 2021

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 SID, 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 2021

The Nomination, Culture and Ethics Committee's review of 2020 Board performance took place on 15 February 2021. 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;
- The CEO presented his report on the review of the Executive Directors' performance;
- 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 2020 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; and
- Details of any declared Conflicts of Interests of the Directors.

During a Board meeting held on 2 March 2021, the Chairman presented the 2020 Board performance evaluation for consideration by the Board.

Outcomes of 2020 Board Performance Evaluation

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.

2020 Board Performance Action Plan

Quality and Timeliness of Papers	Continued drive by Group Secretariat and Management to enhance the quality and timeliness of Board papers during 2021.
Agenda Management	Group Secretariat and the Chairman will review the approach to agenda prioritisation to ensure optimisation of content and sufficient time for discussion.
More reporting on Strategic Priorities	Linked to the above point, a Board agenda with enhanced focus on the Bank's priority issues with more frequent reporting/discussion on strategy setting/execution.
Director Training & Development	Provision of additional topic specific training and development sessions for Directors on both an individual and collective basis and to further enhance the director induction and ongoing training processes.
Increased Reporting on Culture/Sustainability at Board	The Board has requested more integrated reporting and discussion of both culture and sustainability at Board meetings.
Board Dynamics	With three appointments to the Board in 2021, consideration to be given to developing a process to explore Board 'team' dynamics with the aim of setting objectives to enhance Board interaction and effectiveness.

Director Induction and On-Going Business Awareness

On appointment to the Board or to any Board Committee, all Directors receive an induction training schedule tailored to their individual requirements. The induction, which is designed and arranged by the Company Secretary in consultation with the Chairman, will include meetings with Directors, Senior Management and key external advisors, to assist Directors in building a detailed understanding of the Bank's operations, management and governance structures, including the functioning of the Board and the role of Board Committees and key issues facing the Bank. Directors will also be encouraged, where appropriate, to make site visits to see the Bank's operations first hand. Where appropriate, additional business awareness briefing sessions and updates on particular issues identified in consultation with the Chairman and Non-Executive Directors will be arranged by the Company Secretary. These will be held regularly to ensure that Non-Executive Directors have the knowledge and understanding of the business to enable them to contribute effectively at Board meetings. The business awareness and development needs of each Non-Executive Director will be reviewed annually as part of the performance evaluation process.

2020 Board Training and On-Going Business Awareness

Board Training Sessions
A number of online in-house Board training sessions were facilitated during 2020 to support on-going business awareness and Director development. Given the challenges of COVID-19 these sessions were typically delivered through electronic channels. Members of the Executive Committee were invited to attend these Board training sessions where relevant. 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 2020 included: Anti-Money Laundering; Cyber Security; Market Abuse; and Corporate Legal developments.

Board Briefings
In addition to formal Board training sessions, a number of Board briefings were presented to the Board during 2020. 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 2020 included: Brexit; macro-economic outlook; equity market performance/outlook; capital and liquidity planning, recovery planning; and, technology spotlights.

Individual Director Development
An individual training plan is developed for each Director on appointment, and reviewed annually by the Chairman. The purpose of individual training plans is to support individual Director development. Each Director is required to undertake the Institute of Bankers Certified Bank Director programme. Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to Directors. Led by the Chair, the Non-Executive Directors met on occasion without the Executive Directors present.

Board Meetings

The Board held 30 Board meetings during 2020. Further details on the number of meetings of the Board, its Committees and attendance by individual Directors are set out on page 101.

Agendas and papers are circulated to Directors electronically via a secure online Board portal in sufficient time to facilitate review by the Directors. The Chair of each committee reports on the Committee's proceedings at Board meetings.

The Board receives formal reports on Bank risk and compliance matters together with its strategic, commercial and financial performance at each of its meetings. The minutes of Board committees are made available to all Directors through a designated reading room in the Board portal. The Board portal also contains an extensive document repository and is the primary method of communication with Directors.

Board Committees

The Board has established four permanent Committees to assist in the execution of its responsibilities. These Committees are:

- Audit
- Risk and Compliance
- Nomination, Culture and Ethics
- Remuneration

Other Committees are formed from time to time to deal with specific matters. During 2020 all of the Board's Committees were composed of Non-Executive Directors, a majority of whom are considered by the Board to be independent. The Board acknowledges this not to be in compliance with the UK Corporate Governance Codes (which requires all directors to be independent) and has set out is rationale on page 92 as to why the Board is satisfied this does not inhibit the committees effectively executing their responsibilities. Membership and the Chairmanship of each committee are reviewed annually.

Each of the Board Committees has Terms of Reference, under which authority is delegated by the Board and which is reviewed annually. The Terms of Reference of each Committee are available on the Bank's website www.permanenttsbgroup.ie. Where permitted on Health and Safety grounds (COVID-19), the Committee Chairs attend the AGM and are available to answer questions from shareholders.

Corporate Governance Statement
Risk Management and Internal Control

Board Responsibilities
The Board has overall responsibility for maintaining a system of risk management and internal control which provides reasonable assurance of effective and efficient operations, internal financial and operational control and compliance with laws and regulations.

The Group's business involves the acceptance and management of a range of risks, consistent with its Corporate Purpose. The Group's system of risk management and internal control is designed to ensure the delegation of responsibility for risk oversight and management is appropriate to the nature and type of risk faced by the Group.

Provision 29 of the UK Code requires the Board to review annually the effectiveness of the Group's system of risk management and internal control. This requires a review to cover all material controls including financial, operational and compliance controls. The Board confirms that a detailed review on the effectiveness of the Group's risk management and internal control systems during 2020 was undertaken by the Board Risk and Compliance Committee. This review took into account a review of risk management and internal control across the Bank's three lines of defence. In 2019 the Board had identified 10 key risk categories against which a series of controls were implemented to effectively manage risk within the Bank. Over the course of 2020, the Board Risk and Compliance Committee continued to monitor the risk profile of the Bank. In assessing the effectiveness of the Bank's systems of risk management and internal control during 2020, 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 Bank's key risks. Supporting this assurance, the Board Risk and Compliance Committee also considered the opinion of the Head of Group Internal Audit (third line of defence) in his assessment on the adequacy and effectiveness of key controls within the Bank during 2020 which were found to be effective.

The above review also took into account the operational resilience demonstrated by the Bank in the stressed environment of the COVID-19 global pandemic. While the review indicated there were areas of the Bank's control environment that would require enhancement, the effectiveness of the Bank's control environment during 2020 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 2020 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;
- Established systems and procedures to identify, control and report on key risks. Exposure to these risks will be monitored mainly by the BRCC. The CRO is a member of ExCo and Chairs the GRC. The CRO reports directly to the BRCC on the activities of these committees and other ExCo committees, details of which are further described in the Risk Management section;
- The preparation and issue of financial reports, including the consolidated Annual Report, is managed by the Group Finance department, with oversight from the BAC. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities in the preparation of financial information. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and Group level by Senior Management. In addition to reviewing and approving the full year Annual Report, the Interim and Annual Report are also reviewed by the BAC 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 four year MTP prepared and considered by the Board. Actual results are monitored and there is monthly consideration by the Board of progress compared with budgets and forecasts;
- There are clearly defined capital investment control guidelines and procedures set by the Board;
- Responsibilities for the management of credit, investment and treasury activities are delegated within limits to line management. In addition, Group and divisional Management have been given responsibility to set operational procedures and standards in the areas of finance, tax, legal and regulatory compliance, human resources and information technology systems and operations;
- GIA is responsible for the independent assessment of the Group's corporate governance, risk management and internal control processes. The Head of GIA reports directly to the Board of Directors through the BAC;
- The BAC reviews the scope and nature of the work of GIA on an on-going basis to confirm its independence;
- Compliance in the Group is controlled centrally under the Group CRO who reports to the Group CEO as well as independently to the Chairman of the BRCC, in addition to also having direct access to that committee; and
- There is a Risk Management Framework in place within each business throughout the Group whereby 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 BAC reviews the GIA programme. 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.

The BRCC reviews the compliance and risk management programmes and monitors the risk profile of the Group. 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. The Group CRO reports regularly to the BRCC.

The Bank is committed to nurturing a Speak Freely culture where it is safe and acceptable for all to raise any concerns that they may have about practices, processes or behaviours that do not meet these standards or align with the Bank's Purpose. The Bank's Speak Freely Procedure protects colleagues who wish to raise a concern, or to make a protected disclosure, relating to an actual or potential wrongdoing in the workplace. Speak Freely focuses on encouraging colleagues to raise a concern via a number of different channels, and ensures that they can do so without any fear of retribution or penalisation. In addition, the Bank also has in place a Code of Ethics, which outlines the standards of responsibility and ethical behaviour to be observed by all employees of the Group.

Internal Control over Financial Reporting

The Group operates an Internal Control Framework over financial reporting to support the preparation of the consolidated financial statements. 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.

Corporate Governance Statement
Board Diversity Report

PTSB recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an important element in maintaining a competitive advantage.

Diversity

A diverse and inclusive culture is essential to the long-term success of Permanent TSB and enables the Bank to respond to diverse customer and wider stakeholder needs. Further details on the Bank's Organisational Culture, Diversity and Inclusion Programmes are set out on page 30.

Board Diversity Policy

The Board has a Diversity Policy, which applies to all members of the Board and sets out the approach to diversity of Board members. The Bank recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an important element in maintaining a competitive advantage.

A diverse Board includes and makes good use of differences in the knowledge, experience and skills (in particular those identified as relevant to the business and culture of PTSB) as set out in the Board Suitability Matrix, including regional and industry experience, educational, professional, social and ethnic background, nationality, gender, age, cognitive and personal strengths and other qualities of Directors. These differences are considered in determining the optimum composition of the Board and where possible balanced appropriately.

Objective of Board Diversity Policy

The Nomination, Culture and Ethics Committee discuss and agree annually all measurable objectives for achieving diversity on the Board and recommends them to the Board for adoption. When setting diversity objectives, the Board will consider diversity benchmarking results published by competent authorities, the EBA or other relevant international bodies or organisations. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

The Board had set a target to achieve 30% female representation on the Board by 30 June 2021. The Bank is committed to having a diverse Board, to achieving the target set in this regard and to ensuring an open and fair recruitment process.

The Board has set an objective that approximately 50% of Non-Executive Directors, including the Board Chair, together with the Chairs of the Audit and Risk and Compliance Committee, should have relevant banking and/ or financial experience and this will be taken into account when recommending appointments.

How the Board Diversity Policy was implemented during 2020

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.

As part of the annual performance evaluation on the effectiveness of the Board, Board Committees and individual Directors; the Nomination, Culture and Ethics Committee will consider the diversity needs of the Board through examining the balance of knowledge, skills, experience, independence and industry knowledge of the Directors.

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.

The Board considers skills, experience and expertise, including education and professional background, in areas relevant to the operation of the Board. The Board's objective Banking and/or financial experience is also taken into account when recommending appointments. All candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Bank's activities and associated risks. The Nomination, Culture and Ethics Committee seeks to ensure that a proportion of the Board has a deep understanding of financial products and has written guidelines to ensure that Board candidates are selected on merit, based on their skills, competencies, qualifications and ability to commit sufficient time to the role.

2020 Board Diversity Progress

Gender Diversity

A minimum of 20% female representation on the Board was maintained during 2020 and at year-end this percentage remained at 20%. The committed target to achieve 30% female representation on the Board featured regularly at Board Nomination, Culture and Ethics committee meetings during 2020 and plans have been put in place to achieve this target by 30 June 2021.

Skills, Experience and Expertise

The Board achieved its objective of 50% of Non-Executive Directors having Banking and/or financial experience, and achieved its target that all Directors demonstrate financial literacy.

2021 Board Diversity

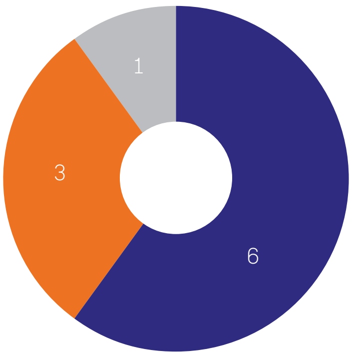
Gender

Board Diversity by Tenure
0-3 years

Board Diversity by Tenure
3-6 years

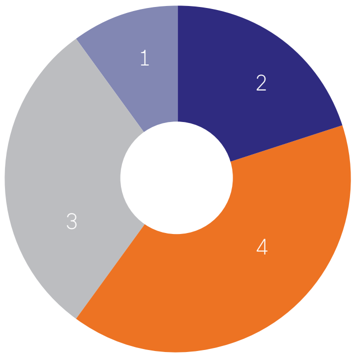
Board Diversity by Tenure
6-9 years

Nationality



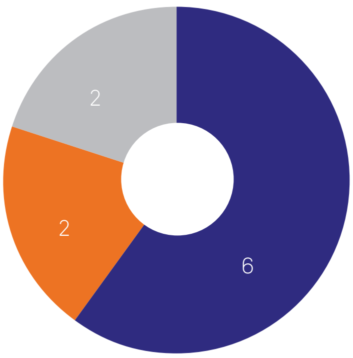
- Irish
- British
- German

Age Profile



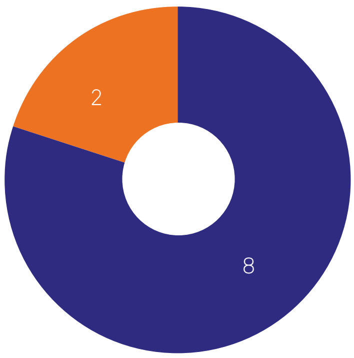
- 40-49
- 50-59
- 60-69
- 70-79

Independence



- Independent Non-Executive Directors
- Non-Executive Directors
- Executive Directors

Executive & Non-Executive Directors



- Non-Executive Directors
- Executive Directors

2021 Board Diversity Priorities

	Board Objective	2021 Board Action
Gender	The Board remains committed to achieving 30% female representation.	· Increase the current 20% female representation to 30% by 30 June 2021; · Retain the Board gender diversity target of 30% female representation; and · Encourage initiatives that promote broader inclusive gender diversity across the Bank, in line with the Organisational Culture, Diversity and Inclusion Programmes.
Board Diversity Policy	The Board recognises that there are many aspects of diversity such as gender, social and ethnic backgrounds, cognitive and personal strength, skills and experience, and the importance of ensuring wider diversity is considered for Board appointments.	· Consider the aspects of diversity relevant to the operation of the Bank, such as gender, age, social and ethnic backgrounds, cognitive and personal strength, educational background, professional background; · Review the Board Diversity Policy, to ensure all relevant aspects of diversity are included in the Policy; · Review the Board Suitability Matrix to ensure that the diverse range of skills required by the Bank is represented at Board level; and · Encourage initiatives that promote broader inclusive gender diversity at Board level.
Board Recruitment and Selection and Suitability	The Board remains committed to having a diverse range of skills, experience and expertise, including education and professional background, in areas relevant to the operation of the Board, while ensuring that the recruitment and selection process for members of the Board is an open and fair process.	· Maintain a minimum of 50% of Non-Executive Directors, including the Board Chairman, together with the Chairs of the Audit and Risk Committees, to have Banking and/or financial experience and this will also be taken into account when recommending appointments; · Given the focus of the Bank's business model in Ireland, to achieve a circa 70%-30% balance between of the Irish and Non-Irish domiciled directors; · Retain the requirement that all candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Bank's activities and associated risks; · Ensure that a proportion of the Board has a deep understanding of financial products; · Review Board Recruitment and Selection procedures, to ensure Board candidates are selected on merit, based on their skills, competencies, qualifications and ability to commit sufficient time to the role, with due regard to relevant aspects of diversity; and · Undertake an assessment of individual and collective suitability, taking into account relevant aspects of diversity to determine the continued individual and collective suitability of members of the Board.
Board Succession Planning	The Board is responsible for overseeing succession plans for the Board and Senior Executives.	· Review Succession Plans of the Board and Senior Executives, to ensure that the Bank pipeline of successors has adequate diversity.

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

Dear Shareholder,

I am pleased to introduce the Board Audit Committee Report for the year ended 31 December 2020, which has been prepared by the Committee and approved by the Board. The purpose of this report is to provide an overview of matters considered by the Committee during 2020. Firstly, I welcome the appointment of Paul Doddrell to the Committee during the year. Paul, a qualified accountant, has extensive management and board expertise in the area of auditing and finance and this will be of benefit to the collective knowledge, experience and skills of the Committee.

The Committee carefully monitored activity within the Bank's control environment as the business responded to the impact of COVID-19. During the year, the Head of Group Internal Audit reported to the Committee on a series of rapid response reviews aimed at supporting the business by identifying the key categories which held a heightened risk due to COVID-19. Key areas of focus and review by the Committee included:

- Mortgage Payment Break activity
- IT Availability and the impact of remote working
- Cybersecurity
- Payment Processing and Fraud Monitoring Operations
- Capital, Liquidity & Financial Planning Management
- Third Party Risk Management

For each of these risk categories, GIA undertook a series of rapid reviews providing Management with observations and recommendations that will continue to be monitored by the Committee.

A further key focus for the Committee during the year was the continued oversight and challenge of Management on the sustained enhancement of the risk and control environment within the Bank. This included spotlight presentations from both the First and Second Lines of Defence on how risks and controls were managed and internal audit actions effectively addressed.

Finally, during the year the Committee carefully monitored the impact of COVID-19 on the wider macro-economic environment, the Bank's commercial performance and how each of these indicators impacted the Bank's overall level of loan loss provisioning.

In 2021, the Committee will continue to focus attention on the impact of COVID-19 and oversee how the Bank's control environment evolves to ensure the continued operational effectiveness of the Bank.

On behalf of the Board Audit Committee

Donal Courtney
Chair, Board Audit Committee

Composition and Operation

The Committee currently consists of four Non-Executive Directors. The biographical details of each member are set out on pages 96 to 100. Neither the Board Chair nor the CEO is a member of the BAC. The Board requires that the Chair of the BAC has recent and relevant financial experience. The Chair of the Committee is responsible for leadership of the Committee and for ensuring its effectiveness. Together, the members of the Committee bring a broad range of relevant experience and expertise contributing towards effective governance.
The members of the BAC meet together at the start of each scheduled meeting. The head of GIA is then invited to join the meeting so that the Committee can review and discuss internal audit activity without Senior Management present. Subsequent attendance by the CEO, CFO, Board Chairman, external auditors and others is by invitation only and managed to ensure the ongoing independence of the Committee. The Board requires that a minimum of one member is common to the BAC and the BRCC. The Chair is a member of both Committees.

2020 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2020 Meeting Attendance
Donal Courtney*	3 Oct 2018	-	2.2	11/11
Ken Slattery	30 Aug 2013	-	7.4	11/11
Paul Doddrell	26 Nov 2020	-	0.1	1/1
Andrew Power	26 Sept 2016	-	4.3	11/11

*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 function and also considers the external auditor's independence and objectivity and the effectiveness of the audit process. The BAC also reviews discoveries of fraud and violations of laws and regulations as raised by the head of GIA.

The BAC monitors the integrity of the Financial Statements of the Company, reviewing significant financial reporting judgements contained therein, to ensure that they give a "true and fair view" of the financial status of the Group and to recommend to the Board whether to approve the Annual and Interim Reports and to recommend to the Board that it believes that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

In considering whether the Annual Report is fair, balanced and understandable, the Committee reviewed the Annual Report and considered whether the Financial Statements were consistent with the financial review elsewhere herein. The Committee also reviewed governance and approval processes in place within the Group as they were relevant to the Financial Statements. These included the completion by Management of disclosure checklists to ensure all required disclosures required by applicable company law, listing requirements and accounting standards are included in the draft Annual Report which was reviewed by various Executives and Management of the Group.

The Committee also had regard to the significant issues 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 2020

During 2020, 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 2020, the Committee also:

- Reviewed GIA activity throughout the year, including a review of performance against the 2020 internal audit plan;
- Received presentations on all internal audit findings and action plans
- Reviewed instances on cases of reported fraud
- Received presentations from First and Second Line representatives on plans to address internal audit findings
- Reviewed the accounting and regulatory treatment of the sale of loan assets, in line with IFRS;
- Reviewed the Group's Pillar 3 policy and disclosures;
- Reviewed External Auditor Independence;
- Invited members of Senior Management to report on progress to remediate open internal audit actions;
- Reviewed the continued recognition of a Deferred Tax Asset (DTA) on tax losses carried forward;
- Approved changes within International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS);
- Reviewed impairment provisions;
- Reviewed the effectiveness of internal control over financial reporting;
- Approved the GIA plan for 2021;
- Reviewed the governance and approval arrangements underlying the fair, balanced and understandable assessment of the Annual Report;
- Reviewed a refreshed Audit Plan for 2020 to take into account COVID-19 Rapid Response Audits;
- 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; and
- Reviewed the basis, background and level of Non-Audit fees paid to PwC.

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 2020 Financial Statements as set out on the current and the following page.

Expected Credit Loss Provisions

The Committee considered the Group's methodology including assumptions and parameters for generating the Group's allowance for ECL for its secured portfolios. The Committee discussed with Management in detail any changes and revisions made to the Group's IFRS 9 ECL models, macro-economic scenarios, the impact of COVID-19 on provisions, significant increase in credit risk and payments breaks, 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 2020, the impairment provisions included €172 million of Management's adjustments to modelled outcomes. A key focus of the Committee during the year was an assessment of the level and rationale for such adjustments.

The Committee concluded that a robust governance framework existed to monitor provisioning adequacy and that the assumptions and judgements applied by Management were appropriate. The Committee was satisfied that the provision and related disclosures in the financial statements were appropriate.

Recognition and Recoverability of Deferred Tax Assets
The Committee considered the extent of DTAs recognised by the Group in respect of unutilised tax losses, and in particular, the future profits of PTSB against which losses may be utilised in future years. The Committee noted that while the Group's performance and strategic outlook has been affected by the impact of COVID-19, the macro-economic environment during Q4 2020 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 2020 would be recovered. The Committee noted that IFRS does not allow for the DTA recognised to be discounted notwithstanding that it will likely take a significant number of years to be fully recovered.

Impairment review of the Group's subsidiary undertaking
The Company carries its investment in its subsidiary undertaking at cost less impairment and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value in use (VIU). An impairment charge arises if the carrying value exceeds the recoverable amount.

Management provided the Committee with a paper that detailed the recoverable amount of the investment. The Committee reviewed the paper and calculations and is satisfied with the recoverable value of the subsidiary and the resultant impairment in the investment.

IT Access
Certain matters in relation to IT access controls have been communicated to the BAC through the external audit process. The Committee is however satisfied there are sufficient mitigating controls in place from a financial reporting perspective.

Going Concern
Note 1 of the financial statements includes details of the going concern of the Group, which outlines the Directors' view that the Group will continue as a going concern for a period of 12 months following the signing of this report.

In making the judgment, the Committee was provided with detailed papers containing Management's considerations of the risks and uncertainties as they may pertain to going concern. The Committee reviewed these judgments, and agree with Management's view that the Group continues on a going concern basis and that there are no material uncertainties.

Longer Term Viability
In accordance with the requirements of the UK Corporate Governance Code, the Directors are required to issue a viability statement of the prospects of the Groups taking in account Group's current and projected financial position taking in account the principal risks facing the Group.

The period over which we confirm longer-term viability
The Directors have assessed the viability of the Group over the three year term which falls within the time horizons considered for the Group's strategic planning and the regulatory stress testing frameworks employed by the Group. The Directors are satisfied that this is an appropriate period of assessment.

Assessing the governance and prospects of the company
In making this assessment, the Directors have assessed the key factors that are likely to affect the Group's business model and medium term plan which have been stress tested and sensitised for a downside scenario to reflect the challenges that the Group is facing, particularly the COVID-19 related considerations and its impact on capital, solvency and liquidity while taking into account other emerging and principal risks.

The Board has reviewed the medium term plan and 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 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.

The medium term plan is reviewed annually and with increased frequency when necessitated by significant changes in the external environment and is approved by the Board each year.

The medium term plan closely aligns to Group's Risk Appetite Statement and Risk Management Framework and details the Group's future profitability, cash flow projections, capital requirements and the Group's key performance measures. Management's performance against the medium term plan is reviewed on an ongoing basis by the Board.
The Group made a loss for the 2020 financial year and its performance was significantly impacted by COVID-19 in line with the overall market. 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 planning horizon.

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 outer years of the plan.

There are certain key assumptions that are critical to the viability of the Group and these are outlined below:

Capital Adequacy
Due to the dynamic nature of COVID-19, the full impact on the future profitability is difficult to estimate. The government response to curtail the virus and changing customer behaviours may impact the future performance.
The Group has therefore sensitised its projection to cater for the downside and has used increasingly conservative economic inputs to develop its medium term strategy.

The Directors and Management have considered the capital forecast for the Group, and its ability to withstand additional stress scenarios such as the economic environment in Ireland deteriorating and a further negative outcome stemming from increased restrictions imposed by the Government to curtail the COVID-19 virus. The Group expects to be in a position to meet its minimum regulatory capital requirements in the period to 2023.

Funding & Liquidity
The Group's liquidity position remains strong at 31 December 2020 with the Group holding a significant liquidity buffer at 31 December 2020.

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 Group continues to undertake a number of initiatives to improve its liquidity position in the areas of deposits, collateral optimisation, and wholesale markets activity.

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.

Confirmation of longer-term viability
Based upon the above assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment to December 2023.

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 2020.

Accounting Treatment of Project Glenbeigh II
The key accounting requirements for Project Glenbeigh II follow the same principles that the Committee considered in the prior year in relation to Project Glenbeigh. Management assessed the transaction, considering transfer of contractual rights and transfer of risks and rewards. The Committee reviewed the technical accounting paper presented by Management outlining the accounting treatment of the transaction and is satisfied that it is in line with IFRS 9.

Relationship with External Auditors
The Group's External Auditors are PwC who were appointed by shareholders in 2013. The BAC provides a link between the Board and the external auditors, independent of the Company's Management. The external auditors regularly attend BAC meetings and the Committee meets with the external auditors at least once a year without Management present to discuss their remit and any issues arising from the audit.

The BAC reviewed the external audit plan prior to the commencement of the 2020 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 financial information, 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 2020 was €1.3m (excluding VAT) payable to PwC Ireland. €0.1m (excluding VAT) was paid in respect of non-audit services, which relate to various assurance works. The Company's external auditor generally performs these services.

The external auditor is required to rotate audit partner every five years. The current audit partner is John McDonnell who was appointed in 2018. The Committee also reviews the effectiveness, independence, and objectivity of the external auditor. The Committee also considered a paper by Management regarding auditor's efficiency and effectiveness.

The BAC reviews the effectiveness of the external auditor through discussion and assessment of its performance. The BAC has concluded that it was satisfied with the external auditor's performance.

The last competitive tendering process for the appointment of the external auditor took place in 2012. This development followed a Board decision that the position of auditors should be subject to regular, competitive tendering. The Board intends to, via a competitive tending process, rotate the external auditor for the audit of the Bank's 2023 Financial Statements.

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 IIA in 2016. 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.

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 the risk appetite.

Dear Shareholders,

As Chair of the Board Risk and Compliance Committee, I am pleased to report on how the Committee has discharged its responsibilities for the year ended 31 December 2020. Firstly, I welcome the appointment of Paul Doddrell to the committee during the year. Paul has extensive management and board expertise in the area of risk management and change and this will benefit the collective knowledge, experience and skills of the Committee.

Oversight and challenge on the control environment within the Bank has been a key focus for the Committee during 2020 with particular emphasis on requesting attendance at Committee meetings of business function owners (first line of defence). The purpose of these sessions is to seek assurance on and provide constructive feedback to Management on the maturity of the risk and control environment within their respective business functions. During the year, the committee also received a number of presentations from the Non-Financial Risk Team (second line of defence). Embedding second line guidance and systems to support first line in the management of operational risk has been a key objective for the committee during 2020.

I am also pleased with the progress that the Bank has made during 2020 in strengthening the control environment within the Bank. The Committee carried out a 2020 review on the effectiveness of the Group's system of risk management and internal control which is reported upon on page 113 to 114. A key part of this review took into account the demonstrated operational resilience of the Bank in the stressed environment of the COVID-19 global pandemic. While the review indicated there were areas of the Bank's control environment that required enhancement, the effectiveness of the Bank's control environment during 2020 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 Committee had a busy schedule of meetings in 2020 meeting 15 times. Key focus areas included: COVID-19 impacts; Loan loss provisions, AML risk, technology resilience, digital transformation; mortgage payment break implementation; asset deleveraging; and, the continued embedding of the Bank's Internal Control Framework. Further details are set out below.

On behalf of the Board Risk & Compliance Committee

Ronan O'Neill
Chair, Board Risk & Compliance Committee

Composition and Operation

The BRCC is composed of a majority of Independent Non-Executive Directors. Neither the Board Chairman nor the CEO is a member of the BRCC. The Board ensures that the Chairman of the Committee has relevant risk management and/or compliance experience. The Board requires that at least one member of the Committee is common to each of the BAC and the Board Remuneration Committee. On an annual basis, the Committee reviews its own terms of reference and the Board Nomination, Culture and Ethics Committee conducts a review of the committee's effectiveness and recommends changes considered necessary to the Board. The Committee meets in private session at the start of each meeting.

2020 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2020 Meeting Attendance
Ronan O'Neill*	26 Jul 2016	-	4.5	15/15
Donal Courtney	3 Oct 2018	-	2.2	14/15
Ruth Wandhöfer	30 Oct 2018	-	2.2	14/15
Marian Corcoran	29 Oct 2019	-	1.3	14/15
Paul Doddrell	26 Nov 2020	-	0.1	1/1

*Chair

Responsibilities of the Committee

The Committee is responsible for monitoring adherence to the Group RAS. Where exposures exceed levels established in the RAS, the Committee is responsible for ensuring that appropriate responses are developed. This is facilitated by the periodic review of a key risk indicators report calibrated to the RAS.

The Committee is responsible for monitoring compliance with relevant laws, regulatory obligations and codes of conduct. This is facilitated by regular reporting on compliance risks to the Committee. The Committee also spent a substantial amount of time tracking the continuing regulatory agenda and received updates on Management's activities to implement new and updated regulation and on the on-going engagement with the Group's Regulators.

The Committee is also responsible for oversight and advice to the Board on risk governance, the current risk exposures of the Group and future risk strategy, including strategy for capital and liquidity management, the setting of compliance policies and principles and the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk and compliance. The BRCC supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Group's strategy is consistent with the Group's Risk Appetite. It seeks to review key aspects of the Group's risk profile and provide appropriate challenge on the adequacy of their management.

The Committee independently monitors the extent to which the Bank complies with relevant rules and procedures. This includes raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures. The Company has internal policies, rules and procedures to guarantee that Management complies with relevant laws and regulations regarding customers and business partners. External aspects of the Committee are primarily concerned with monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by employees and directors, preventing and, where necessary, transparently managing conflicts of interest and safeguarding confidential information.

In addition to meeting legal requirements, the Committee reviews its own Terms of Reference annually and its own effectiveness, recommending any changes considered necessary to the Board.

Matters considered by the Committee in 2020

During 2020, the Committee continued to focus considerable attention on the Bank's systems of risk management and internal control and supported work undertaken by the Three Lines of Defence to further embed the Bank's Internal Control Framework. The Committee undertook regular reviews of the Bank's systems of risk management and internal control during the year. In addition to the monthly reporting from the CRO, Head of Regulatory Compliance and Head of GIA, the Committee also considered a wide range of risk related policies, frameworks and reports. Among the matters considered by the Committee during 2020 were:

- A review of the Bank's COVID-19 Response and an examination of the COVID-related capital scenarios/stress testing scenarios;
- Reviews of the Bank's Resolution Planning capabilities and documentation;
- Oversight for the remediation of SREP related Risk Mitigation Plans;
- A number of Compliance Monitoring and Customer Conduct reviews;
- Monthly monitoring on development of a new End-to-End Liquidity Reporting Programme;
- Monthly monitoring of Technology and Change Risk;
- AML Risk including the review findings and action plan in response to an AML Regulatory inspection;
- Mortgage Payment Break Implementation and Operation;
- Implementation of PSD2 regulatory obligations;
- Risk Appetite reviews;
- Recovery Plan reviews;
- Brexit Risk monitoring;
- Treasury Limit Reviews;
- Monthly monitoring of Top Risks and quarterly reviews thereto;
- Complaints Management Reviews;
- ICAAP and ILAAP design and approval;
- A review of the Bank's provision models and expected credit loss outcomes;
- A review of the Bank's Risk and Control Self-Assessment Refresh project;
- Mortgage Loan Asset Deleveraging;
- Digital Transformation spotlights;
- A review of compliance with the UK Code and Central Bank of Ireland Corporate Governance Code;
- Multiple control environment spotlights from business functions and Group Non-Financial Risk;
- Oversight and continued development of the Group Risk Function;
- Data Protection Officer's Report;
- Reviews of obligations and activity under the CBI Code on Lending to Related Parties;
- A review of the Bank's revised approach to the new Internal Control Framework (ICF) and the overall structuring of Risk Frameworks and Policies;
- Private sessions held separately with the CRO and Head of Regulatory Compliance; and
- A new Credit Risk Framework and consideration on a number of large SME credit propositions.

Governance in Action: Change

Perhaps the most significant challenge facing any organisation is the ability to implement change in an effective, timely and cost efficient manner. A key challenge for implementing any change programme is to maintain a stable and effective operating environment while delivering the expected benefits on time and in a cost effective manner to the Bank and its customers. The Board Risk and Compliance Committee recognised this as a key risk for the Bank and, during 2020 implemented monthly reporting on the implementation of the Bank's digital transformation programme (Forte). This enabled the Committee to understand how the Bank was delivering against its strategic ambitions while maintaining a resilient and safe operating environment.

Corporate Governance Statement
Nomination, Culture and Ethics Committee

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 2020. 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 2020 as set out below.

Committee Responsibilities
In 2019, the Board approved a revised governance structure for the Bank allocating additional responsibilities to the Committee for oversight on culture, ethics, reputation management and employee engagement. I am very pleased with the progress the Committee has made during 2020 in this regard. The Committee now plays a leading role in supporting the Board on setting the tone on culture while monitoring the cultural evolution of the Bank in a very real and meaningful way. The meeting agenda, time allocation and number of scheduled committee meetings were enhanced to accommodate these important new responsibilities during 2020. I was also very pleased that both the Chairman and CEO of the Irish Banking Culture Board could meet with the Committee during 2020 and this facilitated a valuable opportunity to exchange views and perspectives on the evolution of culture in Irish Banking.

Succession Planning
The Committee is responsible for evaluating the structure, size, composition and succession planning needs of the Board, Executive Committee and Senior Leadership Team in making recommendations with regards to any changes thereto. The Committee ensures that the necessary talent is in place so that the Bank has the requisite combined core skill set to support the long term aims of the Bank and provide leadership to achieve these aims. Further details on the activity of the Committee on succession planning are set out in the Committee report.

Diversity
In reviewing Board composition, the Committee considered the benefits of diversity, including gender, with the aim of having diversity of thought at Board and to ensure there is appropriate representation of different skills, personal strengths and other qualities relevant to the business and culture of the Bank. Diversity was considered during the recruitment and selection of new members to the Board during 2020, further details are set out on page 117. The Committee also reviewed the Board Diversity Policy and its implementation, which is set out in the Board Diversity Report on pages 115 to 117.

As stated in the Board Diversity Report, the Committee will continue to consider diversity during recruitment, selection and ongoing suitability assessments, and the Board will continue to support initiatives that promote gender diversity on the Board. The Board expects that once all planned Board appointments are completed in 2021, it will achieve its target of achieving 30% female representation on the Board.

The Committee will review succession plans for senior leadership positions to ensure that the Bank pipeline of successors includes adequate diversity. Further details of the Bank's Diversity and Inclusion Strategy are set out in pages 30 to 31 of the Responsible Business Review and page 91 of the Corporate Governance Report.

Board Performance Evaluation
In 2020, 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.

I look forward to leading the Committee during 2021 and to executing its expanded remit in a meaningful manner.

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 four independent Non-Executive Directors. The Board requires that the Board Chairman and the Senior Independent Director are members of the Committee.

2020 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2019 Meeting Attendance
Robert Elliott*	31 Mar 2017	-	3.9	9/9
Ronan O'Neill	26 Jul 2016	-	4.5	9/9
Donal Courtney	3 Oct 2018	-	2.2	9/9
Ken Slattery	28 September 2020	-	0.3	3/3
Julie O'Neill	28 Jan 2014	05 Aug 2020	6.6	6/6

*Chair

Responsibilities of the Committee

The Board Nomination, Culture and Ethics Committee is responsible for bringing recommendations to the Board regarding the appointment of new Directors and of a new Board Chairman. The Board Chairman does not attend the Committee when it is dealing with the appointment of a successor to the Board Chairman. Decisions on Board appointments are taken by the full Board. All Directors are subject to re-appointment by election by the shareholders at the first opportunity after their appointment. The Committee keeps under review the leadership needs of the Bank, both Executive and Non-Executive, with a view to ensuring the continued ability of the Bank to compete effectively in the marketplace. The Committee is also responsible for reviewing the effectiveness of the Board's operations, including the Chairmanship and composition of Board Committees. The Committee also has responsibilities for supporting the Board on oversight on culture, ethics, reputation management and employee engagement.

Board Changes

There was one appointment to the Board during 2020 and two departures. Julie O'Neill retired from the Board at the 2020 AGM on 5 August 2020 having completed her second three year term in office. Jeremy Masding stepped down as CEO and a Board member on 1 July 2020.

Paul Doddrell was appointed as a Non-Executive Director on 26 November 2020 and subsequently appointed to the Board Audit Committee and the Risk and Compliance Committee. In 2018, the Minister for Finance, in accordance with the terms of a Shareholder Relationship Framework, indicated his intention to appoint two Nominees to the Board. The first such appointment was completed in 2019 with the appointment of Marian Corcoran. In 2020 the Minister for Finance nominated Paul Doddrell to fill the second Board position. The following sets out a description of the process followed in the appointment of Paul Doddrell.

The Department of Finance, through the utilisation of the Public Appointments Service (PAS) carried out the recruitment process. The PAS is the independent centralised recruitment, assessment and selection body for the Civil Service, Health Service, Local Authorities, the Garda Síochána, Prison Service and other public service bodies. An Assessment Panel was convened by the PAS in conjunction with the DOF to consider and assess the expressions of interest received for the role. The panel reviewed and discussed the expressions of interest received against the specific appointment criteria for the role. The Assessment Panel arrived at a shortlist of ranked preferred applicants which was sent forward for consideration by the Minister for Finance. Following consideration, the Minister recommended Paul Doddrell for the position of Non-Executive Director.

Following nomination by the Minister for Finance and in considering Paul Doddrell's background, knowledge, skills and experience, the Board carried out extensive due diligence through a full suitability assessment on Paul Doddrell including examination of selection criteria set out in EBA Guidelines. This review included detailed consideration of other commitments, including any matters that would likely create any actual or perceived conflict of interests.

Paul Doddrell is an experienced executive and professional with over 30 years' experience working in the financial services industry at Executive management level and as a Board member. He has strong people and leadership experience and demonstrated proven executive leadership spanning finance, lending, operations, sales and overall business management.

Paul Doddrell also has a track record working with senior executives across multiple organisations, demonstrating strong governance experience and successfully delivering strategic and operational change. Furthermore, he has considerable experience in people, organisation and cultural changes given his cross jurisdictional experience.

In addition to extensive risk management and internal control experience, Paul Doddrell has chaired audit and risk committees at another financial institution. This aligns with the Board objective that approximately 50% of Non-Executive Directors, including the Board Chairman together with the Chairs of the Board Audit and Risk Committees, have relevant banking and/or financial experience. Paul Doddrell therefore has considerable risk management, internal control and oversight experience to enable him to make valuable contributions to the audit and risk committees of the Board.

Succession Planning

A key focus of the Bank's succession planning was to ensure an orderly succession for the former CEO of the Bank Jeremy Masding when it was announced in 2019 that he would be stepping down from that role in 2020. The Bank engaged the global search firm Heidrick and Struggles (H&S) to support it in identifying a new CEO. H&S presented a target group of over 204 prospects for the role to the Board Nomination, Culture and Ethics Committee. This was a global search process driven through H&S offices in Dublin and London and leveraged off consultants in Paris, Madrid, Hong Kong, Singapore, Sydney, New York and Boston. A detailed role profile was developed and approved by the Nomination, Culture and Ethics Committee. Diversity was an important consideration when undertaking the CEO review and the search highlighted a number of Irish and international female candidates who were approached about the opportunity.

Following the market mapping stage, formal approaches were made to 63 candidates. Through engagement with the Chairman and Committee members, 10 candidate profiles were presented for review and challenge to the Nomination Culture and Ethics Committee. All 10 candidates were pre-interviewed by H&S and put through the firm's assessment process. Following further review and short-listing by the Nomination, Culture and Ethics Committee, six candidates attended round one interviews with the Senior Independent Director, Board Risk and Compliance Committee Chair and HR Director. Round one interviews encompassed a deep experiential and competency assessment of each of the candidates.

Five candidates subsequently completed a full psychometric assessment and a second presentation based interview with the Board Chairman, Senior Independent Director, Board Audit Committee Chair and the HR Director.

Following thorough discussion on the merits of each candidate, the Nomination, Culture and Ethics Committee recommended the appointment of Eamonn Crowley (then the Bank's CFO) and this recommendation was approved by the Board subject to regulatory approval which was subsequently received.

In 2020 the Committee undertook a full review of Board composition and tenure and approved an updated Board Suitability Matrix (the optimal mix of knowledge, experience and skills on the Board). This review identified the need to appoint two new Independent Non-Executive Directors. The desired knowledge and experience sought for the first of these board positions was in the area of Technology/ Cyber/IT Resilience. The second position sought candidates with experience that would provide the Board with insight on culture evolution, ethical behaviour and responsible business. These appointments will support the Board as the Bank continues to both evolve its culture and build digital capability.

These appointments will increase the Board size to 13 in 2021 once the vacant CFO Board position is filled. The recruitment process for these appointments is well advanced with expected appointments for the two Non-Executive Director positions to be filled in late Q1 or early Q2 2021 and an announcement on the appointment of the CFO role in Q2 2021.

Finally, the Nomination Culture and ethics committee also considered the succession planning requirements for the departure of Julie O'Neill from the Board in 2020. Following a careful internal assessment process, Ken Slattery was appointed as Chair of the Remuneration Committee and Ronan O'Neill as the Company's Senior Independent Director.

During 2021, succession planning will continue to be a key focus for the Committee as new talent is identified that will ensure continued diversity of thought and fresh thinking at Board meetings. The Committee will also ensure the Bank maintains a strong leadership team to drive the long-term success of the Bank.

Board Performance Evaluations

As required under the UK Corporate Governance Code, an externally facilitated Board performance evaluation will take place every three years. The last externally facilitated evaluation of performance took place in 2018 and the next scheduled external Board evaluation will be conducted on 2021 performance.

In 2020, 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 Committee also provided oversight of the implementation of the action plan arising from the externally facilitated Board performance evaluation in 2019. The process undertaken for the 2020 annual Board performance evaluation and the resulting action plan are set out in page 127.

Culture, Ethics and Stakeholder Engagement

During 2020, there was intense focus at the Committee on the evolution of the Bank's culture. The Bank undertook its first full audit on culture, carried out by the Bank's Group Internal Audit function.

During 2020, the Committee received presentations on and discussed: execution of the Bank's Diversity and Inclusion Strategy; delivery of the Bank's Organisational Culture Programme; development of an organisational culture scorecard; reviewing the standard of employee engagement under the UK Code; the output from the 'every voice counts' and 'COVID-19' employee surveys; review of the Bank's CSR programmes; Stakeholder Engagement Updates; and, consideration of a report on Sustainability Report.

Other Matters considered by the Committee in 2020

- Review of the succession plan for Board and Senior Management positions across the Group;
- Review of its own terms of reference;
- Review of the Bank's CSR programmes;
- Review of on an externally commissioned report on PTSB business sustainability;
- Provided oversight to the mobilisation of a Sustainability Committee as a sub-committee of the Executive Committee and 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;
- Recruitment and selection process for the CEO and CFO positions;
- Review of Fitness and Probity Applications and Suitability Assessments for three Non-Executive Board positions and one Executive Board position:
- Review and consideration of a commissioned report on the Bank's reputation;
- Review of COVID-19 impacts and wellbeing of colleagues (including review of new Smart working arrangements);
- Review of Board Policies (Diversity, Conflict of Interest, Assessment & Suitability, Induction and Training);
- Review and approval of the Bank's Fitness and Probity Policy;
- Review and approval of the Bank's Speak Freely Policy;
- Review of Colleague compliance with the Bank's Code of Ethics policy;
- Review and approval of Board training schedules;
- Review of the effectiveness of the Directors, the Board and that of its Committees;
- Approval of the 2019 Board Evaluation action plan;
- Review of the size and composition of the Board and that of its Committees;
- Review and approval of appropriate workforce engagement mechanisms;
- Review of Diversity and Inclusion, Learning and Talent and Employee Survey updates;
- Reviewed progress on the Bank's Diversity and Inclusion and Organisation Culture programmes of work;
- Review of Corporate Affairs, Reputation Audit and Stakeholder Engagement updates;
- Review and approval of an updated Board Suitability Matrix; and
- Updates on the planned Individual Accountability Regime.

The Board Remuneration Committee ensures that remuneration arrangements support the strategic aims of the Bank and enable the recruitment, motivation and retention of staff whilst also complying with the Bank's regulatory and legal requirements.

Chair's Overview

Dear Shareholders,

As Chair of the Board Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020 which has been prepared by the Committee and approved by the Board.

The Committee's report contains certain regulatory information required under the applicable legislation in respect of the Bank's status as a listed company and credit institution, as well as under the EBA Guidelines on Internal Governance, the amended EU Directive on the encouragement of long-term shareholder engagement, as transposed in Ireland (the "Shareholder Rights Directive", or the "Directive") and the UK Corporate Governance Code. In addition to meeting its legal requirements, the Committee reviews its own Terms of Reference on an annual basis as well as its own effectiveness, recommending any changes deemed appropriate to the Board. The report also provides further detail on the composition of the Committee and its role and responsibilities, a description of the work undertaken by the Committee during the year, and details of the Remuneration Policy criteria and the components of the Bank's reward offering, with a focus on the Bank's Directors (Executive and Non-Executive).

During 2020, and in line with its responsibilities under the terms of the Shareholder Rights Directive, the Bank published its first Directors' Remuneration Policy (the "Policy"), as applicable to the Board of Directors, for shareholder approval on an advisory basis. The Policy formed part of the Bank's published Annual Report for the period ending 31st December 2019 and was approved at the AGM in 2020. No material changes have been made to the Policy since its approval. The Policy is published in full on the Bank's website: www.permanenttsbgroup.ie.

In exercising its duties, the Remuneration Committee considers the long-term interests of shareholders, investors and other interested parties, and the public interest, as well as regulatory requirements. During 2020, our Directors' remuneration was implemented in accordance with the Bank's approved Policy, and no derogations from the Policy were availed of during the year. In respect of the Bank's broader remuneration policies, in 2020, the Committee continued to review how our approach serves to reward individual performance (what our colleagues achieve but also the manner in which they achieve their objectives), and its contribution to the strengthening of our culture and driving the long-term sustainability of our business. In this regard, during 2020, the Bank continued to embed performance ratings which link directly to pay outcomes.

During the year, the Committee also reviewed the competitiveness of the Bank's reward offering including assessing the salaries of the Executive Directors in the context of each individual's performance against agreed objectives and position versus the market. In performing this review, and in accordance with our approved Policy, the Committee paid due cognisance to existing State Agreements relating to remuneration and the impact on the Bank's ability to provide a competitive reward package. Based on its review, and following consultation with the Bank's shareholders, in early 2020 the Remuneration Committee recommended to the Board that the CRO's base salary be increased from €330,000 to €335,775, an increase of 1.75%. This was below the average increase awarded for all staff across the Bank during 2020 (2.6%). The Committee also reviewed the circumstances of the departure of the former CEO during 2020 and recommended approval by the Board of remuneration arrangements required to fulfil contractual obligations relating to that departure. Finally, as regards the Executive Directors, the Committee also reviewed and agreed to recommend approval by the Board of the remuneration terms that applied upon the appointment of the current CEO, who assumed office in July 2020. Details of the remuneration of each of the Executive Directors for 2020 are provided on page 133.

2020 has been a year of unprecedented challenge for our colleagues across the Bank. The Committee has continued to monitor the competitiveness and effectiveness of our reward policy and structures to take account of the particular challenges that 2020 has presented. In particular, in response to the pandemic as it emerged in March 2020, the Committee recommended to the Board the implementation of an Emergency Customer Support Allowance. This cash allowance was paid to all frontline staff, below senior management level, and was intended to recognise the specific, short-term challenges which presented at the outset of the crisis, as colleagues sought to perform their roles and support Permanent TSB to fulfil its obligations as an essential service provider to our customers and our communities. As the COVID-19 situation developed, and the Bank and wider society sought to transition to a "living with COVID" scenario, the need for this allowance receded and it was withdrawn on 31 May 2020.

Macro-economic conditions, including the challenges presented by the pandemic and heightened uncertainty resulting from the final outcome of 'Brexit' and its potential impacts, have prompted the Board to implement an Enterprise Transformation programme. This programme aims to allow the Bank renew itself and so rebuild Permanent TSB for the future. As part of the programme design, and in line with agreements in place with the Irish State, the Committee approved a Voluntary Redundancy scheme, which alongside certain initiatives relating to smarter, more flexible working practices and arrangements, is designed to provide optionality for colleagues, at all levels, who wish to avail of such smart working/flexible options on a sustained basis or, who instead wish to consider career progression beyond Permanent TSB.

At this point, notwithstanding the cost challenges which the Bank faces as a result of the challenged economic environment, it is appropriate once again to reference the significant risk Permanent TSB faces as a result of certain constraints which apply to the Bank's ability to remunerate its staff. The Bank's Remuneration Policy, while set and governed by the Board, remains subject to certain agreements and commitments in place with the Irish State.

These agreements restrict the terms of remuneration for Directors and employees of the Bank, and as such inhibit the Bank's ability to provide a comprehensive, modern reward package, including the operation of variable pay elements that might better support the delivery of the Bank's short and long term strategic objectives (for example, via the provision of Long Term Incentive Plans, Bonus Schemes, Profit Share arrangements and so on). In the context of these factors, the Committee awaits the outcome of the Banking Remuneration Review as such remains under consideration by the Department of Finance. The findings of the review will inform the ongoing development of the Bank's remuneration policies and processes, throughout 2021 and beyond.

Finally, this is my first year as Chair of the Board Remuneration Committee. I would like to thank my predecessor, Julie O'Neill, for her positive advice and guidance prior to her departure, and my fellow Board and Committee members, our colleagues across the Bank and our shareholders for their support.

On behalf of the Board Remuneration Committee:

Ken Slattery,
Chair, Remuneration Committee

Annual Report on Remuneration - 2020

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 eleven meetings during 2020.

2020 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2020 Meeting Attendance (of which eligible to attend)
Ken Slattery*	28 Jan 2014	-	6	11/11
Julie O'Neill**	15 Jun 2016	5 Aug 2020	4	5/5
Robert Elliott	31 Mar 2017	-	3	11/11
Andrew Power	26 Sept 2016	-	4	11/11
Ruth Wandhofer	01 Feb 2019	-	1	10/11
Marian Corcoran	29 Oct 2019	-	1	11/11

*Appointed as Chair 08/09/2020
**Retired as Chair 05/08/2020

Remuneration Committee Role and Responsibilities

The purpose, duties and membership of the Committee are set out in the Committee's Terms of Reference, which can be found on the Bank's website www.permanenttsbgroup.ie. The Terms of Reference are reviewed by the Committee on an annual basis. No material changes were enacted following a review of the Committee's Terms of Reference in 2020.

The main roles and responsibilities of the Committee include:

- Recommending the Bank's remuneration policies, including that applicable to the Board of Directors, to the Board for approval on an annual basis and ensuring they comply with applicable regulatory and legal requirements;
- Supporting the Board in overseeing remuneration policies, practices and processes and compliance with the Bank's Remuneration Policy (both as applicable to the Directors and the wider population);
- Ensuring the remuneration policies and procedures do not promote excessive risk taking and are aligned with the Company's overall corporate governance framework, corporate culture, risk appetite and related governance processes, and take into account liquidity and capital levels;
- Recommending the design, eligibility and performance measures for any incentive schemes to the Board for approval;
- Setting and assessing performance targets for any incentive schemes;
- Recommending remuneration proposals (including joining and termination arrangements) in respect of the Chairman, CEO, Executive Directors, Company Secretary, Executive Committee, Group Treasurer, Customer Credit Director, 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 Capital Requirement Directive (CRD) IV and, going forward, CRD V; and
- Overseeing the annual review of the implementation of the Remuneration Policy applicable across the Bank.

Remuneration Committee Advisers

During 2020, 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 limited support to the Bank in relation to PSD2 project-related work.

The Committee also employed the services of Willis Towers Watson who provided market benchmarking data and remuneration trend analysis.

In addition to the use of external advice in designing its approach to pay, the Committee also takes account of appropriate input from the Bank's HR, Risk, Compliance, Finance and Internal Audit functions to ensure that the decision making process is aligned with the Bank's financial performance, risk appetite, regulatory guidelines and stakeholder interests.

Matters considered by the Committee in 2020

During 2020, and within the terms of State Agreements, the Remuneration Committee kept the impact of the Bank's

Remuneration Policy (including that applicable to the Directors), and movements in the external market, under review. As part of this process, the Committee reviewed the Bank's Remuneration Policy and strategy to assess the appropriateness of the approach to reward and the competitiveness of current arrangements, and future direction, to take account of market developments including amongst the Bank's peer group. The Committee also considered whether the Directors' Remuneration Policy operated as intended in terms of company performance and quantum. The Committee also kept under review all aspects of remuneration for the Board Chairman, CEO, Executive Directors, members of the Executive Committee and the wider employee population.

In determining remuneration arrangements for Executive Directors, the Committee takes account of the pay and employment conditions of the wider workforce to ensure consistency. Wider workforce engagement on pay arrangements at the Bank took place with the Bank's Staff Representative Bodies during 2020.

It remains the policy of the Bank – to the extent possible given the current remuneration restrictions – to ensure that all employees are remunerated fairly and to encourage and reward our colleagues appropriately as we work together to build a valuable and sustainable business, operating within the Bank's Risk Appetite and underpinned by a strong culture which manifests itself in responsible and accountable behaviours in our day-to-day interactions and decision making with our customers and each other.

To this end, the policy has been designed based upon a number of principles including the linking of pay levels against median base pay available across market peer groups, and so to ensure that the Bank'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.

During 2020, the Committee with the supporting perspective of its external independent advisors, performed a review of pay and benefits packages available across the Bank. The review consisted of a comprehensive benchmarking exercise involving the comparison of remuneration with that available from comparable organisations across industry. Based on the output of this review, the Committee approved pay increases to staff at all levels based on individual staff members' performance and their position versus the relevant market median salary. Decisions relating to pay were also informed by the emerging COVID-19 situation and the need to engage and motivate colleagues to play their part in the provision of Retail and SME banking services as had been identified as forming an essential part of the national response to COVID-19.

As part of the pay and benefits review, the Committee also considered the salaries of the Executive Directors in the context of each individual's performance against agreed objectives and position versus the relevant market median salary. In performing this review, the Committee also paid due cognisance to existing State Agreements relating to remuneration (in particular, the salary cap of €500,000 and restrictions on variable pay) and the impact for the Bank's ability to provide a competitive reward package, reflective of individual skills and experience, such that we might retain and motivate key talent in an increasingly competitive Irish market. Based on its review, the Remuneration Committee recommended to the Board that the CRO's base salary be increased in a manner consistent with the approach applied across all staff levels, including backdating of the revised salary level to 1 January 2020. The Committee also reviewed the circumstances of the departure of the former CEO during 2020 and recommended approval by the Board of remuneration arrangements required to fulfil contractual obligations relating to that departure. Finally, as regards the Executive Directors, the Committee also reviewed and agreed to recommend approval by the Board of the remuneration terms that applied upon the appointment of the current CEO, who assumed office in July 2020. Details of the remuneration of each of the Executive Directors are provided on page 133.

In respect of Staff Pensions, the Bank makes available maximum employer pension contribution rates which are consistent across all staff levels including the Executive Directors. However, and as announced in the 2019 Annual Report, following a review of the Bank's pension arrangements the Committee determined that Executive Directors should not be subject to certain age-related eligibility criteria which apply to the availability of the revised contribution rates to the wider workforce. This decision was arrived at based on the output of a review of the Bank's pension arrangements versus corresponding arrangements available from comparable organisations across industry, but also in recognition of the particular challenges the Bank faces regarding the attraction and retention of the most senior talent, partly as a result of the remuneration restrictions which inhibit the Bank's ability to offer a more comprehensive reward package. Overall, the Committee believes that the remuneration arrangements are appropriate due to the various reasons stated above.

During 2020, the Committee continued to apply significant oversight to ensure compliance with the UK Corporate Governance Code and CRD IV related regulations and guidelines, including focussing on reviewing the remuneration arrangements in place for Material Risk Takers. The Committee re-approved the process and approach for the identification of Material Risk Takers in line with these requirements. It is of note that CRD V was transposed into Irish Legislation on 28th December 2020 and thus will inform the Bank's approach to the remuneration and MRT identification from 1 January 2021.

In 2020, the Committee also reviewed the Bank's established variable commission scheme, as well as principles and practices to ensure full alignment with regulatory requirements, particularly CRD IV, 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 2021, subject to certain enhancements designed to reflect the challenged trading environment and to leverage the Bank's increasing capabilities in respect of customer and conduct management and to increase governance and oversight of scheme-related performance data.

The Committee is satisfied that the Bank has continued to operate within its Remuneration Policy (both as applicable to the Directors and the wider population) and in line with the remuneration requirements of the framework agreement between the Minister for Finance and the Bank, and that the Directors' Remuneration Policy operated as intended in terms of company performance and quantum. Other than as set out elsewhere in the Annual Report on page 92, the Committee is satisfied that the Bank is in compliance with the provisions of the UK Corporate Governance Code and the Shareholder Rights Directive. With specific reference to the UK Code, the table on page 134 sets out how the Remuneration Committee has addressed the principles set out in the Code. Additional regulatory disclosures in relation to Remuneration Policy and strategy are set out in the Bank's Pillar 3 Report.

As previously mentioned, the Bank awaits the findings of the review of Banking Remuneration Policy being undertaken by the Department of Finance, which will inform the ongoing development of the Bank's Remuneration Policy, throughout 2021 and beyond.

Directors' Remuneration Policy

As set out in the Chair's letter, during 2020, in line with its responsibilities under the terms of the Shareholder Rights Directive, the Bank published its first Directors' Remuneration Policy (the "Policy"), as applicable to the Board of Directors, for shareholder approval on an advisory basis. The Policy formed part of the Bank's published annual report for the period ending 31 December 2019 and was approved by shareholders at the AGM in 2020.

The Policy, in alignment with the Remuneration Policy applicable across the Bank, is based on a set of agreed basic principles which are applied to all employees:

- Aligning remuneration with the Bank's risk appetite, approaches and governance framework;
- Ensuring our approach is in compliance with all applicable regulatory requirements;
- Aligning remuneration with our business strategy, objectives, purpose and values, and promoting the achievement of long-term Bank and stakeholder objectives and interests;
- Focusing on the attraction, engagement and retention of key talent of the calibre required;
- Ensuring that our Policy and each element of Directors' remuneration is as transparent, simple and clear as is possible.

No material changes have been made to the Policy since its approval. The Policy is published in full on the Bank's website: www.permanenttsbgroup.ie. A summary of the key components of the Policy as it relates to the Executive Directors is set out below:

Remuneration Component	Summary of Policy
Basic Salary	Basic salaries are set so as to attract and retain key talent of the calibre required to develop, lead and deliver the Bank's long-term strategy. Basic salaries are normally reviewed by the Remuneration Committee annually, taking into consideration: · the individual's skills, responsibilities and experience; · the scope of the role; · pay and conditions elsewhere in the Group; · overall business performance and affordability; and · market competitiveness by reference to relevant comparator groups. Any increases for Executive Directors will normally be in line with the range of increases for other employees in the wider Group.
Benefits	Benefits are provided to ensure the overall package is competitive and in accordance with local market practice. The Committee's policy is to provide Executive Directors with a market competitive level of benefits, taking into consideration benefits offered to other employees in the Group, the individual's circumstances and market practice at similar companies. Benefits may include, but are not limited to, the provision of a car allowance (or cash allowance in lieu) and subsidised house purchase loans provided on the same terms and conditions as loans to other eligible PTSB employees.
Pensions	Pension arrangements are intended to provide competitive post-retirement benefits aligned with market practice. Executive Directors are eligible to participate in the PTSB Defined Contribution Pension Scheme. Executive Directors may receive a maximum allowance of 15% of basic salary. Maximum contribution rates are consistent across the Group, however, in recognition of the remuneration restrictions currently in place as a result of the agreements and commitments in place with the Irish State, in order to ensure a competitive overall package, Executive Directors are not subject to certain age-related eligible criteria which apply to the availability of the maximum contribution rate for the wider workforce.

The following section sets out how the Remuneration Committee addresses the principles set out in the UK Corporate Governance Code in respect of the Directors' Remuneration Policy.

Provision	Approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee regularly engages and consults with key stakeholders to take feedback into account and to ensure that our approach to Executive Remuneration is as transparent, simple and clear as is possible. Our employees are informed about our approach to remuneration. Our Remuneration Policy, applicable throughout the Bank and which includes details of the approach to Director remuneration, is published internally for all staff to view and our approved Directors' Remuneration Policy is published in full on the Bank's website www.permanenttsbgroup.ie.
Simplicity and predictability Remuneration structures should avoid complexity and their rationale and operation should be easy to understand. The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Due to certain agreements and commitments in place with the Irish State, the Bank currently only operates fixed remuneration among Executive Directors, consisting of basic salary, pension and benefits. As a result, the Committee's ability to apply discretion with respect to outcomes for this population is limited; however, the simplicity of our approach enhances its predictability. To the extent that the restrictions on the operation of variable remuneration plans are lifted in future, the Bank will review Executive Director remuneration arrangements from the perspective of ensuring that our approach continues to avoid complexity, and is predictable in its nature, as well as reviewing the Committee's powers of discretion over remuneration outcomes.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Remuneration arrangements are designed to align pay with the Bank's risk appetite, approaches and governance and regulatory framework.
Proportionality and alignment to culture The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance. Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	While the Bank is currently only permitted to operate fixed remuneration among the Executive Directors, it is committed to ensuring the ongoing alignment of remuneration with strategy and long-term sustainable performance and the recognition of positive behaviours. To the extent that the restrictions on the operation of variable remuneration plans are lifted in future, the Bank will review Executive Director remuneration arrangements from the perspective of ensuring that any awards are designed to promote the achievement of our long-term strategic ambitions while driving behaviours consistent with our purpose, values and strategy.

Executive Director Remuneration - 2020

Directors' remuneration for 2020 was implemented in accordance with the Bank's Directors' Remuneration Policy, as approved by shareholders at the 2020 AGM, no derogations from the Policy were availed of during the year and no deviations from the procedure for the implementation of the Policy were applied. The Policy was designed – to the extent possible given the remuneration restrictions in place as a result of the agreements and commitments in place with the Irish State – to ensure alignment between our approach to reward and our business strategy and to promote long-term sustainable success, and our Directors' total remuneration for 2020 reflects this objective, including by ensuring that the Bank is able to reward and retain 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 2020 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 2020 or 2019.

The two tables below identified as audited form an integral part of the audited financial statements as described in the basis of preparation on page 153. All other information in the Directors' Report on Remuneration is unaudited.

Executive Directors' Remuneration and Pension Benefits – Audited

As a result, 2020 remuneration for Executive Directors who held office for any part of the 2020 financial year was entirely fixed in nature, consisting of basic salary, certain benefits and defined contribution pension entitlements as follows:

		2020									2019
Name of Executive Director, Position	Note	1. Fixed Remuneration			2. Variable Remuneration		3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of Fixed and Variable Remuneration	Total Remuneration
		Base Salary	Fees	Fringe Benefits	One-year variable	Multi-year variable					
Eamonn Crowley, CEO	1	€455,625	€0	€20,485	€0	€0	€0	€68,344	€544,454	100% Fixed	€510,924
Jeremy Masding, CEO	2	€241,290	€0	€11,192	€0	€0	€575,859	€36,194	€864,535	100% Fixed	€569,969
Michael Frawley, CRO	3	€335,775	€0	€20,048	€0	€0	€0	€50,366	€406,189	100% Fixed	€70,574

Notes:
1. Mr Crowley served as CFO up to 1 July 2020 at which point he was appointed as CEO. Fringe Benefits consist of Car Allowance (€20k) and Benefit In Kind (€0.5k).
2. Mr Masding departed the role of CEO on 1st July 2020. Contractual payments of €575,859 (Payment in Lieu of Notice relating to basic salary, pension and Car Allowance and payment in lieu of holidays) were paid to him and are captured under "Extraordinary Items" above. Fringe Benefits consist of Car Allowance (€10k) and Benefit In Kind (€1k).
3. Fringe Benefits consist of Car Allowance (€20k). Mr. Frawley was appointed to the Board on 29 October 2019.

Aggregate Executive Director compensation (excluding Extraordinary items) increased from €1,151,467 to €1,239,319 from 2019 to 2020 as a result of changes to the Executive Director membership during the period under review.

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 - 2020

Basic salary

During 2020, the Remuneration Committee reviewed general salary levels within the Bank and arising therefrom, approved pay increases to all staff based on each individual staff member's performance and position versus the market median. The increases ranged from 0% up to 7.5%, with individual awards determined with reference to the individual's performance against agreed objectives and their salary level as benchmarked using appropriate market data. The average increase for all staff equated to 2.6% and all increases were effective from 1 January 2020.

In 2020, based on its review, with due cognisance to the Bank's ability to provide a competitive reward package, the impact for the Bank's ability to provide a competitive reward package, reflective of individual skills and experience, such that we might retain and motivate key talent in an increasingly competitive Irish market, the Remuneration Committee recommended to the Board that the CRO's base salary be increased from €330,000 to €335,775, an increase of 1.75%. In this regard, and in line with our approved Directors' Remuneration Policy, the approach adopted was consistent with that applied across all staff levels, including the backdating of the revised salary level to 1 January 2020.

The Committee also reviewed the circumstances of the departure of the former CEO during 2020 and recommended approval by the Board, of remuneration arrangements required to fulfil contractual obligations relating to that departure.

Finally, as regards the Executive Directors, the Committee also reviewed and agreed the remuneration terms that applied to the appointment of the current CEO who assumed office in July 2020. Upon his appointment, the salary of the new CEO was set at €480,000; in line with the salary paid to the former CEO and representing an increase of €48,750 versus his previous salary, paid in respect of his former role as CFO.

Details of the remuneration of each of the Executive Directors are provided on page 133.

Pensions

The current Executive Directors are members of the PTSB Defined Contribution Pension Scheme. The Bank contributed up to 15% of basic salary into this pension scheme during 2020. Other than basic salary, there are no other elements of Director's remuneration which are pensionable.

Benefits

During 2020, Executive Directors received benefits in line with policy. This included an allowance of €20,000 in lieu of a company car and eligibility for subsidised house purchase loans provided on the same terms and conditions as loans to other eligible PTSB employees.

Bonus and Long-term Incentive Plans

The Remuneration Policy does not provide for the payment of variable remuneration to Executive Directors. No bonus payments were made to Executive Directors during 2020 or 2019. Neither were there any long term incentive arrangements in place for Executive Directors in 2020 or 2019.

Share Options Schemes - Audited

No share options were granted in 2020 or 2019. 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 IV 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. The Committee reviewed the circumstances of the departure of the former CEO during 2020 and recommended approval by the Board of remuneration arrangements required to fulfil contractual obligations relating to that departure. This resulted in contractual payments of €575,859 (including, in line with our approved Policy, Payment in Lieu of Notice relating to basic salary, pension and benefits and payment in lieu of holidays) being paid to him.

Payments to Former Directors

No such payments were made to former Executive Directors during 2020.

Directors' Fees from another Company

The Bank operates established polices, practices and procedures that are designed to identify, document and manage conflicts of interest. It is the policy of the Bank that where an Executive Director of the Bank is remunerated for service as a Non-Executive Director of a non-Bank company and retains such remuneration, the amount of this remuneration is disclosed. No Executive Director was in receipt of fees from external appointments during the period under review.

Non-Executive Directors' Remuneration – Audited

The level of fees paid to the Chairman and Non-Executive Directors in 2020 is outlined in the table below. Aggregate fees paid to Non-Executive Directors decreased from €842,869 (2019) to €804,076 (2020) as a consequence of timing variation in the appointment and cessation of Non-Executive Directors.

		2020										2019
Name of Director, Position	Note	1. Fixed Remuneration				2. Variable Remuneration		3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of Fixed and Variable Remuneration	Total Remuneration
		Base Salary	Basic Fees	Fees Paid	Fringe Benefits	One-year variable	Multi-year variable					
Robert Elliott		€0	€290,000	€290,000	€0	€0	€0	€0	€0	€290,000	100% Fixed	€290,000
Ken Slattery	1	€0	€54,675	€70,300	€0	€0	€0	€0	€0	€70,300	100% Fixed	€67,215
Julie O'Neill	2	€0	€54,675	€53,516	€3,470	€0	€0	€0	€0	€56,986	100% Fixed	€90,340
Andrew Power	3	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed	€67,175
Ronan O'Neill	4	€0	€54,675	€89,786	€395	€0	€0	€0	€0	€90,181	100% Fixed	€84,675
Donal Courtney	5	€0	€54,675	€92,175	€0	€0	€0	€0	€0	€92,175	100% Fixed	€92,175
Ruth Wandhofer	6	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed	€66,758
Marian Corcoran	7	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed	€16,916
Paul Doddrell	8	€0	€54,675	€6,774	€0	€0	€0	€0	€0	€6,774	100% Fixed	€0

Notes:
1. Additional fees paid as chair of the Board Remuneration Committee (appointed 8 September 2020) and as member of the Board Audit Committee and Nomination, Culture and Ethics Committee.
2. Additional fees paid as the chair of the Board Remuneration Committee, member of the Board Nomination, Culture and Ethics Committee and Board Risk and Compliance Committee and Senior Independent Director. Ceased as member of the Board, Senior Independent Director, Chair of the Board Remuneration Committee, member of the Board Risk and Compliance Committee and member of the Board Nomination, Culture and Ethics Committee on 5 August 2020. Fringe benefits comprise Benefit in Kind €3,470.
3. Additional fees paid as member of the Board Audit Committee and member of the Board Remuneration Committee.
4. Additional fees paid as chair of the Board Risk and Compliance Committee and member of the Board Nomination, Culture and Ethics Committee and Senior Independent Director (appointed 6 August 2020). Fringe benefits comprise Benefit in Kind €395.
5. Additional fees paid as chair of the Board Audit Committee, member of the Board Nomination, Culture and Ethics Committee and member of the Board Risk and Compliance Committee.
6. Additional fees paid as member of the Board Remuneration Committee and Board Risk and Compliance Committee.
7. Additional fees paid as member of the Board Remuneration Committee and Board Risk and Compliance Committee.
8. Appointed to the Board and member of the Board Risk and Compliance Committee and the Board Audit Committee on 26 November 2020.

The base fee and further fees for additional Board duties such as chairmanship of membership of a committee received by the directors remained unchanged in 2020 and were as follows:

Position		2020 fees (€)
Chairman		290,000
Non-Executive Director (Base Fee)		54,675
Senior Independent Director		20,000
Board Audit and Board Risk Committees	Chair	25,000
	Member	7,500
Remuneration Committee	Chair	10,000
Remuneration Committee and Nomination Culture & Ethics Committee	Member	5,000

Comparison of Directors' and employees' pay

The following table provides information regarding the annual change in the total remuneration of members of the Bank's Board of Directors, as compared with our Company performance as well the average change in remuneration, on a full-time equivalent basis, of our employees, between 2019 and 2020.

Annual Change	Note	Change in 2020
Directors' Remuneration – Executive Directors		
Eamonn Crowley, CEO	1	6.6%
Jeremy Masding, CEO	2	0.6%
Michael Frawley, CRO	3	0.7%
Directors' Remuneration – Non-Executive Directors (NEDs)		
Robert Elliot, Chairman		0.0%
Ken Slattery, Independent NED	4	4.6%
Julie O'Neill, Independent NED	5	3.6%
Andrew Power, Independent NED		0.0%
Ronan O'Neill, Independent NED	6	6.5%
Donal Courtney, Independent NED		0.0%
Ruth Wandhofer, Independent NED	7	0.0%
Marian Corcoran, Independent NED	8	0.0%
Paul Doddrell, Independent NED	9	N/A
Company performance		
Underlying loss	10	€109m
Adjusted Cost to Income Ratio	11	75%
Average remuneration on a full-time equivalent basis of employees		
Employees of the company	12	2.6%

Notes:
1. Mr Crowley served as CFO up to 1st July 2020 at which point he was appointed as CEO.
2. Mr Masding departed the role of CEO on 1st July 2020. Remuneration for 2020 has been annualised for the purposes of the above and excludes extraordinary items as set out in the Executive Director Remuneration table for 2020.
3. Mr Frawley was appointed to the Board on 29th October 2019. Remuneration for 2019 has been annualised for the purpose of the above.
4. Mr. Slattery was appointed as Chair of Remuneration Committee on 8th September 2020.
5. Ms O'Neill resigned from the Board on 5th August 2020. Remuneration for 2020 (including Benefit in Kind of €3,470) has been annualised for the purposes of the above.
6. Mr O'Neill was appointed as Senior Independent Director on 6th August 2020.
7. Ms Wandhofer was appointed as a member of the Board on 1st February 2019. Remuneration for 2019 has been annualised for the purposes of the above.
8. Ms Corcoran was appointed as a member of the Board on 24th September 2019. Remuneration for 2019 has been annualised for the purposes of the above.
9. Mr Dodrell was appointed as a member of the Board on 26th November 2020. Hence, no 2019 data is available for comparative purposes.
10. Operating loss before exceptional items. See table 9 on page 51 for a reconciliation of underlying loss to operating loss on an IFRS basis. Corresponding operating profit for 2019 was €74m.
11. Defined as total operating expenses (excluding exceptional, other non-recurring items, bank levy and regulatory charges) divided by total operating income. Corresponding cost income ratio for 2019 was 68%.
12. The change in average remuneration for all employees shown reflects the average increase in base salary awarded to employees as part of the annual pay review.

Voting Results from the Annual General Meeting

At the 2020 AGM, in accordance with the Shareholder Rights Directive, shareholder approval on an advisory basis was sought for both the 2019 Directors' Report on Remuneration and the Directors' Remuneration Policy. The Bank takes the views of our shareholders on our approach to remuneration into account on an ongoing basis and welcomed the strong support received for both resolutions.

At the AGM in 2020, 99.99% of votes cast were in favour of both resolutions.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and in respect of the consolidated financial statements, Article 4 of the IAS Regulation.

Under Irish law the Directors shall not approve the Group's and Company's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS adopted by the EU and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position of the Company to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014, and as regards the Group financial statements, article 4 of the IAS Regulation and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and Corporate Governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules to include a management report containing a fair review of the business and a description of the Principal Risks and Uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website www.permanenttsb.ie. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position of the Group and the Company and of the loss of the Group;
- the Group's Chairman Statement, the Group's Chief Executives Review and the Operating and Financial Review set out in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the Principal Risks and Uncertainties that they face as set out in the Risk Management Section of the Strategic Report; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced,understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Donal Courtney
Board Audit Committee Chair

Conor Ryan
Company Secretary

02 March 2021

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 2020 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2020;
- 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 Statement of Changes in Equity and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

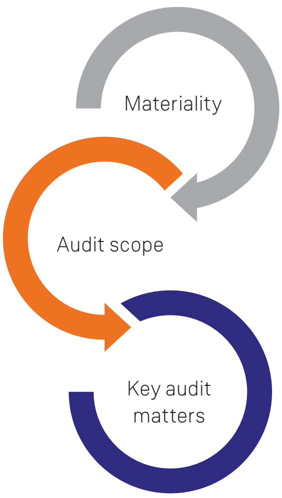
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview



Materiality

- €11 million (2019: €11 million) - Consolidated financial statements
- Based on c. 0.55% of net assets.
- €9.5 million (2019: €9.8 million) - Company financial statements
- Based on c. 1% of net assets.

Audit scope

- We have conducted an audit of the complete financial information of Permanent TSB plc which is the main trading entity of the Group and accounts for in excess of 95% of the net assets of the Group and in excess of 95% of total operating income of the Group.

Key audit matters

- Expected Credit Loss (ECL) provision for residential mortgages (Group).
- Recoverability of deferred tax assets (Group).
- IT controls (Group).
- Impairment assessment in respect of the investment in Permanent TSB plc (Company only).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Expected Credit Loss (ECL) provision for residential mortgages (Group) Refer to note 1 (Significant accounting policies), note 2 (Critical accounting estimates and judgements) and note 19 (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. Uncertainty associated with COVID-19 and its consequent implications, including lockdowns, recovery assumptions as well as government intervention and the impact on macroeconomic variables, increased the level of judgement in determining ECL provisions as at 31 December 2020. We focussed on the areas which required the greatest level of management judgement in relation to residential mortgages as detailed below: 1. The application of forward-looking information is a critical part of the determination of ECL. The consideration and selection of appropriate macroeconomic variables and in particular determining the appropriate economic scenarios (base, downside and upside) and their associated probability weightings is a key driver of the overall ECL provision. 2. The determination of when there has been a significant increase in credit risk (SICR) is one of the key judgements in the ECL process because a SICR requires the related impairment provision to be measured using a lifetime ECL rather than 12 month ECL. The completeness of the identification of SICR triggers and their correct application has a significant impact on the overall provision. 3. The consideration of the need for post model adjustments to address known model limitations, latent risks and emerging trends. These adjustments are by their nature inherently uncertain and require significant judgement.	With the assistance of our internal credit modelling specialists, we understood and critically assessed the overall methodology applied, including individual models used, in the measurement of ECL for the residential mortgage portfolio to ensure that the provision was in accordance with IFRS 9. This included an end-to-end review to understand the key systems and controls in the process. We also considered the impact of COVID-19 on ECL as part of our overall assessment. We tested the accuracy of critical data inputs used in the impairment models on a sample basis by agreeing inputs to source systems and supporting documentation. We considered the overall control framework and tested key controls including controls relating to model performance, approval of model changes, approval of SICR triggers, approval of material macroeconomic variables for forward looking information and approval of post model adjustments. We compared the base case forward looking macroeconomic assumptions, provided by management's external economic consultant, to publicly available information where applicable, including the impact of COVID-19. We also considered the reasonableness of management's downside and upside assumptions. We assessed the SICR triggers identified by management for appropriateness and completeness and we re-performed key aspects of the SICR calculation. We also selected a sample of loans to ensure that they were allocated to the appropriate Stage. We understood and assessed the appropriateness of material post model adjustments made by management to adjust their model output for known limitations and specific risk aspects of the portfolio, including those which were applied as a result of COVID-19. We concluded that the ECL provision for residential mortgages is within an acceptable range of reasonable estimates

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 22 (Deferred taxation) to the Consolidated financial statements. The Group has net deferred tax assets of €349 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 including the impact of Covid-19 on profitability. The Group's considerations in respect of the recognition of the net deferred tax assets are outlined in the financial statements, which also provides an overview of the key assumptions underpinning the financial projections. We determined this to be a key audit matter due to the level of judgement involved.	Management prepares a Medium Term Plan to forecast financial performance over a five year period. We understood and tested key controls over the production and approval of the Group's Medium Term Plan. We assessed the forecast of taxable profits which informed management's decision to recognise a deferred tax asset in respect of tax losses arising from historic operating losses. We considered whether the forecast of taxable profits provides convincing evidence that sufficient taxable profits will be available to utilise unused tax losses. We assessed the relevant macroeconomic assumptions and growth assumptions underlying the projections in the context of economic consensus forecasts. We also evaluated the growth assumptions for reasonableness by reference to historic performance, future plans and external data as appropriate. We also considered the appropriateness of the growth rate used to extrapolate the forecast profits over the period beyond the detailed plan. We concluded that the Group's net deferred tax assets meet the requirements for recognition under IAS 12. We have also considered the disclosures included in the financial statements and concluded that they were appropriate.
IT controls (Group) The IT framework of the Group incorporates a number of IT systems which have been in place for many years. We determined IT controls, and in particular, deficiencies in the IT control environment, to be a key audit matter as deficiencies in access controls over a number of applications on certain systems could have a significant impact on financial reporting controls and systems.	We involved our IT audit specialists to update our understanding of the Group's IT environment and of changes made to it during 2020. To the extent required for our audit, we assessed and tested the design and operating effectiveness of IT controls over financial reporting systems relating to access security, IT operations and change control management, including assessing and testing mitigating controls where relevant. Where deficiencies identified affected specific applications within the scope of our audit we tested mitigating controls and performed other procedures as we considered necessary for the purposes of our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment in respect of the investment in Permanent TSB plc (Company only) Refer to note 1 (Significant accounting policies) and note 2 (Critical accounting estimates and judgements) to the Consolidated financial statements, and note C to the Company financial statements. As noted in the accounting policies, the investment in subsidiary is shown at cost in the Company financial statements unless there is evidence of impairment, in which case it is shown at the lower of cost and recoverable amount. In assessing the recoverable amount of the investment at year end, management determined that the investment was impaired and accordingly recorded an impairment charge of €145 million. We determined this to be a key audit matter due to the judgement associated with the assessment of the recoverable amount of the investment at 31 December 2020.	We evaluated management's assessment of the recoverable amount of the investment and the resulting impairment of €145 million at 31 December 2020. 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 in respect of the investment in Permanent TSB plc is within an acceptable range of reasonable estimates.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Permanent TSB plc is the main trading entity of the Group. The Group has no other significant subsidiaries. We determined that an audit of the full financial information of Permanent TSB plc should be performed, which represents in excess of 95% of the net assets of the Group and in excess of 95% of the total operating income of the Group. The nature and extent of audit procedures was determined by our risk assessment for each account balance.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	€11 million (2019: €11 million).	€9.5 million (2019: €9.8 million)
How we determined it	c. 0.55% of net assets.	c. 1% of net assets.
Rationale for benchmark applied	Given the volatility in profit / loss before taxation arising over recent years from elevated impairments and reductions and the scale of losses arising from exceptional activities, we believe that net assets, rather than profitability, provide us with a more appropriate and consistent year on year basis for determining materiality.	Given the activity of the Company is mainly limited to its investment in PTSB plc, a benchmark based on net assets rather than profitability is considered more appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €550,000 (Group audit) (2019: €550,000) and €475,000 (Company audit) (2019: €490,000) 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, including the impact of Covid-19.
- 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 likely impact which COVID-19 may have on 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 9.8.6R(3) of the Listing Rules of the UK Financial Conduct Authority is materially inconsistent with our knowledge obtained in the audit. We have nothing to report in respect of this responsibility.

We are required to report if the directors' statement relating to going concern in accordance with Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin is materially inconsistent with our knowledge obtained in the audit. We have nothing to report in respect of this responsibility.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the Company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;

included in the Directors' Report which includes the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)

- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2) (d) of the Companies Act 2014 included in the Directors' Report which includes the Corporate Governance Statement. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Directors' Report which includes the Corporate Governance Statement. (CA14)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 120 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 120 and 121 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 137 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 119 and 120 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 137, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:
https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf
This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company Statement of Financial Position is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the members on 22 May 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2013 to 31 December 2020.

John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
2 March 2021

Consolidated Income Statement
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Interest income	4	**382**	413
Interest expense	4	**(41)**	(57)
Net interest income		**341**	356
Fees and commission income	5	**53**	62
Fees and commission expense	5	**(25)**	(25)
Net trading income	6	**1**	3
Net other operating income	7	**5**	17
Total operating income		**375**	413
Administrative, staff and other expenses (excluding exceptional items)	8	**(243)**	(252)
Bank levy and other regulatory charges	9	**(49)**	(47)
Depreciation of property and equipment	20	**(21)**	(21)
Impairment of property and equipment	20	**(1)**	-
Amortisation of intangible assets	21	**(15)**	(12)
Exceptional items			
Restructuring and other charges	10	**(31)**	(13)
Total operating expenses		**(360)**	(345)
Operating profit before charge for credit impairment and taxation losses		**15**	68
Credit Impairment Losses			
Loans and advances to customers	19	**(155)**	(10)
Exceptional impairment arising from deleveraging of loans	10	**(26)**	(16)
Total credit impairment losses		**(181)**	(26)
Operating (loss)/profit before taxation		**(166)**	42
Taxation	11	**4**	(12)
(Loss)/profit for the year		**(162)**	30
Attributable to:			
Owners of the holding company		**(162)**	30
(loss)/earnings per ordinary share		**€ Cent**	**€ Cent**
Basic (loss)/earnings per share of €0.5 ordinary share	12	**(38.0)**	4.2
Diluted (loss)/earnings per share of €0.5 ordinary share	12	**(38.0)**	4.2

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
(Loss)/profit for the year		**(162)**	30
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	31	**9**	2
Revaluation of property		**(2)**	5
Tax relating to items that will not be reclassified to the income statement	11	**(3)**	(1)
Items that may be reclassified to the income statement in subsequent periods			
Change in fair value of debt instruments	31	**(3)**	(17)
Amortisation of discontinued hedges	31	**3**	8
Tax relating to items that may be reclassified to the income statement	11	**-**	1
Other comprehensive income/(expense), net of tax		**4**	(2)
Total comprehensive (expense)/income for the year, net of tax		**(158)**	28
Attributable to:			
Owners of the holding company		**(158)**	28

Consolidated Statement of Financial Position
As at 31 December 2020

	Note	31 December 2020 €m	31 December 2019 €m
Assets			
Cash at bank	13	**71**	63
Items in the course of collection	13	**20**	15
Debt securities	14	**2,583**	2,005
Equity securities	15	**24**	15
Derivative assets	16	**-**	1
Loans and advances to banks	17	**3,312**	1,556
Loans and advances to customers	18	**14,213**	15,644
Property and equipment	20	**190**	201
Intangible assets	21	**102**	66
Deferred taxation	22	**349**	345
Other assets	23	**5**	259
Prepayments and accrued income	24	**86**	49
Assets classified as held for sale	40	**31**	59
Total assets		**20,986**	20,278
Liabilities			
Customer accounts	25	**18,039**	17,190
Debt securities in issue	26	**809**	923
Derivative liabilities	16	**-**	2
Accruals		**2**	5
Current tax liability		**1**	2
Other liabilities	27	**107**	118
Provisions	28	**77**	41
Total liabilities		**19,035**	18,281
Equity			
Share capital	30	**227**	227
Share premium	30	**333**	333
Other reserves	30	**(791)**	(795)
Retained earnings	30	**1,937**	2,110
Shareholders' equity		**1,706**	1,875
Other equity instruments	30	**245**	122
Total equity		**1,951**	1,997
Total liabilities and equity		**20,986**	20,278

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Donal Courtney
Board Audit Committee Chair

Conor Ryan
Company Secretary

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Attributable to owners of the holding company							
	Share capital	Share premium	Revaluation reserve*	Fair value reserve*	Other capital reserve*	Retained earnings	Other equity instrument	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 31 December 2018	227	333	51	12	(856)	2,091	122	1,980
Impact of adopting IFRS 16 at 1 January 2019	-	-	-	-	-	-	-	-
Restated Balance at 1 January 2019	227	333	51	12	(856)	2,091	122	1,980
Profit for the year	-	-	-	-	-	30	-	30
Other comprehensive income/expense, net of tax (note 31)	-	-	4	(6)	-	-	-	(2)
Total comprehensive income/(expense) for the year	-	-	4	(6)	-	30	-	28
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
AT1 coupon paid (note 30)	-	-	-	-	-	(11)	-	(11)
Total contributions by and distributions to owners	-	-	-	-	-	(11)	-	(11)
Balance as at 31 December 2019	**227**	**333**	**55**	**6**	**(856)**	**2,110**	**122**	**1,997**
Balance at 1 January 2020	**227**	**333**	**55**	**6**	**(856)**	**2,110**	**122**	**1,997**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(162)**	**-**	**(162)**
Other comprehensive (expense)/income, net of tax (note 31)	**-**	**-**	**(2)**	**6**	**-**	**-**	**-**	**4**
Total comprehensive (expense)/income for the year	**-**	**-**	**(2)**	**6**	**-**	**(162)**	**-**	**(158)**
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
Issue of other equity instruments	**-**	**-**	**-**	**-**	**-**		**125**	**125**
Issuance cost of share capital and other equity	**-**	**-**	**-**	**-**	**-**		**(2)**	**(2)**
AT1 coupon paid (note 31)	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(11)**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(11)**	**123**	**112**
Balance as at 31 December 2020	**227**	**333**	**53**	**12**	**(856)**	**1,937**	**245**	**1,951**

* All are included in other reserves in the statement of financial position

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Note	31 December 2020 €m	31 December 2019 €m
Cash flows from operating activities			
Operating (loss)/profit before taxation		**(166)**	42
Adjusted for non-cash items and other adjustments:			
Depreciation, amortisation and impairment of property, equipment and intangibles		**36**	33
Loss on revaluation of property		**1**	-
Impairment charge on:			
- Loans and advances to customers		**181**	26
Unrealised (gains)/losses on financial assets		**(1)**	(4)
Other mortgage related adjustments		**16**	18
Other provisions		**52**	18
Visa equity share		**(9)**	(2)
Other non-cash items		**47**	28
		157	159
(Increase)/decrease in operating assets:			
Loans and advances to customers		**1,256**	221
Debt securities		**(1)**	(1)
Other assets		**282**	1,042
Prepayments and accrued income		**(37)**	44
Increase/(decrease) in operating liabilities:			
Deposits by banks (including central banks)		**-**	(1,552)
Customer accounts		**841**	170
Debt securities in issue		**(114)**	(172)
Derivative liabilities		**(2)**	(11)
Other liabilities and accruals		**(14)**	2
Provisions		**(16)**	(51)
		2,195	(308)
Net cash (outflow)/inflow from operating activities before tax		**2,352**	(149)
Tax paid		**(1)**	(2)
Net cash (outflow)/inflow from operating activities		**2,351**	(151)

Consolidated Statement of Cash Flows (Continued)
For the year ended 31 December 2020

	31 December 2020 €m	31 December 2019 €m
Cash flows from investing activities		
Purchase of property and equipment	**(10)**	(13)
Purchase of intangible assets	**(44)**	(23)
Maturities of debt securities - HTC&S	**200**	338
Maturities of debt securities – HTC	**214**	578
Purchase of debt securities- HTC	**(1,046)**	(319)
Movement in restricted cash holdings	**47**	42
Deferred consideration received on equity securities	**-**	2
Net cash flows from investing activities	**(639)**	605
Cash flows from financing activities		
Issuance of AT1 securities	**123**	-
Payment of lease liabilities	**(8)**	(8)
AT1 coupon payment	**(11)**	(11)
Net cash flows from financing activities	**104**	(19)
Increase/(decrease) in cash and cash equivalents	**1,816**	435
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**1,231**	796
Increase/(decrease) in cash and cash equivalents	**1,816**	435
Cash and cash equivalents as at 31 December*	**3,047**	1,231

*The cash and cash equivalents exclude restricted cash as per note 13.

Reconciliation of liabilities arising from financing activities

	31 December 2020 €m	31 December 2019 €m
1 January	**42**	46
Financing cash flows	**(8)**	(8)
Other changes	**-**	4
31 December	**34**	42

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 2020.

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 2020 were approved by the Board and authorised for issue by the Directors on 02 March 2020.

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2020 are set out below.

1.2 Basis of preparation

Statement of compliance

These consolidated financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and the Company SOFP, the consolidated and the Company statement of changes in equity, the consolidated and the Company statement of cash flows and the notes to the consolidated and the Company financial statements, and 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, except as indicated in section 1.4 below.

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 42 for further information.

The Company's loss after tax for the year ended 31 December 2020 was €145m (31 December 2019: €0.06m). The Company issued €50m of MREL debt in 2020 (€300m in 2019). The Company also issued €125,000,000 Fixed Rate Reset Additional Tier 1 Perpetual Contingent Temporary Write Down Securities on 25 November 2020.

For further information, see the Company financial statements on pages 242 to 244.

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, financial assets classified as HTC&S and land and buildings.

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 19);
- Deferred taxation (notes 11 and 22);
- Fair value of financial instruments (note 32);
- Impairment review of subsidiary undertaking (note 42).

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 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 2021, 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 2020. Management considered realistic alternatives, including downside scenarios applied by the Group to test assumptions and potential outcomes.

Assessment basis

The time that the Directors and Management have considered in evaluating the appropriateness of the going concern basis in preparing the consolidated financial statements for the twelve months ended 31 December 2020 is a period of twelve months from the date of approval of these financial statements (02 March 2022).

In making this assessment, the Directors and Management have considered the Group's 2021-2025 MTP, profitability forecasts, funding and capital resource projections. These projections were stress tested to reflect the COVID-19 considerations and downside scenarios were applied to the Group's balance sheet and profitability to determine the resilience of the business and future projections.

COVID-19 and the economic environment

Due to COVID-19 pandemic, the market environment within which the Group operates has changed drastically, and the situation continues to evolve since March 2020. The lower interest rate environment continues to erode the profitability of the overall financial sector in which the Group operates having a resultant impact on the Group's Net Interest Margin.

Measures adopted to contain the virus, include business closures, social restrictions and social distancing which have had a resultant impact on the current financial and operational performance of the Group. The uncertainty that is risen from the second wave of the virus resurgence and slow deployment of vaccines in Euro zone is likely to impact future performance of the Group in the near term.

The Group reassessed the financial impacts of COVID-19 through a refreshed IPP process and believes it is reasonably well position to withstand any future shocks arising from virus resurgences and reduced efficacy of vaccines, particularly given the Group's continued progress with NPL reduction and ability to raise capital as and when needed.

The Group continues to be materially reliant on the Irish government and European Union policy in relation to the Irish economy and the financial services sector. The trade deal between the UK and the EU has reduced the uncertainty about the future trade relationship however the full impact of the Brexit on the Irish and EU economics continues to evolve. The Group has however, considered the impact of the Brexit and believes it is reasonably well positioned to withstand any near term-volatility caused by it.

1. Corporate information, basis of preparation and significant accounting policies (continued)

Funding & liquidity

The Group continues to have sufficient liquidity throughout 2020, and continues to undertake initiatives to improve its liquidity position in the areas of deposits, collateral optimisation, and wholesale markets activity.
The Directors and Management have also considered forecasts of the liquidity position over the going concern period, under a range of stress scenarios.

The Group continues to hold a significant liquidity buffer at 31 December 2020 that can be easily and readily monetised in a period of stress. The Directors and Management are aware that the Group's ability to effectively utilise its contingent counterbalancing capacity is dependent on the underlying collateral remaining eligible.

However, the Directors and Management are satisfied, based on a review of funding plans, interaction with wholesale markets and deposit trends that the required liquidity and funding will be available to the Group during the period of assessment. There are no material uncertainties, which would cast significant doubt on the ability of the Group to continue as a going concern basis over the period of assessment.

Profitability and capital adequacy

The Group made a loss for the year ended 31 December 2020 however, it does expect to return to profitability in the near term. Directors and Management have reviewed the MTP and based on this, the near-term macro-economic conditions of the country and the resolution of legacy issues, the Directors and Management are satisfied that the Group is well positioned to deliver profits in future years.

The Directors and Management have also considered the Group's forecast capital position, including the potential impact of deleveraging further NPLs and a deterioration in economic conditions as might arise from an uncertainty from the resurgence of the virus and slower deployment of vaccines and interaction of various principal risks. Based on the above considerations, the Directors and Management have assessed and concluded that this does not give rise to a material uncertainty, which would cast significant doubt on the ability of the Group to continue on a going concern basis for the period of assessment.

Conclusion

As required by IFRS as adopted by the EU, the Directors and Management have considered the principal risks and uncertainties facing the Group as outlined above. Based on the latest and projected financial performance and position, and the options available to the Group, the Directors have concluded that the Group and Company have no material uncertainties, which would cast significant doubt on the going concern assumption and have considered it appropriate to prepare the financial statements on a going concern basis.

1.4 Comparative information

The comparative information for 2019 has been prepared on a consistent basis with 2020.

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 42.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(ii) Business combinations and goodwill

(a) Business combinations

Business combinations, other than those under common control are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners and equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially, at their fair values at the acquisition date.

The results of subsidiaries acquired are included in the consolidated income statement from the date of acquisition. Profits or losses of subsidiary undertakings acquired or sold during the year are included in the consolidated results from the date of gaining control or up to the date of disposal.

For each business combination, the Group elects on a transaction-by-transaction basis whether to measure a non-controlling interest at its fair value or at its proportionate share of the recognised amount of identifiable net assets. The assets and liabilities arising on a business combination are measured at their fair value at the acquisition date.

Business combinations under common control are accounted for prospectively from the date the Group obtains the ownership interest in the acquired entity. Assets and liabilities are initially recognised upon consolidation based on their carrying amount in the financial statements of the acquired entity (or holding entity, if applicable). Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are initially recorded is recognised directly in equity in retained earnings.

(b) Goodwill

The Group measures goodwill as the excess of the (i) consideration transferred; (ii) the amount of any non-controlling interest in the acquired entity; and (iii) acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Acquisition costs are expensed to the income statement as incurred. Any contingent consideration to be transferred to the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with IFRS 9.

Goodwill arising on associates is shown as part of the investment in the associate.

Goodwill is subject to an impairment review at least annually, and, if events or changes in circumstances indicate that the carrying amount may not be recoverable, it is written down through the income statement by the amount of any impairment loss identified in the year.

(iii) Foreign currencies

Foreign currency transactions are translated into the functional currency of the entity, being the currency of the primary environment in which the entity operates at the exchange rate prevailing at the date of the transaction or valuation where items are remeasured. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the reporting date. Exchange movements are recognised in the income statement.

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 (currency translation adjustment reserve).

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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 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:
(a) POCI financial assets, for which the original credit-adjusted EIR is applied to the amortised cost of the financial asset; and,
(b) 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).

(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.

Where collateralised financing agreements for financial assets are sold with agreement to repurchase (repos) or are acquired under agreement to resell (reverse repo), the difference between the sale and purchase price is amortised over the life of the agreement using EIR.

Other fees and commission income are recognised as the related services are performed. Other 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 and FX differences.

(d) Exceptional items

Certain items, by virtue of their nature and amount are disclosed separately in order for the user to obtain appropriate understanding of the financial information. These items would not ordinarily occur while carrying out normal business activities.

Exceptional items include gains or losses on the disposal of businesses, gains or losses on material deleveraging (including additional impairment arising solely as a result of a sale) and material restructuring costs.

(e) Bank levy and other regulatory charges

Bank levy and other regulatory charges consist of DGS fees, Central Bank Industry Funding levy, BRRD 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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(c) Termination payments

Termination benefits may be payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees where the offer is irrevocable. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(vi) Current and deferred taxation

Taxation comprises both current and deferred tax. Taxation is recognised in the income statement except to the extent it relates to 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.

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.

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)

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. 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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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.

(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); and
- Guarantees.

Measurement

ECL is measured by the Group in a way that reflects:

- an unbiased probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date and past events, current conditions and forecast of future economic conditions.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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; and
- 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 cash flows arising from the loan contract or on the disposal of collateral. As the sale of loans is not part of the Group's normal recovery strategy, cash flows from this source are not considered a part of the ECL calculation, with the exception of expected cash flows arising from deleveraging of NPLs which are included in the ECL calculation from the point 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.

As a consequence, exceptional impairment losses arising from deleveraging are included in the impairment charge under IFRS 9.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR.

Purchased or originated credit-impaired assets (POCI)

POCI are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted EIR basis. ECL are only recognised or released to the extent that there is a subsequent change in ECL.

Expected life

When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options, extension and rollover options. For most instruments, the expected life is limited to the remaining contractual life, adjusted as applicable for expected prepayments.

For certain revolving credit facilities that do not have a fixed maturity (e.g. credit cards and overdrafts), the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by Management actions.

For instruments in Stage 2 or Stage 3, loss allowances will cover ECL over the expected remaining life of the instrument.

Expert Credit Judgement

The Group's ECL accounting framework methodology, in line with the requirements of the standard, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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).

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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

Financial liabilities are classified either as amortised cost 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.

A financial liability that is classified as a compound financial instrument, containing both debt and equity features, is separated into its equity and debt components on initial recognition. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt component. The instrument is fair valued at the date of issue using an appropriate valuation technique if there is an absence of quoted market prices. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the EIR method, with related interest recognised in the income statement. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised in the income statement.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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 securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation is generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as debt securities.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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 32.

(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.

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.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as NII. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as NII.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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.

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 does 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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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 in other liabilities.

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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

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.

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 increased 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.

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

1. Corporate information, basis of preparation and significant accounting policies (continued)

(xii) Intangible assets (other than goodwill)

Computer software is stated at cost, less amortisation and provision for impairment, if any. The external costs and identifiable internal costs of acquiring and developing 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 is amortised on a straight-line basis over a period of between three to seven years.

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.

(xiii) Collateral in possession

In certain circumstances, property is repossessed following foreclosure on loans that are in default. When a property is repossessed, the associated loan relating to that property is derecognised and any provision on that loan is reversed. On initial recognition the collateral in possession is valued at its fair value.

Subsequent to initial recognition, the property is carried at the lower of its cost and net realisable value.

(xiv) Assets and liabilities classified as held for sale

An asset or a disposal group is classified as held for sale if the following criteria are met:

- Its carrying value will be recovered principally through sale rather than continuing use;
- It is available for immediate sale; and
- The sale is highly probable within the next 12 months.

When assets (or disposal groups), other than financial assets as classified under IFRS 9, or rights under an insurance contract, are initially classified as held for sale, they are measured at the lower of the carrying amount or fair value less costs to sell at the date of reclassification.

Impairment losses subsequent to classification of such assets (or disposal groups) are recognised in the income statement. Increases in fair value less costs to sell of such assets (or disposal groups) that have been classified as held for sale are recognised in the income statement to the extent that the increase is not in excess of any cumulative loss previously recognised in respect of the asset (or disposal group).

Where the above conditions cease to be met, the assets (or disposal group) are reclassified out of held for sale and included under the appropriate SOFP classifications.

Financial assets within the scope of IFRS 9, DTAs and income taxes within the scope of IAS 12 continue to be measured in accordance with these standards.

(xv) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A restructuring provision 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.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(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. Such assets are retained on the SOFP when substantially all the risks and rewards of ownership remain with the Group. The liability to the counterparty is included separately on the SOFP as appropriate.

Similarly, where financial assets are purchased with a commitment to resell, 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 difference between the sale and repurchase price is recognised in the income statement over the life of the agreements using the EIR. Fees earned on stock lending are recognised in the income statement over the term of the lending agreement. Securities lent to counterparties are also retained on the SOFP.

(xix) Collateral

The Group enters into master agreements with counterparties to ensure that in the event of a default, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is not recorded on the Group's SOFP.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the SOFP. Collateral received in the form of cash is recorded on the SOFP, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the SOFP. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

1.6 Application of new and revised IFRSs

In 2020, the Group assessed the impact of new and revised pronouncement of IFRSs which took effect during the year. The changes to IFRS during 2020 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. Corporate information, basis of preparation and significant accounting policies (continued)

1.7 Impact of other accounting standards with effective periods beginning on or after 1 January 2021

Accounting Standard Update	Change	Key effects for PTSB	Effective Date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform Phase 2	Provides relief for issues that might arise when an interest rate benchmark has been replaced by introducing a practical expedient for modifications to financial contracts resulting directly from IBOR reform, and a series of exemptions from some of the hedge accounting requirements.	These changes are not expected significantly impact the current or future financial reporting.	Annual periods beginning on or after 1 January 2021.
Annual Improvements to IFRS Standards 2018–2020 Cycle	Minor amendments to IFRS 1, IFRS 9 and IAS 41.	These changes are not expected significantly impact the current or future financial reporting.	Annual periods beginning on or after 1 January 2022.
Amendments to IFRS 3 – Reference to the Conceptual Framework	Updates certain references to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	These changes are not expected significantly impact the current or future financial 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.	These changes are not expected significantly impact the current or future financial reporting.	Annual periods beginning on or after 1 January 2022.
Amendment to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	Specifies which costs to include when assessing whether a contract will be loss-making.	These changes are not expected significantly impact the current or future financial reporting.	Annual periods beginning on or after 1 January 2022.
Amendment to IAS 1 – Classification of Liabilities as Current or Non-current	Clarifies that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period.	These changes are not expected significantly impact the current or future financial reporting.	Annual periods beginning on or after 1 January 2022.

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. Assumptions, estimates and judgements are revised on an ongoing basis and updated where new information is available.

The COVID-19 pandemic has increased the uncertainty associated with judgements, estimates and assumptions made by Management due to the extent, depth, and evolving nature of the impacts of the pandemic. The measures adopted to contain the virus by the Government and the resulting business actions from the Group, including customer behaviours and their evolving nature has increased the estimation uncertainty.

The estimation uncertainty is further increased by the effectiveness of measures introduced by the Government, the CBI, and the EBA, which in turn affects the forecasts that Management has prepared to support the judgements, estimates, and assumptions made in preparation of these condensed consolidated financial statements.

The impact of these uncertainties on judgements, estimates, and assumptions are outside the control of the Group and can significantly change in due course. The impact of these uncertainties can change, Management however, has sensitised its forecasts to cater for the downside scenario of the COVID-19 pandemic.

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.

2. Critical accounting estimates and judgements (continued)

The COVID-19 pandemic has increased the uncertainty with regard to judgements, estimates and assumptions made in respect of ECL amounts. Macroeconomic parameters have become more challenging and the Bank has revised its scenarios most recently in December 2020. The Bank has reviewed the segment of customers that had received COVID-19 payment breaks for latent risk and has also considered delayed default emergence. The uncertainty arising from COVID-19 has increased the necessity for Post Model Adjustments.

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.

Facilities where payment breaks or partial payment breaks were granted by the Group in response to the COVID-19 pandemic are not reported as forbearance in accordance with regulatory guidance and as a result are not automatically considered a SICR solely as a result of being granted the full or partial loan payment break.

Forward Looking Information

The Group has adopted an ECL framework that reflects a component approach using PD, EAD and LGD components calibrated for IFRS 9 purposes. To adequately capture lifetime expected credit losses, the Group also modelled early redemptions as a separate component within the ECL calculation.

Judgement is combined with statistical evidence in determining which forward-looking variables are relevant for the Group's loan portfolios and in determining the extent by which through-the-cycle parameters should be adjusted for forward-looking information to determine point-in-time parameters.

Changes in FLI variables applied to convert through-the-cycle PD and LGD into point-in-time parameters can either increase or decrease ECL impairment allowances in a particular accounting period. On update, increases in the level of optimism in the FLI variables will cause a decrease in ECL while increases in the level of pessimism in the FLI variables will cause an increase in ECL. These movements could be significant in the accounting period of update.

The estimation and application of FLI requires significant judgement. In its calculation of ECL, the Group considers multiple scenarios and possible outcomes together with their probability of occurrence. Scenarios are designed to capture a range of possible outcomes. Each macroeconomic scenario in the Group's ECL calculation includes a projection of all relevant macroeconomic variables applied in the models for a five year period (where the relevant period extends to five years), subsequently reverting to long-run averages.

The Group's approach applies extreme-but-plausible economic scenarios (i.e. underpinned by historical evidence) to estimate the distribution of ECL to which the Group is exposed. Three scenarios are currently considered in the Group's calculation of ECL. In addition to the central or Base scenario, 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. Macroeconomic scenarios were most recently updated in December 2020. The updated macroeconomic scenarios and their probability weightings were approved by the BRCC. Given the unprecedented nature of the economy arising from COVID-19 impacts and uncertainty with regard to BREXIT negotiations, a review conducted post year end concluded that no further update to the macroeconomic scenarios for 2020 year-end reporting was required at that time.

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 2020.

	Base Case		Upside Scenario		Downside Scenario	
Percentile	50th		5th		95th	
Scenario probability weighting	56%		22%		22%	
	Average value over the first year of forecast	Average value over the first 5 years of forecast	Average value over the first year of forecast	Average value over the first 5 years of forecast	Average value over the first year of forecast	Average value over the first 5 years of forecast
Irish Residential House Prices	-5%	1%	18%	14%	-20%	-8%
Irish unemployment	10%	7%	6%	4%	16%	12%
Irish GDP	4%	3%	8%	5%	-5%	-1%
Consumer price Index	3%	2%	1%	2%	1%	2%
ECB Base Rate	0%	0%	0%	0%	0%	1%

2. Critical accounting estimates and judgements (continued)

The Base, Upside and Downside scenarios are described as follows:-

Base scenario

In the Base scenario, the Level 5 restrictions arising from the third COVID-19 wave have a severe impact on the Irish economy with unemployment predicted to average at c. 10% in 2021, after which a more stable and normalised economy results in a modest recovery in unemployment numbers. Residential house prices, which showed a much greater level of resilience than expected in 2020, are projected to fall by 5% in 2021 and stabilise at an average growth rate of 2% from year 2 of the five year forecast.

As the economy recovers on foot of the roll-out of a vaccine, GDP is projected to recover from a low in 2020 to average 3% over the five year forecast. Similarly, inflation is predicted to stabilise at 2% over the medium term with interest rates forecast to remain at current levels over the short term.

Upside scenario

In this scenario the Irish economy recovers swiftly in 2021. GDP increases to 8% in the short term with the rate of growth easing in the medium term whilst unemployment, at an average of 5% over the medium term, reflects an extreme positive of effective full employment.

The overall HPI move, averaging 14% per year over the first five years of the forecast, replicates a number of key periods such as from 1975 to 1980 and the late 1990s early 2000s period. Substantially below trend CPI growth continues in the Irish economy over the forecast horizon with inflation trends remaining highly supportive of economic growth and a flatter yield curve reflecting the continued impact of lower inflation and growth expectations in Europe and a supportive ECB monetary policy for macro recovery in the Euro-zone.

Downside scenario

The Downside scenario is an extreme scenario backed by Irish historical context and international comparatives. In this scenario, a prolonged period of mid-teen unemployment persists quickly reaching a peak of 16% in 2021.

House prices reach a low of 38% from current levels by 2023 by which time GDP has commenced to recover from a low of -5% in 2021. Inflation steadily increases from 2020 as external cost factors impact domestic pricing. Eventual higher interest rates in Europe, with rates increasing from 2022 onwards, reflect both slow economic conditions in Europe in 2020 and 2021 combined with a sharp slowdown in US economic activity, directly impacting the Irish economy.

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 2020. 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 reflects 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 €57m less than reported at 31 December 2020.
- 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 €330m less than reported at 31 December 2020.
- Whereas, if the Group were to only use its Downside Scenario, the ECL impairment allowance would be €540m greater than reported at December 2020.

Management assessed the impact of an increase in credit risk to those secured mortgage accounts that were granted a COVID-19 payment break in 2020. If the entire population of secured mortgage portfolio accounts that were granted a COVID-19 payment break, classified as IFRS 9 Stage 1 at 31 December 2020 transitioned to IFRS 9 Stage 2, and those accounts classified as IFRS 9 Stage 2 transitioned to IFRS 9 Stage 3 the reported ECL impairment allowance, excluding Management's adjustment to modelled outcomes, would increase by €47m.

2. Critical accounting estimates and judgements (continued)

Management's adjustment to modelled outcomes

The adequacy of ECL allowance is reviewed by the BAC on a half-yearly basis. At 31 December 2020, the total impairment provision included €172m of management's adjustments to modelled outcomes (31 December 2019: €60m) which primarily comprises the following:

- €65m of management adjustment in respect of Stage 3 residential mortgage loans that are in default for greater than seven years and for which management consider the modelled impairment to be insufficient to cover resolution;
- Arising from the unprecedented nature of COVID-19, management are of the view that the modelled impairment allowance may not fully reflect expected credit losses for certain cohorts of borrowers. At the reporting date, a €69m management overlay is applied in respect of loans for which ECL is maintained until the future performance is established comprising €19m in respect of the consumer portfolio, €10m in respect of the commercial portfolio and €40m in respect of the residential mortgage portfolio;
- A €20m overlay to reflect the uncertainty associated with residential mortgage loans exiting COVID-19 payment breaks granted by the Bank. The management adjustment is applied to Stage 2 residential mortgage loans to reflect the risk that a proportion of these borrowers may be unable to return to the contractual terms in place prior to being granted the temporary COVID-19 payment break; and
- A management adjustment of €9m 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.

(b) Deferred taxation

At 31 December 2020, the Group had a net deferred tax asset of €349m (31 December 2019: €345). See note 22 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 €370m at 31 December 2020. It should be noted that, with the exception of an amount of €95k relating to PTSBGH, 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 loss in 2020, in accordance with IAS 12, there must be convincing other evidence to underpin this assessment.

In making the assessment, the Board considered the following factors:

- The current macroeconomic environment and external forecasts for the Irish economy particularly in light of the COVID-19 pandemic;
- The significant progress made on the Group's NPL strategy and the deleveraging of the Group's non-core portfolios in recent years;
- The current expected trajectory of the Group's financial performance;
- The impairment performance;
- The Group's projected liquidity and capital position;
- The absolute level of deferred tax assets on tax losses compared to the Group's equity;
- The quantum of profits required to be generated to utilise the tax losses and the extended period of time over which these profits are projected to be generated;
- The challenge of forecasting over an extended period and in particular taking account of external factors such as the COVID-19 pandemic, global political uncertainty, particularly the impact of Brexit, the level of competition and disruptors to the market and market size;
- Consideration of the assumptions underpinning the Group's financial projections (on which analysis of the recoverability of the deferred tax asset on tax losses are based). The key relevant assumptions considered being:
  - No material change to the Group's business activities in the medium-term;
  - Further progress in addressing the Group's legacy, non-performing assets;
  - NIM is expected to be positively impacted by the evolution of the Group's lending book as new lending volumes are added and lower yielding tracker mortgages pay down; however, further material reductions in cost of funds are considered unlikely;
  - An expectation that mortgage market size will continue to return to normalised levels of activities; together with further anticipated growth in the Group's market share;
  - Continued focus on cost management;
  - The cost of risk will continue its return to normalised levels reflecting the Group's assessment of the medium to long term average; and
  - No material change to the Group's business activities in the medium term.
- Consideration of forecasting risks including a sensitivity analysis on the financial projections. This sensitivity analysis considers the effect of higher than expected impairments, the cost of funds or operating expenditure, as well as lower than expected asset yields, new lending or ECB rates.

2. Critical accounting estimates and judgements (continued)

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 €370m of a deferred tax asset on tax losses on the statement of financial position as at 31 December 2020.

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 2025 and assuming a level of profitability growth consistent with GDP growth of approximately 2.5%, it will take c. 22 years for the deferred tax asset on tax losses of €370m to be utilised. A level of profitability consistent with GDP growth continues to be considered by Management to be appropriate given the Group's primarily domestic retail focus and the expectation arising therefrom that, over the long-term, the Group's performance would be expected to broadly track the performance of the Irish economy. While the COVID-19 pandemic has significantly impacted GDP in the short-term it is expected that, over the medium-term, GDP will recover and Management are of the view that a long-term assumed growth rate of 2.5% is reasonable 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 increased since 31 December 2019 from 20 years to 22 years. This is mainly due to the impact of the COVID-19 pandemic on forecasted profitability in the short to medium term. These revised profitability figures also impact the assumed long-term projections for the Group with the result that the expected utilisation period has increased. Other assumptions underpinning the deferred tax asset recoverability analysis are broadly in line with prior periods.

It should be noted that Management make certain judgements in the process of applying the Group's accounting policies which may impact on amounts recognised in the financial statements and consequently on taxable profits and the utilisation of tax losses. As set out in note 22, 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. There is no expectation of a major change in the business which would have a significant impact on the net deferred tax asset as currently recognised.

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) declining house prices leading to increased loan defaults and therefore increased impairment charges and (iii) increases in operating costs. These stress case scenarios are intended to simulate a situation where there is an economic downturn. If any one of the stress case scenarios were to occur, within a reasonably possible range, it is our expectation that the time period over which these assets might be recovered could extend from between 1 to 4 years. If all adverse assumptions were to arise the period of recoverability would be extended by a further 13 years (i.e. full utilisation by 2055).

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's estimate that the expected time period for recovery of the deferred tax asset on tax losses to be 22 years, i.e. full utilisation is expected by 2042.

2. Critical accounting estimates and judgements (continued)

(c) Financial instruments

The Group's accounting policy for the determination of fair value of financial instruments is set out in note 1(iv)(e). The best evidence of fair value is quoted prices in an active market. The absence of quoted prices increases reliance on valuation techniques and requires the use of judgement in the estimation of fair value. This judgement includes evaluating available market data, determining the expected cash flows for the instruments, as well as identifying and applying an appropriate discount rate and credit spread.

Valuation techniques that rely on non-observable data require a higher level of Management judgement in estimating the fair value compared to those based on observable data.

The quality of market data, valuation techniques and other inputs into the valuation models used are subject to internal review and approval.

The Group carries certain financial assets at fair value. In estimating the fair value of these assets and derivatives, the Group seeks to use quoted market prices (level 1). Where quoted market prices are not available, the Group uses internally developed valuation models and valuations from external experts. Inputs to these models are taken from observable market data where possible (level 2) but where this is not possible, a degree of judgement is used (level 3). Such judgement considerations typically include items such as interest rate yield curves, equity prices, option volatilities and currency rates.

Further details of the fair value of financial assets and liabilities are set out in note 32.

(d) Impairment review of its subsidiary undertaking

The Company carries its investment in its subsidiary undertaking at cost and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value-in-use (VIU).

An impairment charge arises if the carrying value exceeds the recoverable amount and where the carrying value is not supported by the estimated discounted future cash flows of the underlying business. The recoverable amount of the investment is the higher of its fair value less costs to sell or its VIU. The carrying value of the subsidiary undertaking before adjusting for impairment was €1,101m and recoverable amount based on the VIU was €956m resulting in a €145m impairment charge for the year (2019: €nil).

While the recoverable amount based on the VIU exceeds market capitalisation at the 31 December 2020, the depressed share price is result of the overall subdued banking environment currently in which the entity operates along with various entity specific factors including significant control premium as a result of majority shareholding by the Irish Government that affect the liquidity of the shares.

The impairment charge reflects the impact of the sensitised future projections catering for downside scenario for COVID-19 impacting the financial performance of the Group in the medium term.

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 four years, after which a long-term growth rate appropriate for the business is applied. The key cash flows in these forecasts are as follows:

- Forecasted net lending growth, which is based on historical experience of the Group, strategic priorities and direction;
- Forecasted SME business and increase in fee based income portfolio based on the targets for the coming years;
- Operating profits based on historical experience, average margins adjusted for impacts of cost saving initiatives and future operating models;
- Impairment charge based on historical experience and forecasted general macro-economic outlook;
- Deposits projections based on the liquidity funding needs of the Groups; and
- Issuance / redemptions of the debt issued and other capital raising activities.

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.

2. Critical accounting estimates and judgements (continued)

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% (2019: 10%) as the cash flows used in impairment assessment are post tax cash flows. The discount rate includes an additional risk premium to account for various specific risks. These specific risks are not reflected in the cash flows projected for impairment analysis.

The discount rate is used for various internal pricing models and is benchmarked with the industry averages to cater for the any changes in risk profile of the Group.

The Group uses post-tax discount rate as the cash flows generated by the subsidiary are post tax cash flows.

Sensitivity analysis

The impact of changes in the growth rate, the discount rate and cash flows has been assessed by the Directors:

- A decrease of 1% in long term growth rate would have resulted in an additional €115m impairment charge;
- An increase of 1% in long term growth rate would have resulted in no impairment charge;
- An increase of 1% of the discount rate would have resulted in an additional €145m impairment charge;
- A decrease of 1% of the discount rate would have resulted in no impairment charge;
- An increase of 15% in cash flows would have resulted in no impairment charge;and
- A decrease of 15% in cash flows would have resulted in an additional €153m impairment charge.

3. Operating segments

The Group reports one operating segment which is in accordance with IFRS 8 'Operating segments'.

In line with IFRS 8, the Group also reports revenue from external customers for each major group of products and services. The amount of revenue reported is based on the financial information used to produce the Group's financial statements. The Group also reports revenue and non-current assets on a geographical basis; Ireland and Isle of Man (IOM).

The ExCo as the Chief Operating Decision Maker (CODM) is responsible for implementing the strategic management of the Group as guided by the Board. The ExCo reviews key performance indicators and internal management reports on a monthly basis.

3.1 Revenue from external customers split by products and services

The main products from which the Group earns external revenue include: mortgages, consumer finance, treasury assets, deposits and current accounts, and wholesale funding. The net interest income from these products is set out in the table below.

Net interest income from external customers split by product:

	31 December 2020 €m	31 December 2019 €m
Mortgages	**336**	343
Consumer finance*	**35**	35
Treasury assets	**9**	26
Deposits and current accounts	**(26)**	(40)
Wholesale funding	**(13)**	(8)
Total	**341**	356

*Consumer finance comprises income from term loans, credit cards and overdrafts.

3. Operating segments (continued)

3.2 (Loss)/profit for the year based on geographical location

During the years ended 31 December 2020 and 31 December 2019, the majority of the Group's loss was incurred in Ireland. Immaterial losses (less than €1m) were earned outside of Ireland in the Group's IOM subsidiary PBI Ltd during the years ended 31 December 2020 and 31 December 2019.

The main products from which the Group earns external revenue include: mortgages; consumer finance; treasury assets; deposits and current accounts and; wholesale funding. The net interest income from these products is set out in the table below.

3.3 Assets and liabilities based on geographical location

31 December 2020	Ireland €m	IOM* €m	Of which inter-group balances €m	Total €m
Assets				
Held for sale	**31**	**-**	**-**	**31**
Other assets	**20,953**	**2**	**(55)**	**20,955**
Total segment assets	**20,984**	**2**	**(55)**	**20,986**
Total segment liabilities	**19,033**	**2**	**(55)**	**19,035**
Capital expenditure	**65**	**-**	**-**	**65**

*This is based on geographical locations and constitutes business conducted in the IOM through PBI Ltd.

31 December 2019	Ireland €m	IOM* €m	Of which inter-group balances €m	Total €m
Assets				
Held for sale	59	-	-	59
Other assets	20,217	2	(114)	20,219
Total segment assets	20,276	2	(114)	20,278
Total segment liabilities	18,279	2	(114)	18,281
Capital expenditure	57	-	-	57

*This is based on geographical locations and constitutes business conducted in the IOM through PBI Ltd.

4. Net interest income

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Interest income		
Loans and advances to customers	**371**	378
Loans and advances to banks	**-**	1
Debt securities and other fixed-income securities	**-**	
- Hold to collect (HTC)	**8**	20
- Hold to collect and sell (HTC&S)	**3**	14
	382	413
Interest expense		
Deposits from banks (including central banks)	**-**	(1)
Due to customers	**(26)**	(40)
Interest on debt securities in issue	**(9)**	(4)
Amortisation of discontinued hedges on financial assets	**(2)**	(8)
Loans and advances to banks	**(4)**	(4)
	(41)	(57)
Net interest income	**341**	356

Included in net interest income is €2m (31 December 2019: €8m) relating to the amortisation of discontinued hedges in respect to a portion of the Group's HTC&S debt securities portfolio.

Net interest income includes a charge in respect of deferred acquisition costs on loans and advances to customers of €16m (31 December 2019: €18m).

5. Fees and commission income

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Fees and commission income		
Retail banking and credit card fees	**43**	51
Brokerage and insurance commission	**9**	10
Other fees and commission income	**1**	1
Fees and commission income	**53**	62
Fees and commission expense (*)	**(25)**	(25)
Net fees and commission income	**28**	37

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

6. Net trading income/(expense)

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Held-for-trading		
Interest rate instruments	**-**	2
Foreign exchange gains	**1**	1
Net trading income	**1**	3

7. Net other operating income

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Other income	**5**	17
Other operating income	**5**	17

8. Administrative, staff and other expenses (excluding exceptional items)

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Staff costs (as detailed below)	**151**	148
Other general and administrative expenses	**92**	104
Administrative, staff and other expenses (excluding exceptional items)	**243**	252

Administrative, staff and other expenses (excluding exceptional items) includes costs of €5m related to COVID-19.

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Statutory auditor's remuneration (including expenses and excluding VAT)		
- Audit of the individual and the Group financial statements	**1.1**	1.1
- Other assurance services*	**0.1**	0.3
- Other non-audit services**	**0.2**	0.1

*Other assurance services in 2020 and 2019 includes assurance relating to Section 27b.
**Other non-audit services in 2020 principally relate to the letters of comfort in respect of the EMTN programme and AT1 securities issuance. Other non-audit services in 2019 principally relate to the letters of comfort in respect of the EMTN programme and €300m debt issuance.

8. Administrative, staff and other expenses (excluding exceptional items) (continued)

Staff costs

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Wages and salaries (including commission payable to sales staff)	**122**	121
Social insurance	**15**	14
Pension costs	**-**	
- Payments to defined contribution pension schemes	**14**	13
Total staff costs	**151**	148

Staff redundancy costs associated with exceptional items for the year ended 31 December 2020 and 31 December 2019 are included as part of note 10 exceptional items.

Staff costs of €11m (31 December 2019: €7m), have been capitalised to intangible assets (see note 21), 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

The number of staff employed is broken down by geographical location and by their operating segments for 31 December 2020 and 31 December 2019 in the table below:

	Closing staff numbers		Average staff numbers	
	2020	2019	2020	2019
Ireland	**2,435**	2,379	**2,429**	2,386
	2,435	2,379	**2,429**	2,386

*Closing staff numbers are calculated on a FTE basis.

9. Bank levy and other regulatory charges

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Bank levy	**24**	24
Other regulatory charges	**25**	23
Bank levy and other regulatory charges	**49**	47

Other regulatory charges include €15m for the Deposit Guarantee Scheme (DGS) (31 December 2019: €14m), €5m for the Single Resolution Fund (SRF) (31 December 2019: €5m), €3m for the Central Bank Industry Funding Levy (31 December 2019: €3m) and €2m related to other regulatory charges (31 December 2019: €2m).

10. Exceptional items

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Restructuring and other charges (a)	**31**	13
Impairment arising from deleveraging of loans (b)	**26**	16
Exceptional items	**57**	29

(a) Restructuring and other charges of €31m (31 December 2019: €13m) comprises of costs relating to the Group's Enterprise Transformation Programme announced in November 2020.

(b) Under the Group's accounting policy, exceptional items include profits/losses arising on deleveraging. Under IFRS 9 when the sale of a loan becomes part of the Group's recovery strategy and meets the other conditions as set out in the accounting policy, the expected cash flows from the loan sale (including costs of sale) are included in the IFRS 9 impairment calculation. During 2020, impairment provisions increased by €32m relating to costs associated with the sale of the Glenbeigh II mortgage portfolio. This loss was offset by a €6m release of provisions on loan sales that the Group executed in prior years in line with its NPL reduction strategy. This treatment is consistent with the treatment of losses on deleveraging of non-performing loans in prior years.

11. Taxation

(a) Analysis of taxation charge

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Current taxation		
Charge for current year	**2**	1
	2	1
Deferred taxation		
Origination and reversal of temporary differences	**(6)**	11
Deferred taxation recognised in the income statement (note 22)	**(6)**	11
Taxation (credited)/charged to income statement	**(4)**	12
Effective tax rate	**2%**	29%

Group taxation credit for the year ended 31 December 2020 was €4m (31 December 2019: €12m charge). The main drivers of this credit include (i) a current tax charge of €2m arising on non-trading income, (ii) a current year deferred tax credit of €10m which arises due to an increase in tax losses carried forward, and (iii) the partial release of a DTA of €3m created on the introduction of IFRS 9.

(b) Reconciliation of standard to effective tax rate

	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
(Loss)/profit on the Group activities before tax	**(166)**	42
Tax calculated at standard ROI corporation tax rate of 12.5% (2019: 12.5%)	**(21)**	5
Tax effect of non-deductible expenses and non-trading income	**3**	2
Utilisation of current year tax losses	**13**	-
Other	**3**	5
Adjustment to tax losses carried forward	**(2)**	-
Taxation (credited)/charged to income statement	**(4)**	12

11. Taxation (continued)

(c) Tax effects of each component of other comprehensive income

	Year ended 31 December 2020		
	Gross €m	Tax €m	Net €m
Revaluation of property	**(2)**	**-**	**(2)**
Currency translation adjustment reserve	**-**	**-**	**-**
Fair value reserve:	**-**	**-**	**-**
- Change in fair value of equity instruments	**9**	**(3)**	**6**
- Change in fair value of debt instruments	**(3)**	**-**	**(3)**
- Transfer to income statement on amortisation of discontinued hedges	**3**	**-**	**3**
31 December 2020	**7**	**(3)**	**4**

	Year ended 31 December 2019		
	Gross €m	Tax €m	Net €m
Revaluation of property	5	(1)	4
Currency translation adjustment reserve	-	-	-
Fair value reserve:			
-Change in fair value of equity instruments	2	-	2
-Change in fair value of debt instruments	(17)	2	(15)
- Transfer to income statement on asset disposal	8	(1)	7
31 December 2019	(2)	-	(2)

12. (Loss)/earnings per ordinary share

(a) Basic (loss)/earnings per ordinary share

	Year ended 31 December 2020	Year ended 31 December 2019
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares	**454,690,912**	454,690,912
(Loss)/profit for the year attributable to equity holders	**(€162m)**	€30m
Less AT1 coupon paid (see note 30)	**(€11m)**	(€11m)
(Loss)/profit for the period attributable to equity holders less AT1 coupon paid	**(€173m)**	€19m
Basic (loss)/earnings per ordinary share (€ cent)	**(38.0)**	4.2

(b) Diluted (loss)/earnings per ordinary share

	Year ended 31 December 2020	Year ended 31 December 2019
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of diluted earnings per share and including the potential ordinary shares from the AT1 conversion feature	**454,690,912**	454,690,912
Diluted (loss)/earnings per ordinary share (€ cent)	**(38.0)**	4.2

Diluted (loss)/earnings 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 2020 or 31 December 2019 as the AT1 securities were assessed due to the conversion feature within the security, and were found to have an anti-dilutive effect.

12. (Loss)/earnings per ordinary share (continued)

Weighted average number of ordinary shares*

	2020	2019
Number of ordinary shares in issue at 1 January (note 30)	**454,695,492**	454,695,492
Treasury shares held (note 30)	**(4,580)**	(4,580)
Net movements during the period		
Weighted average shares redesignated	**-**	-
Weighted average shares issued	**-**	-
Weighted average number of ordinary shares at 31 December	**454,690,912**	454,690,912

* When calculating the earnings per share the weighted average number of ordinary shares outstanding during the period and all periods presented shall be adjusted for events other than the conversion of potential ordinary shares that have changed the number of ordinary shares without a corresponding change in reserves.

13. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of following:

	31 December 2020 €m	31 December 2019 €m
Cash at bank	**71**	63
Items in the course of collection	**20**	15
Loans and advances to banks repayable on demand (maturity of less than 3 months) (note 17)	**3,312**	1,556
	3,403	1,634
Restricted cash included in loans and advances to banks repayable on demand	**(356)**	(403)
Cash and cash equivalents as per statement of cash flows	**3,047**	1,231

At 31 December 2020, restricted cash of €356m (31 December 2019: €403m) consists of cash of €355m (31 December 2019: €402m) held by the Group's securitisation entities and €1m (31 December 2019: €1m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

14. Debt securities

	31 December 2020			31 December 2019		
	HTC €m	HTC&S €m	Total €m	HTC €m	HTC&S €m	Total €m
Government bonds	**2,477**	**-**	**2,477**	1,754	209	1,963
Corporate bonds	**106**	**-**	**106**	42	-	42
Gross debt securities	**2,583**	**-**	**2,583**	1,796	209	2,005

As at 31 December 2020, all debt securities are available to be used and are eligible as collateral (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements.

Debt securities that are managed on a HTC business model basis are accounted for at amortised cost. Debt securities that are managed on a HTC&S basis are accounted for at FVOCI.

Government bonds of €2.5bn (31 December 2019: €1.8bn) comprise Irish, Spanish and Portuguese government bonds which are designated as HTC. Corporate bonds comprise of Residential Mortgage Backed Securities (RMBS), including a retained note in the Glenbeigh securitisation 2018-1 DAC, all RMBSs are designated as HTC. The HTC securities represent a portfolio of securities purchased for the purpose of collecting contractual cashflows to maturity.

The HTC&S securities which the Group held as at 31 December 2019 matured during 2020.
All debt securities at 31 December 2020 are stage 1 apart from the Glenbeigh securitisation which is POCI.

14. Debt securities (continued)

(A) HTC and HTC&S

The movement in HTC and HTC&S securities is classified as follows:

	2020		2019*	
	HTC €m	HTC&S €m	HTC €m	HTC&S €m
As at 1 January	**1,796**	**209**	2,090	557
Change in fair value	**-**	**(3)**	-	(23)
Additions	**1,046**	**-**	321	-
Maturities/disposals	**(214)**	**(200)**	(564)	(320)
Interest net of cash receipts	**(3)**	**(6)**	(9)	(5)
Amortisation of premium / (discount)	**(42)**	**-**	(42)	-
At 31 December	**2,583**	**-**	1,796	209

*The presentation of the movement in HTC and HTC&S securities has been updated to include to include the amortisation of premiums/(discounts) on securities. As a result, the prior period movement in HTC and HTC&S securities has been updated to reflect the change to the comparative. Change in fair value has decreased by €12m, additions has increased by €2m, maturities/disposals has increased by €32m, interest net of cash receipts has increased by €20m and amortisation of premium/(discount) has decreased by €42m. Management consider this presentation to be more appropriate to reflect the movement in the debt securities.

(B) Amounts arising from impairment provisioning on debt securities:

(i) Held at amortised cost

As at 31 December 2020, the amount arising from ECL on debt securities measured at amortised cost is €0.7m (31 December 2019: €0.4m). The ECL on debt instruments measured at amortised cost is offset against the carrying amount of the assets in the statement of financial position.

(ii) Held at Fair Value through Other Comprehensive Income (FVOCI)

As at 31 December 2020, the amount arising from ECL on debt securities measured at FVOCI is Nil (31 December 2019: Negligible).

15. Equity securities

	31 December 2020 €m	31 December 2019 €m
As at 1 January	**15**	13
Revaluation	**9**	2
Total equity investments	**24**	15

The carrying value of equity securities can be analysed as follows:

	31 December 2020 €m	31 December 2019 €m
Unlisted	**24**	15
Gross equity securities	**24**	15

PTSB Group holds Series A and Series B preferred stock in Visa Inc. at 31 December 2020 with a value of €24m. 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 €16m and €8m respectively at 31 December 2020 (31 December 2019: €15m) and are recognised in the Statement of Financial Position at FVOCI.

The fair value of the preferred stock Series A is classified as Level 1 and the fair of the preferred stock Series B is classified as Level 3, as the valuation of these preferred stock includes inputs that are based on unobservable data (refer to note 32 for further details).

16. Derivative financial instruments

Derivative instruments are used by the Group to hedge against interest rate risk and foreign currency risk.

Certain derivative instruments do not fulfil the hedge accounting criteria under IFRS 9 and are consequently classified as held for trading. All derivatives are carried at fair value.

The derivative instruments used by the Group include:

- Currency forward rate contracts, which are commitments to purchase and sell currencies, including undelivered spot transactions; and
- Interest rate swaps which are commitments to exchange one set of cash flows for another.

Further details on the Group's risk management policies are set out in the risk management section of the report.
Derivatives held by the Group are analysed as follows:

	31 December 2020			31 December 2019		
	Total amount €m	Fair value asset €m	Fair value liability €m	Total amount €m	Fair value asset €m	Fair value liability €m
Fair value hedges						
Interest rate swaps	**5**	**-**	**-**	22	-	1
	5	**-**	**-**	22	-	1
Held for trading						
Forwards	**83**	**-**	**-**	105	1	-
Interest rate swaps	**7**	**-**	**-**	14	-	1
	90	**-**	**-**	119	1	1
Derivative financial instruments as per the statement of financial position	**95**	**-**	**-**	141	1	2

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include fixed rate loans, fixed rate debt issued and other borrowed funds. The Group uses interest rate swaps to hedge interest rate risk.

The gains/(losses) recognised in net interest income on the hedging instruments are designated as fair value hedges. The hedged items attributable to the hedged risk are analysed below:

	31 December 2020 €m	31 December 2019 €m
Gains on hedging instruments	**-**	6
(Losses) on hedged items attributable to hedged risk	**-**	(6)
Net gains / (losses)	**-**	-

17. Loans and advances to banks

	31 December 2020 €m	31 December 2019 €m
Held at amortised cost		
Placed with central banks	**2,813**	1,038
Placed with other banks	**499**	518
Loans and advances to banks	**3,312**	1,556

Placements with other banks includes restricted cash of €356m (31 December 2019: €403m) of which €355m (31 December 2019: €402m) is held by the Group's securitisation entities and €1m (31 December 2019: €1m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

Loans and advances to banks amounting to €3,312m as at 31 December 2020 (31 December 2019: €1,556m) 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.

18. Loans and advances to customers

Loans and advances by category are set out below:

	31 December 2020 €m	31 December 2019 €m
Residential mortgages		
- Held through special purpose entities	**5,724**	7,627
- Held directly	**8,623**	8,231
	14,347	15,858
Commercial mortgage loans	**181**	165
Consumer finance (term loans/other)	**327**	366
Gross loans and advances to customers	**14,855**	16,389
Less: provision for impairment (note 19)	**(728)**	(818)
Deferred fees, discounts and fair value adjustments	**86**	73
Net loans and advances to customers	**14,213**	15,644

Note 41 provides detail of deleveraging of loans and advances to customers.

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 2020 €m	31 December 2019 €m	31 December 2020 €m	31 December 2019 €m
Tracker rate	**6,986**	8,941	**6,474**	8,291
Variable rate	**3,314**	4,019	**3,140**	3,876
Fixed rate	**4,555**	3,429	**4,513**	3,404
	14,855	16,389	**14,127**	15,571
Deferred fees, discounts and fair value adjustments	**86**	73	**86**	73
Total	**14,941**	16,462	**14,213**	15,644

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.

18. Loans and advances to customers (continued)

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 2020 €bn	31 December 2019 €bn
Residential mortgages held through special purpose entities	**5.7**	7.7
Notes issued by special purpose entities		
- rated	**2.9**	4.9
- unrated	**2.8**	2.8

The notes issued by these special purpose entities comprise the following:

	31 December 2020 €bn	31 December 2019 €bn
Sold to third parties and included within debt securities in issue (non-recourse) on the Statement of financial position (note 26)	**0.5**	0.6
- Other		
- Available collateral*	**2.4**	4.3
- Unrated notes	**2.8**	2.8
	5.7	7.7

*The eligibility of available collateral will depend on the criteria of the counterparty.

	Non-credit impaired		Credit impaired		Total
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	€m
Balance as at 1 January 2020	**10,999**	**4,340**	**1,048**	**2**	**16,389**
New assets originated*	**1,245**	**86**	**1**	**-**	**1,332**
Stage Transfers:					
Transfers from Stage 1 to Stage 2	**(932)**	**932**	**-**	**-**	**-**
Transfers to Stage 3	**(55)**	**(273)**	**328**	**-**	**-**
Transfers from Stage 2 to Stage 1	**485**	**(485)**	**-**	**-**	**-**
Transfers from Stage 3	**2**	**141**	**(143)**	**-**	**-**
Net movement arising from transfer of Stage	**(500)**	**315**	**185**	**-**	**-**
Redemptions and repayments	**(1,116)**	**(237)**	**(64)**	**(1)**	**(1,418)**
Decrease due to write offs	**(1)**	**(9)**	**(43)**	**-**	**(53)**
Disposals	**(52)**	**(1,343)**	**-**	**-**	**(1,395)**
Balance as at 31 December 2020	**10,575**	**3,152**	**1,127**	**1**	**14,855**

*Loan originations are net of repayments in the year.

18. Loans and advances to customers (continued)

	Non-credit impaired		Credit impaired		Total
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	€m
Balance as at 1 January 2019	10,519	4,701	1,692	4	16,916
New assets originated*	1,496	98	-	-	1,594
Stage Transfers:					
Transfers from Stage 1 to Stage 2	(361)	361	-	-	-
Transfers to Stage 3	(25)	(146)	171	-	-
Transfers from Stage 2 to Stage 1	588	(588)	-	-	-
Transfers from Stage 3	1	213	(214)	-	-
Net movement arising from transfer of Stage	203	(160)	(43)	-	-
Redemptions and repayments	(1,216)	(245)	(65)	(2)	(1,528)
Decrease due to write offs	(1)	(8)	(78)	-	(87)
Disposals	(2)	(46)	(458)	-	(506)
Balance as at 31 December 2019	10,999	4,340	1,048	2	16,389

*Loan originations are net of repayments in the year.

19. Impairment provisions

(a) 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 2020 was €1,128m (31 December 2019: €1,050m). Refer to note 33 for further details.

				ECL provisions				
31 December 2020	Loans and advances to customers €m	NPLs €m	NPL % of total loans %	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Total ECL provisions as % of total loans %
Residential:								
-Home loans	**12,338**	**658**	**5.3%**	**40**	**61**	**178**	**279**	**2%**
-Buy-to-let	**2,009**	**418**	**20.8%**	**2**	**183**	**175**	**360**	**18%**
Commercial	**181**	**35**	**19.3%**	**-**	**32**	**21**	**53**	**29%**
Consumer Finance:								
-Term loans/other	**327**	**17**	**5.2%**	**13**	**10**	**13**	**36**	**11%**
Total gross loans	**14,855**	**1,128**	**7.6%**	**55**	**286**	**387**	**728**	**5%**
Impairment provision	**(728)**							
Deferred fees, discounts and fair value adjustments	**86**							
Balance as at 31 December	**14,213**							

19. Impairment provisions (continued)

31 December 2019	Loans and advances to customers €m	NPLs €m	NPL % of total loans %	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m	Total ECL provisions as % of total loans %
Residential:								
-Home loans	12,260	614	5.0%	31	58	146	235	2%
-Buy-to-let	3,598	377	10.5%	8	363	150	521	14%
Commercial	165	41	24.8%	2	12	24	38	23%
Consumer Finance:								
-Term loans/other	366	18	4.9%	3	6	15	24	7%
Total gross loans	16,389	1,050	6.4%	44	439	335	818	5%
Impairment provision	(818)							
Deferred fees, discounts and fair value adjustments	73							
Balance as at 31 December	15,644							

A reconciliation of the provision for impairment losses for loans and advances is as follows:

2020	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
Total by portfolio				
ECL as at 1 January 2020	**756**	**38**	**24**	**818**
Redemptions and repayments	**(12)**	**(11)**	**(1)**	**(24)**
Net remeasurement of loss allowance	**117**	**21**	**12**	**150**
Loan originations	**9**	**9**	**6**	**24**
Net movement excluding derecognition	**114**	**19**	**17**	**150**
Derecognition-disposals	**(209)**	**-**	**-**	**(209)**
Derecognition-repossessions	**(1)**	**-**	**-**	**(1)**
Derecognition-write offs*	**(21)**	**(4)**	**(5)**	**(30)**
Derecognition	**(231)**	**(4)**	**(5)**	**(240)**
ECL as at 31 December 2020	**639**	**53**	**36**	**728**
Net movement excluding derecognition (from above)				**150**
Interest income booked but not recognised				**(8)**
Write offs net of recoveries				**13**
Impairment charge on customer loans and advances for the year ended 31 December 2020				**155**

* See note 1 Corporate information, basis of preparation and significant accounting policies for detail of the Group write-off policy.

19. Impairment provisions (continued)

2019	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
Total by portfolio				
ECL as at 1 January 2019	1,013	42	28	1,083
Redemptions and repayments	(12)	(1)	(3)	(16)
Net remeasurement of loss allowance	19	(1)	3	21
Loan originations	9	5	2	16
Net movement excluding derecognition	16	3	2	21
Derecognition-disposals	(227)	(5)	-	(232)
Derecognition-repossessions	(12)	-	-	(12)
Derecognition-write offs*	(34)	(2)	(6)	(42)
Derecognition	(273)	(7)	(6)	(286)
ECL as at 31 December 2019	756	38	24	818
Net movement excluding derecognition (from above)				21
Interest income booked but not recognised				(14)
Write offs net of recoveries				3
Impairment charge on customer loans and advances				10

* See note 1 Corporate information, basis of preparation and significant accounting policies for detail of the Group write-off policy.

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2020	**44**	**439**	**335**	**818**
Transfer to Stage 1	**22**	**(22)**	**-**	**-**
Transfer to Stage 2	**(9)**	**35**	**(26)**	**-**
Transfer to Stage 3	**-**	**(32)**	**32**	**-**
Stage transfers	**13**	**(19)**	**6**	**-**
Redemptions and repayments	**(4)**	**(7)**	**(14)**	**(25)**
Net remeasurement of loss allowance	**(9)**	**71**	**89**	**151**
Loan originations	**12**	**12**	**-**	**24**
Net movement excluding derecognition	**(1)**	**76**	**75**	**150**
Derecognition-disposals	**(1)**	**(208)**	**-**	**(209)**
Derecognition-repossessions	**-**	**-**	**(1)**	**(1)**
Derecognition-write offs*	**-**	**(2)**	**(28)**	**(30)**
Derecognition	**(1)**	**(210)**	**(29)**	**(240)**
ECL as at 31 December 2020	**55**	**286**	**387**	**728**
Net movement excluding derecognition (from above)				**150**
Interest income booked but not recognised				**(8)**
Write offs net of recoveries				**13**
Impairment charge on customer loans and advances for the year ended 31 December 2020**				**155**

* See note 1 Corporate information, basis of preparation and significant accounting policies for detail of the Group write-off policy.
** Impairment charge excludes exceptional impairment arising from deleveraging of loans.

19. Impairment provisions (continued)

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2019	35	411	637	1,083
Transfer to Stage 1	12	(12)	-	-
Transfer to Stage 2	(3)	47	(44)	-
Transfer to Stage 3	-	(17)	17	-
Stage transfers	9	18	(27)	-
Redemptions and repayments	(2)	(5)	(9)	(16)
Net remeasurement of loss allowance	(6)	8	19	21
Loan originations	8	8	-	16
Net movement excluding derecognition	-	11	10	21
Derecognition-disposals	-	-	(232)	232
Derecognition-repossessions	-	-	(12)	(12)
Derecognition-write offs*	-	(1)	(41)	(42)
Derecognition	-	(1)	(285)	(286)
ECL as at 31 December 2019	44	439	335	818
Net movement excluding derecognition (from above)				21
Interest income booked but not recognised				(14)
Write offs net of recoveries				3
Impairment charge on customer loans and advances				10

* See note 1 Corporate information, basis of preparation and significant accounting policies for detail of the Group write-off policy.

Modified Financial Assets

At 31 December 2020 there have been no significant modified financial assets for which the loss allowance has changed from lifetime to 12-month ECL.

20. Property and equipment

2020	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	**102**	**102**	**77**	**46**	**2**	**329**
Additions	**-**	**5**	**8**	**-**	**-**	**13**
Revaluations	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Depreciation write-back on revaluation	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Disposals/lease exits or cancellations	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December	**98**	**107**	**85**	**46**	**2**	**338**
Accumulated depreciation						
At 1 January	**-**	**(65)**	**(55)**	**(7)**	**(1)**	**(128)**
Provided in the year	**(1)**	**(6)**	**(6)**	**(7)**	**(1)**	**(21)**
Revaluations	**1**	**-**	**-**	**-**	**-**	**1**
At 31 December	**-**	**(71)**	**(61)**	**(14)**	**(2)**	**(148)**
Net book value at 31 December	**98**	**36**	**24**	**32**	**-**	**190**

*For further details on right-of-use assets refer to note 29.

Of the €3m revaluation loss, €1m is recognised in the income statement due to impairment on land and buildings and €2m is included in the revaluation reserve in the statement of comprehensive income.

2019	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	100	96	68	-	-	264
Adoption of IFRS16 as at 1 January	-	-	-	44	1	45
Additions	-	6	9	4	1	20
Revaluations	2	-	-	-	-	2
Disposals/lease exits or cancellations	-	-	-	(2)	-	(2)
At 31 December	102	102	77	46	2	329
Accumulated depreciation						
At 1 January	-	(60)	(50)	-	-	(110)
Provided in the year	(3)	(5)	(5)	(7)	(1)	(21)
Revaluations	3					3
At 31 December	-	(65)	(55)	(7)	(1)	(128)
Net book value at 31 December	102	37	22	39	1	201

Of the €5m revaluation gain, €nil is recognised in the income statement due to impairment write-back on land and buildings and €5m is included in the revaluation reserve in the statement of comprehensive income.

20. Property and equipment (continued)

The net book value of land and buildings includes the following:

	31 December 2020 €m	31 December 2019 €m
Land	**31**	33
Buildings - freehold fair value	**67**	69
Buildings - freehold cost	**23**	24
Buildings – leasehold	**45**	52
	166	178

Land and buildings at 31 December 2020 held at fair value was €98m (31 December 2019: €102m). The historic cost of land and buildings is €107m (31 December 2019: €107m).

Fair value measurement of Group's land and buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation recognised from the date of the latest revaluation. On the date of revaluation any accumulated depreciation is eliminated. The fair value measurements of the Group's freehold land and buildings as at 31 December 2020 and 31 December 2019 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 2020 and 31 October 2019.

The fair value of the freehold land and buildings was determined based on a market comparable approach that reflects recent transaction prices for similar properties using capitalisation yields ranging from 5.25% to 11%.

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 2020 are as follows:

31 December 2020	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Land	**-**	**31**	**-**	**31**
Buildings – freehold	**-**	**67**	**-**	**67**
	-	**98**	**-**	**98**

31 December 2019	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Land	-	33	-	33
Buildings - freehold	-	69	-	69
	-	102	-	102

21. Intangible assets

Software	31 December 2020 €m	31 December 2019 €m
Cost		
At 1 January	**127**	90
Additions	**51**	37
At 31 December	**178**	127
Accumulated amortisation		
At 1 January	**(61)**	(49)
Provided in the year	**(15)**	(12)
At 31 December	**(76)**	(61)
Net book value at 31 December	**102**	66

22. Deferred taxation

	31 December 2020 €m	31 December 2019 €m
Deferred tax liabilities	**(27)**	(22)
Deferred tax assets	**376**	367
Net deferred tax assets	**349**	345

Net deferred tax assets are attributable to the following:

2020	At 1 January €m	Recognised in income statement €m	Recognised in equity €m	Recognised in other comprehensive income €m	At 31 December €m
Property and equipment	**(20)**	**(1)**	**-**	**-**	**(21)**
Unrealised gains/(losses) on assets/liabilities	**(2)**	**-**	**(3)**	**-**	**(5)**
Losses carried forward	**360**	**10**	**-**	**-**	**370**
Other temporary differences	**7**	**(3)**	**-**	**1**	**5**
	345	**6**	**(3)**	**1**	**349**

2019	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	(19)	-	-	(1)	(20)
Unrealised gains/(losses) on assets/liabilities	(3)	-	-	1	(2)
Losses carried forward	366	(6)	-	-	360
Other temporary differences	11	(5)	1	-	7
	355	(11)	1	-	345

22. 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 2020 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 2020 amounted to €20m (31 December 2019: €20m) which relates to the Group's subsidiaries. Included in the overall deferred tax asset is a deferred tax asset of €95k in relation to PTSBGH (31 December 2019: €71k).

In accordance with IFRS these balances are recognised on an undiscounted basis.

23. Other assets

	31 December 2020 €m	31 December 2019 €m
Loan sale receivable	**-**	251
Other	**5**	8
	5	259

Loan sale receivable at 31 December 2019 relates to the amount due from the purchaser of the Glas II portfolio, which was received in the first half of 2020.

24. Prepayments and accrued income

	31 December 2020 €m	31 December 2019 €m
Visa prepayments	**72**	28
Other prepayments	**14**	21
	86	49

25. Customer accounts

	31 December 2020 €m	31 December 2019 €m
Term deposits	**3,062**	4,701
Demand deposits	**7,132**	5,836
Current accounts	**5,779**	4,667
Notice and other accounts	**2,066**	1,986
Customer accounts	**18,039**	17,190

There are no deposits placed by a Government institution at 31 December 2020 (31 December 2019: €0.1bn).

An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 33 of the consolidated financial statements.

26. Debt securities in issue

	31 December 2020 €m	31 December 2019 €m
At amortised cost		
Bonds and medium-term notes	**351**	308
Non-recourse funding	**458**	615
	809	923
Maturity analysis		
Repayable in less than 1 year	**2**	9
Repayable in greater than 1 year but less than 5 years	**349**	299
Repayable in greater than 5 years	**458**	615
	809	923

Bonds & Medium Term Notes (MTNs)
In February 2020 PTSBGH issued an additional €0.05bn of Senior Unsecured 2.125% Notes maturing on 26 September 2024 as part of the MREL securities programme. Interest is payable on the nominal amount annually in arrears on the coupon date.

In October 2020, a €7m MTN matured.

Non-Recourse funding
As at 31 December 2020 the Group had advances of €0.5bn (31 December 2019: €0.6bn) collateralised on residential property loans of €0.4bn (31 December 2019: €0.6bn) subject to non-recourse funding by way of residential mortgage securitisations. Residential mortgage securitisations involve transferring the interest in pools of mortgages to special purpose entities which issue mortgage-backed floating rate notes to fund the purchase of the interest in mortgage pools. These loans, which have not been de-recognised, are shown within loans and advances to customers while the non-recourse funding is shown as a separate liability.

Non-recourse funding reduced by €0.1bn between 31 December 2019 and 31 December 2020 to €0.5bn, primarily due to pay down of non-recourse funding during the year. The Group did not have any defaults of principal or interest or other breaches with respect to non-recourse funding during 2020.

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.

27. Other liabilities

	31 December 2020 €m	31 December 2019 €m
Amounts falling due within one year		
PAYE and social insurance	**4**	4
Other taxation including deposit interest retention tax (DIRT)	**1**	2
Other	**68**	70
Lease liability (See note 29 for further information on lease liabilities)	**7**	8
Total amounts falling due within one year	**80**	84
Amounts falling due greater than one year		
Lease liability (See note 29 for further information on lease liabilities)	**27**	34
Total amounts falling due greater than one year	**27**	34
Total other liabilities	**107**	118

Other include accruals for sundry creditors of €48m at 31 December 2020 (€63m: 31 December 2019) and miscellaneous liabilities.

28. Provisions

	2020				2019			
	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	**2**	**25**	**14**	**41**	5	55	14	74
Provisions made during the year	**28**	**21**	**11**	**60**	13	6	3	22
Write-back of provisions during the year	**(1)**	**(2)**	**(5)**	**(8)**	(2)	-	(1)	(3)
Provisions used during the year	**(1)**	**(15)**	**-**	**(16)**	(14)	(36)	(2)	(52)
As at 31 December	**28**	**29**	**20**	**77**	2	25	14	41

The provision at 31 December 2020 is €77m (31 December 2019: €41m) which is comprised of the following:

Restructuring costs
During 2020, the Group announced an Enterprise Transformation programme. A detailed restructuring plan was developed and announced to all staff in November 2020.

Following this announcement, various structural actions, including detailed discussions at a business unit level with the impacted staff, were taken in advance of 31 December as part of the Group's implementation of the restructuring plan.

As a result of the above announcement and actions, a constructive obligation was created in advance of 31 December 2020. At 31 December 2020, a provision for restructuring of €27m was recognised based on the estimate of the costs of this programme.

This programme is expected to conclude during 2021.

During 2018 the Group announced a voluntary severance scheme. As at 31 December 2020, provisions of €0.5m were utilised as part of Phase 1 and Phase 2 (31 December 2019: €12m). The remaining provision of €0.3m is based on an estimate of the remaining costs to bring Phase 1 and Phase 2 to a conclusion.

The Group remains a lessee on a number of non-cancellable leases over properties that it no longer occupies following a restructure in 2013. During 2019, provisions of €2m were written back in line with IFRS 16. The remaining provision of €0.7m relates to dilapidation costs associated with the remaining properties.

Provision for legacy, legal and compliance liabilities
As at 31 December 2020, the Group has provisions of €29m relating to legal, compliance and other costs of on-going disputes in relation to legacy business issues (31 December 2019: €25m).

28. Provisions (continued)

A provision of €14m was made during 2020 relating to a change in the treatment of third party legal costs charged to customers in mortgage arrears. Additional provisions of €7m were made during 2020 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 2020, the provision of €20m (31 December 2019: €14m) primarily relates to indemnities and guarantees provided by the Group, together with further costs, relating to deleveraging of various asset portfolios.

29. Leases

Right-of-use assets	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2020	**39**	**1**	**40**
Additions	**-**	**-**	**-**
Lease exits or cancellations	**-**	**-**	**-**
Depreciation of right-of-use assets	**(7)**	**(1)**	**(8)**
Balance as at 31 December 2020	**32**	**-**	**32**

	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2019	44	1	45
Additions	4	1	5
Lease exits or cancellations	(2)	-	(2)
Depreciation of right-of-use assets	(7)	(1)	(8)
Balance as at 31 December 2019	39	1	40

Lease liabilities	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2020	**41**	**1**	**42**
Additions	**-**	**-**	**-**
Lease exits or cancellations	**-**	**-**	**-**
Repayment of lease liabilities	**(7)**	**(1)**	**(8)**
Balance as at 31 December 2020	**34**	**-**	**34**

	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2019	45	1	46
Additions	4	1	5
Lease exits or cancellations	(2)	-	(2)
Repayment of lease liabilities	(6)	(1)	(7)
Balance as at 31 December 2019	41	1	42

29. Leases (continued)

Lease liabilities	31 December 2020 €m	31 December 2019 €m
Maturity analysis - contractual undiscounted cash flows*		
Less than one year	**7**	8
One to five years	**18**	19
More than five years	**11**	17
Total undiscounted lease liabilities	**36**	44
Lease liabilities included in the statement of financial position	**34**	42
Current lease liability	**7**	8
Non-current lease liability	**27**	34

*The maturity analysis of undiscounted lease liabilities are disclosed in note 33.

Amounts recognised in income statement*

	31 December 2020 €m	31 December 2019 €m
Interest on lease liabilities	**(1)**	(1)
Expenses relating to short-term leases	**-**	-
Depreciation of right-of-use assets	**(8)**	(8)
Total charge in profit or loss	**(9)**	(9)

*Interest expense on the lease liabilities amounted to €0.5m (31 December 2019: €0.5m) whereas expenses relating to short-term leases amounted to €0.3m (31 December 2019: €0.4m).

Amounts recognised in statement of cash flow

	31 December 2020 €m	31 December 2019 €m
Cash outflow for leases	(8)	(8)
Total	(8)	(8)

As a lessee

i. Real estate

The Group leases retail properties for its branch operations. The lease term of retail properties typically run for a period of 10-35 years. The Group does not have variable lease payments and its leases do not contain extension options.

ii. Vehicles

The Group leases vehicles with lease terms of three to five years. The Group has no option to purchase the assets at the end of the contract term and it does not guarantee the residual value of the leased assets at the end of the contract term.

iii. Sub-leases

Two of the properties that the Group lease are vacant and surplus to its requirements. These two units are with agents for disposal by way of assignment or sub-let. These sub-leases have been classified as finance leases because the sub-lease is for the whole of the remaining term of the head lease and treated separately from their head lease.

30. 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.

Authorised share capital

31 December 2020	Number of shares	31 December 2020 €m
Ordinary shares of €0.50 each	**1,550,000,000**	**775**

31 December 2019	Number of shares	31 December 2019 €m
Ordinary shares of €0.50 each	1,550,000,000	775

Issued share capital

The movement in the number of paid up ordinary and deferred shares is as follows:

Balances as at 31 December 2020	€ 0.50 Ordinary shares	Total
As at 1 January 2020	**454,695,492**	
Movement	**-**	
As at 31 December 2020	**454,695,492**	
Issued share capital (€m)	**227**	**227**
Shares held under employee benefit trust	**4,580**	
% of Authorised capital issued		**29%**

Balances as at 31 December 2019	€ 0.50 Ordinary shares	Total
As at 1 January 2019	454,695,492	
Movement	-	
As at 31 December 2019	454,695,492	
Issued share capital (€m)	227	227
Shares held under employee benefit trust	4,580	
% of Authorised capital issued		29%

Share Premium

The share premium reserve represents the excess of amounts received for share issues over the par value of those shares of the Company.

Other Reserves

Revaluation reserve (Non-distributable)

The revaluation reserve is a non-distributable reserve comprising unrealised gains or losses, net of tax, on the revaluation of owner occupied properties.

Fair value reserve (Non-distributable)

The fair value reserve comprises unrealised gains or losses, net of tax and hedge accounting, on debt and equity instruments measured at FVOCI, less the ECL allowance recognised in the income statement.

Other capital reserves (Non-distributable)

Other capital reserves include €7m capital redemption reserve arising from the repurchase and cancellation of shares. It also includes the cancellation of the share capital and share premium of PTSB on the incorporation of the Company of €224m and issue of share capital by the Company of €1,087m.

30. Share capital, reserves and other equity instruments (continued)

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.

Furthermore €11m (2019: €11m) coupon interest on the AT1 securities was paid from this reserve during 2020.

Other equity instruments - Non-distributable

	31 December 2020 €m	31 December 2019 €m
At 1 January	**122**	122
Issued in the year:		
Additional Tier 1 Securities – net of the transaction costs	**123**	-
Redemption	**-**	-
At 31 December	**245**	122

On 25 November 2020, the permanent tsb Group holding plc ('Company') issued €125m AT1 securities as part of capital raise. The first reset date for the fixed rate is 25 May 2026.

The principal terms of the AT1 securities issued on 25 November 2020 are described below:

The AT1 securities are perpetual and redeemable financial instruments with a semi-annual coupon of 7.8725%. The Company may elect at its full discretion at any time to cancel permanently (in whole or in part) the interest amount otherwise scheduled to be paid on an interest payment date.

The Company may use such cancelled payments without restriction, including to make distributions or any other payments to the holders of its shares or any other securities issued by the Company. Any cancellation of interest payments will be permanent and on a non-cumulative basis and such cancellation will not give rise to or impose any restriction on the Company.

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 Common Equity Tier 1 Capital Ratio of PTSB or the Group at any time falls below 7%.

On 6 May 2015, PTSB issued €125,000,000 fixed rate resettable AT1 securities as part of the Capital Raise. The first reset date for the fixed rate is 1 April 2021.

The AT1 securities are perpetual and redeemable financial instruments with an annual coupon of 8.625%. PTSB 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. PTSB 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 PTSB.

On the occurrence of a Trigger Event, the AT1 securities will convert into ordinary shares in the Company at a conversion price of €3 per share subject to certain anti-dilution adjustments. This will occur if the CET 1 Capital Ratio of PTSB or the Company at any time falls below 7%. This conversion feature provides the necessary loss absorption for regulatory capital purposes under the CRR. AT1 securities are included in the regulatory capital base of the Group on a fully loaded basis.
Although the AT1 securities are perpetual, PTSB may, in its sole discretion, redeem the AT1 securities in full on the first reset date, being 1 April 2021 and on every interest payment date thereafter (subject to the approval of the Supervisory Authority).

€11m coupon interest on the AT1 Securities was paid in April 2020 (April 2019: €11m) and was classified as a distribution payment. This is paid out of distributable retained earnings on an annual basis.

31. 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 2020	Revaluation reserve €m	Fair value reserve €m	Total €m
Other comprehensive income/(expense) (net of tax)			
Revaluation of property	**(2)**	**-**	**(2)**
Fair value reserve (equity instruments):			
Change in fair value of equity instruments	**-**	**6**	**6**
Fair value reserve (debt instruments):			
Change in fair value of debt instruments	**-**	**(3)**	**(3)**
Amortisation of discontinued hedges	**-**	**3**	**3**
Total other comprehensive income/(expense), net of tax	**(2)**	**6**	**4**

31 December 2019	Revaluation reserve €m	Fair value reserve €m	Total €m
Other comprehensive income/(expense) (net of tax)			
Revaluation of property	4	-	4
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	-	(15)	(15)
Amortisation of discontinued hedges	-	7	7
Total other comprehensive expense, net of tax	4	(6)	(2)

32. Measurement basis and fair values of financial instruments

(a) Measurement basis and fair value of financial instruments

31 December 2020	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair value €m
Financial assets							
Cash at bank	13	**71**	**-**	**-**	**-**	**71**	**71**
Items in course of collection	13	**20**	**-**	**-**	**-**	**20**	**20**
Debt securities	14	**2,583**	**-**	**-**	**-**	**2,583**	**2,662**
Equity securities	15	**-**	**24**	**-**	**-**	**24**	**24**
Derivative assets	16	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to banks	17	**3,312**	**-**	**-**	**-**	**3,312**	**3,312**
Loans and advances to customers	18	**14,213**	**-**	**-**	**-**	**14,213**	**13,558**
Financial liabilities							
Customer accounts	25	**18,039**	**-**	**-**	**-**	**18,039**	**18,044**
Debt securities in issue	26	**809**	**-**	**-**	**-**	**809**	**808**
Derivative liabilities	16	**-**	**-**	**-**	**-**	**-**	**-**

31 December 2019	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair value €m
Financial assets							
Cash at bank	13	63	-	-	-	63	63
Items in course of collection	13	15	-	-	-	15	15
Debt securities	14	1,796	209	-	-	2,005	2,030
Equity securities	15	-	15	-	-	15	15
Derivative assets	16	-	-	1	-	1	1
Loans and advances to banks	17	1,556	-	-	-	1,556	1,556
Loans and advances to customers	18	15,643	-	-	1	15,644	14,472
Financial liabilities							
Customer accounts	25	17,190	-	-		17,190	17,201
Debt securities in issue	26	923	-	-	-	923	926
Derivative liabilities	16	-	-	1	1	2	2

32. Measurement basis and fair values of financial instruments (continued)

The following table sets out the fair value of financial instruments that the Group holds at 31 December 2020. 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 non-observable inputs.

Basis and fair values of financial instruments

31 December 2020	Note	Total carrying Value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Cash at bank	13	**71**	**71**	**-**	**-**	**71**
Items in course of collection	13	**20**	**-**	**20**	**-**	**20**
Debt securities	14	**2,583**	**2,621**	**-**	**41**	**2,662**
Equity securities	15	**24**	**16**	**-**	**8**	**24**
Derivative assets	16	**-**	**-**	**-**	**-**	**-**
Loans and advances to banks	17	**3,312**	**-**	**3,312**	**-**	**3,312**
Loans and advances to customers	18	**14,213**	**-**	**-**	**13,558**	**13,558**
Financial liabilities						
Customer accounts	25	**18,039**	**-**	**18,044**	**-**	**18,044**
Debt securities in issue	26	**809**	**350**	**458**	**-**	**808**
Derivative liabilities	16	**-**	**-**	**-**	**-**	**-**

31 December 2019	Note	Total carrying Value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Cash at bank	13	63	63	-	-	63
Items in course of collection	13	15	-	15	-	15
Debt securities	14	2,005	1,989	-	41	2,030
Equity securities	15	15	-	-	15	15
Derivative assets	16	1	-	1	-	1
Loans and advances to banks	17	1,556	-	1,556	-	1,556
Loans and advances to customers	18	15,644	-	-	14,472	14,472
Financial liabilities						
Customer accounts	25	17,190	-	17,201	-	17,201
Debt securities in issue	26	923	303	623	-	926
Derivative liabilities	16	2	-	2	-	2

32. 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 which contains details on the critical accounting estimates and judgements made by management in relation to the fair value measurement of financial instruments. The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices in an active market. Where market prices are not available, fair values are determined using valuation techniques. These techniques are subjective in nature and may involve assumptions which are based upon management's view of market conditions at year end, which may not necessarily be indicative of any subsequent fair value. Any 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 assets and liabilities and equity securities, all other financial assets and liabilities are not measured at fair value at the reporting date. A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

Cash at bank

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature in an active market.

Items in course of collection

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature.

Loans and advances to banks

For the purposes of fair value valuation, Loans and advances to banks have been treated as cash and cash equivalents. These loans and advances are repayable on demand and short-term in nature; hence, the fair value of each financial instrument is equal to their carrying value.

Loans and advances to customers

Loans and advances to customers are carried net of impairments. The Group uses a discounted cash flow valuation model to estimate the fair value for the ROI residential and commercial mortgages. Cash flows are discounted using the current weighted average interest rate based on the specific portfolio. The fair value calculation also takes into account loan impairment provisions at the balance sheet date. The carrying value of the consumer finance portfolio is considered equal to its fair value due to its short duration.

Debt securities (HTC securities)

Debt securities as at 31 December 2020 are €2,583m (31 December 2019: €1,796m) of which wholly consists of HTC securities. HTC securities are derived from observable inputs through independent pricing sources such as Bloomberg, apart from one corporate bond €39m (31 December 2019: €42m) which is derived using unobservable inputs. A weighted average method is used to apply these prices to the Group's retained holding in the securitisation.

Deposits by banks/customer accounts

The estimated fair value of deposit liabilities and current accounts with no stated maturity which are repayable on demand (including non-interest bearing deposits), approximates to their book value. The estimated fair value of fixed-interest bearing deposits and other borrowings is based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

Debt securities in issue/subordinated liabilities

The fair values of debt securities in issue/subordinated liabilities are estimated using market prices of instruments that are substantially the same as those issued by the Group. Where a readily available market price is unavailable in relation to the instrument, an estimated price is calculated using observable inputs for similar instruments. If observable inputs are not available, an appropriate credit spread linked to similar instruments, is used within the valuation technique.

32. 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 assets and liabilities are held for trading and fair valued through the income statement.

Debt securities (HTC&S Securities)

The HTC&S securities which the Group held as at 31 December 2019 matured during 2020.

Derivative assets and liabilities

The fair values of derivatives are determined using valuation techniques such as discounted cash flow and pricing models which are commonly used by market participants. These valuations are provided by third party brokers and the models used incorporate observable 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 2020. The Series A preferred stock was acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc.

The fair values of the preferred stock in Visa Inc. 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.

Fair value measurements recognised in the Statement of financial position

31 December 2020		Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Debt securities - HTC&S	14	**-**	**-**	**-**	**-**
Equity instruments	15	**16**	**-**	**8**	**24**
Derivative assets	16	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value					
Derivative liabilities	16	**-**	**-**	**-**	**-**

31 December 2019		Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Debt securities - HTC&S	14	209	-	-	209
Equity instruments	15	-	-	15	15
Derivative assets	16	-	1	-	1
Financial liabilities measured at fair value					
Derivative liabilities	16	-	2	-	2

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during 2020 and 2019.

32. Measurement basis and fair values of financial instruments (continued)

Reconciliation of level 3 fair value measurements of financial assets

	2020 €m	2019 €m
Equity Instruments		
As at 1 January	**15**	13
Revaluation movement	**9**	2
As at 1 January	**24**	15

There has been no transfers in/out of Level 3 per the fair value hierarchy in the financial year-ended 31 December 2020.

Equity securities

PTSB Group holds Series A and Series B preferred stock in Visa Inc. at 31 December 2020. The Series A preferred stock was acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc.

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 2020	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Fair value €m	Ranges of estimates changes in the fair value
Visa Inc. Series B Preferred Stock	**Quoted market price (Discounted)***	**Final share conversion rate**	**0 - 90%**	**8**	**0 - 90%**

* Discount has been applied for illiquidity and the conversion rate variability of the Visa Inc. Series A and B Preferred stock.

31 December 2019	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%	15	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 €16m and €8m respectively at 31 December 2020 (31 December 2019: €15m) 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 2020. Future conversions are calculated using discounted cash flows. 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.

33. 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.

	Note	31 December 2020 €m	31 December 2019 €m
Cash and balances with central banks	13	**71**	63
Items in course of collection	13	**20**	15
Debt securities (i)	14	**2,583**	2,005
Derivative assets	16	**-**	1
Loans and advances to banks (ii)	17	**3,312**	1,556
Loans and advances to customers (iii)	18	**14,213**	15,644
Other assets (Loan sale receivable)	23	**-**	251
		20,199	19,535
Commitments and contingencies	38	**1,069**	873
		21,268	20,408

The following tables outline the Group's exposure to credit risk by asset class

(i) Debt securities

The Group is exposed to the credit risk on third parties where the Group holds debt securities (primarily sovereign debt). These exposures are subject to the limitations contained within Board approved policies, with sovereign debt restricted to those countries that have an External Credit Assessment Institution (ECAI) rating of investment grade.

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on the Group's internal rating policy which was approved by the CBI. The inputs to the ratings are prescribed by Moody's Investor Services Limited.

(i) Debt securities

	31 December 2020 €m	31 December 2019 €m
Rating		
Aaa	**67**	-
A2	**1,488**	1,436
Baa1	**515**	284
Baa3	**474**	243
Unrated	**39**	42
Total	**2,583**	2,005

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

	31 December 2020 €m	31 December 2019 €m
Country		
Ireland	**1,594**	1,478
Portugal	**474**	243
Spain	**515**	284
Total	**2,583**	2,005

33. Financial risk management (continued)

(ii) 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 Group's internal rating policy which was approved by the CBI. The inputs to the ratings are prescribed by Moody's Investor Services Limited and Standard & Poors.

	31 December 2020 €m	31 December 2019 €m
Rating		
Aaa	**2,813**	1,038
Aa2	**209**	240
Aa3	**254**	234
A1	**32**	33
A2	**3**	9
Baa2	**1**	2
Total	**3,312**	1,556

*The presentation of the loans and advances to banks ratings has been updated to include an enhanced disclosure of the Moody's rating attributable to each banking counterparty with no material impact as at 31 December 2019

The following sections detail additional disclosures on Asset Quality.

(iii) 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 2020 €m	31 December 2019 €m
Residential mortgages:		
Home loan	**12,338**	12,260
Buy-to-let	**2,009**	3,598
Total residential mortgages	**14,347**	15,858
Commercial	**181**	165
Consumer finance	**327**	366
Total measured at amortised cost	**14,855**	16,389
Analysed by ECL staging:		
Stage 1	**10,575**	10,999
Stage 2	**3,152**	4,340
Stage 3	**1,127**	1,048
POCI	**1**	2
Total measured at amortised cost	**14,855**	16,389
Of which at the reporting date		
Neither past due nor Stage 3	**13,692**	15,295
Past due but not Stage 3	**35**	44
Stage 3	**1,128**	1,050
Total measured at amortised cost	**14,855**	16,389
Of which are reported as non-performing loans	**1,128**	1,050
Deferred fees, discounts and other adjustments	**86**	73

33. Financial risk management (continued)

31 December 2020	Home Loans €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Consumer €m	Total €m
Stage 1						
Excellent	**6,596**	**101**	**6,697**	**4**	**172**	**6,873**
Satisfactory	**3,548**	**46**	**3,594**	**-**	**70**	**3,664**
Fair risk	**13**	**-**	**13**	**-**	**7**	**20**
Standardised	**-**	**-**	**-**	**-**	**18**	**18**
	10,157	**147**	**10,304**	**4**	**267**	**10,575**
Stage 2						
Excellent	**260**	**407**	**667**	**3**	**1**	**671**
Satisfactory	**421**	**674**	**1,095**	**58**	**9**	**1,162**
Fair risk	**842**	**363**	**1,205**	**81**	**28**	**1,314**
Standardised	**-**	**-**	**-**	**-**	**5**	**5**
	1,523	**1,444**	**2,967**	**142**	**43**	**3,152**
Stage 3						
Defaulted	**658**	**418**	**1,076**	**35**	**17**	**1,128**
Total measured at amortised cost	**12,338**	**2,009**	**14,347**	**181**	**327**	**14,855**

* The information in the shaded box has not been subject to audit by the Group's independent auditor.

31 December 2019	Home Loans €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Consumer €m	Total €m
Stage 1						
Excellent	6,515	471	6,986	4	199	7,189
Satisfactory	3,378	266	3,644	23	82	3,749
Fair risk	26	1	27	14	20	61
Standardised	-	-	-	-	-	-
	9,919	738	10,657	41	301	10,999
Stage 2						
Excellent	333	689	1,022	1	1	1,024
Satisfactory	469	1,186	1,655	29	12	1,696
Fair risk	925	608	1,533	53	34	1,620
Standardised	-	-	-	-	-	-
	1,727	2,483	4,210	83	47	4,340
Stage 3						
Defaulted	614	377	991	41	18	1,050
Total measured at amortised cost	12,260	3,598	15,858	165	366	16,389

* The information in the shaded box has not been subject to audit by the Group's independent auditor.

33. Financial risk management (continued)

The following table provides an aged analysis of secured customer loans and advances which are past due but not Stage 3.

31 December 2020	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**15**	**2**	**-**	**17**
31-60 days	**3**	**1**	**-**	**4**
61-90 days	**2**	**-**	**-**	**2**
Total past due not Stage 3	**20**	**3**	**-**	**23**
Fair value of collateral held	**20**	**3**	**-**	**23**

Fair value of collateral held

31 December 2020	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**15**	**2**	**-**	**17**
31-60 days	**3**	**1**	**-**	**4**
61-90 days	**2**	**-**	**-**	**2**
Total past due not Stage 3	**20**	**3**	**-**	**23**

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.

31 December 2019	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	11	6	-	17
31-60 days	6	2	-	8
61-90 days	5	1	-	6
Total past due not Stage 3	22	9	-	31
Fair value of collateral held	21	8	-	29

Fair value of collateral held

31 December 2019	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	11	5	-	16
31-60 days	6	2	-	8
61-90 days	4	1	-	5
Total past due not Stage 3	21	8	-	29

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.

Non-performing assets are defined as NPLs plus foreclosed assets.

33. Financial risk management (continued)

31 December 2020	Stage 3 Home loans €m	Buy-to-let €m	Commercial €m	Consumer finance €m	Total €m
NPL is < 90 days	**464**	**319**	**28**	**1**	**812**
NPL is > 90 days and < 1 year past due	**42**	**32**	**1**	**9**	**84**
NPL is 1-2 years past due	**42**	**14**	**-**	**1**	**57**
NPL is 2-5 years past due	**21**	**4**	**2**	**1**	**28**
NPL is > 5 years past due	**89**	**49**	**4**	**4**	**146**
POCI	**-**	**-**	**-**	**1**	**1**
Non-performing loans	**658**	**418**	**35**	**17**	**1,128**
Foreclosed assets*	**25**	**5**	**-**	**-**	**30**
Non-performing assets	**683**	**423**	**35**	**17**	**1,158**
NPLs as % of gross loans	**5.3%**	**20.8%**	**19.3%**	**5.2%**	**7.6%**

*Foreclosed assets are held on the balance sheet which, are obtained by taking possession of collateral or by calling on similar credit enhancements.

31 December 2019	Stage 3 Home loans €m	Buy-to-let €m	Commercial €m	Consumer finance €m	Total €m
NPL is < 90 days	420	294	29	1	744
NPL is > 90 days and < 1 year past due	46	12	-	7	65
NPL is 1-2 years past due	20	4	-	1	25
NPL is 2-5 years past due	19	8	4	2	33
NPL is > 5 years past due	109	59	8	5	181
POCI	-	-	-	2	2
Non-performing loans	614	377	41	18	1,050
Foreclosed assets*	13	45	-	-	58
Non-performing assets	627	422	41	18	1,108
NPLs as % of gross loans	5.0%	10.5%	24.8%	4.9%	6.4%

* Foreclosed assets are held on the balance sheet which are obtained by taking possession of collateral or by calling on similar credit enhancements.

Non-performing loans as a percentage of total loans and advances were 7.6% at 31 December 2020, an increase from 6.4% at 31 December 2019.

Total portfolio Loss allowance: statement of financial position
The tables below outline the ECL loss allowance total at 31 December 2020 in respect of total customer loans and advances.

The impairment charge in respect of the total loans and advances for year ended 31 December 2020 was €155m, compared to an impairment charge of €10m for the year ended 31 December 2019.

	31 December 2020 €m	31 December 2019 €m
Loss allowance - statement of financial position		
Stage 1	**55**	44
Stage 2	**286**	439
Stage 3	**387**	335
Total loss allowance	**728**	818

	31 December 2020 %	31 December 2019 %
Provision coverage ratio*		
Stage 1	**0.5%**	0.4%
Stage 2	**9.1%**	10.1%
Stage 3	**34.3%**	31.9%
Total provisions/total loans	**4.9%**	5.0%

*Provision coverage ratio is calculated as loss allowance/impairment provision as a percentage of gross loan balance.

33. Financial risk management (continued)

Origination profile

Loan origination profile of the residential mortgage loan portfolio before provision for impairment:

The table below illustrates that €3bn or 18% of the residential mortgage portfolio originated before 2006. Between 2006 and 2008 origination was €6bn or 44% of the residential mortgages. The residual of 38% of the residential mortgages were originated between 2009 and 2020.

31 December 2020	Residential mortgages portfolio Number	Residential mortgages portfolio Balance €m	Stage 3 residential mortgages portfolio Number	Stage 3 residential mortgages portfolio Balance €m
1998 and before	1,249	18	128	3
1999	844	24	83	4
2000	1,340	48	110	6
2001	2,634	79	208	9
2002	3,855	165	217	14
2003	5,652	331	285	26
2004	8,383	681	406	49
2005	12,101	1,302	726	120
2006	17,346	2,514	1,264	292
2007	14,773	2,363	1,259	350
2008	9,511	1,396	750	153
2009	2,350	221	125	15
2010	955	76	27	3
2011	660	51	10	1
2012	350	24	3	1
2013	791	77	10	1
2014	1,657	181	20	3
2015	1,855	211	45	3
2016	2,021	266	34	5
2017	3,616	588	39	4
2018	5,651	1,128	43	7
2019	6,542	1,397	30	6
2020	5,246	1,206	40	1
Total	**109,382**	**14,347**	**5,862**	**1,076**

33. Financial risk management (continued)

31 December 2019	Residential mortgages portfolio Number	Residential mortgages portfolio Balance €m	Stage 3 residential mortgages portfolio Number	Stage 3 residential mortgages portfolio Balance €m
1997 and before	956	12	99	2
1998	559	13	50	2
1999	942	29	94	4
2000	2,633	62	167	6
2001	2,909	98	193	9
2002	4,207	199	207	14
2003	6,051	384	301	29
2004	8,994	790	408	52
2005	13,566	1,545	680	114
2006	19,468	3,204	1,137	274
2007	17,025	3,194	1,154	304
2008	10,465	1,689	693	142
2009	2,513	246	108	12
2010	1,092	86	31	3
2011	714	59	12	1
2012	378	27	5	1
2013	882	89	6	1
2014	1,840	211	22	3
2015	2,052	245	41	4
2016	2,283	317	25	4
2017	4,090	713	32	3
2018	5,919	1,224	39	5
2019	6,672	1,422	41	2
Total	116,210	15,858	5,545	991

Loan-to-value profile

Loan-to-value (LTV) of mortgage lending (index linked):

The LTV ratio is calculated at a property level and is the average of indexed property values in proportion to the outstanding loan balance. LTV is a key input to the impairment provisioning process. The tables below outline the composition of this ratio for the residential loan portfolio.

Actual and average LTVs across principal mortgage portfolios:

The tables below outline the weighted average LTVs for the total residential mortgage portfolios analysed across home loan and buy-to-let facilities by value. The weighted average LTV on the residential mortgage portfolios is 66% at 31 December 2020 compared to 69% at 31 December 2019.

33. Financial risk management (continued)

The Group's residential mortgage lending LTVs at December 2020 reflect updated valuations obtained on high-exposure NPLs (largely impacting on high-exposure buy-to-let properties).

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	**32%**	**24%**	**31%**
51% to 70%	**26%**	**15%**	**24%**
71% to 90%	**34%**	**15%**	**31%**
91% to 100%	**3%**	**10%**	**5%**
Subtotal	**95%**	**64%**	**91%**
101% to 110%	**2%**	**11%**	**3%**
111% to 120%	**1%**	**8%**	**2%**
121% to 130%	**1%**	**5%**	**1%**
131% to 140%	**-**	**3%**	**1%**
141% to 150%	**-**	**2%**	**-**
151% to 160%	**-**	**2%**	**1%**
161% to 170%	**-**	**1%**	**-**
171% to 180%	**-**	**-**	**-**
Greater than 180%	**1%**	**4%**	**1%**
Subtotal	**5%**	**36%**	**9%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of residential mortgages	**63%**	**89%**	**66%**
New residential mortgages	**75%**	**55%**	**75%**
Stage 3 mortgages	**91%**	**131%**	**106%**

31 December 2019	Home loans %	Buy-to-let %	Total %
Less than 50%	33%	15%	29%
51% to 70%	26%	13%	23%
71% to 90%	31%	20%	28%
91% to 100%	5%	14%	7%
Subtotal	95%	62%	87%
101% to 110%	2%	12%	4%
111% to 120%	1%	9%	3%
121% to 130%	1%	6%	2%
131% to 140%	-	3%	1%
141% to 150%	-	2%	1%
151% to 160%	-	1%	1%
161% to 170%	-	1%	-
171% to 180%	-	1%	-
Greater than 180%	1%	3%	1%
Subtotal	5%	38%	13%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	62%	92%	69%
New residential mortgages	74%	59%	74%
Stage 3 mortgages	93%	128%	106%

33. Financial risk management (continued)

Loan-to-value profile (continued)

Analysis by LTV of the Group's residential mortgage lending which is neither past due nor Stage 3:

The tables below illustrates that 97% of residential home loan mortgages (31 December 2019: 97%) and 71% of residential buy-to-let mortgages (31 December 2019: 65%) that are neither past due nor Stage 3 are in positive equity as at 31 December 2020.

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	**33%**	**29%**	**32%**
51% to 70%	**26%**	**17%**	**25%**
71% to 90%	**35%**	**16%**	**33%**
91% to 100%	**3%**	**9%**	**4%**
Subtotal	**97%**	**71%**	**94%**
101% to 110%	**1%**	**10%**	**2%**
111% to 120%	**1%**	**7%**	**1%**
121% to 130%	**1%**	**4%**	**1%**
131% to 140%	**-**	**2%**	**1%**
141% to 150%	**-**	**1%**	**-**
151% to 160%	**-**	**1%**	**-**
161% to 170%	**-**	**1%**	**-**
171% to 180%	**-**	**1%**	**-**
Greater than 180%	**-**	**2%**	**1%**
Subtotal	**3%**	**29%**	**6%**
Total	**100%**	**100%**	**100%**

31 December 2019	Home loans %	Buy-to-let %	Total %
Less than 50%	34%	16%	30%
51% to 70%	27%	14%	24%
71% to 90%	31%	21%	29%
91% to 100%	5%	14%	7%
Subtotal	97%	65%	90%
101% to 110%	2%	12%	4%
111% to 120%	1%	9%	2%
121% to 130%	-	5%	2%
131% to 140%	-	3%	1%
141% to 150%	-	2%	-
151% to 160%	-	1%	-
161% to 170%	-	1%	-
171% to 180%	-	-	-
Greater than 180%	-	2%	1%
Subtotal	3%	35%	10%
Total	100%	100%	100%

33. Financial risk management (continued)

Loan-to-value profile (continued)

Analysis by LTV of the Group's residential mortgage lending which are classified as Stage 3:

The tables below illustrates that 63% of residential home loan mortgages (31 December 2019: 60%) and 34% of residential buy-to-let mortgages (31 December 2019: 37%) that are classified as Stage 3 are in positive equity as at 31 December 2020.

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	**22%**	**5%**	**15%**
51% to 70%	**16%**	**7%**	**13%**
71% to 90%	**16%**	**13%**	**15%**
91% to 100%	**9%**	**9%**	**9%**
Subtotal	**63%**	**34%**	**52%**
101% to 110%	**9%**	**17%**	**12%**
111% to 120%	**5%**	**11%**	**7%**
121% to 130%	**5%**	**7%**	**6%**
131% to 140%	**4%**	**5%**	**4%**
141% to 150%	**2%**	**5%**	**3%**
151% to 160%	**3%**	**5%**	**4%**
161% to 170%	**1%**	**3%**	**2%**
171% to 180%	**1%**	**1%**	**1%**
Greater than 180%	**7%**	**12%**	**9%**
Subtotal	**37%**	**66%**	**48%**
Total	**100%**	**100%**	**100%**
	€m	€m	€m
Stage 3	658	418	1,076

31 December 2019	Home loans %	Buy-to-let %	Total %
Less than 50%	21%	5%	15%
51% to 70%	15%	6%	12%
71% to 90%	15%	13%	14%
91% to 100%	9%	13%	10%
Subtotal	60%	37%	51%
101% to 110%	9%	13%	10%
111% to 120%	6%	12%	8%
121% to 130%	5%	10%	7%
131% to 140%	4%	5%	5%
141% to 150%	3%	5%	4%
151% to 160%	2%	3%	2%
161% to 170%	3%	3%	3%
171% to 180%	1%	2%	2%
Greater than 180%	7%	10%	8%
Subtotal	40%	63%	49%
Total	100%	100%	100%
	€m	€m	€m
Stage 3	614	377	991

33. Financial risk management (continued)

(iv) Group Portfolios: Collateral in possession

Collateral in possession occurs where the obligor either (i) voluntarily surrenders the property or (ii) the Group takes legal ownership due to non-repayment of the loan facility. The following tables outline the main movements in this category during the year.

Stock of collateral in possession

	31 December 2020		31 December 2019*	
	Number	Balance outstanding at transfer of ownership €m	Number	Balance outstanding at transfer of ownership €m
Residential collateral in possession				
Home loans	**41**	**13**	100	32
Buy-to-let	**207**	**56**	371	105
Commercial	**-**	**-**	4	1
Total	**248**	**69**	475	138

*Collateral in possession assets are sold as soon as practicable. These assets which total €30m as at 31 December 2020 (31 December 2019: €58m) are included in assets held for sale (see note 40 for further details).

During the year the ownership of 45 properties were transferred to the Group.

The details of the transfers are provided in the tables below:

	Number
Home loans	3
Buy-to-let	42
Commercial	-
Total	45

During the year 272 properties were disposed.

The details of the disposals are provided in the tables below:

	Number
Home loans	62
Buy-to-let	206
Commercial	4
Total	272

31 December 2020	Number of disposals	Balance outstanding at transfer of ownership €m	Gross sales proceeds €m	Costs to sell €m	Pre provisioning loss on sale* €m
Collateral in possession					
Home loans	**62**	**18**	**9**	**0**	**9**
Buy-to-let	**206**	**52**	**28**	**1**	**25**
Commercial	**4**	**1**	**-**	**-**	**1**
Year ended 31 December 2020	**272**	**71**	**37**	**1**	**35**

*Calculated as gross sales proceeds less balance outstanding at transfer of ownership less costs to sell. These losses are provided for as part of the impairment provisioning process.

33. Financial risk management (continued)

31 December 2019	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	258	67	34	2	35
Buy-to-let	641	159	88	4	75
Commercial	9	5	3	-	2
Year ended 31 December 2019	908	231	125	6	112

*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.

(v) 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 2020 and 31 December 2019. 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 following tables provide detail of asset quality by IFRS 9 stage.

31 December 2020	Home Loans €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Total €m
Stage 2					
Excellent	**22**	**-**	**22**	**-**	**22**
Satisfactory	**114**	**29**	**143**	**1**	**144**
Fair risk	**152**	**51**	**203**	**5**	**208**
Standardised	**-**	**-**	**-**	**-**	**-**
	288	**80**	**368**	**6**	**374**
Stage 3					
Defaulted	**438**	**151**	**589**	**14**	**603**
Total measured at amortised cost	**726**	**231**	**957**	**20**	**977**

* The information in the shaded box has not been subject to audit by the Group's independent auditor.

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 2019	Home Loans €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Total €m
Stage 2					
Excellent	29	-	29	-	29
Satisfactory	153	8	161	2	163
Fair risk	243	48	291	-	291
Standardised	-	-	-	-	-
	425	56	481	2	483
Stage 3					
Defaulted	401	145	546	17	563
Total measured at amortised cost	826	201	1,027	19	1,046

* The information in the shaded box has not been subject to audit by the Group's independent auditor.

33. Financial risk management (continued)
(v) Forborne loans (continued)
(b) Weighted Average – LTV

LTV on total portfolio in forbearance

The tables below illustrates that 72% of residential home loan mortgages (31 December 2019: 72%) and 47% of residential buy-to-let mortgages (31 December 2019: 49%) that are in forbearance are in positive equity as at 31 December 2020.

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	**22%**	**6%**	**19%**
51% to 70%	**19%**	**9%**	**17%**
71% to 90%	**21%**	**20%**	**21%**
91% to 100%	**10%**	**12%**	**10%**
Subtotal	**72%**	**47%**	**67%**
101% to 110%	**7%**	**16%**	**9%**
111% to 120%	**5%**	**12%**	**7%**
121% to 130%	**3%**	**6%**	**4%**
131% to 140%	**2%**	**3%**	**2%**
141% to 150%	**2%**	**1%**	**2%**
151% to 160%	**2%**	**3%**	**2%**
161% to 170%	**1%**	**2%**	**1%**
171% to 180%	**1%**	**2%**	**1%**
Greater than 180%	**5%**	**8%**	**5%**
Subtotal	**28%**	**53%**	**33%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of residential mortgages	**82%**	**107%**	**88%**
New residential mortgages	**76%**	**-**	**76%**
Stage 3 mortgages	**93%**	**110%**	**97%**

31 December 2019	Home loans %	Buy-to-let %	Total %
Less than 50%	22%	5%	19%
51% to 70%	19%	8%	16%
71% to 90%	20%	18%	20%
91% to 100%	11%	18%	12%
Subtotal	72%	49%	67%
101% to 110%	8%	13%	9%
111% to 120%	4%	12%	6%
121% to 130%	4%	8%	5%
131% to 140%	2%	4%	3%
141% to 150%	2%	3%	2%
151% to 160%	1%	2%	1%
161% to 170%	2%	1%	1%
171% to 180%	1%	-	1%
Greater than 180%	4%	8%	5%
Subtotal	28%	51%	33%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	84%	109%	89%
New residential mortgages	72%	-	72%
Stage 3 mortgages	99%	112%	102%

33. 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 the 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 2020 and 31 December 2019.

(i) Residential home loan mortgages:

The incidence of the main type of forbearance arrangements for residential home loan mortgages are analysed below:

31 December 2020	All loans Number	All loans Balances €m	Stage 3 Number	Stage 3 Balances €m
Interest only	**138**	**30**	**111**	**23**
Reduced payment (less than interest only)	**71**	**12**	**41**	**7**
Reduced payment (greater than interest only)	**2,694**	**391**	**1,369**	**213**
Payment moratorium	**119**	**15**	**61**	**7**
Arrears capitalisation	**668**	**88**	**367**	**48**
Term extension	**557**	**42**	**263**	**20**
Hybrid*	**385**	**65**	**204**	**37**
Split mortgages	**434**	**83**	**434**	**83**
Total	**5,066**	**726**	**2,850**	**438**

* Hybrid is a combination of two or more forbearance arrangements.

31 December 2019	All loans Number	All loans Balances €m	Stage 3 Number	Stage 3 Balances €m
Interest only	119	22	102	19
Reduced payment (less than interest only)	15	2	8	1
Reduced payment (greater than interest only)	3,244	481	1,313	212
Payment moratorium	25	4	15	2
Arrears capitalisation	977	132	356	43
Term extension	749	60	261	20
Hybrid*	208	39	96	16
Split mortgages	451	87	451	88
Total	5,788	827	2,602	401

* Hybrid is a combination of two or more forbearance arrangements.

The tables above reflect a decrease of 722 cases in the year to 31 December 2020 for the Group in the number of residential home loan mortgages in forbearance arrangements, a decrease of €101m in balances. The average balance of forborne loans is €0.143m at 31 December 2020 (31 December 2019: €0.143m).

33. 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 2020	All loans Number	All loans Balances €m	Stage 3 Number	Stage 3 Balances €m
Interest only	**79**	**33**	**44**	**15**
Reduced payment (less than interest only)	**7**	**2**	**6**	**2**
Reduced payment (greater than interest only)	**311**	**94**	**239**	**76**
Payment moratorium	**10**	**2**	**7**	**2**
Arrears capitalisation	**68**	**35**	**24**	**10**
Term extension	**34**	**11**	**15**	**3**
Hybrid*	**69**	**27**	**42**	**16**
Split mortgages	**101**	**27**	**101**	**27**
Total	**679**	**231**	**478**	**151**

* Hybrid is a combination of two or more forbearance arrangements.

31 December 2019	All loans Number	All loans Balances €m	Stage 3 Number	Stage 3 Balances €m
Interest only	64	24	55	22
Reduced payment (less than interest only)	1	-	1	-
Reduced payment (greater than interest only)	259	84	139	43
Payment moratorium	4	1	3	1
Arrears capitalisation	71	35	63	34
Term extension	54	14	13	3
Hybrid*	33	14	28	13
Split mortgages	103	29	103	29
Total	589	201	405	145

* Hybrid is a combination of two or more forbearance arrangements.

The tables above reflect an increase of 90 cases in the year to 31 December 2020 for the Group in the number of residential buy-to-let in forbearance arrangements, an increase of €30m in balances. The average balance of forborne loans is €0.340m at 31 December 2020 (31 December 2019: €0.341m).

Commercial mortgages

The incidence of the main type of forbearance arrangements for commercial mortgages are analysed below:

Commercial mortgages	31 December 2020 Number	31 December 2020 Balances €m	31 December 2019 Number	31 December 2019 Balances €m
Interest only	1	-	1	-
Reduced payment (less than interest only)	-	-	-	-
Reduced payment (greater than interest only)	15	7	14	10
Payment moratorium	-	-	-	-
Arrears capitalisation	2	1	3	1
Term extension	11	5	10	3
Hybrid*	15	7	10	5
Split mortgages	-	-	-	-
Total	44	20	38	19

*Hybrid is a combination of two or more forbearance arrangements.

The table above reflects an increase of 6 cases in the year to 31 December 2020 for the Group in the number of commercial mortgages in forbearance arrangements, an increase of €1m in balances.

33. 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 2020	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 2020	**5,788**	**827**	**589**	**201**	**38**	**19**	**6,415**	**1,047**
New forbearance extended during the year*	**1,323**	**186**	**240**	**79**	**10**	**7**	**1,573**	**272**
Deleveraged loans	**-**	**-**	**(26)**	**(11)**	**-**	**-**	**(26)**	**(11)**
Exited forbearance								
- exited forborne to non-forborne Stage 3	**(42)**	**(6)**	**(4)**	**(1)**	**-**	**-**	**(46)**	**(7)**
- expired forbearance treatment	**(1,679)**	**(228)**	**(80)**	**(23)**	**(1)**	**-**	**(1,760)**	**(251)**
- expired loan paid down	**(324)**	**(34)**	**(40)**	**(9)**	**(3)**	**(5)**	**(367)**	**(48)**
Balance shift**	**-**	**(19)**	**-**	**(5)**	**-**	**(1)**	**-**	**(25)**
Closing balance of loans in forbearance as at 31 December 2020	**5,066**	**726**	**679**	**231**	**44**	**20**	**5,789**	**977**

*Balance movements are stated net of portfolio re-classification.

** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2019	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 2019	9,759	1,416	1,763	699	70	29	11,592	2,144
New forbearance extended during the year*	394	46	23	7	4	1	421	54
Deleveraged loans	(1,405)	(278)	(335)	(117)	(20)	(5)	(1,760)	(400)
Exited forbearance								
- exited forborne to non-forborne Stage 3	(220)	(22)	(122)	(58)	(5)	(1)	(347)	(81)
- expired forbearance treatment	(2,185)	(251)	(602)	(278)	(4)	(3)	(2,791)	(532)
- expired loan paid down	(555)	(57)	(138)	(45)	(7)	(2)	(700)	(104)
Balance shift**	-	(27)	-	(7)	-	-	-	(34)
Closing balance of loans in forbearance as at 31 December 2019	5,788	827	589	201	38	19	6,415	1,047

*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.

33. Financial risk management (continued)

(ii) Reconciliation of movement in forborne loans Stage 3

31 December 2020	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2020	**2,602**	**401**	**405**	**145**	**33**	**17**	**3,040**	**563**
New Stage 3 forbearance extended during the year*	**845**	**119**	**172**	**53**	**6**	**3**	**1,023**	**175**
Deleveraged loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exited forborne Stage 3, now performing forborne	**(335)**	**(38)**	**(66)**	**(34)**	**-**	**-**	**(401)**	**(72)**
Exited forbearance								
- exited forborne Stage 3 to non-forborne Stage 3	**(32)**	**(6)**	**(4)**	**(1)**	**-**	**-**	**(36)**	**(7)**
- expired forbearance treatment	**(56)**	**(8)**	**(5)**	**(1)**	**-**	**-**	**(61)**	**(9)**
- expired loan paid down	**(174)**	**(22)**	**(24)**	**(7)**	**(3)**	**(5)**	**(201)**	**(34)**
Balance shift**	**-**	**(8)**	**-**	**(4)**	**-**	**(1)**	**-**	**(13)**
Closing balance of loans in forbearance as at 31 December 2020	**2,850**	**438**	**478**	**151**	**36**	**14**	**3,364**	**603**

*Balance movements are stated net of portfolio re-classification.

** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2019	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 2019	5,239	862	974	349	64	26	6,277	1,237
New Stage 3 forborne during the year*	363	36	18	6	4	1	385	43
Deleveraged loans	(1,375)	(273)	(315)	(104)	(20)	(6)	(1,710)	(383)
Exited forborne Stage 3, now performing forborne	(1,068)	(157)	(38)	(10)	(3)	(1)	(1,109)	(168)
Exited forbearance	-	-	-	-	-	-	-	-
- exited forborne Stage 3, to non-forborne Stage 3	(173)	(19)	(104)	(45)	(5)	(1)	(282)	(65)
- expired forbearance treatment	(39)	(3)	(16)	(5)	-	-	(55)	(8)
- expired loan paid down	(345)	(38)	(114)	(41)	(7)	(2)	(466)	(81)
Balance shift**	-	(7)	-	(5)	-	-	-	(12)
Closing balance of loans in forbearance as at 31 December 2019	2,602	401	405	145	33	17	3,040	563

*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.

33. Financial risk management (continued)

(vi) 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 2020 can be broken down into the below component parts:

	31 December 2020 %	31 December 2019 %
Customer accounts	**96**	95
Long-term debt	**4**	5
Short-term debt	**-**	-
	100	100

Long-term debt refers to debt with a maturity greater than 12 months from year-end and short-term debt is that which has a maturity of less than 12 months from year-end.

In accordance with IFRS 7, Financial Instruments: Disclosures, the following tables present the maturity analysis of financial liabilities on an undiscounted basis, by remaining contractual maturity at the statement of financial position date. These will not agree directly with the balances on the consolidated statement of financial position due to the inclusion of future interest payments. In this table, derivative liabilities represent the carrying value of derivative instruments that are held for trading and as hedging instruments in respect of financial liabilities.

31 December 2020	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Liabilities							
Customer accounts	**14,149**	**1,565**	**490**	**777**	**555**	**524**	**18,060**
Debt securities in issue	**1**	**1**	**2**	**4**	**8**	**851**	**867**
Derivative liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**2**	**-**	**2**	**3**	**5**	**24**	**36**
Total liabilities	**14,152**	**1,566**	**494**	**784**	**568**	**1,399**	**18,963**

31 December 2019	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							
Customer accounts	12,690	903	801	1,203	755	878	17,230
Debt securities in issue	1	1	2	11	7	982	1,004
Derivative liabilities	-	-	-	-	2	-	2
Lease Liabilities	2	-	2	4	7	29	44
Total liabilities	12,693	904	805	1,218	771	1,889	18,280

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.

33. Financial risk management (continued)

31 December 2020	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Net settled:							
Interest rate swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross settled:							
FX forwards							
- inflow	**83**	**-**	**-**	**-**	**-**	**-**	**83**
- outflow	**(83)**	**-**	**-**	**-**	**-**	**-**	**(83)**
Balance at 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**

31 December 2019	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
Net settled:							
Interest rate swaps	-	(1)	-	-	-	-	(1)
Gross settled:							
FX forwards							
- inflow	104	-	-	-	-	-	104
- outflow	(104)	-	-	-	-	-	(104)
Balance at 31 December 2019	-	(1)	-	-	-	-	(1)

(vii) 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 2020 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 2020	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 1 year €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Total €m
Assets	**12,856**	**295**	**726**	**5,535**	**1,080**	**20,492**
Liabilities	**(11,230)**	**(875)**	**(1,280)**	**(5,550)**	**(1,193)**	**(20,128)**
Derivatives	**(83)**	**-**	**-**	**-**	**-**	**(83)**
Interest rate re-pricing gap	**1,543**	**(580)**	**(554)**	**(15)**	**(113)**	**281**
Cumulative interest rate re-pricing gap	**1,543**	**963**	**409**	**394**	**281**	

33. Financial risk management (continued)

31 December 2019	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 1 year €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Total €m
Assets	13,906	611	545	4,548	235	19,845
Liabilities	(10,256)	(1,020)	(1,633)	(5,410)	(1,151)	(19,470)
Derivatives	(77)	(8)	(3)	(12)	-	(100)
Interest rate re-pricing gap	3,573	(417)	(1,091)	(874)	(916)	275
Cumulative interest rate re-pricing gap	3,573	3,156	2,065	1,191	275	

34. 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 Capital Adequacy Committee (CAC) 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 2020 regulatory CET1 (transitional) minimum requirement was 8.94% (December 2019: 11.45%). 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 2019: 3.45%), Capital Conservation Buffer (CCB) of 2.50% and the Countercyclical Capital Buffer (CCyB) of 0% (December 2019: 1.0%).

The year on year decrease in the Group's minimum CET1 requirement of (-2.51%) is due to the aforementioned reduction of the CCyB from 1% to 0% and the accelerated application of the CRD V amendments which permits a portion (up to 44%) of P2R to be met with non-CET1 (AT1 & Tier2) capital (-1.51%). The regulatory changes ("the CRR quick fix") were introduced in light of the challenges posed to the banking sector by the COVID-19 pandemic.

The Group's Total Capital minimum requirement of 13.95% at 31 December 2020 (31 December 2019: 14.95%) consists of a Pillar 1 CRR requirement of 8%, P2R of 3.45%, CCB of 2.5%. The year on year decrease in the Group's Total Capital minimum requirement (-1%) is driven by the reduction of the CCyB from 1% to 0%.

These requirements exclude Pillar 2 Guidance (P2G) which is not publicly disclosed. The minimum requirement is subject to an annual review by the Regulator. 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 2020 and 31 December 2019 which are calculated in accordance with CRD IV regulatory capital requirements.

During the year the volume of CET1 has reduced primarily due to losses incurred in the year, driven by impairment charges of €155m. Ratios have however improved as a result of a significant BTL loan disposal in the year.

In Q4 2020 the Bank successfully executed an Additional Tier 1 issuance (+€125m incl. €2m transaction costs) which provided a further Total Capital uplift.

34. Capital management (continued)

The following information has not been subject to audit by the Group's independent auditor.

	31 December 2020 €m	31 December 2019 €m
Common Equity Tier 1 capital		
Share capital and share premium	**561**	561
Reserves	**1,145**	1,314
Prudential filters	**(171)**	(110)
Total qualifying CET1 capital	**1,535**	1,765
Additional Tier 1 Capital	**190**	85
Total qualifying Tier 1 capital	**1,725**	1,850
Tier 2 capital		
Subordinated liabilities	**13**	10
Other	**41**	51
Total qualifying Tier 2 capital	**54**	61
Total own funds	**1,779**	1,911
	€m	€m
Risk weighted assets		
Total risk-weighted assets	**8,480**	10,012
- Credit Risk (including CVA)	**7,808**	9,317
- Operational Risk	**672**	695
Capital Ratios		
Common Equity Tier 1 capital ratio (Transitional basis)	**18.1%**	17.6%
Total capital ratio (Transitional basis)	**21.0%**	19.1%

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:

	2020 €m	2019** €m
Balance as at 1 January	**1,911**	1,921
Operating (loss)/profit after tax	**(162)**	30
Other intangible assets deduction	**(6)**	(25)
Deferred tax assets deduction	**(43)**	(27)
IFRS 9 phase-in	**(12)**	24
AT1 Securities*	**108**	(4)
Other movements	**(17)**	(8)
Balance as at 31 December	**1,779**	1,911

*AT1 issuance in November 2020 +€125m (incl. €2m transaction costs).
**Prior year (December 2019) has been amended to provide comparative information.

35. Current/non-current assets and liabilities

The following table provides an analysis of certain asset and liability line items as at 31 December 2020 and 31 December 2019. 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).

	Note	31 December 2020			31 December 2019		
		Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Assets							
Cash and balances at central banks	13	**71**	**-**	**71**	63	-	63
Items in the course of collection	13	**20**	**-**	**20**	15	-	15
Debt securities	14	**27**	**2,556**	**2,583**	449	1,556	2,005
Equity Securities	15	**-**	**24**	**24**	12	3	15
Derivative assets	16	**-**	**-**	**-**	1	-	1
Loans and advances to banks	17	**3,312**	**-**	**3,312**	1,556	-	1,556
Loans and advances to customers	18	**1,678**	**12,535**	**14,213**	1,793	13,851	15,644
Assets classified as held for sale	40	**31**	**-**	**31**	59	-	59
Prepayments and accrued income	24	**86**	**-**	**86**	49	-	49
Other assets	23	**5**	**-**	**5**	258	1	259
Liabilities							
Customer accounts	25	**16,978**	**1,061**	**18,039**	15,587	1,603	17,190
Debt securities in issue	26	**2**	**807**	**809**	9	914	923
Derivative liabilities	16	**-**	**-**	**-**	1	1	2
Accruals		**2**	**-**	**2**	5	-	5
Other liabilities	27	**80**	**27**	**107**	84	34	118
Provisions	28	**51**	**26**	**77**	10	31	41

36. 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:
(i) sale and repurchase of securities; and
(ii) 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
(i) 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 18) and debt securities (note 14) 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 Group had no sale and repurchase agreements as at 31 December 2020 and 31 December 2019

36. Transfer of financial assets (continued)

(ii) 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. The investors in the notes have recourse only to the cash flows from the transferred financial assets.

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 2020		31 December 2019	
		Securitisations		Securitisations
	€m	€m	€m	€m
Carrying amount of assets	**-**	**434**	-	571
Carrying amount of associated liabilities	**-**	**458**	-	615
Liabilities that have recourse only to the transferred financial assets				
Fair value of assets	**-**	**406**	-	539
Fair value of associated liabilities	**-**	**457**	-	616
Net position	**-**	**(51)**	-	(77)

(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.

37. 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.

The tables below provide the impact of master netting agreements on all derivative financial instruments that are subject to master netting agreements or similar agreements, but do not qualify for netting on the balance sheet. It highlights 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 International Swaps and Derivatives Association (ISDA) master agreements.

37. 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		
	Gross financial assets/ (liabilities) recognised	Gross financial (liabilities)/ assets offset	Net amounts reported on the statement of financial position	Financial instruments collateral	Amounts subject to master netting agreements	Net amount
31 December 2020	€m	€m	€m	€m	€m	€m
Assets						
Derivative assets	-	-	-	-	-	-
Total	-	-	-	-	-	-
Liabilities						
Derivative liabilities	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Total	-	-	-	-	-	-

	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross financial assets/ (liabilities) recognised	Gross financial (liabilities)/ assets offset	Net amounts reported on the statement of financial position	Financial instruments collateral	Amounts subject to master netting agreements	Net amount
31 December 2019	€m	€m	€m	€m	€m	€m
Assets						
Derivative assets	1	-	1	-	-	1
Total	1	-	1	-	-	1
Liabilities						
Derivative liabilities	(2)	-	(2)	-	1	(1)
Repurchase agreements	-	-	-	-	-	-
Total	(2)	-	(2)	-	1	(1)

38. Commitments and contingencies

The table below gives the contractual amounts of credit commitments. The maximum exposure to credit loss under commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless. The transfer of economic resources is uncertain and cannot be reasonably measured to be recognised on the SOFP.

Credit commitments	31 December 2020 €m	31 December 2019 €m
Guarantees and irrevocable letters of credit	**2**	2
Commitments to extend credit		
- less than 1 year	**985**	782
- 1 year and over	**82**	89
Total commitments to extend credit	**1,067**	871
Total credit commitments	**1,069**	873

38. 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 28, 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. At 31 December 2020, the Group believes that the crystallisation of any claim against the Group is unlikely and as a result has not included a provision.

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. It is not practicable to predict the final outcome of FSPO decisions, their timing and their likely impact, if any on the Group.

ECL held against commitments are reported under loans and advances to customers.

39. 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' shareholdings

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 2020 Ordinary shares	31 December 2019 Ordinary shares
Robert Elliot	Chairman	16,500	16,500
Eamonn Crowley (appointed 17 June 2020)	Chief Executive	50,000	-
Jeremy Masding (retired 1 July 2020)	Chief Executive	13,611	13,611
Michael Frawley	Chief Risk Officer	-	-
Conor Ryan	Company Secretary	10	10
Donal Courtney	Non-Executive Director	-	-
Julie O'Neill	Non-Executive Director	10,000	10,000
Ronan O'Neill	Non-Executive Director	4	4
Andrew Power	Non-Executive Director	-	-
Ken Slattery	Non-Executive Director	10,000	10,000
Ruth Wandhofer	Non-Executive Director	-	-
Marian Corcoran	Non-Executive Director	-	-
Paul Doddrell (appointed 26 November 2020)	Non-Executive Director	-	-
Richard Pike (retired 17 December 2019)	Non-Executive Director	-	12,975

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 2019: 4,580).

There were no transactions in the above Directors' and Secretary's interests between 31 December 2020 and 02 March 2021.

Details of the Directors' remuneration is included in the Directors' Remuneration Report on pages 132 to 134.

39. Related parties (continued)

(b) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include Non-Executive Directors, Executive Directors and members of the ExCo. The Executive Directors and members of the ExCo are listed below:

Members of the ExCo at 31 December 2020	
Eamonn Crowley	Chief Executive
Paul McCann	Interim Chief Financial Officer
Michael Frawley	Chief Risk Officer
Patrick Farrell	Retail Banking Director
Tom Hayes	Chief Technology Officer
Ger Mitchell	HR Director
Shane O'Sullivan	Director of Operations
Breege Timoney	Product Assurance Director
Andrew Walsh	Chief Legal Officer

During the year ended 31 December 2020, the following key management personnel changes occurred: Jeremy Masding retired as Chief Executive and Eamonn Crowley was appointed Chief Executive; Paul Doddrell was appointed as Non-Executive Director; and Paul McCann was appointed as interim Chief Financial Officer.

Richard Pike was considered to be key management personnel during 2019 and his details have been included in the 2019 disclosures.

Non-Executive Directors are compensated by way of fees. In certain circumstances, expenses incurred by Non-Executive Directors during the normal course of business are paid by the Group and are included in taxable benefits. The compensation of Executive Directors and members of the ExCo comprises salary and other benefits together with pension benefits. Previously they also participated in the Group's profit sharing, share option schemes and long-term incentive plans. No awards have been issued under these schemes and plans since 2008.

Number of key management personnel as at year end is as follows:

	31 December 2020	31 December 2019
Non-Executive Directors	**8**	8
Executive Directors and Senior Management	**9**	9
	17	17

39. Related parties (continued)

(b) (i) Total compensation to Executive and Non-Executive Directors is as follows:

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Fees	**804**	843
Taxable benefits	**6**	3
Salary and other benefits	**1,083**	1,040
Pension benefits		
- defined contribution	**155**	135
Total	**2,048**	2,021

Total compensation to other key management personnel is as follows:

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Taxable benefits	**3**	1
Salary and other benefits	**1,983**	2,208
Pension benefits		
- defined contribution	**277**	294
CFO fees	**152**	-
Total	**2,415**	2,503

There were no connected persons to key management personnel employed by the group during 2020 or 2019.

(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 2020 €'000	31 December 2019 €'000
Balances		
Loans	**1,583**	2,315
Unsecured credit card balances and overdrafts	**7**	10
Deposits	**2,876**	2,524

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Transactions during the year		
Loan advances	**-**	282
Loan repayments	**553**	101
Interest received on loans	**45**	53
Interest paid on deposits	**(2)**	(4)

39. Related parties (continued)

Loans to Directors

31 December 2020	Balance as at 1 Jan €'000	Advances during year €'000	Principal repaid €'000	Balance as at 31 Dec €'000	Interest paid €'000	Maximum balance €'000
Marian Corcoran	**271**	**-**	**23**	**248**	**3**	**271**
Ronan O'Neill*	**445**	**-**	**445**	**-**	**8**	**445**
	716	**-**	**468**	**248**	**11**	**716**

31 December 2019	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
Jeremy Masding	21	-	10	11	1	21
Marian Corcoran**	282	-	11	271	2	282
Ronan O'Neill*	452	-	8	445	14	-
	755	-	29	727	17	303

*Represents a loan for a person connected with this Director in accordance with section 307(3) of the Companies Act 2014.
**Balance as at 1 Jan represents balance as at 24 September 2019 on appointment.

(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, senior debt and dated subordinated 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 €1,488m (31 December 2019: €1,436m).
- At 31 December 2020 the Group had €nil deposits placed by a Government institution (31 December 2019: €0.1bn). Further details on these deposits are provided in note 25.
- 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 2020, the amount recognised in the income statement was €24m (31 December 2019: €24m). As announced by the Minister by Finance in October 2015, the bank levy was extended to 2021.
- During 2020, the Group also paid €15m DGS fees to the CBI (2019: €14m) as part of the DGS.
- 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 2020, the Group had recorded a payable of €0.7m due under the FIA (31 December 2019: €1.2m).
- At 31 December 2020 the Company had an intercompany balance of €351m (31 December 2019: €300m) with its principal subsidiary PTSB plc relating to the MREL issuance.
- In November 2020, the Company invested €123m in PTSB. This investment was financed through the issuance of AT1 securities by the Company

39. Related parties (continued)

The Government also has a controlling interest in Allied Irish Bank plc including EBS Limited and also has significant influence over Bank of Ireland. 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.

The following table summarises the balances between the Group and these financial institutions:

		Loans and advances to Banks €m	Debt securities held €m	Derivative assets €m	Derivative liabilities €m	Deposits by banks €m
Bank of Ireland						
	31 December 2020	**2**	**-**	**-**	**-**	**-**
	31 December 2019	5	-	-	-	-

40. Assets classified as held for sale

At 31 December 2020, assets classified as held for sale amounted to €31m (31 December 2019: €59m). This consists of the following:

1. €30m (31 December 2019: €58m) relates to collateral in possession, these properties are expected to be sold within the next 12 months.
2. €1m (31 December 2019: €1m) relates to two branch properties (31 December 2019: two branch properties) which are no longer occupied by the Group, the sale of these properties are expected to complete within the next 12 months.

41. Sale of loans and advances to customers

Project Glenbeigh II

On 31 July 2020, the Group agreed the sale of a Buy-to-let loan portfolio ("Glenbeigh II") to Citibank NA London. The portfolio has a gross value of €1.4bn and a net book value of €1.2bn.

In line with IFRS 9, the assets have been derecognised from the Statement of Financial Position.

As a result of the transaction, a loss on the sale of the portfolio of €32m was recorded through the impairment line of the income statement as required by IFRS 9.

42. 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

42. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

In presenting details of the principal subsidiary undertakings, the exemption permitted by section 315 (a) (i) of the Companies Act 2014 in relation to disclosing related undertaking net assets or profit or loss, has been availed of, and the Company will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

The liquidation of the following entities for which the Group lost control in 2019 as part of the overall simplification of the Group's structure was completed in 2020:

- Erin Executor & Trustee Company Limited;
- Mars Nominees Limited;
- Kencarol Limited; and
- Irish Permanent Property Company Ltd DAC (IPPC).

The liquidation of the following entities are still ongoing and the Group aims to close these liquidations in due course:

- Guinness & Mahon Ireland Limited; and
- Blue Cube Personal Loans Limited:

The reporting date for each of the Group's principal subsidiary entities is 31 December.

The principal country of operation of each company is the country in which it is incorporated.

The registered office of Permanent TSB Group Holdings plc is 56-59 St. Stephen's Green, Dublin 2.

(a) Company's interest in subsidiary undertakings

The Company is the ultimate holding company of the Group while PTSB is a 100% subsidiary of the Company. The investment in PTSB is carried at the recoverable amount in the holding company statement of financial position. The investment amounted to €956m (31 December 2019: €978m). During 2020 the Group carried out an impairment assessment using a combination of internal group models, and externally available date to inform their view of the recoverable amount of the investment. As the value in use is greater than the carrying value, in line with IAS 36, no impairment has been recognised on the investment

(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
- 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 SE's.

42. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

The Group currently has eight SEs in issue in the Republic of Ireland the details of which are outlined below.

	Sub loan provided
SEs setup with Residential Mortgages	
- Fastnet 5 DAC	√
- Fastnet 6 DAC	√
- Fastnet 10 DAC	√
- Fastnet 11 DAC	√
- Fastnet 12 DAC	√
- Fastnet 13 DAC	√
- Fastnet 14 DAC	√
- Fastnet 15 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. The investors in the notes have recourse only to the cash flows from the transferred financial assets.

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.

At 31 December 2020, restricted cash of €356m (31 December 2019: €402m) relates to cash held by the Group's securitisation entities.

43. 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 2020	31 December 2019
€ / £ exchange rate		
Closing	**0.8990**	0.8508
Average	**0.8895**	0.8760
€ / US$ exchange rate		
Closing	**1.2271**	1.1234
Average	**1.1473**	1.1194

44. Events after the reporting period

No items, transactions or events that would materially impact the consolidated financial statements and require adjustment or disclosure to these consolidated financial statements have occurred between the reporting date of 31 December 2020 and the date of the approval of these financial statements by the Board of Directors of 02 March 2021.

The recent developments with the COVID-19 pandemic resulting in additional disruption of economic activity may impact the Group's ability to meet its medium term strategy and may result in higher than expected credit losses. While the potential impact of the pandemic continues to evolve, and given the uncertainty of the governmental response and potential containment of the virus by the new vaccines, the Directors, in their opinion, have significantly reflected the current and future affairs of the Group based on the best available information at the date of approval for these consolidated financial statements.

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Company Financial Statements and Notes to the Company Financial Statements

Company Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 €m	31 December 202019 €m
Assets			
Loans and advances to banks - subsidiary	B	**351**	300
Investments in subsidiary undertakings	C	**956**	978
Total assets		**1,307**	1,278
Liabilities			
Debt securities in issue	D	**351**	300
Total liabilities		**351**	300
Equity			
Share capital	E	**227**	227
Share premium	E	**333**	333
Retained earnings	E	**270**	415
Shareholders' equity		**830**	975
Other equity instruments	E	**126**	3
Total equity		**956**	978
Total liabilities and equity		**1,307**	1,278

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Donal Courtney
Board Audit Committee Chair

Conor Ryan
Company Secretary

Company Statement of Changes in Equity
For the year ended 31 December 2020

	Attributable to owners of the holding company				
	Share capital €m	Share premium €m	Retained earnings €m	Other equity instrument €m	Total €m
Company					
Balance as at 1 January 2019	227	333	415	3	978
Loss for the year ended 31 December 2019	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Transactions with owners, recorded directly in equity:	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-
Cancellation of deferred share capital	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
Balance as at 31 December 2019	227	333	415	3	978
Loss for the year ended 31 December 2020	-	-	(145)	-	(145)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(145)	-	(145)
Transactions with owners, recorded directly in equity:					
Issue of other equity instruments (note E)	-	-	-	125	125
Issuance cost of share capital and other equity	-	-	-	(2)	(2)
Contributions by and distributions to owners					
Total contributions by and distributions to owners	-	-	-	123	123
Balance as at 31 December 2020	**227**	**333**	**270**	**126**	**956**

Company Statement of Cash Flows
For the year ended 31 December 2020

	31 December 2020 €m	31 December 2019 €m
Cash flows from operating activities		
Operating (loss)/profit before taxation	**(145)**	-
Adjusted for non-cash items and other adjustments:	**-**	-
	(145)	-
(Increase)/decrease in operating assets		
Loans and advances to banks	**(51)**	(300)
Investment in subsidiary undertakings	**22**	-
Increase/(decrease) in operating liabilities		
Debt securities in issue	**51**	300
Net cash flow from operating activities before tax	**(123)**	-
Tax paid	**-**	-
Net cash flow from operating activities	**(123)**	-
Cash flow from investing activities	**-**	-
Net cash flow from investing activities	**-**	-
Cash flow from financing activities		
Issuance of new AT1 Securities	**123**	-
Net cash flow from financing activities	**123**	-
Increase in cash and cash equivalents	**-**	-
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**-**	-
Increase in cash and cash equivalents	**-**	-
Effect of exchange translation adjustments	**-**	-
Cash and cash equivalents as at 31 December	**-**	-

Notes to the Company Financial Statements

A. Accounting policies

The accounting policies adopted by Permanent TSB Group Holdings plc ('Company') are the same as those of the Group as set out in note 1 to the consolidated financial statements where applicable. These financial statements reflect the financial position of the Company only and do not consolidate the results of any subsidiaries.

The individual financial statements of the ultimate holding company, Permanent TSB Group Holdings plc have also been prepared in accordance with IFRS as adopted by the EU and comply with those parts of the Companies Act 2014. In accordance with section 315(a)(i) of the Companies Act 2014, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the financial year determined in accordance with IFRS was €145m (2019: €0.06m).

B. Loans and advances to banks

	31 December 2020 €m	31 December 2019 €m
Held at amortised cost		
Funds placed with subsidiary, Permanent tsb plc ('PTSB')	**351**	300
ECL allowance	**-**	-
Loans and advances to banks	**351**	300

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 "Negative";
- Moody's: Long-Term Rating "Baa2" with Outlook "Stable"; and
- DBRS: Long-Term Rating "BBBL" with Outlook "Negative".

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.

Previously 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 2020 is €351m (31 December 2019: €300m).

The expected credit losses on these placements were immaterial at 31 December 2020 and at 31 December 2019.

The fair value of the loans and advances to banks closely equates to their amortised costs.

C. Investment in subsidiary

	31 December 2020 €m	31 December 2019 €m
At 1 January	**978**	978
Additional investment	**123**	-
Impairment of investment in subsidiary	**(145)**	-
At 31 December	**956**	978

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 2020, the investment amounted to €956m (31 December 2019: €978m).

The Company invested €123m of additional capital in its principal subsidiary PTSB that it raised through issuance of Additional Tier 1 Securities on 25 November 2020.

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 its VIU. The carrying value of the subsidiary undertaking before adjusting for impairment was €1,103m and recoverable amount based on the VIU was €956m resulting in €145m impairment charge and a transaction cost of €2m for the year (2019: €nil).

While the recoverable amount based on the VIU exceeds market capitalisation at 31 December 2020, the depressed share price is the result of the overall subdued banking environment in which the entity currently operates, along with various entity-specific factors that affect the liquidity of the shares.

The VIU is the present value of the future free cash flows expected to be derived from the investment, based upon a VIU calculation that discounts expected post-tax free cash flows at a discount rate appropriate to the investment.

See note 2 to the consolidated financial statements for a sensitivity analysis on the key assumptions used in the calculation.

D. Debt securities in issue

	31 December 2020 €m	31 December 2019 €m
At amortised cost		
Bonds and medium-term notes	**351**	300
	351	300
Maturity analysis		
Repayable in less than 1 year	**2**	1
Repayable in greater than 1 year but less than 5 years	**349**	299
	351	300

Bonds & Medium Term Notes (MTNs)

In February 2020, PTSBGH issued an additional €50m of Senior Unsecured 2.125% Notes maturing on 26 September 2024 as part of the MREL securities programme. Interest is payable on the nominal amount annually and is receivable in arrears on the coupon date.

E. Share capital and reserves

The share capital of Permanent TSB Group Holdings plc is detailed in note 30 to the consolidated financial statements, all of which relates to Permanent TSB Group Holdings plc.

In 2020, The Permanent TSB Group Holdings plc issued €125m of Additional Tier 1 Securities (AT1). See note 30 in the consolidated financial statements additional details.

F. 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 the Company include subsidiary undertakings, associated undertakings, joint undertakings, Key Management Personnel and connected parties. The Irish Government is also considered a related party by virtue of its effective control of PTSB. See note 39 of the consolidated financial statements for further details.

At 31 December 2020, the Company had an intercompany balance of €351m (31 December 2019: €300m) with its principal subsidiary PTSB relating to the MREL issuance.

Additionally in November 2020, the Company invested €123m in PTSB. This investment was financed through the issuance of AT1 securities by the Company.

G. Audit Fees

€nil 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 2020 (31 December 2019: €nil).

APPENDIX

Alternative Performance Measures

The financial performance of the Group is assessed by Management using various financial measures, some of which are not defined by IFRS and do not have a standard guidance for calculation. Therefore, these measures may not be directly comparable to other peers. Management believes that these measures provide useful information in assessing the Group's financial performance. Preference should be given to IFRS measures over non-IFRS measures when assessing financial performance of the Group.

The definitions and calculation methodology for the Alternative Performance Measures noted below are consistent with the prior year.

1. Underlying profit

The underlying profit is the measure of adjusted profits realised by the Group. This measure is used by the Group for its strategic planning process and reflects the true economic substance of the Group's financial performance. The table below details the calculation of underlying profit. Exceptional items are excluded from the operating expenses as Management considers these items as non-reflective of core operating costs.

	Source / Cross Reference	31 December 2020 €m	31 December 2019 €m
Total operating income	Income Statement	**375**	413
Total operating expenses (excluding exceptional items)	Income Statement	**(329)**	(329)
Underlying profit before impairment	Income Statement	**46**	84
Impairment charge on loans and advances to customers	Income Statement	**(155)**	(10)
Underlying profit	Income Statement	**(109)**	74

2. Exceptional costs

Exceptional costs are unusually large non-recurring items that distort the financial performance of the Group. The table below details the exceptional costs incurred by the Group in 2020 and 2019 allowing users to understand the nature of items that Management considers to be outside of the normal course of business.

	Source / Cross Reference	31 December 2020 €m	31 December 2019 €m
Restructuring Charges*	Income Statement	**31**	13
Legacy legal compliance CBI investigations costs*	Financial Review	**-**	3
Impairment charge arising from deleveraging of loans	Income Statement	**26**	16
Exceptional costs	Note 10	**57**	32

* These exceptional costs are adjusted in operating expenses for the calculation of underlying profit above.

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 2020 €m	31 December 2019 €m
Total operating expenses (after exceptional and regulatory charges)	Income Statement	**386**	361
Exceptional items	Note 10	**(57)**	(32)
Bank levy	Note 9	**(24)**	(24)
Regulatory charges	Note 9	**(25)**	(23)
Total operating expenses (excluding exceptional items and regulatory charges)	Income Statement	**280**	282
Total operating income	Income Statement	**375**	413
Adjusted cost income ratio		**75%**	68%

Alternative performance measures
(continued)

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 2020 €m	31 December 2019 €m
Total operating expenses	Income Statement	**386**	361
Exceptional items	Note 10	**(57)**	(32)
Total operating expenses (excluding exceptional items)		**329**	329
Total operating income	Income Statement	**375**	413
Headline cost income ratio	Financial Review	**88%**	80%

5. CET 1 fully loaded basis*

Total CET 1 capital on a fully loaded basis divided by total RWAs 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 2020 Fully Loaded €m	31 December 2019 Fully Loaded €m
Common equity tier 1	Capital Management	**1,282**	1,464
Risk weighted assets	Capital Management	**8,471**	9,996
CET 1 fully loaded	Capital Management	**15.1%**	14.6%

*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 2020 Transitional €m	31 December 2019 Transitional €m
Common equity tier 1	Capital Management	**1,535**	1,765
Risk weighted assets	Capital Management	**8,480**	10,012
CET 1 transitional		**18.1%**	17.6%

*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 the leverage ratio exposure measure (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.

		31 December 2020		31 December 2019	
	Source / Cross Reference	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Tier 1 Capital	Capital Management	**1,725**	**1,480**	1,850	1,567
Gross balance sheet exposures					
Leverage Ratio Exposure Measure	Capital Management	**21,082**	**20,829**	20,389	20,087
Leverage ratio	Capital Management	**8.2%**	**7.1%**	9.1%	7.8%

*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 2020 €m	31 December 2019 €m
Liquidity coverage ratio	Financial Review	**276%**	170%

9. Net stable funding ratio (NSFR)

Defined as the ratio of available stable funding to required stable funding. The NSFR is a liquidity standard requiring banks to hold sufficient stable funding over a 1 year time horizon. A minimum 100% requirement becomes binding in June 2021.

	Source / Cross Reference	31 December 2020 €m	31 December 2019 €m
Net stable funding ratio (minimum 100%)	Financial Review	**160%**	138%

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 2020 €m	31 December 2019 €m
Loans and advances to customers	Balance Sheet	**14,213**	15,644
Customer accounts	Balance Sheet	**18,039**	17,190
Loan to deposit ratio		**79%**	91%

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 2020 €m	31 December 2019 €m
Net interest income	Income Statement	**341**	356
Total average interest earning assets	Financial Review	**19,580**	19,704
Net interest margin (NIM)		**1.73%**	1.80%

Alternative performance measures
(continued)

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 2020 €m	31 December 2019 €m
Residential:			
-Home loans	Note 19	**658**	614
-Buy to let	Note 19	**418**	377
Commercial	Note 19	**35**	41
Consumer finance	Note 19	**17**	18
Non-Performing loans		**1,128**	1,050

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 2020 €m	31 December 2019 €m
Foreclosed Assets	Note 33	**30**	58

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 2020 €m	31 December 2019 €m
Non-performing loans	Note 19	**1,128**	1,050
Foreclosed assets	Note 33	**30**	58
Non-Performing assets		**1,158**	1,108

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 2020 €m	31 December 2019 €m
(Loss)/profit for the year after tax	Income Statement	**(162)**	30
Exceptional items	Income Statement	**57**	32
Profit for the period after tax (before exceptional items)		**(105)**	62
Total average equity	Financial Review	**1,961**	1,994
Return on equity		**(5.4)%**	3.1%

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 2020 €m	31 December 2019 €m
Risk weighted assets	Note 34	**8,480**	10,012

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 2020* €m	31 December 2019 €m
Tier 1 Capital	Capital Management	**1,480**	1,567
Tier 2 Capital	Capital Management	**59**	61
Total Capital	Capital Management	**1,539**	1,628
Risk weighted assets	Capital Management	**8,471**	9,996
Total capital ratio (fully loaded basis)	Capital Management	**18.2%**	16.3%

*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 2020* €m	31 December 2019 €m
Tier 1 Capital	Capital Management	**1,725**	1,850
Tier 2 Capital	Capital Management	**54**	61
Total Capital	Capital Management	**1,779**	1,911
Risk weighted assets	Capital Management	**8,480**	10,012
Total capital ratio (transitional basis)	Capital Management	**21.0%**	19.1%

*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 2019 to December 2020, thirteen months in total.

	Source / Cross Reference	31 December 2020 €m	31 December 2019 €m
Average interest earning assets			
Loans and advances to banks	Financial Review	**2,087**	1,587
Loans and advances to customers	Financial Review	**15,083**	15,768
Debt securities and derivative assets	Financial Review	**2,410**	2,349
Total average interest earning assets		**19,580**	19,704

Alternative performance measures
(continued)

20. Average interest bearing liabilities

Interest bearing liabilities include customer accounts, deposits by banks, debt securities in issue, derivative liabilities and lease liabilities.

Average balances on interest bearing liabilities are calculated as the average of the monthly interest bearing liabilities balances from December 2019 to December 2020, thirteen months in total.

	Source / Cross Reference	31 December 2020 €m	31 December 2019 €m
Average interest bearing liabilities			
Customer accounts	Financial Review	**17,689**	17,227
Deposits by banks	Financial Review	**10**	561
Debt securities in issue and derivative liabilities	Financial Review	**863**	862
Lease liabilities	Financial Review	**37**	44
Total average interest bearing liabilities		**18,599**	18,694

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 2019 to December 2020, thirteen months in total.

	Source / Cross Reference	31 December 2020 €m	31 December 2019 €m
Average interest income on interest earning assets			
Loans and advances to banks	Financial Review	**-**	1
Loans and advances to customers	Financial Review	**371**	378
Debt securities and derivative assets	Financial Review	**11**	34
Total average interest income on interest earning assets	Financial Review	**382**	413
Total average interest earning assets	Financial Review	**19,580**	19,704
Average yield on average interest earning assets		**1.95%**	2.10%

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 2019 to December 2020, thirteen months in total.

	Source / Cross Reference	31 December 2020 €m	31 December 2019 €m
Average interest expense on interest bearing liabilities			
Customer accounts	Financial Review	**26**	40
Deposits by banks	Financial Review	**-**	1
Loans and advances to banks	Financial Review	**4**	-
Debt securities in issue and derivative liabilities	Financial Review	**11**	4
Lease Liabilities	Financial Review	**-**	12
Total average interest income on interest earning assets		**41**	57
Total average interest bearing liabilities	Financial Review	**18,599**	18,694
Average rate on average interest bearing liabilities		**0.22%**	0.30%

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 2020 €m	31 December 2019 €m
Non-performing loans	Note 19	**1,128**	1,050
Gross loans and advances to customers	Note 18	**14,855**	16,389
NPLs as % of gross loans		**7.6%**	6.4%

24. Average equity attributable to owners

This is an average of the equity position of each individual month from December 2019 to December 2020, 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 2020 €m	31 December 2019 €m
Average equity attributable to owners	Financial Review	**1,961**	1,994

Abbreviations

AFS Available For Sale
AGM Annual General Meeting
AIMRO Association of Irish Market Research Organisations
ALCO Asset and Liability Committee
ALM Asset Liability Management
AML Anti-Money Laundering
API Application Programming Interface
APP Application Software
ASAI Advertising Standards Association of Ireland
AT1 Additional Tier 1
ATM Automated Teller Machine
BAC Board Audit Committee
BCM Business Continuity Management
BITCI Business in the Community Ireland
BPFI Banking and Payments Federation of Ireland
BRCC Board Risk and Compliance Committee
BRRD Banking Recovery and Resolution Directive
BTL Buy-To-Let
CAC Capital Adequacy Committee
CBI Central Bank of Ireland
CCB Capital Conservation Buffer
CCF Credit Conversion Factor
CCMA Code of Conduct on Mortgage Arrears
CCyB Counter Cyclical Buffer
CDF Career Development Framework
CDP Carbon Disclosure Project
CEO Chief Executive
CET 1 Common Equity Tier 1
CFO Chief Financial Officer
CFP Contingency Funding Plan
CODM Chief Operating Decision Maker
COVID-19 Coronavirus Disease
CPC Consumer Protection Code
CPI Consumer Price Index
CRD IV Capital Requirements Directive IV
CRO Chief Risk Officer
CRR Capital Requirements Regulation
CRR2 Capital Requirements Regulation 2
CSA Credit Support Annexes
CSI CyberSafeIreland
CSO Central Statistics Office
CSR Corporate Social Responsibility
CVA Credit Valuation Adjustment
DBI Digital Business Ireland
DDI Debt to Disposable Income
DDR Direct Debit Request
DGS Deposit Guarantee Scheme
DoF Department of Finance
DTA Deferred Tax Asset
DVA Debit Valuation Adjustment
EAD Exposure at Default
EAR Earnings at Risk
EBA European Banking Authority
ECAI External Credit Assessment Institution
ECB European Central Bank
ECL Expected Credit Loss
EIR Effective Interest Rate
ELG Eligible Liabilities Guarantee
ERG Employee Resource Group
ESG Environmental Social Governance
EU European Union
EURIBOR Euro Interbank Offered Rate
EV Economic Valuation
EWI Early Warning Indicator
ExCo Executive Committee
EY Formerly Ernst & Young
FIA Financial Incentives Agreement
FLI Forward looking information
FSPO Financial Services and Pensions Ombudsman
FTE Full Time Equivalent
FTP Funds Transfer Pricing
FTR Foreign Trust Receipt
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
GRC Group Risk Committee
GRMF Group Risk Management Framework
GrowthCo Group Growth Committee
H&S Heidrick & Struggles
HPI House Price Index
HQLA High Quality Liquid Assets
HTC Hold to Collect
HTC&S Hold to Collect and Sell
IAS International Accounting Standards
IASB International Accounting Standards Board
IBCB Irish Banking Culture Board
ICAAP Internal Capital Adequacy Assessment Process
ICF Internal Control Framework
IFRIC International Financial Reporting Standards Interpretations Committee
IFRS International Financial Reporting Standards
IIA Institute of Internal Auditors
ILAAP Internal Liquidity Adequacy Assessment Process
IMI Irish Management Institute
IOB Institute of Banking
IOM Isle of Man
IPP Integrated Planning Process
IRB Internal rating based approach
IRGG Impairment Reporting Governance Group
IRRBB Interest Rate Risk in the Banking Book
ISA International Standards on Auditing
ISDA International Swaps and Derivatives Association
IT Information Technology
KPI Key Performance Indicator
KRI Key Risk Indicator
LCR Liquidity Coverage Ratio
LDR Loan to Deposit Ratio
LED Light-Emitting Diode
LGD Loss Given Default
LIBOR London Interbank Offered Rate
LIFT Leading Ireland's Future Together
LSI Less Significant Institution
LTV Loan to value
MBS Mortgage Backed Securities
MCO Maximum Cumulative Outflow
MGC Model Governance Committee
MREL Minimum Requirement for own funds and Eligible Liabilities
MTM Mark to Market
MTN Medium Term Note
MTP Medium Term Plan
MVT Model Validation Team
NCU Newbridge Credit Union
NFC Non-Financial Corporate
NGO Non-Governmental Organisation
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
ODR Observed Default Rate
ORMC Operational Risk Management Committee

OTC Over the counter
P&L Profit & Loss Account
P2R Pillar 2 Requirement
PAS Public Appointments Service
PBI Ltd. PBI Limited (formerly Permanent Bank International Limited)
PCAF Partnership For Carbon Accounting Financials
PD Probability of Default
PEPP Pandemic Emergency Purchasing Programme
POCI Purchased or Originated Credit Impaired
PRS Private Rented Sector
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
RMF Enterprise Risk Management Framework
RNPS Relationship Net Promoter Score
ROI Republic of Ireland
RP Restructuring Plan
RPPI Residential Property Price Index
RWA Risk Weighted Assets
S&P Standard & Poor's
SBCI Strategic Banking Corporation of Ireland
SCSI Society of Chartered Surveyors Ireland
SE Structured Entities
SEAI Sustainable Energy Authority of Ireland
SEAR Senior Executive Accountability Regime
SEI Social Entrepreneurs Ireland
SICR Significant increase in Credit Risk
SID Senior Independent Director
SIPTU Services Industrial Professional and Technical Union
SME Small and medium sized enterprises
SOFP Statement of Financial Position
SPP Strategic Performance Priorities
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
TTC Through The Cycle
UK United Kingdom
VIP Values in Practice
VIU Value in Use

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 Commitments Commitments to extend credit, standby letters of credit, guarantees, and acceptances that 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 counterparty 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 27 European Union (EU) Member States which have adopted the euro (€) as their common currency and sole legal tender. The other eight 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 minimum requirement is 100%.

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.

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.

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.

Definitions
(continued)

RWAs Risk Weighted Assets (RWAs) measures the amount of the 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 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.