permanent tsb
Group Holdings plc

Annual Report

For the year ended 31 December 2015

Permanent TSB Group plc provides Personal and SME retail banking services in the Republic of Ireland, serving c.1.1 million customers via a multichannel distribution network.

Forward Looking Statements

A number of statements we make in this report will not be based on historical fact but will be "forward-looking" statements within the meaning of US legislation. The words "expect", "anticipate", "intend", "plan", "estimate", "aim", "forecast", "project", "target", "goal", "believe", "may", "could", "will", "seek", "assume" and similar expressions (or their negative) identify certain of these forward-looking statements. These forward-looking statements are statements regarding Permanent TSB Group Holdings plc's (the "Group's") intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the banking industry. The forward-looking statements in this report 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. 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. 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, conditions or circumstances on which any statement is based after the date of this report or to update or to keep current any other information contained in this report. Accordingly, undue reliance should not be placed on the forward-looking statements, which speak only as of the date of this report.

Permanent TSB Group Holdings plc undertakes no obligation to update the forward-looking statements contained in this report. Forward-looking statements made in this report relate only to events as at the date on which they are made.

Highlights

Net Interest Margin
112bps
2014 90bps

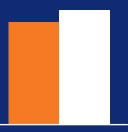
Cost Income Ratio[1]
84%
2014 126%

Impairment Charge/(Write-Back)
€35m
2014 (€42m)

Profit/(Loss) Before Exceptional Items
€26m
2014 (€39m)

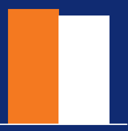
NPLs
€6.1bn
2014 €8.3bn

Loan to Deposit Ratio
125%
2014 138%

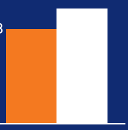


CET1 Ratio (Fully Loaded)
15.0%
2014 12.4%

Gross New Lending
€519m
2014 €491m



Risk Weighted Assets
€12.3bn[3]
2014 €14.8bn



Tangible Net Asset Value Per Share
€4.92
2014 €4.86[2]

1. Excludes exceptional items
2. Calculated using the number of shares in issue at 31 December 2015
3. On a Fully Loaded basis

Irish Stock Exchange

Permanent TSB Group
Relisted 5 May 2015

London Stock Exchange

Investor and shareholder information is available online at www.permanenttsbgroup.ie.

We focus on knowing our customers and deliver what matters to them

Group Chairman's Statement

Significant steps in rebuilding Permanent TSB

2015 was a significant year for the Permanent TSB Group in which we made substantial progress on many fronts. We successfully returned to the equity capital markets, attracting a wide range of new shareholders, and returned capital to the State.

Restructuring Plan and Capital Raise

Since 2011, the Group has been subject to oversight and review by the European Commission under European Union (EU) State Aid rules as a result of the financial support it received from the State during the financial crisis.

As part of the review, a Restructuring Plan was prepared by the Group and submitted by the Irish Government to the Commission. In April 2015, the Commission approved the Restructuring Plan. The approval reflects the confidence of the Government in, and the Commission's view of, the importance of Permanent TSB providing competition in the Irish retail banking market.

Following the Single Supervisory Mechanism's (SSM) Stress Test of the Group in October 2014, the Group undertook to raise the capital required to meet the shortfall identified. The capital raise was successfully completed in April 2015 with a total of €525m raised and, subsequently the Group's shares were re-listed on the main Irish and London Stock Exchanges.

The successful completion of the capital raise enabled the Group to repay the €400 million Contingent Capital Note held by the Irish State. The State also sold an additional 21.8 million shares in the Group which returned another approximately €100 million to the tax payer. The Group's balance sheet is now substantially stronger and we have returned to underlying profitability which provides a robust and stable financial platform for the future growth of the business.

The capital raise attracted a broad range of high-quality institutional investors. This report presents an opportunity for me to welcome all our new shareholders. By returning to the capital markets, we have also created an exit mechanism for the Minister for Finance to realise the remainder of the taxpayer's investment in Permanent TSB Group.

Addressing Legacy Challenges

While we are all proud of these achievements, we recognise that this is a staging post on the journey and not the end. We are still working through legacy issues and, there are major changes and challenges in the environment in which we operate. Having successfully met the challenges of recent years, we must continue to focus on embedding strong risk management, governance and control standards if we are to become a best in class retail bank, a bank that earns and values the trust and loyalty of its customers and which delivers a sustainable return to its shareholders.

The scale of these challenges was highlighted by the failures which led to the commencement of the Mortgage Redress Programme in August 2015. This was a deeply regrettable episode whose roots lay in decisions taken before the onset of the financial crisis and which had very serious consequences for those customers who were impacted. We have apologised unreservedly for this. Dealing with this matter has been a priority for the Board and Management over the past 18 months and will remain so until it is completed.

In December 2015, the Central Bank of Ireland directed all mortgage lenders to examine their loan books to assess compliance with both contractual and regulatory requirements relating to tracker mortgages, so it is clear that this issue will remain relevant for all banks in Ireland for some time.

Regulation and Governance

The regulation of the banking industry has changed fundamentally since the financial crisis of 2008; in particular, in Europe under the SSM which rightly continues to challenge the standards of the banking profession.

We remain wholly supportive of proportionate measures that will enhance financial stability.

The failures of risk management and governance in banks were at the heart of the banking crisis in Ireland. Significant changes in strengthening risk management, governance and control functions have been, and continue to be made in Permanent TSB in response to emerging regulatory and compliance requirements. We believe this is an essential step in the journey towards rebuilding the Group.

Board of Directors

As a Board, my fellow Directors and I are acutely aware of our responsibilities to our shareholders, customers, staff and other stakeholders.

We remain focused on ensuring that the Group's strategy will deliver long-term sustainable returns for shareholders, allowing for ongoing developments in the economic, competitive and regulatory environment.

In addition, it is our responsibility to ensure that the Board operates to the highest standards of corporate governance and exercises effective oversight over Management and how it operates the business. I am satisfied, that with the processes which we are building at Board level, and with the commitment given by my Board colleagues, we can do so. However, as the impact of the legacy failures make clear, we need to be constantly vigilant.

Board Changes

Dominic Dodd and David Stewart have indicated their desire to retire at the next Annual General Meeting.

I would like to thank both Dominic and David for their enormous contribution to the Board. I want to express my appreciation to them for their work on the Board and I wish them every success in the years ahead.

The Board has commenced the recruitment and selection process to find replacements for Dominic and David and an announcement will be made when this process has concluded.

Community

We were delighted to continue the Group's longstanding tradition of selecting two charities to support during 2015. This year we supported Cork Children's Hospital and Cystic Fibrosis Ireland through our staff charitable initiatives.

We are conscious that, as an Irish financial institution, we are an integral part of the communities that we serve. We want to use our resources to make a positive contribution to society and, to achieve this, the Board has asked the Management Team to develop a Corporate Social Responsibility Plan which properly reflects our values and is commensurate with our scale. This will be brought to the Board for approval in 2016.

Colleagues

The scale of the challenges of recent years have placed huge demands on our colleagues. On behalf of the Board, I thank our Management Team and all colleagues for their exceptional hard work and commitment throughout the year.

In addition, I also would like to extend my thanks to my fellow Board members for their valuable contribution throughout the year.

I also acknowledge the assistance that the Department of Finance, the Central Bank of Ireland and the European Central Bank continued to give the Group throughout 2015.

Outlook

The successful capital raise in 2015 was testimony to the enormous progress we have made in restoring the Group as a strong, competitive and innovative retail bank. We have delivered on the promises we have made in previous years and we have demonstrated the important role we play in enhancing competition in the Irish market.

The capital raise showed that investors value the simplicity and transparency of our retail banking business model and was a vote of confidence in the Group and in the Irish economy.

I believe that we are well positioned to start a new chapter as a listed company and to build on what has been achieved so far.

Alan Cook
Group Chairman

Group Chief Executive's Review

Well positioned to start a new chapter

2015 was a pivotal year for the Permanent TSB Group. We have opened an exciting new chapter in the Group's history by raising equity capital, relisting on the Irish and London Stock Exchanges and obtaining European Commission approval for our Restructuring Plan. These were very significant steps in rebuilding Permanent TSB as a focused and best-in-class retail bank.

For 2015, we have reported a significantly improved financial performance (on an underlying basis, before exceptional items) which brings us another step closer to delivering sustainable Group profitability. We were pleased that we were able to do this in tandem with further strong progress in the deleveraging programme.

We continued to bring strong competition to the retail banking market. We introduced innovative new products and propositions, we entered into the owner-manager segment of the SME market and we made good progress in assisting those still in arrears and financial difficulty.

Underpinning our success was the recovery of the Irish economy, which continued to grow at a faster pace than any other economy in Europe. According to the Central Bank of Ireland, GDP is now expected to grow by 4.8% and 4.8% in 2016 and 2017 respectively. Unemployment is now at a 7 year low of 8.8% and house prices have improved by 6.6% in the last 12 months.

2015 saw regulation of the financial services industry continue to evolve further. While the increasing costs of meeting both higher regulatory standards and contributions to various resolution mechanisms are challenging for a bank of our size and business model, we accept that regulation of the financial services sector should be stronger than it has been in the past so that customers and other stakeholders can have greater confidence in the banking profession.

In July, following an enforcement investigation by the Central Bank, we launched the Mortgage Redress Programme for approximately 1,400 of our mortgage customers. As at the end of February 2016, we have completed the redresses of approximately 90% of the affected customers and we expect to complete redress of the remainder during the coming months. In September, the bank initiated a broader review of its mortgage product range to examine where contractual terms and conditions have been properly applied. Some of this work will now fall under the auspices of Central Bank's industry-wide review of tracker mortgages which is currently in progress.

Financial Performance Overview

The Group recorded a loss for the year of €425 million in 2015 which compares to a loss of €102 million in 2014. However, on an Underlying Basis Before Exceptional Items (which mainly included losses from sale of 50% of the UK business and loss on repurchase of the Contingent Capital Note) we reported a profit of €26 million compared to a loss of €39 million in 2014 reflecting the Group's improved operating performance.

The Net Interest Margin for 2015 improved by 22 basis points to 1.12%. The increase in margin reflects reduced Cost of Funds from the repurchase of Contingent Convertible Capital Notes and maturities of certain Medium Term Notes, and also reductions in Retail and Corporate Deposit rates in line with the trend across Ireland. The full benefit of these will materialise more evidently in 2016.

Total Operating Expenses including the Bank Levy (excluding Exceptional Items) reduced by 18.5% primarily due to reduction in Legacy Legal and Compliance Related Costs and Project Costs and Professional Fees. This, along with a 22.7% improvement in Total Operating Income, contributed a 42 percentage points decrease in the Cost to Income ratio to 84% for 2015 from 126% in 2014.

Total Impairment Charge for 2015 was €35 million an increase of €77 million from 2014. Both years included updates made to the provisioning model parameters and assumptions. When these adjustments are excluded, on an underlying basis, we reported a significant improvement year-on-year. This is primarily reflecting reduced new default flows supported by the improved economic backdrop in Ireland. Non-Performing Loans have continued to decline by €2.2 billion or 27% in 2015 mainly driven by disposal of the non-core Commercial Real Estate Portfolio, lower new defaults, and sustained level of loan cures. According to the Central Statistics Office (CSO), national house prices improved by 6.6% in 2015. However, prices in Dublin only increased by 2.6% (whilst recording a decline in December 2015 and January 2016 of 0.5% and 1.2% respectively) while the rest of Ireland increased by 10.2% in 2015. Whilst this is positive for the Group, we have continued to maintain a cautious approach in relation to the House Price Inflation assumptions in our provisioning models. Accordingly, in 2015 we did not make any significant changes to House Price Inflation adjustments and have maintained a buffer with respect to collateral valuations against the CSO Residential Property Price Index. We will continue to review this position over the coming reporting periods.

The Restructuring Plan requires the Group to sell its Non-Core ROI and UK portfolios by 30 June 2016 if minimum pricing hurdles are met. In this regard, we completed the sale of the vast majority of the Irish Non-Core loans in 2015 and transferred the performing Commercial Real Estate loans (approximately €0.3 billion) to the Core Bank from 1 January 2016. We have also completed the sale of £2.5 billion of loans held by our UK business in the second half of 2015, along with the Capital Home Loans entity and the operating platform. The residual UK business of £2.4 billion of loans remains Non-Core to the Group and we continue to explore options to deleverage these loans, though market conditions have deteriorated.

At 31 December 2015, the Group's Common Equity Tier 1 capital ratio increased to 15.0% and 17.1% on a Fully Loaded Basis and Transitional basis, respectively. The increased capital ratios are primarily due to the capital raise and the reduction in the level of risk weighted assets from the impact of disposal of non-core portfolios. During the year, the Group received further clarity on its minimum regulatory capital requirements. The Single Supervisory Mechanism (SSM) has advised that the Group's SREP (Supervisory Review and Evaluation Process) requirement for 2016 is to maintain the CET 1 ratio at a minimum level of 11.45%, calculated on a transitional basis. The SREP requirement, which takes into account both quantitative and qualitative factors of the assessed institution, is subject to annual review by the SSM.

"For 2015, we have reported a significantly improved financial performance"

Group Chief Executive's Review
(continued)

"We will continue to invest in our infrastructure, our business processes and in our people"

New Business

Current Accounts and Deposits

Approximately, 43,000 new Current Accounts were opened in 2015. Current Account balances increased by 13.9% while Retail Deposits reduced by 5.5% in 2015. The rebalancing is primarily due to the continued reduction in deposit rates in Ireland.

We offer customers a range of competitively-priced Instant Access and Fixed Term products through all our channels – Branch, Online and Phone.

Mortgages

Gross Mortgage Lending for 2015 was €459 million representing a modest increase of 2% on 2014. Whilst the year-on-year increase is pleasing, we were not satisfied with the level of growth we achieved.

Going forward, we must deliver more without compromising credit standards.

That said, our new mortgage lending remains high-quality, with an average loan-to-value of new lending of 66% and impairments in our mortgage lending since 2012 remain very low. To repeat, we are driven by responsible lending and not by chasing market share at the expense of a lowering in credit standards.

For our existing customers, we rolled out a revised mortgage pricing strategy last year. The new offering provides the same Managed Variable Rates to both new and existing customers. We have also launched an attractive new mortgage proposition at the beginning of this year which we believe offers best value to the customers in the variable rate segment.

The growth in mortgage market last year was constrained given the level of new housing supply in the market and the impact of prudential lending restrictions. We believe the growth in economy will increase the level of new house constructions and therefore the appetite for credit in the coming years.

Term Lending

We lent €60 million in Term Lending which is an increase of 40% from 2014. This area of our business represents an opportunity especially in a growing economy. To continue on this path, we are further enhancing our processes to be better equipped to capture profitable growth and to offer an improved customer experience.

SME

Total lending to the SME sector in Ireland continued to contract in 2015. However, as the economy fully recovers, opportunities in the sector will increase. Permanent TSB wants to support a vibrant SME sector in Ireland.

We launched our SME proposition formally in December 2015. We will help small and medium enterprises to gain greater access to simple but efficient banking services including loan financing.

We are taking a cautious approach as we enter this market. We are focussed on the Owner-Managed Enterprise segment of the market. Nevertheless, we strongly believe this represents a good opportunity for the Group as we develop our capabilities.

Building Capabilities For Future Growth

Irish economic growth presents an opportunity for us to grow our business. Over the next three years, expectations are that the financial services industry both in Europe and in Ireland will undergo a period of rapid change, driven by technology, changing customer behaviour and increasing regulatory requirements.

The Group is well equipped to respond through both its multi-channel distribution model – based on a national branch footprint complemented by well-developed online and phone channels – and a motivated workforce, supported by effective systems and processes.

Investment in our digital channels will be an important theme going into 2016 and beyond, as customers increasingly value the convenience of online channels. Last year, we continued to develop both functionality and content to enhance our customer experience on our website and mobile apps. We will also launch dedicated apps for tablets in 2016.

We will continue to invest in our infrastructure, our business processes and in our people; in particular, in supporting and strengthening our distribution channels and sales management capabilities and in embedding strong risk management, governance and control to underpin everything we do.

Strategy

The Group's strategic priorities and medium term financial targets were set out in the 2015 equity prospectus issued for the purposes of the capital raising exercise. We have presented our corporate strategy in this report to express our purpose more explicitly, and to provide a construct to guide the execution of those priorities. The success of the capital raise represented a strong market endorsement of the direction and ambition of the Group.

Our business is to be a bank focused exclusively on the retail sector in Ireland. That means divesting those assets which fall outside that scope and investing to strengthen our retail banking franchise.

Our purpose is to maximise shareholder value over time by developing long term relationships with our customers through securing their trust, loyalty and custom while operating within the strict boundaries of our risk appetite.

Flowing from these objectives, and reflecting where the Group is today, our medium term strategic priorities are to:

- Establish clear competitive positioning in each of the market segments in which we operate and rebuilding the trust and confidence with our customers;
- Manage arrears and resolve legacy issues effectively;
- Return to sustainable profitability;
- Maximise the value of non-core business assets; and
- Invest in the capabilities of people and in processes and systems to build a safe and resilient Group.

We are continuing to make good progress on these objectives and priorities.

I would like to take this opportunity to thank our customers for their continued loyalty and support. Permanent TSB has a deep-rooted culture of service; we want to retain this and take it to the next level by anticipating customer needs, delivering what matters most to customers and providing customer service in a distinct way through all available distribution channels.

Ultimately, it will be our people and the culture of the organisation that will determine if we are successful. Our culture stems from a heritage of over 100 years. It has endured and survived many ups and downs over time which gives me the confidence that we can successfully complete the next stage of our journey.

Colleagues

The Group's improved results for 2015 would not have been possible without the hard work of all my colleagues. I can confidently say they are all committed to creating a better bank for the benefit of customers and communities in Ireland and, ultimately, for our shareholders.

I thank them for their contribution.

Summary

2015 was a challenging year but one in which we made enormous progress. I am hugely encouraged by this progress and am confident we will continue to build on what we have achieved. Going into 2016, the Group remains in a good position to capitalise on broader market trends and the improving macroeconomic conditions in Ireland.

However, we recognise that we still have a lot more to do, and challenges remain in the form of increasing regulatory demands and legacy issues. Nonetheless, the strong foundations that the Management Team has put in place over the last four years gives us confidence in our prospects and our ability to achieve our strategic priorities over the coming year and beyond.

Jeremy Masding
Group Chief Executive

"Going into 2016, the Group remains in a good position to capitalise on broader market trends and the improving macroeconomic conditions in Ireland."

Our Purpose

We will maximise shareholder value over time…

...by developing a personal banking relationship with our customers…

…while operating within the strict boundaries of our risk appetite.

Our Business Model and Strategy

Permanent TSB is a mainstream retail bank operating in the Republic of Ireland. The direction we set and the choices we make directly impact the results we achieve, i.e. value creation. We use integrated strategic, financial, organisation and management processes to generate consistent and sustainable shareholder returns over time. Our Strategy is an integrated set of choices about which markets to serve and how to compete in each served market.

How We Create Value

Our Purpose

Clear Participation Strategy

Corporate Strategy

Clear Competitive Strategy

Strategic Priorities

Medium Term Targets

Clear Performance Measures

Relative Total Shareholder Return

Dividends & Share Price Appreciation

Inputs

Output

Our Corporate Strategy Framework

The Group's Corporate Strategy Framework is an integrated set of choices about which markets to participate in and how to compete in each served market.

Participation Strategy

Determining which market segments to serve via which channels

for more information see page 12

- Which customer segments?
- Which products?
- Which channels?
- Which geographical areas?

Competitive Strategy

Determining how to compete in each served market segment/channel

for more information see page 13

- Which offering strategy?
- What operating strategy?
- What pricing strategy?

Our Business Model and Strategy
(continued)

Participation Strategy

The Group's 'Participation Strategy' focuses on Retail Personal and Retail SME banking in Ireland. Our products are simple, straightforward, mainstream retail banking products. We have a multi-channel customer offer that provides accessibility and convenience for our customers to meet their changing needs.

Customers

- Retail Personal
- Retail SME

Product Offering

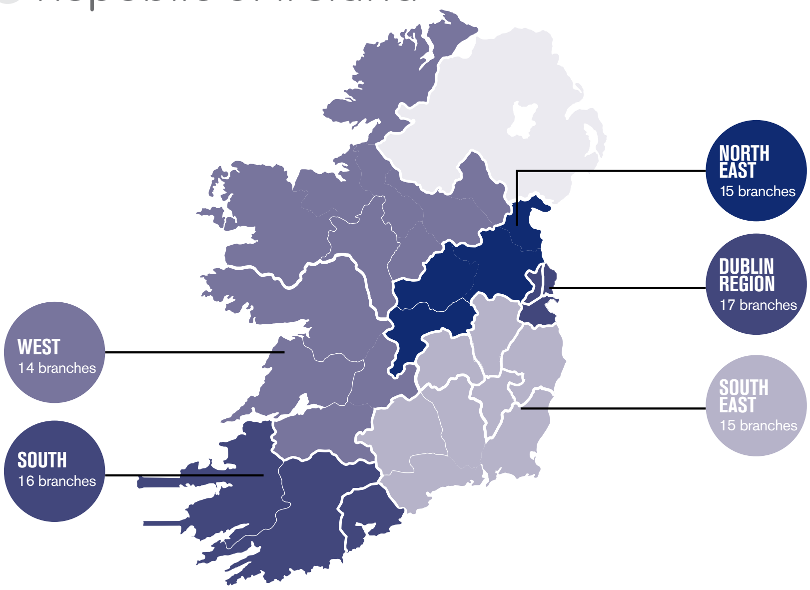
- Current A/Cs
- Investments
- Consumer Finance
- Life Cover
- Savings
- Mortgages
- General Insurance
- Pensions

Channel

- Branch
- Broker
- Mobile
- Phone
- Online
- Affinity

Geography

- Republic of Ireland



Competitive Strategy

Our Competitive Strategy focuses on knowing our customers and delivering what matters to them, resulting in repeat business and deeper relationships. We continue to invest in our operating capabilities to deliver our competitive strategy.

Offer Position

Customer Relationships: Offer personal banking relationships locally and virtually

We understand, anticipate and support customers' needs	We connect with customers in a personal, human way (whether in a physical or virtual setting)	We can satisfy all our customers' banking needs (a complete relationship)

Our offer position will be distinct due to the way in which we connect with our customers, whether is it face-to-face or in the virtual world, and through our understanding of their needs and our approach to serving their needs.

Core Operating Capabilities

Core Capabilities

Relationship Driven Customer Experience
To ensure the customer journey reflects our Strategy

Digital/Multi-Channel
To cater for our customers of today and of the future

Risk, Governance & Control
To ensure decisions are made within the Group's Risk Appetite underpinned by a culture of risk management

Insights & Analytics
To enable sophisticated data driven relationship management

Commercial Mindset
To enable us to deliver on our commitments

Our core capabilities will be underpinned by a relentless drive towards reducing complexity, waste and costs

Our Business Model and Strategy
(continued)

How are we different?

Many banks claim to be customer-centric – how will we be different?

Our Culture

We have a strong history of customer service and connecting with our customers in local communities

Our Size

We are smaller than our competitors which will make it easier to deliver a consistent customer-centric experience

Our Focus

We will be more focused on delivering this strategy. We are a pure retail bank, we don't have to compete with a Corporate Banking division for resources or make trade-offs between Retail and Corporate clients

Our Distinctiveness

We will deliver our strategy in a distinct way, with a personal, human touch, across all channels. We will have a stronger connection to our customers, e.g. through community involvement

How Will We Bring Our Strategy To Life?

We are committed to bringing our Strategy to life, to making it real, for our key stakeholders:

Customers

Customers will experience it through improvements in the customer journey and day-to-day interactions, on-line and in branch

Colleagues

We are investing in our staff, supporting them in building the skills and capability required to deliver our Strategy. We are creating a high performance culture

Community

We recognise the key role of banks in society and the economy. We will support communities through our Corporate Social Responsibility activity

Our Strategic Priorities

Strategic Priorities	Key Performance Indicators
Clear Competitive Positioning: Strengthening the Group's competitive position in the Irish financial services marketplace through a combination of an established brand, multichannel distribution capabilities, new products and service innovation in order to target profitable growth across the key categories of deposits, current accounts, mortgages consumer finance and SME	Current Accounts Retail Deposits Balances and Costs Lending Growth
Effective Arrears Management: Managing the Group's non-performing, high risk and/or non-profitable home loan, buy-to-let and unsecured personal loan portfolios in order to maximise value for the Group while establishing equitable and sustainable solutions for customers	Arrears Level Total Non-Performing Loans (NPLs)
Sustainable Profitability: Returning the Group to sustainable profitability, including through participation in deposit and lending growth opportunities, rebuilding NIM and optimising the Group's cost structure	Net Interest Margin (NIM) Cost Income Ratio Underlying Cost of Risk[1] Profit Before Exceptional Items Loss for the Year
Maximising Non-Core Business Value: Delivering value through a combination of disposal and effective and efficient management of Non-Core Irish and Non-Core UK assets	Non-Core Loan Portfolios
Building a Safe, Stable and Resilient Group: Achieving ongoing improvement in both the Group's capital and funding positions in line with a policy of conservatism, maintaining capital adequacy and liquidity buffers above regulatory minimum thresholds and its underlying functional capability	Loan to Deposits Ratio (LDR) Liquidity Cover Ratio (LCR) Common Equity Tier 1 (CET1) Ratio (on a Fully Loaded basis) Leverage Ratio[2]

1. Defined as impairment changes on loan and advances to customers divided by average net loans and advances to customers (including assets held for sale).
2. The Leverage Ratio is calculated by dividing Tier 1 Capital by gross balance sheet exposure (total assets and off-balance sheet exposures).

Progress in 2015	Focus for 2016
Approximately 43,000 new Current Accounts were opened in 2015 and the balances were up by 13.9% year-on-year. Retail Deposit balances dropped by approximately 5.5% during 2015 year-on-year primarily due to rate actions across the industry. Total Lending (mortgage and consumer) for 2015 was €519m which is a 5.7% increase from 2014.	• Continuing to focus on new products and proposition and identify cross selling opportunities. • Investing in further strengthening distribution networks and sales management capabilities. • Continuing to support the Central Bank's Tracker Mortgage Review.
Irish Residential Mortgages over 90 days in arrears cases reduced by approximately 21% year-on-year, reflecting the economic growth and reduction in unemployment level in Ireland. Total NPLs reduced by 27% at the end of 2015 year-on-year primarily due to disposals of non-core loan portfolios. Reduced new default flow and sustained loan cures also contributed to the reduction in NPLs particularly in the Irish residential mortgage portfolios.	• Continuing to work with the customers and ensure restructuring treatments are appropriate and relevant at all times.
NIM grew by 22bps in 2015 driven by reduction in funding costs. Cost Income Ratio declined to 84% in 2015 from 126% in 2014 driven by higher total operating income and lower total operating expenses. Cost of Risk for 2015 was 14bps, an increase of 29bps from 2014. Both years included updates made to the provisioning model parameters and assumptions. Excluding these adjustments, the Cost of Risk reduced by 70bps from 31bps to (39bps). Profit Before Exceptional Items increased to €26m in 2015 from a loss of €39m in 2014 driven by higher total operating income and lower total operating expenses offset by higher impairment charge. The Group reported a loss for the year of €425m in 2015 compared to a loss of €102m in 2014. This is primarily due to losses on deleveraging.	• Improving NIM further while reducing the underlying cost base to achieve Group profitability.
Non-Core Loan Portfolio (net of impairment provisions) reduced from €8.2bn in 2014 to €3.9bn in 2015 primarily due to disposals in the year.	• Continuing to explore opportunities to complete the deleveraging programme.
LDR improved by 13 percentage points to 125% in 2015 from 138% in 2014 primarily due to reduction in the loan portfolios through disposals. LCR remained robust at 153% at the end 2015. CET 1 Ratio on a Fully Loaded basis increased from 12.4% in 2014 to 15.0% in 2015 mainly due to the equity raise and underlying profits offset by deleveraging losses. Leverage Ratio on a Fully Loaded basis increased from 4.5% in 2014 to 6.0% and remain robust.	• Continuing to build capital and optimise its use. Maintain buffers above regulatory minimum thresholds at all times.

Our Digital Offering

Developing our digital channel is a core focus for us. Our aim is to add real benefits for our customers and making their everyday lives easier. Over the coming year, we'll be continuing to update our digital offering with a number of key projects going live that will enhance our customers experience with the bank.

30% Increase in Mobile Payments

February 2016
New Website Launch

Total App Downloads since launch -
419k

Active mobile customers
+20% YOY

www.permanenttsb.ie Website traffic
Up 80% YOY

Open24.ie (Desktop)
Total number of Logins in 2015
52 million, up 7% YOY

Mobile traffic now makes up
53% off all traffic
to www.permanenttsb.ie last year compare to 27.79% in 2014.

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Financial Review

Summary Consolidated Income Statement

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Net interest income (before ELG fees)	**358**	329	8.8%
ELG fees	**(14)**	(59)	-76.3%
Net other income	**34**	38	-10.5%
Total operating income	**378**	308	22.7%
Total operating expenses (excl. exceptional items)	**(317)**	(389)	-18.5%
Operating profit/ (loss) before impairment charges and exceptional items	**61**	(81)	-175.3%
Impairment (charge)/writeback on loans and advances to customers, repossessed assets and debt securities	**(35)**	42	-183.3%
Operating profit/ (loss) before exceptional items	**26**	(39)	
Exceptional items (net)	**(460)**	(9)	
- Loss on disposal of held for sale loans and advances to customers	**(401)**	(9)	
- Loss on repurchase of Contingent Capital Notes	**(52)**	-	
- Restructuring costs	**(7)**	-	
Loss before taxation	**(434)**	(48)	
Taxation	**9**	(54)	
Loss for the year	**(425)**	(102)	

Financial Performance Headlines

- **Net interest income** (pre-ELG) increased by 8.8% from 2014 to €358m in 2015. This growth was driven by a 22 basis point increase in net interest margin, more than offsetting a 12.3% decrease in average interest earning assets, which have declined owing to deleveraging undertaken in addition to maturities of certain treasury assets in the year.
- **Net other income** of €34m is €4m lower than 2014. This is mainly due to fair value movements on derivative instruments not in hedging relationships.
- **Total operating expenses** (excluding exceptional items) at €317m for 2015 represents a €72m decrease compared to 2014 which is mainly due to a decrease in legacy legal and compliance related costs, along with a decrease in project costs and professional fees.
- **Impairment charge** arising from loans and advances to customers in 2015 is €35m compared to a writeback of €42m in 2014. Provisioning model parameters and assumptions are regularly reviewed by Management and updated to reflect experience. In 2014 the Group released a net amount of €130m made up of changes in peak to trough house price index assumptions and collateral realisation expectations and collateral sale haircuts. In 2015, there were further refinements to the ROI residential model parameters and assumptions, to reflect collateral realisation experience and other updated assumptions. The impact of these increased provisions by €134m. Excluding these refinements the underlying outcome in 2015 would have been a writeback of €99m.
- **Exceptional items** include €401m in relation to disposals of certain non-core loan portfolios, €52m relating to repurchase of the Contingent Capital Notes and €7m of other costs incurred in relation to restructuring. In the prior year, exceptional items related to a loss on the sale of a smaller loan portfolio.

Interest Income

The following table sets out the components of the Group's interest income in the years ended 31 December 2015 and 2014, and the change in each of the components between these two years.

	Year Ended 31 December 2015 €m	Year Ended 31 December 2014 €m	Change %
Loans and advances to customers	**572**	682	-16.1%
Loans and advances to banks	**2**	6	-66.7%
Debt securities and other fixed-income securities			
- Held to maturity	**52**	59	-11.9%
- Available for sale ("AFS")	**51**	91	-44.0%
- Loans and receivables	**15**	32	-53.1%
- Amortisation of AFS securities reclassified to loans and receivables	**1**	3	-66.7%
Gains on interest rate hedges on assets	**1**	1	-
Total interest income	**694**	874	-20.6%

Interest income from loans and advances to customers was €572m in the year ended 31 December 2015, a decrease of 16.1% compared to the prior year. This was principally due to deleveraging which was carried out by the Group during the year together with the full year effect of ECB rate reductions on the tracker mortgage portfolio.

Interest income from debt securities and other fixed-income securities was €119m in total in the year ended 31 December 2015, a decrease of €66m, or 35.7%, compared to €185m in the prior year. This arose principally from maturities of certain instruments in the year.

Interest Expense (excluding ELG fees)

The following table sets out the components of the Group's interest expense (excluding ELG fees) in the years ended 31 December 2015 and 2014, and the percentage change in each of the components between these two years.

	Year Ended 31 December 2015 €m	Year Ended 31 December 2014 €m	Change %
Deposits from banks (including central banks)	**(57)**	(81)	-29.6%
Due to customers	**(215)**	(312)	-31.1%
Interest on debt securities in issue	**(9)**	(53)	-83.0%
Interest on subordinated liabilities	**(24)**	(68)	-64.7%
Amortisation of core deposit intangibles	**(31)**	(31)	-
Total interest expense (excluding ELG fees)	**(336)**	(545)	-38.3%

Interest expense on deposits from banks (including central banks) was €57m in the year ended 31 December 2015; a decrease of €24m, or 29.6% compared to €81m in the prior year, principally due to reduced market interest rates in the year.

Interest payable to customers was €215m in the year ended 31 December 2015, a decrease of €97m, or 31.1% compared to €312m in the prior year. This was due to rate reductions on retail and corporate deposits, together with a reduction in average deposits as the Group continues to actively manage down its cost of funds.

Interest expense on debt securities in issue was €9m in the year ended 31 December 2015, compared to €53m for the prior year. This arose as a result of maturities and repurchases of certain issued bonds and medium term notes during 2014. Medium term notes issued further reduced in 2015 following the maturity of €1.5bn, partially offset by a €0.3bn issuance.

Interest on subordinated liabilities was €24m in the year ended 31 December 2015 compared to €68m for the prior year. This arose due to the repurchase of the Contingent Capital note in the first half of 2015.

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Net Interest Income

Net interest income (excluding ELG fees) for the year ended 31 December 2015 increased by €29m, or 8.8%, to €358m from €329m for the year ended 31 December 2014. This increase is primarily driven by the reduced cost of funds arising from certain debt maturities and active management of the Group's liability base.

Fees payable by the Group under the ELG Scheme were €14m in the year ended 31 December 2015, a decrease of €45m, or 76.3% compared to €59m in the year ended 31 December 2014. This was due to a decrease in total liabilities covered under the scheme from €2.7bn at 31 December 2014 to €0.8bn at 31 December 2015. This fee will continue to reduce further as guaranteed liabilities mature.

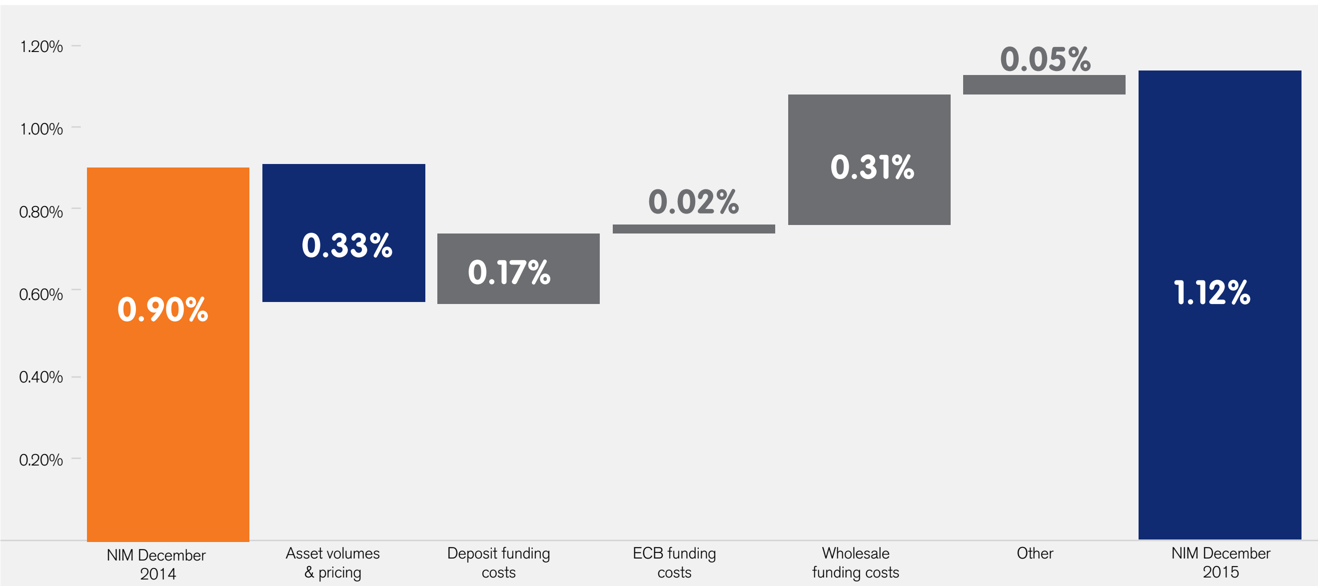
Total average interest-earning assets decreased by €4,460m for the year ended 31 December 2015 compared to the year ended 31 December 2014 primarily driven by the deleveraging of the Group's UK and CRE loan portfolios. Average non-lending interest-earning assets (principally debt securities) also decreased in the year due primarily to NAMA bond redemptions and net maturities of government bonds.

Average Interest Earning Assets and Liabilities, Yield/Rate and Net Interest Margin

The following table sets out the Group's net average interest-earning assets, net average interest-bearing liabilities and net interest income and illustrates the comparative net interest margin for the years ended 31 December 2015 and 2014.

	Year ended			
	31 December 2015 €m	31 December 2014 €m	Amount of change €m	Percentage change %
Total average interest-earning assets	**31,859**	36,319	(4,460)	-12.3%
Total average interest-bearing liabilities	**30,385**	34,719	(4,334)	-12.5%
Net interest income	**344**	270	74	27.4%
Net interest income (excluding ELG fees)	**358**	329	29	8.8%
Average yield on average interest earning assets	**2.18%**	2.41%		-23 bps
Average rate on average interest-bearing liabilities (excluding ELG fees)	**1.11%**	1.57%		-46 bps
Net interest margin (excluding ELG fees)	**1.12%**	0.90%		22 bps

NIM movement since December 2014



The Group's net interest margin (excluding ELG fees) increased from 0.90% for the year ended 31 December 2014 to 1.12% for the year ended 31 December 2015.

The key drivers of the NIM movement in 2015 were as follows:

Asset pricing: Changes in asset pricing contributed to a 33 basis point decrease in net interest margin, due primarily to the full year impact on interest income from tracker mortgage ECB-linked rate reductions during the prior year.

Deposit Funding Costs: The on-going reduction in the cost of corporate and retail deposits, which reflected a normalisation of PTSB deposit rates to align with the Irish market, contributed 17 basis points to net interest margin improvement.

ECB Funding Costs: The successive cuts in the ECB Base Rate during 2014 to 5 basis points from September 2014 contributed 2 basis points to net interest margin through lower funding costs although this benefit was more than offset by reduced interest income on ECB tracker mortgages discussed above.

Wholesale funding costs: Reduced other wholesale funding costs contributed 31 basis points to net interest margin improvement due to the repurchase of the contingent capital note together with the maturity of certain more expensive medium term notes.

Key NIM Drivers: Average Balance Sheet and Interest Rate Data

The following table sets out the average balances of interest-earning assets and interest bearing liabilities for the years ended 31 December 2015 and 2014. The table also outlines the amount of interest income earned and interest expense (excluding ELG fees) incurred by the Group in the years ended 31 December 2015 and 2014, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purpose of the table below, month-end average balances for 13 months from 31 December 2014 to 31 December 2015 are used to calculate the various average interest earning assets and interest bearing liabilities.

Interest expense excludes ELG fees, as a result of which such amounts and rates are lower than they would otherwise be.

	Year ended 31 December 2015			Year ended 31 December 2014		
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
	€m	€m	%	€m	€m	%
Interest-earning assets						
Loans and advances to banks	**1,988**	**2**	**0.10%**	1,774	6	0.34%
Loans and advances to customers	**25,545**	**572**	**2.24%**	28,882	682	2.36%
Debt securities and derivative assets	**4,326**	**120**	**2.77%**	5,663	186	3.28%
Total average interest-earning assets	**31,859**	**694**	**2.18%**	36,319	874	2.41%
Interest-bearing liabilities						
Customer accounts	**19,469**	**246**	**1.26%**	20,417	343	1.68%
Deposits by banks	**8,380**	**57**	**0.68%**	9,695	81	0.84%
Debt securities in issue and derivative liabilities	**2,367**	**9**	**0.38%**	4,233	53	1.25%
Subordinated liabilities	**169**	**24**	**14.20%**	374	68	18.19%
Total average interest-bearing liabilities	**30,385**	**336**	**1.11%**	34,719	545	1.57%
Total average equity attributable to owners	**2,188**			2,237		

The Group's net average balance of loans and advances to customers (which includes assets classified as held for sale at 31 December 2015 of €91m) decreased to €25,545m for the year ended 31 December 2015 from €28,882m for the year ended 31 December 2014 (an 11.6% decrease). This was as a result of net loan repayments, the sale of CHL loans with a net carrying amount of £2.5bn in June 2015, the sale of CRE loans with a net carrying value of €776m in March 2015 and a further sale of CRE loans with a net carrying value of €202m in July 2015. The average interest rate on loans and advances to customers decreased to 2.24% for the year ended 31 December 2015 from 2.36% for the year ended 31 December 2014. This was driven by the full year adverse impact on interest income of ECB tracker mortgage rate reductions from 25 basis points at the start of 2014 to 5 basis points from 10 September 2014.

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The Group's average balance of debt securities and derivative assets decreased to €4,326m for the year ended 31 December 2015 from €5,663m for the year ended 31 December 2014 (a 24% decrease) primarily as a result of earlier than anticipated NAMA bond redemptions and maturities of government bonds. The average interest rate on debt securities and derivative assets decreased to 2.77% for the year ended 31 December 2015 from 3.28% for the year ended 31 December 2014, principally due to the maturity of higher yielding older securities during the year.

The Group's average balance of customer accounts decreased to €19,469m for the year ended 31 December 2015 from €20,417m for the year ended 31 December 2014 (a 4.6% decrease), primarily due to a continued drive by the Group to manage its costs of funds. The average interest rate on customer accounts decreased to 1.26% for the year ended 31 December 2015 from 1.68% for the year ended 31 December 2014, reflecting rate reductions on both retail and corporate deposits.

The Group's average balance of deposits by banks decreased to €8,380m for the year ended 31 December 2015 from €9,695m for the year ended 31 December 2014 (a 13.6% decrease) due to the redemption of certain funding transactions associated with the deleveraged UK loan portfolio. The average interest rate on deposits by banks decreased to 0.68% for the year ended 31 December 2015 from 0.84% for the year ended 31 December 2014, primarily as a result of the ECB Base Rate reductions over 2014.

The Group's average balance of debt securities in issue and derivative liabilities decreased to €2,367m for the year ended 31 December 2015 from €4,233m for the year ended 31 December 2014 (a 44.1% decrease) due to the maturity of certain medium term notes. The average interest rate on debt securities in issue and derivative liabilities decreased to 0.38% for the year ended 31 December 2015 from 1.25% for the year ended 31 December 2014, driven by new issuance of medium term notes at a lower average rate in May 2015.

The Group's average balance of subordinated liabilities decreased to €169m for the year ended 31 December 2015 from €374m for the year ended 31 December 2014 due to the repurchase of the contingent capital notes in the first half of 2015. The average interest rate on subordinated liabilities for the year ended 31 December 2015 decreased to 14.20% from 18.19% for the year ended 31 December 2014.

Changes in Interest Income and Interest Expense–Volume and Rate Analysis

The following table sets out a comparative analysis of changes in interest income and interest expense of the Group for the year ended 31 December 2015 compared to the year ended 31 December 2014. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume/mix change) of interest-earning assets or interest bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities. Changes in the Group's interest income and expense have been allocated between changes in average volume and changes in the average rates for the year ended 31 December 2015 compared to the year ended 31 December 2014. The Group calculates volume and rate variances based on the movements of average balances over the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances (excluding ELG fees).

	Year ended 31 December 2015 compared to year ended 31 December 2014	
	Increase/(decrease) in net interest income due to changes in:	
	Volume/Mix	Yield/Rate
	€m	€m
Interest income		
Loans and advances to banks	**2**	**(6)**
Loans and advances to customers	**(79)**	**(31)**
Debt securities and derivative assets	**(44)**	**(22)**
Total (decrease)/increase in interest income	**(121)**	**(59)**
Interest expense		
Customer accounts	**16**	**81**
Deposits by banks	**11**	**13**
Debt securities in issue and derivative liabilities	**27**	**17**
Subordinated liabilities and other amounts	**37**	**7**
Total (decrease)/increase in interest expenses	**91**	**118**
Total (decrease)/increase in net interest income	**(30)**	**59**

Net Other Income

The following table sets out the components of the Group's net other income in the years ended 31 December 2015 and 2014, and the amount and percentage change in each of the components between these two years.

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Fees and commission income	**56**	56	-
Fees and commission expenses	**(17)**	(19)	-10.5%
Net fees and Commission income	**39**	37	5.4%
Net trading (expense)/income	**(4)**	5	-180.0%
Other income	**2**	8	-75.0%
Other operating Income	**2**	8	-75.0%
Loss on buyback of debt securities issued	**-**	(11)	-100.0%
Other expenses	**(3)**	(1)	200.0%
Other operating expense	**(3)**	(12)	-75.0%
Total net other income	**34**	38	-10.5%

Net fees and commission income of €39m for the year ended 31 December 2015 increased slightly by 5.4% from €37m for the year ended 31 December 2014 due to lower securitisation fees paid in the year.

Net trading (expense)/ income moved from a net trading gain of €5m for the year ended 31 December 2014 to a net trading expense of €4m for the year ended 31 December 2015 primarily due to fair value movements on certain derivative instruments which do not meet the accounting requirements for hedge accounting or are economic hedges.

Other operating income decreased by €6m, from €8m for year ended 31 December 2014 to €2m for year ended 31 December 2015 primarily due to the repurchase of certain debt securities which did not reoccur in 2015 and the sale of certain CRE assets in 2014 which forms part of exceptional items in 2015.

Other operating expense decreased by €9m, or 75%, from €12m for year ended 31 December 2014 to €3m for year ended 31 December 2015 primarily due to a loss on the buyback of certain debt securities in 2014.

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Total Operating Expenses (excluding exceptional items)

Total operating expenses (excluding exceptional items) consist of administrative, staff and other expenses, bank levy, depreciation of property and equipment and amortisation of intangible assets. Total operating expenses (excluding exceptional items) decreased by 18.5% from €389m for the year ended 31 December 2014 to €317m for the year ended 31 December 2015.

The following table sets out the components of the Group's total operating expenses (excluding exceptional items) in the years ended 31 December 2015 and 2014, and the amount and percentage change in each of the components between these two years.

	Year ended		
	31 December 2015	31 December 2014	Change
	€m	€m	%
Staff Costs:			
Wages and salaries including commission paid or payable to sales staff	**109**	107	1.9%
Staff redundancy	**-**	1	-100.0%
Social insurance	**12**	11	9.1%
Pension Costs:			
Payments to defined contribution pension schemes	**11**	11	-
Total staff costs	**132**	130	1.5%
Other general and administrative expenses	**140**	217	-35.5%
Administrative, staff and other expenses	**272**	347	-21.6%
Bank levy	**27**	27	-
Depreciation of property and equipment	**13**	12	8.3%
Writeback of impairments on revaluation of property	**(2)**	(4)	-50.0%
Amortisation of intangible assets	**7**	7	-
Total Operating Expenses (excluding exceptional items)	**317**	389	-18.5%
Cost to income ratio	**84%**	126%	42 ppts

Administrative, staff and other expenses decreased by €75m, or 21.6%, from €347m for the year ended 31 December 2014 to €272m for the year ended 31 December 2015. This was primarily due to a decrease in legacy legal and compliance related costs along with project and professional costs. Total staff costs increased marginally by €2m, from €130m for the year ended 31 December 2014 to €132m for the year ended 31 December 2015.

The bank levy introduced in the 2013 Finance Act has remained unchanged from prior the year and €27m was payable in the year ended 31 December 2015.

Cost to income ratio decreased by 42ppts from 126% to 84% mainly due to a decrease in other general and administrative expenses and an increase in net interest income.

Impairment charges

The following table sets out the components of the Group's impairment charge/(write-back) in the years ended 31 December 2015 and 2014, and the amount of the change and the percentage change in each of the components between these two years.

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
ROI residential mortgages			
- Home loans	**(12)**	124	109.7%
- Buy-to-let	**66**	(156)	-142.3%
Total ROI residential mortgages	**54**	(32)	-268.8%
- Commercial	**(27)**	(13)	107.7%
- Consumer finance	**2**	(6)	-133.3%
	29	(51)	-156.9%
UK residential mortgages			
- Home loans	**-**	1	100.0%
- Buy-to-let	**6**	9	33.3%
Total UK residential mortgages	**6**	10	40.0%
Total impairment charge/(writeback) on loans and advances to customers*	**35**	(41)	-185.4%
Impairment charge/(writeback) on repossessed assets & debt securities:			
Impairment charge/(writeback) on repossessed assets:	**1**	(1)	-200.0%
Impairment (writeback) on debt securities:	**(1)**	-	100.0%
Total impairment charge/(writeback)	**35**	(42)	-183.3%
Cost of risk ratio	**0.1%**	-0.1%	-0.2 ppts

*includes impairment writeback/charge on assets held for sale.

Total impairment charges on loans and advances to customers for the year ended 31 December 2015 was €35m, compared to a write-back of €41m for the year ended 31 December 2014.

Impairment charges on ROI residential mortgages for the year ended 31 December 2015 was €54m (2014 write-back of €32m).

Provisioning model parameters and assumptions are regularly reviewed by management and updated to reflect experience.

In 2014, the impairment write back included a write back of €280m arising from an adjustment to the peak to trough house price index assumption which was reduced by 5ppt (from 55%) while maintaining an appropriate buffer relative to the actual CSO house price index peak to trough measurement. 2014 also included a charge of €150m due to collateral realisation expectations being realigned and collateral sale haircuts increasing from 10% to 20% to reflect developments and experience within the Irish Property market in 2014.

Excluding these adjustments, the underlying impairment charge in 2014 would have been a €98m charge.

In 2015, the impairment charge of €54m reflected further amendments to ROI residential parameters, in particular, various collateral valuation and the other parameters that are updated on a point-in-time basis to reflect collateral realisation experience and portfolio/geographical mix. In particular, these charges increased provisions by €134m. In contrast, the Group noted further improved underlying positive collection performance where there was a write back of €80m to reflect underlying positive trends in residential mortgage defaults and cash collections. (Excluding the adjustments referred to above the level of impairments year on year reduced by €178m).

The Group will continue to apply a dynamic impairment model underpinned by experience arising form its loan books.

Total impairment write-backs on commercial mortgages and consumer loans (net) have increased by €6m to a write-back of €25m in the year ended 31 December 2015 primarily due to the collateral improvements in the Group's Commercial portfolios.

Total impairment charges on the UK residential mortgage portfolio have decreased by €4m to a charge of €6m in the year ended 31 December 2015 also due to improvements in collateral valuations.

Cost of risk ratio increased to 0.1% from -0.1% mainly as a result of the model and parameter adjustment in both years, described above.

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Exceptional items

Exceptional items for the year ended 31 December 2015 include €401m in relation to losses on disposals (including costs) of certain loans of the non-core portfolio. Also included within exceptional items are €52m relating to the repurchase of Contingent Capital Notes and €7m of costs in relation to restructuring. For the year ended 31 December 2014, net exceptional items were €9m in relation to net losses on disposals of certain asset portfolios.

	Year ended		
	31 December 2015 €m	31 December 2014 €m	Change %
Staff redundancy costs	**(1)**	-	100.0%
Other restructuring costs	**(5)**	-	100.0%
Share reorganisation	**(1)**	-	100.0%
Total restructuring costs	**(7)**	-	100.0%
Loss on repurchase of Contingent Capital Notes	**(52)**	-	100.0%
Loss on disposal of assets	**(401)**	(9)	4355.5%
Exceptional items (net)	**(460)**	(9)	5011.1%

Taxation

The taxation credit for the year ended 31 December 2015 is €9m. Taxation charge for the year ended 31 December 2014 was €54m.

Loss for the year

Loss for the year including exceptionals increased by €323m from €102m to €425m from the prior year due to the factors discussed above.

Segmental Performance

The following tables set out selected consolidated income statement data for the years ended 31 December 2015 and 2014 by Core Bank and Non-Core, the Group's principal operating segments (as further outlined in note 3).

In €m	Year Ended 31 December 2015		
	Core Bank	Non-Core	Total
Interest income	**567**	**127**	**694**
Interest expense	**(221)**	**(129)**	**(350)**
Total net interest income/(expenses)	**346**	**(2)**	**344**
Other banking income	**35**	**-**	**35**
Net other operating (expense)/income	**(2)**	**1**	**(1)**
Total operating income	**379**	**(1)**	**378**
Total operating expenses including bank levy	**(279)**	**(20)**	**(299)**
Depreciation and amortisation of property and equipment and intangible assets	**(20)**	**-**	**(20)**
Reversal of impairment on property	**2**	**-**	**2**
Total operating expenses excluding exceptional items	**(297)**	**(20)**	**(317)**
Operating profit/(loss) before writeback/(charge) for impairments and exceptional items	**82**	**(21)**	**61**
Impairment of loans and advances, repossessed assets and debt securities	**(63)**	**28**	**(35)**
Operating profit / (loss) before exceptional items and tax	**19**	**7**	**26**

In €m	Year Ended 31 December 2014		
	Core Bank	Non-Core	Total
Interest income	675	199	874
Interest expense	(400)	(204)	(604)
Total net interest income/(expenses)	275	(5)	270
Other banking income	42	-	42
Net other operating income/(expense)	(7)	3	(4)
Total operating income	310	(2)	308
Total operating expenses	(341)	(33)	(374)
Depreciation and amortisation of property and equipment and intangible assets	(19)	-	(19)
Reversal of impairment on property	4	-	4
Total operating expenses excluding exceptional items	(356)	(33)	(389)
Operating (loss) before writeback/(charge) for impairments and exceptional items	(46)	(35)	(81)
Impairment of loans and advances and repossessed assets	51	(9)	42
Operating profit/(loss) before exceptional items and tax	5	(44)	(39)

In €m	31 December 2015			31 December 2014		
Key Balance Sheet Metrics	Core	Non-Core	Group	Core	Non-Core	Group
Loans and advances to customers (Gross)	**21,613**	**4,114**	**25,727**	22,482	9,338	31,820
Loans and advances to customers (Net)***	**19,188**	**3,933**	**23,121**	20,075	8,161	28,236
Non performing loans	**5,728**	**353**	**6,081**	6,153	2,155	8,308
Non performing loans impaired and >90 days in arrears	**5,234**	**332**	**5,566**	5,672	2,030	7,702
NPL Provision Coverage Ratio**	**43.6%**	**51.6%**	**44.2%**	41.3%	54.7%	44.8%
Provision Coverage Ratio ("PCR")*	**47.9%**	**54.8%**	**48.3%**	44.9%	58.0%	48.3%

The table above includes assets classified as held for sale.

* Provision Coverage Ratio is calculated as impairment provisions as a % of non-performing loans greater than 90 days in arrears and/or impaired.
** Provision Coverage Ratio is calculated as impairment provisions as a % of total non-performing loans.
*** Including assets held for sale.

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Core Bank

The Core Bank focuses on Irish retail consumer business with a gross loan portfolio of €21.6bn consisting of ROI residential mortgages, primarily funded by customer deposits and wholesale market funding. The Core Bank targets mainstream Irish retail personal and non-personal customers and offers a comprehensive range of retail banking products including deposit accounts, current accounts, mortgages and consumer finance through multiple channels.

The Core Bank reported net interest income of €346m, an increase of €71m from the prior year due to lower cost of funds through active management of the retail funding base and lower ELG fee costs. NIM (pre ELG fees) rose from 1.21% to 1.42% over the year.

Total operating expense for the Core Bank was €297m, a decrease of €59m from the prior year mainly due to lower charges for legacy legal and compliance liabilities offset by marginally increased staff costs. Cost-to-income ratio decreased by 37ppts from 115% to 78% mainly due to a decrease in total operating expenses, in addition to an increase in total operating income.

The Core Bank reported an operating profit before exceptional items of €19m in 31 December 2015 which is an improvement of €14m on 2014. This is driven by an improvement in operating expenses which is offset by a net increase in impairment charges. In 2014, changes to provisioning model parameters and assumptions in the Core Bank results included a release from impairment provisions of €129m. While in 2015 changes to the provisioning parameters and assumptions resulted in an increase in impairments of €134m.

The annualised cost of risk ratio increased from -0.2% to 0.3% mainly as a result of the increase in impairment charges following the changes to the provisioning and parameter assumption changes in 2014 and 2015.

Non-Core

Total Non-Core, which holds a gross loan portfolio of €4bn as at 31 December 2015, is comprised mainly of €382m of ROI commercial real estate and certain ROI residential mortgages which are connected to the commercial real estate portfolio and €3.6bn of UK residential mortgages originated by the Group through its former UK business, in addition to the Isle of Man business. The UK books are closed and no new lending is being undertaken in these jurisdictions.

The Non-Core operating profit before exceptional items was €7m for the year 31 December 2015 as compared to a loss of €44m in 2014. This improvement was principally driven by impairment provision write-backs and the deleveraging of certain less profitable loan books over 2014 and 2015.

Net loans and advances to customers in the Non-Core bank reduced by €4.2bn in 2015 due to the sale of CHL loans and advances of £2.5bn (€3.5bn) and the sale of €1bn of commercial loans including assets held for sale during 2015. NPLs have decreased by 83.6% in 31 December 2015 to €353m, mainly as a result of the deleveraging transactions carried out during the year.

Summary Consolidated Statement of Financial Position

	31 December 2015 €m	31 December 2014 €m	Change %
Assets			
ROI home loans	**14,445**	14,972	-3.5%
ROI buy-to-let	**4,633**	4,924	-5.9%
Total ROI residential mortgages	**19,078**	19,896	-4.1%
UK home loans	**226**	385	-41.3%
UK buy-to-let	**3,289**	6,312	-47.9%
Total UK residential mortgages	**3,515**	6,697	-47.5%
Commercial mortgages	**197**	364	-45.9%
Consumer finance	**240**	249	-3.6%
Total loans and advances to customers	**23,030**	27,206	-15.3%
Loans and advances to banks	**1,516**	1,768	-14.3%
Debt securities	**3,839**	5,326	-27.9%
Equity securities	**23**	-	100.0%
Other assets	**822**	963	-14.6%
Assets held for sale	**91**	1,030	-91.2%
Total assets	**29,321**	36,293	-19.2%
Liabilities and equity			
Current accounts	**3,006**	2,639	13.9%
Retail deposits	**11,521**	12,071	-4.6%
Corporate & institutional deposits	**4,023**	5,728	-29.8%
Total customer accounts	**18,550**	20,438	-9.2%
Deposits by ECB	**4,650**	4,870	-4.5%
Deposits by banks and other financial institutions	**2,099**	4,237	-50.5%
Deposits by banks	**6,749**	9,107	-25.9%
Debt securities in issue	**1,003**	3,425	-70.7%
Subordinated liabilities	**22**	387	-94.3%
Other liabilities	**601**	656	-8.4%
Total liabilities	**26,925**	34,013	-20.8%
Total equity	**2,396**	2,280	5.1%
Total equity and liabilities	**29,321**	36,293	-19.2%

ROI residential mortgages

As at 31 December 2015, ROI residential mortgages represented 82.9% of the total net loans and advances to customers, compared to 73.1% as at 31 December 2014. Of the ROI residential mortgages, 75.7% and 75.3% were home loans as at 31 December 2015 and 2014 respectively, with the remainder consisting of buy-to-let mortgages.

ROI residential mortgages fell by €0.8bn in the year ended 31 December 2015 due to net repayments of €1bn offset by a €0.2bn decrease in impairment provisions.

UK residential mortgages

UK residential mortgages fell by £2.5bn (€3.5bn) in the year ended 31 December 2015 mainly due to deleveraging during the year.

Commercial mortgages

The commercial real estate portfolio was closed to new business in 2008. The net carrying amount of loan portfolio has fallen by €0.2bn in the year ended 31 December 2015 due to on-going deleveraging and repayments during the year.

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(continued)

Asset Quality

The Group uses the Basel II 25 point scale for the internal ratings approach ("IRB") for credit risk. Loans which are neither past due nor impaired are analysed as excellent, satisfactory or fair according to their IRB rating as described below.

- 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.
- Fair risk profile (IRB ratings 22 to 24) – includes exposures whose general profiles are considered to require some additional monitoring.
- Defaulted (IRB rating 25) – includes exposures which are greater than 90 days past due or impaired

Past due but not impaired is defined as loans where repayment of interest and / or principal is overdue by at least one day but which are not impaired.

A loan is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which give rise to an adverse impact on the estimated future cash flows of the asset. Impairment provisions are calculated either individually on loans where significant, or on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement.

The tables below outline total loan and advances to customers (including assets held for sale) for the Group's ROI and UK residential mortgages analysed by home loans, buy-to-let, commercial and consumer finance based on excellent, satisfactory, fair risk in line with the IRB rating system and, neither past due nor impaired, past due but not impaired and impaired in line with IFRS 7.

31 December 2015	ROI residential mortgages		UK residential mortgages				
	Home loan	Buy-to-let	Home loan	Buy-to-let	Commercial	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
Excellent	9,254	991	52	2,012	17	153	12,479
Satisfactory	1,783	2,415	135	1,055	140	49	5,577
Fair risk	577	705	6	107	30	19	1,444
Neither past due nor impaired	11,614	4,111	193	3,174	187	221	19,500
Past due but not impaired	536	125	14	50	58	12	795
Impaired	3,712	1,360	27	111	137	85	5,432
	15,862	5,596	234	3,335	382	318	25,727
Provision for impairment losses	(1,498)	(963)	(8)	(46)	(94)	(79)	(2,688)
	14,364	4,633	226	3,289	288	239	23,039
Deferred fees, discounts and fair value adjustments	81	-	-	-	-	1	82
	14,445	4,633	226	3,289	288	240	23,121

Total loans and advances to customers (including assets held for sale) as a % of gross loans:

31 December 2015	ROI residential mortgages		UK residential mortgages				
	Home loan	Buy-to-let	Home loan	Buy-to-let	Commercial	Consumer finance	Total
Excellent	58%	18%	22%	60%	4%	48%	48%
Satisfactory	11%	43%	58%	32%	37%	15%	22%
Fair risk	4%	13%	3%	3%	8%	6%	6%
Neither past due nor impaired	73%	74%	83%	95%	49%	69%	76%
Past due but not impaired	4%	2%	6%	2%	15%	4%	3%
Impaired	23%	24%	11%	3%	36%	27%	21%

31 December 2014	ROI residential mortgages		UK residential mortgages				
	Home loan €m	Buy-to-let €m	Home loan €m	Buy-to-let €m	Commercial €m	Consumer finance €m	Total €m
Excellent	9,412	2,263	96	4,023	58	140	15,992
Satisfactory	1,691	1,288	225	1,978	303	62	5,547
Fair risk	714	727	11	151	106	22	1,731
Neither past due nor impaired	11,817	4,278	332	6,152	467	224	23,270
Past due but not impaired	691	137	50	122	54	18	1,072
Impaired	3,947	1,844	7	95	1,483	102	7,478
	16,455	6,259	389	6,369	2,004	344	31,820
Provision for impairment losses	(1,574)	(1,099)	(4)	(57)	(892)	(96)	(3,722)
	14,881	5,160	385	6,312	1,112	248	28,098
Deferred fees, discounts and fair value adjustments	137	-	-	-	-	1	138
	15,018	5,160	385	6,312	1,112	249	28,236

Total loans and advances to customers (including assets held for sale) as a % of gross loans:

31 December 2014	ROI residential mortgages		UK residential mortgages				
	Home loan	Buy-to-let	Home loan	Buy-to-let	Commercial	Consumer finance	Total
Excellent	57%	36%	24%	63%	3%	41%	50%
Satisfactory	10%	21%	58%	31%	15%	18%	17%
Fair risk	5%	12%	3%	2%	5%	6%	6%
Neither past due nor impaired	72%	69%	85%	96%	23%	65%	73%
Past due but not impaired	4%	2%	13%	2%	3%	5%	3%
Impaired	24%	29%	2%	2%	74%	30%	24%

Impairment Provisions

Impairment provisions were €2,688m as at 31 December 2015 compared to €3,722m as at 31 December 2014, a decrease of 27.8%. This is mainly due to the disposal of the Group's main commercial loan portfolio of €2bn during the year.

Impairment provisions represent 10.4% of total loans and advances to customers (including assets held for sale) as at 31 December 2015 as compared to 2014 at 11.7%, but are reflective of the improving quality of the remaining loan books.

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Non-Performing Loans

The following tables outline non-performing loans, non-performing loans as a percentage of loans and advances to customers (including assets held for sale) and provision coverage ratios by type of loan as at 31 December 2015 and 2014.

Non performing loans ("NPLs") are defined as impaired loans, loans which are greater than 90 days in arrears, loans where the borrower is considered unlikely to repay the total loan balance without realisation of the underlying collateral and loans which are considered unlikely to pay as defined under regulatory guidelines, including the May 2013 CBI guidelines on impairment provisioning and under European Banking Authority Implementing Technical Standards.

31 December 2015	ROI residential mortgages		UK residential mortgages				
	Home loan €m	Buy-to-let €m	Home loan €m	Buy-to-let €m	Commercial €m	Consumer Finance €m	Total €m
Non-performing loans no arrears	**69**	**374**	**2**	**5**	**4**	**-**	**454**
Not impaired < 90 days in arrears	**35**	**20**	**3**	**6**	**-**	**-**	**64**
Not impaired > 90 days in arrears	**127**	**4**	**-**	**-**	**-**	**-**	**131**
Impaired loans	**3,712**	**1,360**	**27**	**110**	**138**	**85**	**5,432**
Non-performing loans	**3,943**	**1,758**	**32**	**121**	**142**	**85**	**6,081**
NPLs as % of gross loans	**25%**	**31%**	**14%**	**4%**	**37%**	**27%**	**24%**
Provision coverage ratio*	**39%**	**71%**	**30%**	**42%**	**68%**	**93%**	**48%**
NPL provision coverage ratio**	**38%**	**55%**	**25%**	**38%**	**66%**	**93%**	**44%**

* Provision coverage ratio is calculated as impairment provisions as a % of non-performing loans greater than 90 days in arrears and/ or impaired.
**NPL provision coverage ratio is calculated as impairment provisions as a % of non-performing loans.

31 December 2014	ROI residential mortgages		UK residential mortgages				
	Home loan €m	Buy-to-let €m	Home loan €m	Buy-to-let €m	Commercial €m	Consumer Finance €m	Total €m
Non-performing loans no arrears	43	356	21	30	46	0	496
Not impaired < 90 days in arrears	56	28	5	14	7	-	110
Not impaired > 90 days in arrears	180	13	13	18	-	0	224
Impaired loans	3,947	1,844	7	95	1,483	102	7,478
Non-performing loans	4,226	2,241	46	157	1,536	102	8,308
NPLs as % of gross loans	26%	36%	12%	2%	77%	30%	26%
Provision coverage ratio*	38%	59%	20%	50%	60%	94%	48%
NPL provision coverage ratio**	37%	49%	9%	36%	58%	94%	45%

* Provision coverage ratio is calculated as impairment provisions as a % of loans greater than 90 days in arrears and/or impaired.
**NPL provision coverage ratio is calculated as impairment provisions as a % of non-performing loans.

NPLs at 31 December 2015 reduced by €2.2bn compared to 2014. This is mainly as a result of the sale of commercial loan portfolios during the year and also loans being cured and moving to performing status.

ROI residential mortgages – Home loans

	31 December 2015 €m	31 December 2014 €m	Change %
Non-performing loans no arrears	**69**	43	60.5%
Not impaired < 90 days in arrears	**35**	56	-37.5%
Not impaired > 90 days in arrears	**127**	180	-29.4%
Impaired loans	**3,712**	3,947	-6.0%
Non-performing loans	**3,943**	4,226	-6.7%
NPLs as % of gross loans	**25%**	26%	-1 ppts
Provision coverage ratio*	**39%**	38%	1 ppts
NPL provision coverage ratio	**38%**	37%	1 ppts

* Provision coverage ratio is calculated as impairment provisions as a % of loans greater than 90 days in arrears and/or impaired.

Total cases #	**130,647**	134,854	-4,207
Early arrears (0-90 days) #	**4,694**	5,345	-651
Early arrears (0-90 days) %	**3.6%**	4.0%	-0.4 ppts
Late arrears (over 90 days) #	**11,428**	14,370	-2,942
Late arrears (over 90 days) %	**8.7%**	10.7%	-2.0 ppts

Home loans represent 73.9% of the total gross ROI residential mortgage portfolio with home loan NPLs at 25% of total gross ROI home loans at 31 December 2015. Impairment provisions decreased by 4.8% and the provision coverage ratio increased marginally by 1ppt.

This is mainly as a result of loans being cured and moving to performing status and the reduced level of default flows during the year.

In 2015, home loans early arrears cases, which represented 3.6% of total cases, reduced by 0.4ppt when compared to 31 December 2014. Late arrears cases, which represented 8.7%, decreased by 2.0ppts when compared to 31 December 2014. This highlights the progress made in dealing with early and late arrears cases by the Asset Management Unit.

ROI residential mortgages – Buy-to-let

	31 December 2015 €m	31 December 2014 €m	Change %
Non-performing loans no arrears	**374**	356	5.1%
Not impaired < 90 days in arrears	**20**	28	-28.6%
Not impaired > 90 days in arrears	**4**	13	-69.2%
Impaired loans	**1,360**	1,844	-26.2%
Non-performing loans	**1,758**	2,241	-21.6%
NPLs as % of gross loans	**31%**	36%	-5 ppts
Provision coverage ratio*	**71%**	59%	12 ppts
NPL provision coverage ratio	**55%**	49%	6 ppts

* Provision coverage ratio is calculated as impairment provisions as a % of loans greater than 90 days in arrears and/or impaired.

Total cases #	**21,121**	22,419	-1,298
Early arrears (0-90 days) #	**638**	809	-171
Early arrears (0-90 days) %	**3.0%**	3.6%	-0.6 ppts
Late arrears (over 90 days) #	**2,302**	3,040	-738
Late arrears (over 90 days) %	**10.9%**	13.6%	-2.7 ppts

Buy-to-let loans represent 26.1% of the total gross ROI residential mortgage portfolio with buy-to-let NPLs at 31% of total gross ROI buy-to-let loans at 31 December 2015. Impairment provisions decreased by 12.4% and the provision coverage ratio increased by 12ppt.

In 2015, BTL early arrears cases, which represented 3.0% of total cases, reduced by 0.6ppt when compared to 31 December 2014. Also, late arrears cases, which represented 10.9%, decreased by 2.7ppts when compared to 31 December 2014.

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UK residential mortgages
UK mortgages represent 13.9% of total gross loans and advances to customers at 31 December 2015. NPLs in this portfolio have decreased by €50m while the impairment provisions decreased by €7m mainly as a result of deleveraging carried out during the year.

Commercial
This represents 1.5% of the total gross loan portfolio. At 31 December 2015, the NPLs in this portfolio decreased by 90.8% primarily due to deleveraging.

Consumer finance
This represents 1.2% of the total gross loan portfolio. At 31 December 2015, the NPLs in this portfolio have decreased compared to 2014. Impairment provisions decreased by 18% owing to improved underlying performance.

Weighted average LTVs of residential mortgage portfolio
The tables below outline the weighted average LTVs for the total ROI and UK residential mortgage portfolios analysed across home loan and buy-to-let facilities as at 31 December 2015 and 2014.

	31 December 2015 %	31 December 2014 %
ROI home loan	**85%**	92%
ROI buy-to-let	**112%**	118%
UK home loan	**76%**	73%
UK buy-to-let	**73%**	74%
Total including ROI and UK mortgages	**90%**	93%

The tables below outline the level of loans with an LTV up to 100% and greater than 100% for both performing and non-performing loans in the ROI residential portfolio. This is weighted based on the loan balance as a factor of the overall ROI residential loan portfolio.

As at 31 December 2015	Performing		Non-performing		
	Home loan %	Buy-to-let %	Home loan %	Buy-to-let %	Total %
Up to 100%	**74%**	**51%**	**42%**	**25%**	**60%**
> 100%	**26%**	**49%**	**58%**	**75%**	**40%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

As at 31 December 2014	Performing		Non-performing		
	Home loan %	Buy-to-let %	Home loan %	Buy-to-let %	Total %
Up to 100%	65%	42%	37%	19%	52%
> 100%	35%	58%	63%	81%	48%
Total	100%	100%	100%	100%	100%

In general, property prices have shown an increasing trend in ROI (as reflected in the CSO house price index), increasing by 6.6% in the year ended 31 December 2015 and 16.3% in 2014. The UK housing market also reflected an increase in prices in both 2015 and 2014. This is reflected by the improvements in the LTV profile across the three key portfolios (ROI buy-to-let and home loan and the UK buy-to-let) from 31 December 2014 to 31 December 2015.

This is also reflected in the improvement in the total % of ROI residential mortgages that are in negative equity which decreased from 48% at 31 December 2014 to 40% at 31 December 2015.

Forbearance Arrangements – ROI 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 current 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 as at 31 December 2015 and 2014. The balance of forbearance arrangements for residential home loan mortgages and buy-to-let residential mortgages are analysed below.

	All Loans		Loans >90 days in arrears and/or impaired	
	Number	Balances €m	Number	Balances €m
ROI Residential home loan mortgages				
As at 31 December 2015	**28,532**	**4,435**	**18,010**	**3,108**
As at 31 December 2014	31,184	4,864	19,463	3,310
ROI Residential buy-to-let mortgages				
As at 31 December 2015	**3,940**	**1,389**	**2,008**	**701**
As at 31 December 2014	4,356	1,544	2,236	801

The tables above reflect a decrease of €429m as at 31 December 2015 for the Group in the balance of ROI residential home loans in forbearance arrangements, a decrease of 8.8% compared to 31 December 2014.

It also reflects a decrease of €155m as at 31 December 2015 for the Group in the balance of ROI residential buy-to-let in forbearance arrangements, a decrease of 10.0% compared to 31 December 2014.

The total number of loans which are greater than 90 days in arrears and/or impaired decreased by 7.7% from 21,699 compared to the prior year.

More details on forborne loans are provided in the financial risk management note to the consolidated financial statements.

Debt Securities

The following table outlines the Group's debt securities as at 31 December 2015 and 2014.

	31 December 2015 €m	31 December 2014 €m	Change %
Irish Government bonds	**3,077**	3,857	-20.2%
NAMA bonds	**762**	1,276	-40.3%
Bonds issued by credit institutions	**-**	182	-100.0%
Other bonds	**-**	12	-100.0%
Gross debt securities	**3,839**	5,327	-27.9%
Less: impairment provisions	**-**	(1)	-100.0%
Net debt securities	**3,839**	5,326	-27.9%

The Group's debt securities comprise Irish Government bonds, NAMA bonds and other bank and corporate bonds.

During the year ended 31 December 2015, the debt securities portfolio decreased by €1,487m, mainly as a result of NAMA bond redemptions and maturities of credit institutions and government bonds (excluding impairment provisions).

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Loans and Advances to Banks

The following table outlines the Group's loans and advances to banks as at 31 December 2015 and 2014.

	31 December 2015 €m	31 December 2014 €m	Change %
Placed with central banks	**458**	309	48.2%
Placed with other banks	**1,058**	1,459	-27.5%
Loans and advances to banks	**1,516**	1,768	-14.3%

Placements with other banks included restricted cash of €839m as at 31 December 2015 (31 December 2014: €1,194m) with €300m (31 December 2014: €720m) held by the Group's securitisation vehicles and cash collateral of €539m as at 31 December 2015 (31 December 2014: €474m) placed with counterparties in relation to asset derivative positions and repurchase agreements. The movement in the amounts of restricted cash held by Group's securitisation vehicles has fallen by €420m due to deleveraging of underlying assets during the year.

Liabilities

Customer Accounts

The following table outlines the Group's customer accounts as at 31 December 2015 and 2014.

	31 December 2015 €m	31 December 2014 €m	Change %
Term deposits	**10,682**	13,320	-19.8%
Demand deposits	**2,920**	2,726	7.1%
Current accounts	**3,006**	2,639	13.9%
Notice and other accounts	**1,942**	1,753	10.8%
Total customer accounts	**18,550**	20,438	-9.2%

The following table sets forth the Group's customer accounts by customer type as at 31 December 2015 and 2014.

	31 December 2015 €m	31 December 2014 €m	Change %
Current accounts	**3,006**	2,639	13.9%
Retail deposits	**11,007**	11,643	-5.5%
Retail deposits total	**14,013**	14,282	-1.9%
Corporate deposits	**2,580**	2,713	-4.9%
Institutional deposits	**1,443**	2,835	-49.1%
Isle of Man	**514**	608	-15.5%
Total customer accounts	**18,550**	20,438	-9.2%

In 2015, customer accounts decreased to €18,550m, a decrease of €1,888m or 9.2% compared to 2014. Retail deposits including current accounts decreased by €269m in 2015. Corporate deposits decreased by €133m in 2015 while the institutional deposits decreased by €1,392m, reflecting maturing deposits.

Deposits by banks (including central banks)

The following table outlines the Group's deposits by banks as at 31 December 2015 and 2014.

	31 December 2015 €m	31 December 2014 €m	Change %
Placed by the ECB	**4,650**	4,870	-4.5%
Placed by other banks and institutions on repurchase agreements	**1,072**	3,720	-71.2%
Other	**1,027**	517	98.6%
Deposits by banks	**6,749**	9,107	-25.9%

Deposits placed by the ECB decreased marginally by €220m from 31 December 2014 to 31 December 2015.

Deposits by banks decreased in 2015 due principally to deleveraging.

Other deposits primarily related to a secured loan facility.

Debt securities in issue

The following table outlines the Group's debt securities in issue as at 31 December 2015 and 2014.

	31 December 2015 €m	31 December 2014 €m	Change %
Bonds and medium-term notes	**470**	1,778	-73.6%
Non-recourse funding	**533**	1,647	-67.6%
Debt securities in issue	**1,003**	3,425	-70.7%

Bonds and medium term notes consisted of debt instruments issued by the Group while non-recourse funding consists of residential mortgage backed securities issued by the Group.

Bonds and medium term notes reduced by €1,308m between 31 December 2014 and 31 December 2015 due to note maturities which was offset by an issuance of €300m of new medium term debt during 2015.

Non-recourse funding included €533m, as at 31 December 2015, of funding by way of residential mortgage-backed securities. Non-recourse funding decreased by €1,114m between 31 December 2014 and 31 December 2015 due to the deleveraging of certain loan assets together with the collapse of certain mortgage backed securities as the Group continued to actively manage its funding position.

Subordinated liabilities

The following table outlines the Group's subordinated liabilities as at 31 December 2015 and 2014.

	31 December 2015 €m	31 December 2014 €m	Change %
€24m 0% non-callable lower tier 2 capital notes 2018	**22**	21	4.8%
€400m 10% fixed-rate convertible contingency capital notes 2016	**-**	366	-100.0%
Subordinated liabilities	**22**	387	-94.3%

Decrease in subordinated liabilities of €365m is primarily due to the repurchase of the contingent capital note as part of the Group's capital raise transaction during 2015.

Financial Review
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Funding and Liquidity

The following table shows the Group's funding profile as at 31 December 2015 and 2014:

	31 December 2015 €m	31 December 2014 €m	Change %
Customer accounts	**18,550**	20,438	-9.2%
Long-term funding	**1,000**	5,279	-81.1%
Debt securities in issue	**978**	1,878	-47.9%
Subordinated liabilities	**22**	387	-94.3%
Deposits by banks	**-**	3,014	-100.0%
Short-term funding	**6,774**	7,640	-11.3%
ECB funding < 1 year to maturity	**4,650**	4,870	-4.5%
Debt securities in issue	**25**	1,547	100%
Other deposits by banks	**2,099**	1,223	71.7%
Total interest bearing liabilities	**26,324**	33,357	-21.1%
ECB funding as a % of total funding	**18%**	15%	17.8%
Funding mix:			
Customer accounts	**70%**	61%	9 ppts
Long-term funding	**4%**	16%	-12 ppts
Short-term funding	**26%**	23%	3 ppts
	100%	100%	
Key funding ratio:			
LCR	**153%**	160%	7ppt

Customer accounts made up 70% of total funding at 31 December 2015, compared to 61% as at 31 December 2014 supporting the Group's strategy to fund a higher portion of the balance sheet through Retail sources. These deposits are predominantly short term in nature, further detail of the maturity profile of these deposits is provided in note 34. Group funding requirements have decreased as a result of deleveraging carried out by the Group and a general rebalancing of the funding profile. ECB funding comprised €4.7bn of total funding required by the Group for the year ended 31 December 2015, as compared to €4.9bn at 31 December 2014.

The definition of long-term funding as above consists of debt with a remaining maturity or call date of greater than 12 months, including bonds and medium-term notes, non-recourse funding and subordinated liabilities. Long-term debt excluding term Retail and Corporate deposits, which are captured under customer accounts, accounted for 4% of total funding at 31 December 2015, compared to 16% at 31 December 2014. The decrease in the year ended 31 December 2015 was mainly due to repurchase of the contingent capital note which has been replaced with equity funding issued as part of the capital raise transaction. Separately as part of the deleveraging programme the Group sold or collapsed certain securitisation vehicles which has resulted in a reduction in the level of long term funding as it moves towards more stable forms of Retail funding.

Short-term funding consists of debt with a remaining maturity or call date of less than 12 months, including ECB funding, debt securities in issue and certain other short-term debt.

The Group's LCR ratio stood at 153% (31 December 2014: 160%). The Group carries a significant High Quality Liquid Asset (HQLA) buffer above the 2015 transitional regulatory minimum of 60% in order to ensure sufficient liquidity capacity to withstand a degree of stress. The LCR is used to monitor the liquidity position of the Group. 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 HQLA that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30 calendar day liquidity stress scenario.

As a retail bank encumbering assets through the use of secured funding facilities forms a core part of the Group's funding strategy. The Group's encumbrance level is primarily driven by mortgage assets which are included in the Fastnet securitisation vehicles and the notes are then pledged with the ECB. Other sources of encumbrance include sovereign bond debt securities and cash. Sovereign bond debt securities are encumbered through repurchase arrangements primarily with third party market counterparts. Cash encumbrance relates both to cash within securitisation structures and collateral paid under derivative contracts. At the 31 December 2015, the total carrying value of assets was €29.3bn, with €15.7bn of these assets being placed in encumbrance relationships.

Regulatory capital

The Group's regulatory capital position as at 31 December 2015 under CRD IV / CRR is summarised as follows:

	31 December 2015		31 December 2014		Change	
	Transitional	Fully Loaded	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m	%	%
Capital Resources:						
Common Equity Tier 1	**2,086**	**1,837**	2,102	1,843	-1%	0%
Additional Tier 1	**122**	**122**	-	-	100%	100%
Tier 1 Capital	**2,208**	**1,959**	2,102	1,843	5%	6%
Tier 2 Capital	**94**	**79**	110	98	-15%	-19%
Total Capital	**2,302**	**2,038**	2,212	1,941	4%	5%
Risk Weighted Assets	**12,210**	**12,260**	14,830	14,830	-18%	-17%
Capital Ratios:						
Common Equity Tier 1 Capital	**17.1%**	**15.0%**	14.2%	12.4%	2.9%	2.6%
Tier 1 Capital	**18.1%**	**16.0%**	14.2%	12.4%	3.9%	3.6%
Total Capital	**18.9%**	**16.6%**	14.9%	13.1%	4.0%	3.5%
Leverage Ratio[1]	**6.8%**	**6.0%**	5.1%	4.5%	1.7%	1.5%

1. The leverage ratio is calculated by dividing Tier1 Capital by gross balance sheet exposure (total assets and off-balance sheet exposure).

The Group's Common Equity Tier 1 (CET1) capital ratio (transitional) at 31 December 2015 is 17.1%. This has increased by 2.9% since 31 December 2014 primarily due to the Ordinary Share issuance in May 2015 (+3.0%), decreases in risk weighted assets (RWAs) (+3.0%), decrease in prudential filters and regulatory adjustments (+0.4%) partially offset by the Loss after taxation (-3.5%).

The total capital ratio is 18.9% which is 4.0% higher than the position at 31 December 2014, with the Additional Tier 1 (AT1) issuance in May 2015 contributing 1.0% to the ratio.

The fully loaded CET1 Ratio is 15.0% at 31 December 2015 (31 December 2014: 12.4%), 4.0% higher than the Bank's internal target ratio of 11%.

Financial Review
(continued)

CET1 capital resources are €2,086m at 31 December 2015. This has decreased by €16m due to the loss for the period of €425m offset by the €374m Ordinary Share issuance (net of costs) and lower regulatory adjustments and other reserve movements of €35m. The Group also issued a €122m (net of costs) AT1 instrument. Tier 2 Capital is €15m lower due to a reduction in loan provisions in excess of expected losses.

RWAs decreased by €2.6bn during the period to 31 December 2015 due to CHL and CRE deleveraging (€1.6bn), a decrease in risk weightings resulting from improved macroeconomic conditions (€0.3bn), loan book redemptions (€0.4bn), decrease in Treasury RWAs (€0.3bn).

The Leverage Ratio on a transitional basis at 31 December 2015 is 6.8%, 1.7% higher than the position at 31 December 2014 due to a change in the methodology for calculating the Securities Financing Transaction exposure. This methodology change is captured in Commission Delegated Regulation (EU) 2015/62, which came into force during 2015.

The Single Supervisory Mechanism (SSM) during 2015 advised that the Group's SREP (Supervisory Review and Evaluation Process) requirement for 2016 is to maintain the CET 1 ratio at a minimum level of 11.45%, calculated on a transitional basis. The SREP requirement, which takes into account both quantitative and qualitative factors of the assessed institution, is subject to annual review by the SSM.

The following table sets out reconciliation from the statutory shareholders' funds to the Group's regulatory CET1 Capital:

	31 December 2015		31 December 2014	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Total Equity	**2,396**	**2,396**	2,283	2,283
Less: AT1 Capital	**(122)**	**(122)**	-	-
Captive Insurance Equity	**(10)**	**(10)**	-	-
CoCo	**-**	**-**	(49)	(49)
Adjusted Capital	**2,264**	**2,264**	2,234	2,234
Prudential Filters:				
Intangibles	**(36)**	**(36)**	(63)	(63)
Deferred Tax	**(47)**	**(404)**	-	(384)
Cashflow Hedge Reserve	**13**	**13**	56	56
AFS Reserves	**(94)**	**-**	(114)	-
Revaluation Reserve	**(14)**	**-**	(11)	-
Common Equity Tier 1	**2,086**	**1,837**	2,102	1,843

The Group's capital management framework and further analysis of regulatory capital calculations are set out in note 35 to the financial statements.

Risk Management

Principal Risks and Uncertainties

Set out below are the risk factors that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects over the medium term. The risk factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties as there may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant but which in the future may become significant.

As a result of the challenging conditions in financial markets in parts of the Eurozone the precise nature of all risks and uncertainties that it faces cannot be predicted as many of these risks are outside the Group's control.

Reference is also made to the disclaimer in respect of Forward Looking Statements set out on the inside front cover.

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. In April 2015, this interest reduced to 74.92% following the successful completion of a €400m equity capital raise, an open offer take up for €2m and through the sale by the Minister for Finance of 21.8 million shares.

The introduction of new policies, the amendment of existing policies by the Government or the introduction of revised capital, liquidity or deleveraging targets by the Central Bank of Ireland (CBI) or the European Central Bank (ECB) may materially adversely affect the Group's business and financial condition.

Government policies in respect of the banking sector, including its supervision, regulation, capitalisation and structure, have and will continue to have a major impact on the Group. There can be no guarantee that the current policies will be continued. In addition, current and future budgetary policy, taxation 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.

The Group addresses these risks by maintaining an appropriate relationship with its principal shareholder, by actively managing its key regulatory and other commitments, and by continuing to participate and compete successfully in its core markets.

EU Restructuring Plan

The recapitalisation of the Group in 2011, together with other aspects of the Irish Government's response to the banking crisis, was considered by the European Commission (EC) to involve the provision of State aid by Ireland, within the meaning of Article 107 of the Treaty on the Functioning of the European Union to the Group. This resulted in the requirement for the submission of a restructuring plan to the EC for approval under EU State aid rules. In October 2014 and following the outcome of the SSM Comprehensive Assessment and the finalisation of the Group's Capital Plan the Group submitted an updated Restructuring Plan. This was supplemented with additional information in the period to March 2015. The EC announced, on 9th April 2015, the approval of the Restructuring Plan for the Group. The Restructuring Plan Term Sheet is consistent with the Group's own business plan. The approval marks an important and significant step in the recovery of the Group. The Term Sheet sets out the terms for the restructuring of the Group, which Ireland and the Group have committed to implement and which includes certain portfolio disposals (CHL and Non-Performing Irish Commercial Real Estate (CRE)), reducing the value of Defaulted Irish Tracker Mortgages and other behavioural commitments.

These commitments are significant, restrict the activities of the Group to particular areas and impose particular viability measures on the Group. The Group's activities are then monitored and reported on to the EC by an Independent Monitoring Trustee on a regular basis. The Group also have internal monitoring and reporting mechanisms in place to ensure that our obligations in this regard are adhered to and that matters that require consultation with the EC are appropriately dealt with.

Failure to meet these commitments could lead to a re-opening of the case by the EC and potentially a need to revisit and revise these commitments.

Economic Conditions

The Group's businesses are subject to the inherent risks arising from the macroeconomic and other general business conditions in Ireland and, to a lesser extent, the UK where its business operations are located and also in the wider Eurozone economies.

i. Ireland and the UK

National Accounts data for the first half of 2015 indicate a sharp acceleration in the pace of growth of the Irish economy. The recovery has become more widespread and has matured beyond the initial net export-driven rebound in activity. While some of the conventional measures, including GDP and GNP, are affected by the activities of multi-national firms, faster growth in consumption and employment confirm that the domestic economy is now expanding strongly and growth has become much more broadly based. This broadening and acceleration reflects the confluence of a number of growth-supportive developments, including the employment-rich nature of the recovery, a less constrained policy environment, as reflected in easing fiscal consolidation and favourable financial conditions, the boost to purchasing power from lower energy prices, the on-going easing of the balance sheet legacies of the crisis and broadly favourable conditions in Ireland's main export markets. It is the coming together of these factors which underpins the robust growth in the level of economic activity evident in economic data in recent quarters.

Economic growth in the UK has continued, driven by domestic demand. House prices have continued to rise, although housing supply is edging up. The unemployment rate has stabilised at around 5.5%, and recently wage growth has picked up. Increases in labour productivity have underpinned real wage growth. The trade deficit has remained contained, but weak global trade and past currency appreciation are holding back exports. Inflation is increasing towards the 2% inflation target as pressures on capacity emerge.

Risk Management
(continued)

The Group is exposed to any potential reversal of such positive trends in Ireland and the UK. As a consequence any such reversal could lead to a reduction in the demand for the Group's products and services, adverse changes in asset performance or adverse changes in the availability and the cost of capital or funding. Such adverse changes could individually or in combination adversely affect the Group's results, financial condition and prospects.

Ireland's long-term credit ratings were Baa1 (positive outlook) from Moody's, A+ (stable outlook) from Standard and Poor's and A- (positive outlook) from Fitch as of 31st of December 2015. These ratings reflect the improved outlook for the State since exiting the EU/IMF bailout in December 2013. However, any downgrades in these ratings would be likely to impact on sourcing market funding for the State. This in turn would likely to impact on the Group's ability to access markets.

There is also a current risk that the UK will vote in favour to leave the EU over the medium term. This could have a significant negative impact on the Irish economy and on our business, including, for example, through increased volatility in capital markets, house prices and unemployment levels and with a consequent impact on ECB base interest rates, to which we are significantly exposed.

ii. European Union

In addition to the specific risks associated with Ireland and the UK discussed above, economic, monetary and political conditions and stability remain uncertain in the Eurozone and EU. The Eurozone economic recovery continued at a moderate pace during the first half of 2015. Low oil prices, a still-low external value of the Euro and the effect of the ECB's non-standard monetary policy measures continue to support euro area economic developments. However, recent growth and inflation figures have been lower than previously anticipated. Domestic dynamics, notably private consumption, supported economic activity in the last quarter, but investment fell unexpectedly. Financial markets have experienced a high degree of volatility driven by the negotiations between the Greek authorities, European institutions and the IMF, doubts over the economic situation in China and growing expectations about the normalisation of monetary policy in other advanced economies. These external influences present sizeable downside risks to the prospects for euro area inflation and growth in the coming quarters. If economic and financial conditions in the EU or the euro zone component of the EU deteriorate, or if fears persist that one or more EU/euro zone members will default or restructure its or their indebtedness, or if euro zone members are forced or choose to withdraw from the euro, or the ECB further lowers interest rates, the cost and availability of funding available to European banks, including the Group, may be affected, or such events could otherwise materially adversely affect the Group's business, financial condition and prospects, including the value of its assets. The threat of a negative interest rate environment also exists within the Eurozone, which could also significantly impact our business.

Many of these risks are outside of the Group's control however we have and continue to deleverage our non-core portfolios, consolidate our balance sheet position, and improve our liquidity, capital and funding bases in order to mitigate as much as possible against future adverse economic conditions. We have also stress tested our balance sheet to assess our ability to withstand a continued economic downturn.

Funding and Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its contractual payment obligations, including funding commitments, as they fall due, resulting in an inability to support normal business activity and/or failing to meet regulatory liquidity requirements. The risk is inherent in banking operations and can be heightened by a number of factors, including an over reliance on a particular source of wholesale funding, changes in credit ratings or market dislocation.

i. Minimum Liquidity Levels

The CBI requires that the Group's liquidity buffer level is maintained, based on various cash flow stress tests, in order to ensure that the Group's funding profile has an appropriate spread of maturities.

The Group adheres to the CBI liquidity mismatch ratio criteria where sufficient available liquidity is required to cover 100 per cent of outflows over the next 8 days and 90 per cent of outflows over the subsequent 9 to 30 days. The Group has been fully compliant with these limits over the 2015 financial year.

Adherence to the Liquidity Coverage Ratio (LCR) is intended to promote resilience to potential liquidity disruptions over a 30 day time horizon by ensuring that banks have sufficient unencumbered high quality liquid assets to offset net cash outflows under an acute short term stress scenario. LCR compliance became binding from 1st of October 2015 and the Group has maintained sufficient high quality liquid asset (HQLA) capacity to ensure full compliance with the prescribed limits. Non adherence to such limits would represent signs of an underlying funding or liquidity stress and in a regulatory context potentially lead to regulatory sanctions or enforcement.

Although it is not yet enforceable and is not scheduled for full implementation until 1st of January 2018 the Group measures and monitors the net stable funding ratio (NSFR) which is designed to limit over-reliance on short-term funding and promotes longer term stable funding sources.

Elevated levels of encumbrance can create a challenge for the Group's ability to fund in unsecured capital markets. The Group's asset encumbrance level is monitored and tracked on an ongoing basis. The medium term goal is to unencumber the Group's balance sheet to achieve and maintain a level sub 40%.

ii. Liquidity Risk Factors

Over reliance and concentration on any one particular funding source can lead to heightened liquidity impacts during a period of stress.

The Group relies on customer deposits to fund a considerable portion of its loan portfolio. The on-going availability of these deposits is 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 availability and extent of deposit guarantees and competition for deposits from other financial institutions. Loss of consumer or retail confidence in the Group's banking business generally, amongst other things, could result in unexpectedly high levels of corporate or retail deposit withdrawals which could materially adversely affect the Group's business and financial condition. A series of early warning indicators (EWI's) are in place in order to alert the Group of any potential liquidity trigger event therefore allowing time for mitigating actions to be taken.

The Group avails of Eurosystem Funding through normal operations. Therefore, any change to the conditions of Eurosystem Funding or a significant reduction or withdrawal represents a level of risk to the Group's funding profile and business.

In the recent past the Group has accessed the capital markets for equity, additional Tier 1 capital, secured funding and unsecured funding. Any restrictions of the Group's access to capital markets poses a threat to the funding position of the Group. The inability to adequately diversify the funding base of the Group could lead to over concentration on the remaining funding sources.

The Group maintains a significant liquidity buffer split between HQLA sovereign bonds and ECB eligible retained securitisations which can be monetised quickly to safeguard against a liquidity event. The quantum of the buffer is sufficient to provide capacity to weather a liquidity stress event.

Significant progress has been made in reducing the encumbrance level over the last few years, a period in which the Group was effectively in a state of recovery. Continuing to unencumber the balance sheet remains a key deliverable. A clear and defined strategy and action plan has been developed to achieve the targeted 40% level comprising of three strategic routes being deleveraging, securitisation collateral efficiency and full and price efficient capital markets access. Disruption to any of these avenues could pose a threat to the Group meeting its medium term target.

The Group's strategy to circumvent liquidity risk is to fund the balance sheet through a broad and diverse funding base and to lengthen the liability tenor in order to provide a more stable funding structure. Ongoing engagement with capital markets in order to increase both the external secured and unsecured funding sources will be crucial to reducing Eurosystem reliance. The ongoing deleveraging programme continues to alleviate the liquidity risk faced by the Group and will be key to achieving the optimal funding mix and meeting the targeted encumbrance level.

iii. Credit Ratings

The Group's credit ratings have been subject to change and may change in the future which could impact its cost, access to and sources of financing and liquidity. In particular, any future reductions in the long-term or short-term credit ratings of the Group's banking business would further increase the Group's borrowing costs, require the Group to replace funding lost due to the downgrade, which may include the loss of customer deposits, limit the Group's access to capital and money markets and trigger additional collateral requirements in derivatives contracts and other secured funding arrangements.

As a result, any further reductions in the Group's long-term or short-term credit ratings could adversely affect the Group's access to liquidity and its competitive position, increase its funding costs and have a material adverse impact on the Group's earnings, cash-flow and financial condition or result in a loss of value in its securities.

As of 31st December 2015 the Group's unguaranteed long-term unsecured senior debt rating is B1 with a stable outlook (B3 with negative watch at 31st December 2014) by Moodys and BB- with a stable outlook (B+ with negative watch at 31st December2014) by Standard and Poor's and the long term bank deposit rating is B1 with a stable outlook (B1 with a negative outlook at 31st December 2014) by Moodys. Short term debt is rated Not-Prime by Moodys and B by Standard and Poor's (unchanged from previous year).

Capital Adequacy Risk

Capital adequacy, and its effective management, is critical to the Group's ability to operate its businesses and to pursue its strategy. The Group's business and financial condition could be affected if the amount of capital is insufficient due to:

(1) materially worse than expected financial performance;
(2) reductions in earnings as a result of impairment charges;
(3) increases in risk weighted assets;
(4) changes in the minimum regulatory requirements imposed on the Group; and
(5) changes in the manner in which existing regulatory capital is calculated and the instruments that qualify as regulatory capital could be subject to change in the future.

The core objective of the PTSB capital management policy is to ensure it complies with regulatory capital requirements (Capital Requirements Regulation (CRR), 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 Risk Appetite Statement, PTSB goes through a process of 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 regulatory capital requirements. The ICAAP is subject to the review and evaluation by the ECB through the Joint ECB/CBI Supervisory Team.

The management of capital within the Group is monitored by the Board Risk and Compliance Committee and the Assets and Liabilities Committee in accordance with a Board approved policy. The potential impact of new regulatory requirements is regularly evaluated by the Group's management to ensure that the Group is able to meet new regulatory requirements.

Risk Management
(continued)

Following the announcement of the Single Supervisory Mechanism (SSM) Comprehensive Assessment results on 26 October 2014, which identified a capital shortfall of €855m under the adverse scenario stress test, the Group submitted a Capital Plan to the ECB through the Joint ECB/CBI Supervisory Team on 21 November 2014 which set out how the Group proposed to address the capital shortfall identified. The Capital Plan principally comprised two elements being (i) an issuance of new capital (through a combination of new equity and Additional Tier 1 Capital); and (ii) a number of other allowable capital measures which included recognition of the difference between the Group's reported pre-provision loss for 2014 and the equivalent forecast value in the SSM adverse scenario and the impact of certain asset disposals. The Group completed the actions required under the Capital Plan during the first half of 2015. The ECB is expected to carry out future assessments including stress tests on a regular basis and has recently announced the macro-level details of the 2016 stress tests to be undertaken.

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

Credit Risk

Credit risk is the risk of loss arising from a borrower or counterparty failing to meet its contractual obligations to the Group in respect of loans or other financial transactions and includes concentration risk and country risk.

Risks arising from changes in credit quality and the recoverability of both secured and unsecured loans and amounts due from the Group's borrowers and counterparties are inherent in a wide range of the Group's businesses.

The majority of the Group's customer exposures were originated and are managed in Ireland and the UK. The Group's principal exposure is to residential mortgages secured by a first legal charge on the property. Changes in market or economic conditions, the political environment or in the behaviour of the Group's customers may adversely impact or further deteriorate 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.

A deterioration in reported macroeconomic metrics such as house prices and unemployment could put further strain on borrowers' or counterparties' capacity to repay loans. These and other economic factors may cause prices of property or other assets to stall or fall further, thereby reducing the value of collateral on many of the Group's loans and increasing write-downs and impairment losses. Other factors such as regulatory action may also impact on property prices.

The Group also has exposures to Sovereign and Banking counterparties and/or their guarantors. Adverse changes arising from a general deterioration in global economic conditions, Eurozone uncertainty or systemic risks in the financial system could reduce the recoverability and value of these Group assets and lead to further increases in the Group's impaired loans and impairment provisions. Counterparty credit risk is mitigated by placing maximum credit limits on counterparties dependant on both their credit rating and the exposure classification. Treasury Instruments such as derivatives and repurchase agreements also require the Group to post collateral to further mitigate exposure.

In addition, changes in the regulatory/legislative environment could lead to further uncertainty in relation to the full recoverability of certain outstanding debts given the infancy of the personal insolvency legislation in Ireland.

The Group mitigates these risks by carrying appropriate loan loss provisions across its various loan and other asset portfolios, by applying strict underwriting criteria to new business lending and by actively managing its non-performing loans further details of how credit risk is managed in note 34.

Market Risk

Market risk is the risk of change in fair value of a financial instrument due to adverse movements in equity prices, interest rates or foreign currency exchange rates. Interest rate risk and foreign exchange risk constitute the majority of the Group's market risk. The Group's Risk Appetite Statement and associated policies set out the governance and limit framework for the management of market risk exposures. These policy documents are regularly reviewed by the Board Risk and Compliance Committee. The internal audit function provides additional oversight to the market risk framework.

All market risks arising within the Group are subject to strict internal controls and reporting procedures and are monitored by the Assets and Liabilities Committee ("ALCO"). Group Treasury is responsible for the management of market risk exposures on the balance sheet.

i. Interest rate risk

Interest rate risk arises due to the structural mismatch between assets and liabilities in the balance sheet. The Group is primarily exposed to re-price, yield curve and basis risk. Economic valuation (EV) is used to capture re-price and yield curve risk while the earnings at risk is utilised to calculate the basis risk exposure. Interest rate risk modelling is produced and quantified by Group Risk and reported against the prescribed limits to senior management daily. The Group is running a long term negative gap position and is exposed to adverse income statement movements from a downward shift in the yield curve and positive income statement impact from an upward yield curve shift. With Eurozone rates currently close to zero or negative, the potential for a downward shock may be considered limited and the flooring impact in the EV model reflects this. Given the Group's long liability behavioural re-price profile, as the yield curve normalises upward the Group will have a requirement to increase the quantum of interest rate swaps in order to maintain the risk level within the prescribed limit framework. As the interest rate position is hedged on a portfolio basis the derivative portfolio may not achieve hedge accounting treatment and therefore the Group will become more susceptible to Mark to Market (MTM) income statement volatility. Striking an efficient balance between interest rate risk management and MTM minimisation constitutes the major market risk facing the Group.

A large portion of the Group's mortgage book consists of tracker mortgages where the loans are priced at fixed margins over the ECB refinancing rate, which does not therefore allow the Group the flexibility to vary the rate where it would otherwise be desirable or appropriate to do so, in response to market movements. It is difficult to hedge the basis risk engendered by income being related to ECB rates, whereas funding is related to the higher money market rates. But such mitigants as available are utilised.

ii. Foreign Exchange Risk

Foreign currency exchange risk is the volatility in earnings resulting from the retranslation of foreign currency (e.g. Sterling and US dollar) denominated assets and liabilities from mismatched positions. It arises due to the fact that the Group conducts business in a range of currencies other than Euro, principally Sterling and US dollars. The primary foreign exchange exposure for the Group arises in managing its sterling-denominated mortgage business and deposit book. Derivative positions (FX swaps) are purchased in order to provide funding for certain GBP assets which are not match funded. Overnight FX exposures are monitored against set daily limits. Group Treasury measure and monitor currency exchange rate exposures and eliminate or hedge any material unmatched positions as soon as practicable within pre-defined Risk Appetite parameters set by the Board Risk and Compliance Committee. Foreign Exchange exposures also may arise as a result of non-Euro contractual payment obligations to third parties. Group Treasury manages these exposures in line with the underlying policy framework. Further details as to how interest rate and foreign exchange risk is managed is set out in note 34.

Operational Risk

Operational risks are inherently present in the Group's business, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error, fraud, or from external events.

The Group has low appetite for operational 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. It has no tolerance for information breaches which may result in significant damage to customer confidence and financial stability. It has no appetite for non-conformance with laws.

The Group operates an Operational Risk Management Framework which includes the measurement and monitoring of both operational and IT risks (incorporating cyber risks). The aim of this Framework is to help focus management attention on the operational risks which are material at each level of the organisation.

The Group's Operational Risk Management Framework articulates the processes in place to identify, assess, monitor, report and control operational risks. This includes risk controls and loss mitigation actions designed to minimise and mitigate potential risks found in existing procedures. 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 such 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 system is to create a culture of risk awareness where all staff have an understanding of operational risk and the role they each play in ensuring that any impacts/ losses are minimised.

Reputation Risk

Reputation 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, from the level of direct and indirect Government support or from 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 and, in particular, corporate and retail deposits which in turn may adversely affect the Group's financial condition and results of operations. The Group cannot be sure that it will be successful in avoiding damage to its business from reputational risk.

Mortgage Redress

Pursuant to its powers under the Administrative Sanctions Regime, the Central Bank is conducting an enforcement investigation into the Group's compliance with the Consumer Protection Code and, in particular, is investigating alleged breaches of the Consumer Protection Code 2006. These alleged breaches arose from the failure of the Group to inform customers that, as a consequence of exiting early from a fixed rate mortgage contract, they would no longer be able to avail of the option of a tracker rate in the future and/or no longer default to a tracker rate at the end of that fixed rate period. In addition, the Group's non-conformance with contractual terms was also identified in some instances.

Risk Management
(continued)

In July 2015 the Group announced a Mortgage Redress Scheme to address issues which had been identified and to redress and compensate affected customers. Further to the Mortgage Redress Scheme, the Group has also announced that it is conducting a further review of the Mortgage book, through the Mortgage Product Review Group, to identify if there are any further instances of non-conformance with either legal or regulatory requirements. The Central Bank also has the power to broaden the scope of any issues under investigation or to investigate new issues on the basis of information provided to it by the Group or otherwise. The Central Bank has chosen to conduct a further review across the industry which was announced in December 2015. In December 2015, the Central Bank requested that the Group undertake a detailed review of the wider Mortgage portfolio to ensure compliance with legal and regulatory requirements the scope of which is currently being assessed. In addition to administrative sanctions, the Group is also exposed to the risk that customers who were impacted, or who may consider themselves to have been impacted, by the loss of a tracker rate mortgage entitlement may seek alternative sources of redress and compensation, including by way of litigation, or seek to criticise the Group's actions.

Legal and Regulatory Risk

As a financial services firm, the Group is subject to extensive and comprehensive legislation and regulation. In particular, the global financial crisis and the Irish banking crisis has resulted in significant changes in banking regulation domestically and internationally. The Group expects that this trend in banking regulation will continue both domestically and internationally. Consequently, the Group is exposed to many forms of risk in connection with compliance with such laws and regulations, including, but not limited to:

- Current and emerging regulations, noting in particular the implementation of CRDIV and the evolution of the SSM;
- 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 of 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;
- Breaching laws and requirements relating to the safeguarding of customer data, the detection and prevention of money laundering, terrorist financing, bribery and corruption and other financial crime; and
- Non-compliance with legislation relating to unfair or required contractual terms or disclosures.
- Failure to comply with the wide range of laws and regulations could have a number of adverse consequences for the Group, including the risk of:

- Substantial monetary damages or fines or other penalties;
- Regulatory investigations, reviews and proceedings;
- Being required to amend sales processes, product and service terms and disclosures;
- Inability to enforce contractual terms as intended or having contractual terms enforced against the Group in an adverse way;
- Civil or private litigation;
- Criminal enforcement proceedings;
- Regulatory restrictions on the Group's business, including the potential requirement to hold higher levels of capital or liquidity; or
- Administrative actions or imposing sanctions against the Group.

IT and Operational Risk

The Group's businesses are dependent on their ability to process and report, accurately and efficiently, a high volume of complex transactions across numerous and diverse products and services, and subject to a number of different legal and regulatory regimes.

Operational risks are inherently present in the Group's businesses including, as a result of potentially inadequate or failed internal processes (including financial reporting and risk monitoring processes), IT or equipment failures or the failure of external systems and controls such as those of the Group's suppliers or counterparties (supplier and counterparty systems, controls, and a significant element of such risks being entirely outside the control of the Group) or from people-related or external events.

This exposes the Group to customer redress, administrative actions or sanctions, potential loss of customers and the potential requirement to hold additional regulatory capital.

The Group's risk controls and frameworks (that are subject to ongoing review and enhancement) are designed to mitigate these risks to the extent possible.

Third Party Service Providers

The Group is dependent on the performance of third-party service providers for critical aspects of its business including for the performance of various material financial processing and outsourced services. If any elements of these processing functions fail, or do not meet the service standards required, then the Group could face a number of adverse outcomes such as substantial monetary damages, customer redress and litigation.

The dependency of the Group on such third-party service providers is a risk to the Group, and in particular if they fail to perform various critical obligations.

The Group mitigates this risk by performing active management and monitoring of such counterparties and through the engagement of alternative suppliers, where appropriate.

Group Risk Management Framework

In the context of Group risk management, risk is defined as unexpected future events leading to variability in performance and damage to earnings capacity, capital positioning, business reputation or cash flows; or any unexpected future event damaging the Group's ability to achieve its strategic, financial, or overall business objectives.

Risk taking is fundamental to a financial institution's business profile and hence prudent risk management, limitation and mitigation forms an integral part of the Group's governance structure.

The Risk Management and Policy Framework ("RMPF") is an overarching Framework articulating the Frameworks and Policies governing risks within the following key risk categories: Financial Risk (including Market, Credit, Liquidity & Funding, and Capital), Operational & IT Risk, Business & Strategic Risk, and Regulatory & Compliance Risk (including Conduct Risk). The RMPF describes the organisation-wide approach to identification, assessment, communication and management of risk across the outlined risk categories.

This framework underpins profitable and prudent risk taking throughout the Group.

The Board Risk and Compliance Committee 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, communicated and managed, and that the Group's strategy is consistent with the Group's risk appetite.

Risk Appetite and Strategy

The Board of Directors (the 'Board') sets overall policy in relation to the type and level of risk that the Group is permitted to assume. To achieve this, the Board has established a formal Risk Appetite Statement. The risk parameters identified in the Risk Appetite Statement are applied in practice throughout the business. These risk parameters are closely aligned with the Group's strategic and business objectives.

The overarching Group Risk Appetite Statement articulates the level and nature of Risk the Group is willing to accept, consistent with its Corporate Purpose and in order to deliver its Restructuring Commitments. It includes qualitative statements as well as quantitative measures expressed relative to capital, liquidity, profitability and other relevant measures as appropriate.

The Group Risk Appetite Statement has been developed through an iterative process involving all the key functions of the Group. The Board holds the final responsibility for approval of the Risk Appetite Statement.

Risk Governance

The Board retains responsibility for the management of risks across the Group, including approving and overseeing the effectiveness of the Group's Risk Governance structure, through which responsibility for Risk Management (including decision-making authority) is delegated across the Group.

The Board is responsible for approving the Group's Risk Appetite, as articulated through the Group Risk Appetite Statement, and for approving the design of the Group's Risk Management Frameworks, the Group's Risk Policies and systems of Risk Management (including Risk Reporting systems).

The Board oversees adherence to the Group's Risk Appetite, Risk Management Frameworks and Risk Policies by:

- Establishing a Risk Governance structure;
- Approving systems of risk management and reporting;
- Reviewing Board-level Risk Reporting;
- Challenging the Group Executive Committee on the risk-taking activities of the Group; and
- Overseeing Executive decisions to ensure the appropriate balance between risk and reward.

The broad objectives of the Group's Risk Governance are to:

- Ensure the delegation of responsibility for risk oversight and management is appropriate to the nature and types of risk faced by the Group;
- Promote robust dialogue and decision-making around key risk matters;
- Enable the Group to accept and take a level of risk appropriate to its strategic objectives, with risks taken in areas where the Group has sufficient expertise and oversight capabilities;
- Ensure that safeguards are in place to protect the independence of key relationships between Senior Executives and the Board; and
- Promote transparency in the reporting of risk information throughout the Group.

These objectives are fulfilled through:

- Designing and applying a set of principles which guide and underpin the Group's Risk Governance;
- Designing and implementing an appropriate governance structure to ensure risks are managed appropriately and in line with approved Risk Appetite;
- Setting and periodically reviewing the Terms of Reference for each Board and Management-level Committee for appropriateness;
- Periodically reviewing the operating effectiveness of the Board and Management-level Committees; and
- Establishing systems of risk management and reporting.

Risk Management
(continued)

Board Risk and Compliance Committee

The Committee has responsibility for providing 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 Committee supports the Board in carrying out its responsibilities of ensuring that risks are properly identified, reported, assessed and controlled, and that the Group is operating in line with the Group's approved Risk Appetite by:

- Reviewing, and making recommendations to the Board on the Group's risk profile, both current and emerging, encompassing all relevant risks to which the Group is exposed;
- Monitoring and escalating positions outside Risk Appetite to the Board, within agreed timeframes;
- Approving and overseeing proposed remediation plans aimed at restoring the Group's risk profile to within the approved Risk Appetite;
- Communicating all issues of material Group reputational risk directly to the Board;
- 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 ICAAP and ILAAP), including in relation to proposed mergers, acquisitions or disposals;
- Reviewing and approving key components of the Group's Risk Management Architecture and relevant supporting documents; and
- Promoting a sound Risk Culture across the Group, which "consistently supports appropriate risk awareness, behaviours and judgements about risk-taking and ensures that emerging risks or risk-taking activities beyond the Group's risk appetite are recognised, assessed, escalated and addressed in a timely manner".

Group Internal Audit

Group Internal Audit's mission as approved by the Board Audit Committee (BAC) is;

'to provide an effective, responsive and highly valued internal audit service that adds value to, and improves the Group's operations through the 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 Board Audit Committee (BAC)".

Group Internal Audit is an independent evaluation and appraisal function whose purpose is to assist the Board in the discharge of their governance responsibilities and to support the Group Executive Committee in the achievement of approved strategic and operational objectives. Group Internal Audit forms part of the Group's integrated enterprise governance and risk management framework which ensures appropriate controls are in place and operating effectively to mitigate the Group's risks.

Group Internal Audit performs the following roles:

Primary Role: to provide independent assurance over the adequacy and effectiveness of the governance, risk management and control processes in operation across the Group with the ultimate objective of providing an opinion on the control environment to the Board.

Secondary Role: to contribute to the continuous improvement of the governance, risk management and control processes so that they operate at optimum effectiveness and efficiency, reflecting best practices where appropriate.

In performing these roles Group Internal Audit provides the Board with independent assurance over both First and Second line processes. In fulfilling their primary role Group Internal Audit will:

- Conduct work across the full spectrum of business processes (1st & 2nd line) based on a comprehensive, Group-wide risk assessment and underpinned by a professional, risk-based methodology and quality assurance programme;
- Utilise a flexible resourcing model to ensure resources are continuously focused on the areas of greatest risk;
- Follow a risk based approach to audit planning and execution to ensure their work addresses the Group's key risks;
- Perform appropriate testing to support robust assurance;
- Utilise up to date tools and techniques to enhance the quality and reliability of the assurance provided;
- Work effectively with other internal and external assurance providers to support the overall governance framework;
- Report all significant issues identified to the Board and Group Executive Committee in a concise, professional and timely manner; and,
- Provide an opinion to the Board Audit Committee on the adequacy and effectiveness of the Group's control environment.

Independence

The Head of Group Internal Audit reports directly to the Board of Directors through the Board Audit Committee.

Role of the Group Chief Risk Officer

The Group CRO has overall responsibility for overseeing the development and implementation of the Group's Risk Management Function, including development of the Group's Risk Management systems, 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 Group CRO has independent oversight of the Group's enterprise-wide risk management activities across all key risk categories. The Group CRO is responsible for independently assessing, monitoring and reporting all material risks to which the Group is, or may become exposed. The Group CRO is a member of the Group's Executive Committee and of all Risk Committees within the Group and directly manages the Group's Risk Function (incorporating Enterprise Risk, Conduct Risk, Credit Risk and Compliance teams). The Group CRO reports independently to the Group CEO and to the Chair of the Board Risk and Compliance Committee.

The Group CRO is accountable for the development and oversight of the Group's Risk Appetite and Risk Appetite Statement, which the Group CRO recommends to the Group Executive Committee and subsequently the Board for their approval. The Group CRO is responsible for translating the approved Risk Appetite into risk limits which cascade throughout the business. Together with management, the Group CRO is actively engaged in monitoring the Group's performance relative to risk limit adherence. The Group CRO's responsibilities also encompass independent review and participation in the Group's Annual Planning Process (strategic and financial goal setting), capital and liquidity planning, and the development and approval of new products.

The Group CRO is tasked with:

- Providing Second Line 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 Risk Frameworks and Policies, 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 to, and overseeing development of risk mitigating responses as appropriate;
- Developing and submitting the Group's ICAAP, ILAAP and Recovery Plan to the Group Executive Committee and subsequently the Board for approval; and
- Developing and maintaining the Group's risk management structure.

The Group CRO occupies a 'Head of Risk' role. Appointment to this role is subject to pre-approval under the CBI Fitness and Probity Regime. The Board Risk and Compliance Committee recommend the appointment, appraisal and removal of the Group CRO to the Board.

The detailed role and responsibilities of the Group CRO include:

- Developing for approval Risk Frameworks, policies, systems, processes and tools, to facilitate effective risk management by the Group;
- Overseeing the development, adequacy and delivery of the Group's Risk Appetite Statement, ICAAP, ILAAP and Recovery Plan for submission via the Group Executive Committee to the Board for approval;
- Proposing and recommending changes to the Board-approved Risk Appetite, through the appropriate Risk Governance Committees;
- Providing advice to HR on risk objectives to be incorporated into Executive and Management level performance goals (as cascaded);
- Providing advice to the Board Risk and Compliance Committee on resource gaps and risk training programmes to address changes required for the promotion of risk-aware behaviours and disciplines throughout the Group;
- Promoting an appropriate risk culture at all levels of the Group and ensuring that the Group's risk culture is subject to regular internal review (e.g. periodic risk culture surveys);
- Ensuring risk monitoring and reporting processes are transparent and appropriate;
- Providing comprehensive and timely information on the Group's material risks, enabling the Board to understand the overall risk profile of the Group;
- Providing relevant and timely advice and guidance in relation to risk management to the Board Executive Committee and Risk Governance Committees;
- Ensuring that effective and controlled decision-making processes exist within a clearly defined risk governance structure; and
- Overseeing the performance and development of members of the Group Risk Function.

In connection with these responsibilities, the Group CRO is assigned the right of veto over planned management action agreed by Group Executive Committee, sub-committees (such as the Assets and Liabilities Committee, Group Risk Committee and the Group Credit Committee, to exercise when the Group CRO considers such action to be inconsistent with adherence to the Board approved Risk Appetite. The Group Executive Committee may not override or modify decisions of its Risk Sub-Committees, but may appeal decisions to the Board (or relevant Board Committee).

Group Chief Executive Office

The Board retains primary responsibility for corporate governance within the Group at all times. The Board has reserved for itself a documented schedule of matters for its own approval. The Board delegates executive responsibility to the Group CEO for the Group's operations, compliance and performance. The Group CEO is the principal executive accountable to the Board for the day to day management of the Group and Chairs the Group Executive Committee. The Group CEO may not override or modify decisions of the Group Executive Committee but may appeal decisions to the Board (or relevant Board Committee).

Group Executive Committee

Group Executive Committee is the Senior Management Executive Committee of the Group and is accountable to the Group CEO for:

- Delivering the Group's Management Agenda (Performance and Strategy Agenda) and financial plans (Medium Term Plan and Budget);
- Defining the performance ambitions of the Group;
- Defining the Group's organisational structure;
- Defining the Group's decision rules;
- Allocating the Group's resources (financial and people);
- Defining the Group's selection recruitment, reward, and performance appraisal standards;
- Setting all Group standards and policies;
- Ensuring that all risks are within the Group's Risk Appetite and are managed effectively and efficiently in a prudent manner;

Risk Management
(continued)

- Ensuring risk/reward trade-offs are appropriately considered in strategic decision-making;
- Managing the business performance of the Group (where business performance includes both financial performance and execution of the Group's standards and policies); and
- Resolving all Group issues raised by Group Internal Audit.

The Group Executive Committee is chaired by the Group CEO. Approval of and changes to the Committee's terms of reference is a matter reserved for Board approval. The Group Executive Committee may not override or modify decisions of the Committees own Risk Sub-Committees, but may appeal decisions to the Board (or relevant Board Committee).

Group Risk Committee

The Group Credit Committee is a forum for Group-wide risk management issues and a primary Second Line of Defence Management Committee of the Group. It is a sub-committee of, and is accountable to, the Group Executive Committee, with the Chair having unfettered access to the Chair of the Board Risk and Compliance Committee, including but not limited to regular monthly or quarterly meetings without the Group CEO being present.

The Committee monitors and enforces adherence to the Group's Risk Frameworks, Risk Policies and Risk Limits. It is the guardian of the Group's Risk Registers (including the Risk Appetite Statement) and responsible for monitoring the total risk position of the Group. It maintains oversight of all key Risk Categories excluding those which fall directly under the remit of the Group Credit Committee and the Group Assets and Liabilities Committee. However, the Group Risk Committee has responsibility to be vigilant on an on-going basis to the identification of risks not covered in Group Credit Committee and Assets and Liabilities Committee and to conduct a formal annual review to ensure completeness of risk coverage. It monitors the capital and solvency position of the Group and is responsible for ensuring the accurate calculation of capital requirements and for validating all risk models as a Second Line of Defence.

Key activities of the Group Risk Committee include:

- To measure and monitor the total risk position of the Group and to maintain a Risk Register of top risks facing the Group, together with an assessment of the probability and severity of those risks;
- To monitor and report on regulatory developments and upstream/horizon risk in relation to all relevant Risk Categories, and communicate all material issues to the Board Risk and Compliance Committee or the Board as appropriate;
- To monitor and assess the Group's risk profile against Risk Appetite Limits and propose remediation plans to restore Risk Appetite/Limits where required;
- To report any breaches of approved Limits in accordance with agreed protocol;
- To recommend proposed changes to the Group's Risk Appetite Limits for Board approval;
- To maintain, monitor and enforce adherence to the Group's Risk Management Frameworks and Policies, for all key Risk Categories excluding those which fall directly under the remit of the Group Credit Committee and the Assets and Liabilities Committee;
- To recommend the Group's Risk Appetite Framework Risk Appetite Statement, ICAAP, ILAAP and Recovery Plan to the Group Executive Committee, subsequently to the Board Risk and Compliance Committee and then the Board for approval; and
- To oversee validation of key Risk Models for all Risk Categories.

Group Credit Committee

The Group Credit Committee 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. It 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.

The Group Credit Committee is a sub-committee of, and is accountable to, the Group Executive Committee. It 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 Group Credit Committee include:

- To recommend the relevant Portfolio Credit Risk elements of the Group's Risk Appetite Statement for approval by the Board;
- To set and monitor 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 Risk Appetite Statement (as approved by the Board);
- To monitor the portfolio credit risks to which the Group is exposed;
- To maintain and assess the portfolio credit risk profile against set limits and propose remediation plans to restore Risk Appetite/ Limits where required; and
- To report any breaches of approved Limits in accordance with agreed protocol.

Group Assets and Liabilities Committee

The Committee reviews, and is responsible for overseeing, all activities relating to the management of Asset Liability Management ('ALM'), Treasury and Market Risks, including 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 agreeing on optimisation and hedging strategies against those risks. The Assets and Liabilities Committee is a sub-committee, and is accountable to, the Group Executive Committee.

Key activities of the Committee include:

- To recommend the relevant ALM, Treasury and Market Risk elements of the Group's Risk Appetite Statement for approval by the Group Executive Committee and subsequently by the Board;
- To maintain, monitor and enforce adherence to the Group's Risk Management Frameworks and Policies for all ALM, Treasury and Market Risks;
- To monitor the ALM, Treasury and Market risks to which the Group is exposed;
- To maintain and assess the ALM, Treasury and Market risk profiles against set limits and propose remediation plans to restore Risk Appetite/Limits where required;
- To report any breaches of approved limits in accordance with agreed protocol;
- To determine the capital requirements for the Group's ALM, Treasury and Market risks;
- To act as the decision making body on discretionary balance risk taking and hedging programmes;
- To ensure there is adequate and effective segregation of duties within Treasury and its supporting operations and to approve any significant amendment to the existing division of responsibilities within Treasury and its supporting operations; and
- To act as the approval body for new products, with responsibility for assessing the risk/return attractiveness and optimising the use of the Group's capital, funding and liquidity resources.

Ongoing Investment in the Group Risk Function.

The Group continues to invest in its functional capability to underpin its safety, stability and resilience. A priority is the further development of the risk function to meet the emerging European regulatory framework. To this end, the Group is investing additional resources, and recognises that this investment must be ongoing.

As part of this investment, the Group, with the assistance of Deloitte is currently undertaking a review and restructure of its Risk and Control functions which, includes a comprehensive update of it's:

- Risk function and resourcing;
- Risk management policies, frameworks and processes;
- Composition and function of its risk committees;
- Risk metrics including the Risk Appetite Statement;
- ICAAP, ILAAP and stress testing framework; and
- Integrated strategy, risk and financial planning process

The Group is also in the process of comprehensively reviewing and updating its internal control framework having regard to the Group's return to the stock market, its regulation by the European Central Bank and to ensure it is appropriately responsive to the rapidly changing risk environment in which the Group operates.

The Board also has also agreed that the Group CRO will be appointed to the Board, once that position is permanently filled in 2016.

Directors' report

The Directors present their Annual Report and audited Group and Company financial statements to the shareholders for the year ended 31 December 2015.

Results

The Group loss after tax and non-controlling interests for the year was €425m (2014: €102m) and was arrived at as presented in the consolidated income statement.

Dividends

No dividends were paid or proposed for 2015 or 2014.

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 key performance indicators and principal risks and uncertainties of the business is provided as required by European Accounts Modernisation Directive (2003/51/EEC) The Group's key performance indicators are included in the Strategic Report section. The principal risks and uncertainties are outlined under risk factors in the Risk Management section and under "viability" within 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 Statement, forms part of the Directors' Report.

Principal Risks and Uncertainties

Information concerning the principal risks and uncertainties of the Group is set out in the risk management section of the business review on page 43 of the Annual Report.

Financial Instruments

The financial instruments, and use there of, are outlined in the risk management, financial risk management, derivatives assets and liabilities notes.

Going Concern

The Company's financial statements have been prepared by the Directors on a going concern basis having considered it appropriate by the Directors 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 71 within the Audit Committee's 2015 significant financial reporting judgements and disclosures.

Longer Term Viability

Taking account of the company's current position and principal risks the Directors have assessed the prospects of the company over the period 2016-2018. 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 71 within the Audit Committee's 2015 significant financial reporting judgements and disclosures.

Directors

The names of the Directors, together with a detailed description of the skills, expertise and experience of each Director are set out in the Board of Directors section on pages 62 to 63 of the Annual Report. Glen Lucken retired as the Group Chief Financial Officer and as an Executive Director on 28 September 2015. Dominic Dodd and David Stewart have indicated that they will not stand for reappointment by election at the Company's forthcoming AGM to be held on 20 April 2016 and will therefore retire at the conclusion of that AGM. All of the Directors were re-appointed by election at the 2015 AGM and with the exception of David Stewart and Dominic Dodd all of the Directors will stand for reappointment by election at the forthcoming AGM.

Details of Directors' remuneration is detailed in the Remuneration Report on pages 78 to 79 of the Annual Report and Directors interests in shares is outlined in note 40 to the financial statements.

Share Capital and Shareholders

Credit Institutions (Stabilisation) Act 2010

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 Agreement with Minister for Finance

The Minister for Finance of Ireland owns and controls 74.92% of the Company's issued 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 ensures 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 are conducted at arms- length and on normal commercial terms. The Minister does not, in his capacity as 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 Department of Finance 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 independence 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 also complied with the relevant independence provisions set out in the Relationship Framework.

Share Reorganisation

At the Company's AGM on 8 April 2015, shareholders approved a share reorganisation which included a subdivision, consolidation and re-designation of the Company's shares. This share reorganisation was completed on 13 April 2015.

Subdivision

Prior to the share reorganisation, the nominal value of each of the existing Ordinary shares was €0.031. As a result of the subdivision, each existing Ordinary share was subdivided into 31 Ordinary shares with a €0.001 nominal value.

Consolidation and Redesignation

After the subdivision, five of every 31 newly subdivided Ordinary shares of €0.001 each were consolidated into one Ordinary share of €0.005 each. Every 289 of the remaining subdivided Ordinary shares of €0.001 each were consolidated and redesignated as one newly created Deferred share of €0.289 each with additional €0.001 shares being issued to ensure that all holdings were evenly divisible by 289 (i.e. holdings were rounded up where fractions of shares would otherwise have occurred).

Immediately thereafter, each Ordinary share of €0.005 was further consolidated such that for every 100 Ordinary shares of €0.005 held by each shareholder, one newly consolidated Ordinary share of €0.50 was created with additional shares of €0.005 being issued to ensure that all holdings were evenly divisible by 100 (i.e. holdings were rounded up where fractions of shares would otherwise have occurred). The issue of additional €0.001 and €0.005 Ordinary shares to facilitate the rounding up of shareholdings was funded by way of a bonus issue of €46,843 from the Company's Share Premium account together with a corresponding increase in to the Company's Share Capital Account.

Directors' report
continued

Authorised Share Capital

At 31 December 2014, the authorised share capital of the Company was €22,828,000,000 divided into 70,400,000,000 Ordinary shares of €0.031 each, 300,000,000 Non-Cumulative Preference shares of €1 each and 70,400,000,000 Deferred shares of €0.289 each, STG£100,000,000 divided into 100,000,000 Non-Cumulative Preference shares of STG£1 each and US$200,000,000 divided into 200,000,000 Non-Cumulative Preference shares of US$1 each.

At 31 December 2015, the authorised share capital of the Company is €25,150,599,999.94 divided into 1,550,000,000 Ordinary shares of €0.50 each and 84,344,636,678 Deferred shares of €0.289 each.

Issued Ordinary Shares

At 31 December 2015, the Company had 454,695,492 Ordinary Shares of €0.50 each in issue (2014: 36,525,797,323 Ordinary shares of €0.031).

During 2015, the following shares were issued:

Date	Class	Shares	Issue Reason	Issue Price
13/04/2015	Ordinary €0.001	12,505,131	To facilitate the issue of Deferred €0.289 shares (Rounding)	€0.001
13/04/2015	Ordinary €0.005	6,867,600	To facilitate the issue of Ordinary €0.50 shares (Rounding)	€0.005
05/05/2015	Ordinary €0.50	88,888,889	Public Offering of shares	€4.50
23/05/2015	Ordinary €0.50	479,954	Open Offer	€4.50

At 31 December 2015, the Company holds, through an employee benefit trust, 4,580 Ordinary shares of €0.50 each (2014: 457,914 Ordinary shares of €0.031 each). Each Ordinary share carries one vote and the total number of voting rights at 31 December 2015 is 454,695,492.

Additional Tier 1 Equity Securities.

On 6 May 2015, the Company's subsidiary PTSB issued €125m of Additional Tier 1 equity securities (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 EU Single Resolution Board 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.

Deferred Shares

At 31 December 2015, the Company had 3,562,883,512 (2014: 276,782,351) Deferred shares in issue in that class. On the 13 April 2015, 3,286,101,161 Deferred shares were issued arising from the redesignation of Ordinary shares. On a winding up of, or other return of paid up share capital (other than a redemption of shares of any class in the capital of the Company), by the Company, the holders of the Deferred shares shall, prior and in preference to any repayment of capital or distribution of any of the assets of the Company to the holders of Ordinary shares, with equal priority and pro rata solely amongst the holders of the Deferred shares in proportion to the number of Deferred shares held by them at that time, be entitled to receive by way of return of capital an aggregate amount of €1,500,000 and the holders of the Deferred shares shall have no further right to participate in any such winding up (whether by way of distribution of assets or participation in any surplus or otherwise) or to a return of capital beyond such amount. Deferred shares carry no right to vote at a general meeting or have any dividend rights and shall not be transferable at any time, other than with the prior written consent of the Directors.

Preference Shares

Following changes to the Company's Memorandum of Association approved by shareholders at the 2015 AGM, all authorities within the Company's Memorandum and Articles of Association for the issue of preference shares were removed.

Share Premium Reduction

Further to resolutions passed by shareholders at the Company's 2015 AGM, on 23 July 2015, the Irish High Court approved the Company's application to confirm a special resolution to cancel an amount of €1,490,000,000 standing to the credit of the Company's share premium account and treat the reserve resulting therefrom as profits available for distribution under section 117 of the Companies Act 2014. There is no current intention to utilise distributable reserves and the taking of any action which utilises distributable reserves at a future date, as and when conditions permit, will be subject to all relevant approvals (including any applicable regulatory approval).

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 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 Resident in the USA

The Board may at its discretion give notice to certain holder's 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 Irish 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 directions to the Directors as to the management of the Company.

The Company must hold a general meeting in each year as its Annual General Meeting in addition to any other meetings in that year and no more than fifteen months may elapse between the date of one Annual General Meeting and that of the next. The Annual General Meeting will be held at such time and place as the Directors determine. All general meetings, other than Annual General Meetings, 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 percent 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.

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 Annual General Meeting 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 Annual General Meeting), 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.

Directors' report
continued

Substantial Shareholdings

As at 31 December 2015, the Directors have been notified of the following substantial interests in the voting rights of Ordinary shares held:

- Minister for Finance of Ireland 74.92% (340, 661,653 shares).

On 3 February 2016, the Directors were notified of the following substantial interest in the voting rights of Ordinary shares held:

- Janus Capital Management LLC 3.16% (14, 359,296 shares).

There were no other changes to substantial interests in the voting rights of Ordinary shares reported to the Directors as at 8 March 2016.

Voting Rights

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 decided on a show of hands is taken forthwith. 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 by him. On a poll, every member who is present in person or by proxy has one vote for each share of which he is 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.

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 Annual General Meeting on its website www.permanenttsbgroup.ie on or before 31 December of the previous financial year.

Director Appointments

The Company has no rules governing the appointment and replacement of Directors outside of the provisions thereto that are contained in the Articles of Association. Under a relationship framework entered into between the Group and the Minister for Finance, the Minister' for Finance's consent is required for the appointment or re-appointment of the Group CEO or Chairman.

Annual General Meetings

At its annual general meeting on 8 April 2015, members passed the following resolutions in connection with powers granted to the Directors:

Allotment of Shares

To generally and unconditionally authorise pursuant to section 1021 of the Companies Act 2014 to exercise all the powers of the Company to allot relevant securities within the meaning of section 1021 of the Companies Act 2014 in connection with the Capital Raise, the Open Offer, the issuance of any AT1 Debt (as each of those terms was defined in the Circular issued to shareholders dated 13 March 2015) up to an aggregate nominal value of €527,000,000 and such power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this ordinary resolution or on the date which is 15 calendar months after the date of passing of this ordinary resolution, whichever is the earlier, 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 offer or agreement as if the power conferred hereby had not expired.

Disapplication of Pre-emption Rights

That pursuant to sections 1022 and 1023(3) of the Companies Act 2014 the Directors be and they are hereby empowered, in connection with the Capital Raise, the Open Offer and the issuance of any AT1 Debt (as each of those terms was defined in the Circular issued to shareholders dated 13 March 2015), to allot equity securities within the meaning of section 1023(1) of the Companies Act 2014 for cash as if the said section 1022 of the Companies Act 2014 did not apply to any such allotment, provided the aggregate nominal value of any shares which may be allotted under this authority may not exceed €527,000,000. The authority hereby granted shall expire at the conclusion of the next annual general meeting of the Company after the passing of this special resolution or on the date which is 15 calendar months after the passing of this special resolution, whichever is the earlier, unless previously varied, revoked or renewed; provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

This power to allot shares and dis-apply statutory pre-emption rights given to the Directors expired on 18 May 2015 following the completion of the Capital Raise and Open Offer under which an aggregate nominal value of €45,812,471 was issued. However, authorisation to allot shares and dis-apply statutory pre-emption rights up to a nominal value of €20,833,333 remains in force connected to the issue of shares on conversion of the AT1 Debt instrument (see page 56)

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 employment of competent persons. The accounting records are kept at the Company's registered office, 56-59 St Stephens Green, Dublin 2.

Disclosure Notice

The Company did not receive a disclosure notice under section 33AK of the Central Bank Act 1942 during 2015.

Political Donations

The Directors have satisfied themselves that there were no political contributions during the year, which require disclosure under the Electoral Act, 1997.

Subsidiaries 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.

On behalf of the Board

Alan Cook
Group Chairman

Jeremy Masding
Group Chief Executive Officer

Emer Daly
Chairman Audit Committee

Ciarán Long
Company Secretary

Corporate Governance Statement

Chairman's introduction to governance

Focussed on maintaining good governance

"I am committed to pursuing standards of corporate governance that safeguard, protect and value the interests of our shareholders, customers, employees and other key stakeholders"

Alan Cook
Chairman

Dear Shareholders,

Good corporate governance practice is an essential ingredient in creating and sustaining shareholder value and ensuring that behaviour is ethical, legal and transparent. It is also a vital element of an effective Board, whose primary role is to promote the overall success of the Group. Your Board is committed to promoting effective corporate governance and understands that a valuable and challenging board is essential to providing leadership to senior management and staff alike. By setting goals and targets, developing strategy and establishing policies and processes, the Board best enables the Group to achieve its stated objective of becoming the best retail bank in Ireland.

CBI Corporate Governance Code

The 2010 Central Bank of Ireland Corporate Governance Code for Credit Institutions and Insurance Undertakings (CBI Code) imposes statutory minimum core standards upon credit institutions with additional requirements upon entities which are designated as Major Institutions. The Company's retail banking subsidiary, PTSB was subject to the provisions of the CBI Code during reporting period. PTSB has been designated as a Major Institution under the CBI Code and is therefore subject to the additional obligations set out in Appendix 1 therein. A copy of the CBI Code is available on the Central Bank of Ireland's website http://www.centralbank.ie/regulation/Pages/Codes.aspx.

UK Corporate Governance Code

On the 5th May 2015, the Company's shares were admitted to trading on the Main Securities Market of the Irish and London Stock Exchanges (Main Market) having previously traded on the Enterprise Securities Market of the Irish Stock Exchange. A condition of our listing on the Main Exchange of the Irish and London Stock Exchange is that the Company must comply or explain against the provisions of the 2014 UK Corporate Governance Code (UK Code) and the Irish Corporate Governance Annex (Irish Annex) and it is from this date to the period end that compliance with the UK Code and Irish Annex has been measured.

Compliance Statement (UK Code and Irish Annex)

The Board confirms that the Company has complied with the detailed provisions of the UK Code and Irish Annex during the period from the 5 May 2015 to the end of the reporting period save as set out below.

The Board considers the effectiveness of the Group's system of risk management and internal control on an ongoing 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 through feedback from stakeholders, including regulators. While there was no significant failure of the Group's system of risk management and internal control during 2015 leading to a financial loss, the Board identified a number of key improvements that need to be implemented in order to enhance the environment supporting risk management and internal control. The Board concluded that additional investment was required to underpin the effectiveness of its key control functions, particularly Group Risk. The Group is also developing internal control enhancements for other relevant functions, including improved processes for risk identification, mitigation and control. This work commenced during the second half of 2015 and will be continue through 2016. Ensuring appropriate and robust levels of governance, risk management and internal control will continue to be a priority focus for the Board during 2016 and structures have been put in place to measure the effectiveness of these changes on an ongoing basis.

Therefore, the Board acknowledges that in considering the requirement to maintain sound risk management and internal control systems under Main Principle C.2 of the UK Code, that the aforementioned investment and development of the Group's risk architecture is required in order to be fully compliant with this UK Code Principle.

Details of how the Group applied the main and supporting principles of the UK Code are set out in this Corporate Governance Statement, the Risk Management Section and in the Remuneration Report. 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.

A copy of the UK Code is available on UK Financial Reporting Council's website https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx.

Board Evaluation

The Board continually strives to improve its effectiveness and recognises that the performance evaluation process represents an annual opportunity to enhance overall board effectiveness. In 2015, an externally facilitated Board evaluation was conducted. The evaluation process resulted in a number of recommendations for improving the Board's effectiveness and these were progressed during 2015. Some of the key actions arising out of the 2015 Board evaluation included:

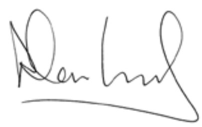
- The format, content, size and layout of all Board and Board committee papers would be reviewed and tailored by management to enhance the effectiveness of the Board's decision making;
- Greater interaction between Non-Executive Directors on a one-to-one basis;
- Greater attendance by representatives of Senior Management at Board meetings; and
- The appointment of the Group CRO as an Executive Director to the Board once that position is permanently filled in 2016.

Engagement with Shareholders

In advance of relisting the Company's shares on the Main Market of the Irish and London Stock Exchanges in May 2015, the Group established a dedicated Investor Relations team, headed by the Group's Strategy, Planning and Investor Relations Director. During 2015, the Group CEO and Group CFO held over 100 meetings in North America, the UK and Europe with various market participants including the Company's major institutional shareholders. The Group has an active market engagement programme in place where we report our financial results live through a webcast twice a year in March and July and update the market on trading twice a year in April and November. The Group publishes all results (including the webcasts) on our website. The Group also reports other relevant information to the market on a timely basis. During last year, I met with some of the Group's major shareholders to introduce myself and to provide them with an understanding of the Board and its activities.

The Company's largest shareholder is the Minister for Finance of Ireland. Ahead of the equity raise in 2015, the Relationship Framework with the Minister was amended and restated on the 23 April 2015 and which is publicly available on the Group's website www.permanenttsbgroup.ie . The Group CEO and his team meet with the Department of Finance officials on a monthly basis to discuss the achievement of the Group's business plan and any other important matters as specified by the Relationship Framework.

The Investor Relations team and the Group CEO provide regular updates to the Board on the type of activities mentioned above, in order to ensure that the members of the Board, and in particular the Non-Executive Directors, develop an understanding of the views of major shareholders.



Alan Cook
Chairman

Corporate Governance Statement
Board of Directors

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1. Alan Cook (62)
Group Chairman
Appointed: 13 April 2011
Independent: Yes
Committees: Nomination (c), Remuneration and Compensation.

Alan is a Fellow of the Chartered Insurance Institute (UK) and has extensive experience in financial services and public service in the UK and elsewhere. He is an experienced chairman, non-executive director and financial services general manager with experience of leading large scale change in both the private and public sectors. He is a former managing director of the UK Post Office, where he transformed the loss making organisation back into profit through cost reduction and growth in personal financial services. He is a former chief operating officer of Prudential (UK and Europe) and a former chief executive of National Savings and Investments (the government agency responsible for raising finance for the UK government through the retail savings market). He is also a former non-executive director of the Office of Fair Trading and the Financial Ombudsman Service. Until recently, he was the chairman of the Highways Agency in England and a non-executive director of the UK Department of Transport. Alan is the current deputy chairman of Sainsbury Bank plc. and a non-executive director of MetLife Europe Limited. Alan also volunteers his time as chairman of the University of Bedfordshire and chairman of Action for ME, the leading UK Charity supporting those suffering from ME/CFS.

2. Jeremy Masding (50)
Group Chief Executive
Appointed: 28 February 2012
Independent: No

Jeremy is an experienced career banker having worked with Barclays Bank in a variety of different roles between 1984 and 2007. These roles included branch banking, international banking and in head office as a director of strategy development. In later years, he was a board director of Barclaycard, responsible for UK consumer finance. For a year (1998/1999) he worked on secondment from Barclays with the Cabinet Office in the UK. Jeremy was chairman of the Richmond Group (2010-2012), an independent loan broker and lender, and group chief executive of Central Trust plc. (2007-2009), a specialist loan broker and lender. Jeremy is an Associate and Fellow of the Chartered Institute of Bankers and holds an MBA from Manchester Business School.

3. Dominic Dodd (48)
Senior Independent Director
Appointed: 18 December 2012
Independent: Yes
Committees: Remuneration and Compensation (c), Audit, Nomination

Dominic is an experienced non-executive director and board chairman. He is currently chairman of the Royal Free London NHS Foundation Trust, a UK University teaching hospital group. He was formerly an executive director of the Children's Investment Fund Foundation, a philanthropic foundation. Prior to this he was a managing partner of Marakon Associates, an international strategy consulting firm, where he advised chief executives and top management on growing long-term value. In his capacity as chairman of the Royal Free London, he is also a director of UCL Partners, an academic health science system. Dominic has also received the designation of 'Certified Bank Director' from the Institute of Banking. Dominic's unique experience is of particular benefit to the Board in terms of strategy formulation.

4. Emer Daly (52)
Non-Executive Director
Appointed: 20 September 2011
Independent: Yes
Committees: Audit (c), Risk and Compliance, Nomination

Emer is a Fellow of the Institute of Chartered Accountants and is an experienced non-executive director and chair of the audit committee. She previously worked in senior roles with PricewaterhouseCoopers and AXA Insurance. She is currently a non-executive director and audit committee member with FBD holdings p.l.c., a non-executive director and chair of the audit and risk committees of Friends Provident International Limited and Lombard International Assurance S.A., a member of the audit committee of the Department of Foreign Affairs and Trade and lectures in risk management in the UCD Graduate Business School. She previously held non-executive roles with Eirgrid p.l.c., Payzone p.l.c., the Property Registration Authority and the Dublin Dental Hospital where she was board chairman for seven years. Emer has also received the designation of 'Certified Bank Director' from the Institute of Banking. Emer brings her skills and expertise in accounting and risk management to the Board and her past experience is of particular benefit as chair of the Audit Committee.

5. Ken Slattery (67)

Non-Executive Director
Appointed: 30 August 2013
Independent: Yes
Committees: Audit, Remuneration and Compensation.

Ken is a Fellow of the Institute of Bankers and a member of the Institute of Directors. He has wide-ranging experience of the Irish financial services landscape having worked with the Bank of Ireland Group ("BOI") for over 40 years. During his time with BOI he held a number of senior management positions including director of operations at BOI Corporate Banking and more recently as head of payments and electronic services. During this latter role, Ken was responsible for the development, delivery and management of internet business banking and electronic payments across the BOI Group. Following retirement from BOI in 2006, Ken has broadened his knowledge and experience through non-executive director positions with a number of Irish and Northern Ireland government departments, including chair positions on audit and risk committees. During this time he has also maintained his exposure to financial services through his directorship with Realex Financial Services where he was chair of the Company's audit and risk committees until August 2013. Ken's general banking experience compliments the existing skillset of the Board and his prior experience as chair of audit and risk committees in both the public and private sector has been of particular benefit to the deliberations of the Audit Committee.

6. Julie O'Neill (60)

Non-Executive Director
Appointed: 28 January 2014
Independent: Yes
Committees: Risk and Compliance, Nomination

Julie served as Secretary General of the Irish Department of Transport from 2002 until 2009 and in a public service career spanning 37 years, worked in strategic policy development and implementation with eight Government Departments. She is now an independent strategic management consultant and a non-executive director at Ryanair p.l.c. and at AXA Life Europe. She is chairperson of the sustainable Energy Authority of Ireland and is a former board member of the Irish Museum of Modern Art. She also chairs the audit committee of Trinity College Dublin. She is a member of the Institute of Directors and a Licentiate of the Institute of Banking from whom she has received the designation of 'Certified Bank Director'. Julie brings a wide range of economic and social policy experience, as well as extensive administrative and managerial experience to the deliberations of the Board.

7. Richard Pike (49)

Non-Executive Director
Appointed: 28 January 2014
Independent: Yes
Committees: Risk and Compliance, Audit

Richard has extensive experience of working with financial institutions and technology companies throughout the world, assisting companies in managing enterprise risk more efficiently while addressing local regulatory guidelines and standards. He is currently an Independent Non-Executive Director at JP Morgan Fund Administration Services (Ireland) Limited and JP Morgan Hedge Fund Services (Ireland) Limited. He has previously worked in various senior banking, insurance, credit and market risk roles at Wolters Kluwer Financial Services, ABN AMRO, Bain, COMIT Gruppe and Quay Financial Software. He has analysed, designed and managed the development of core treasury and enterprise risk management systems for large financial institutions, including UBS, Citibank, Schroders and Unicredito. In 2009 Richard was recognized as a "Top 50" Face of Operational Risk by Op Risk & Compliance magazine and was a contributing author to two books on risk management. He is also a board member of the Governance, Risk and Compliance Technology Centre which focuses on research in the area of financial services governance, risk and compliance. Richard has also received the designation of 'Certified Bank Director' by the Institute of Banking. Richard brings a different dimension to the Board, related to his in depth knowledge of enterprise risk management systems together with access to his extensive network of banking and regulatory contacts in both the Irish and international marketplaces.

8. David Stewart (50)

Non-Executive Director
Appointed: 1 April 2014
Independent: Yes
Committees: Risk and Compliance (c), Remuneration and Compensation

David has over 20 years board level experience in financial services and is chair of the Risk and Compliance committee. Until March 2014, he was the chief executive of the Coventry Building Society, having previously held the positions of finance director and operations director. Before joining Coventry Building Society in 2002, he worked for 10 years at DBS Management p.l.c., holding a variety of positions including group chief executive. David was the chief executive of Coventry Building Society throughout the entire period of the financial crisis, having been appointed in 2006. During this period, the Society performed strongly, more than doubling in size and retaining its "A" grade credit ratings. Key to this performance was the consistent implementation of a prudent and focused business model focusing on traditional savings and mortgages. A graduate of Warwick University and a qualified Chartered Accountant, he is a non-executive director of M&S Bank, Unum Limited and LSL Property Services PLC. David brings retail banking and leadership experience to the board.

Ciarán Long

Company Secretary
Appointed: 24 May 2004

Ciarán was appointed Company Secretary of the Group in May 2004. He acts as secretary to each of the Board Committees. An actuary and a former employee of Irish Life, he has held senior executive positions in both the life and pensions businesses in Irish Life Assurance and is a former general manager and director of the Irish Life Corporate Business division. Ciarán is a Fellow of the Society of Actuaries in Ireland and of the Institute and Faculty of Actuaries in the UK. He holds an MSc in Business Administration from Trinity College Dublin and a Diploma in Company Direction from the Institute of Directors and has received the designation 'Certified Bank Director' from the Institute of Banking. He is a member of the audit committee of the Department of Social Protection and a former director of the Retirement Planning Council and is a former board member of the Pensions Board.

Corporate Governance Statement
Board of Directors (continued)

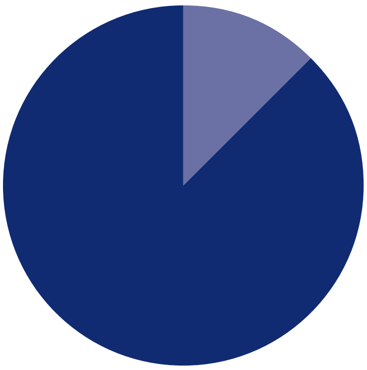
2015 Board Meeting Attendance and directorships

Member	Appointed	Ceased	Number of Full Years on the Board	2015 meeting attendance		Number of Directorships held.
				Scheduled	Unscheduled	
Non-Executive Directors						
Alan Cook	13 Apr 2011	-	4	11/11	17/19	3
Emer Daly	20 Sep 2011	-	4	11/11	18/19	4
Dominic Dodd	18 Dec 2012	-	3	11/11	18/19	3
Julie O'Neill	28 Jan 2014	-	1	11/11	19/19	3
Richard Pike	28 Jan 2014	-	1	11/11	18/19	3
Ken Slattery	30 Aug 2013	-	2	11/11	19/19	2
David Stewart	1 Apr 2014	-	1	11/11	17/19	4
Executive Directors						
Jeremy Masding	28 Feb 2012	-	3	11/11	19/19	1
Glen Lucken	2 Jan 2013	28 Sep 2015	2	8/8	12/17	2

Notes:

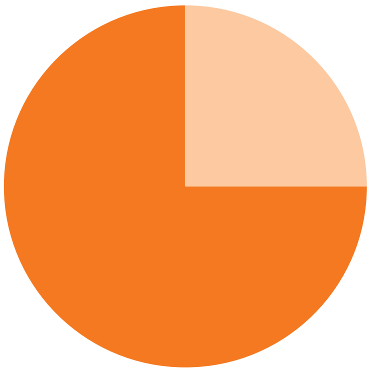
- PTSB is the sole direct subsidiary of PTSBGH. During 2015, the composition of the Boards of PTSBGH and PTSB were identical. From 5 May 2015 (date of re-listing on the main Stock Exchange in Dublin and London), meetings of the Boards of PTSB and PTSBGH ran concurrently. Concurrent Board meetings or consecutive Board meetings of PTSB or PTSBGH held on the same day are counted as a single attendance above.
- The number of directorships held includes external directorships. For the purposes of calculating directorships, multiple directorships within a Group are counted as a single directorship. Directorships in organisations which do not predominantly pursue commercial objectives are not included in the disclosed directorships total.

Executive v Non-Executive



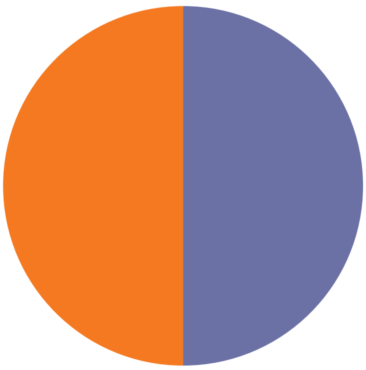
Executive Directors
Non-Executive Directors

Gender Diversity



Male
Female

Tenure



<1 year
1 to 3 years
3 to 6 years
>6 years

Division of responsibilities

The roles and responsibilities of the Board collectively, the Executive and Non-Executive Directors, the Group Chairman, Senior Independent Director and Group 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 Group Chairman

Alan Cook's responsibility as Group Chairman is 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. He facilitates active engagement and challenge by the Board to the Executive Directors and conducts the annual Board evaluation. The Group Chairman has a strong working relationship with the Group Chief Executive, Jeremy Masding, and acts as a confidential sounding board for the Non-Executive Directors. Alan Cook is also Chairman of the Nomination Committee.

The Senior Independent Director

Dominic Dodd is the Board's Senior Independent Director and his primary role is to support the Group Chairman on all governance related matters. In addition, he specifically conducts the annual appraisal of the Group 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 Group CEO

The Board delegates executive responsibility to Jeremy Masding, the Group CEO for the Group's operations, compliance and performance. The role of the Group CEO is to select and lead an effective team to manage the Group. The Group 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 Group 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 Group Secretary

Ciarán Long, Group Secretary, assists the Group Chairman in promoting appropriate standards of corporate governance. He supports the Group Chairman in ensuring Directors receive timely and clear information so that the Directors are properly equipped for robust debate and informed decision making. He is a central source of guidance and advice on policy, procedure, governance and ethics. He co-ordinates, when necessary, access to independent professional advice for Directors. He ensures compliance with all legal and regulatory requirements. 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 Group Secretary.

Corporate Governance Statement
Board Leadership and Effectiveness

Board Governance Framework
The Board retains primary responsibility for corporate governance within the Group at all times. The Board has reserved for itself a documented schedule of matters for its own approval. The Board delegates executive responsibility to the Group CEO for the Group's operations, compliance and performance. The Group CEO is the principal executive accountable to the Board for the day to day management of the Group and also serves as the main link between the Board and the Group's Executive Management committee.

Board Role and Responsibilities
The Board retains primary responsibility for corporate governance within the Group at all times. As members of a unitary Board, all of the Directors have the same legal and fiduciary responsibilities. The Board as a whole is collectively responsible for the success of the Group in accordance with its stated objective to become the best retail bank in Ireland. All Directors must take decisions objectively in the interests of the Group. The key responsibilities of the Board as a whole are to:

- Question, challenge, assist development of and approve the Strategic and Operating plans proposed for the Group by Management and to ensure that an appropriate level of balance exists between its strategic contribution and that of its monitoring and policing activity;
- Set and oversee the amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Group;
- Define the strategy for the ongoing management of material risks and to 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;
- Ensure that there is a remuneration framework that is in line with the risk strategies of the Group;
- Play a lead role in developing the Group's corporate culture and values;
- Ensure that there is a robust and transparent organisational structure with effective communication and reporting channels;
- Provide leadership for the Group within a framework of prudent, ethical and effective controls which enable risk and compliance to be assessed and managed;
- Ensure that Management create and develop a performance culture that drives value creation without exposing the Group to excessive risk of value destruction;
- Make well informed and high quality decisions based on a clear line of sight into the business;
- Ensure that the Group has a robust finance function responsible for accounting and financial data;
- Be accountable, particularly to those that provide the Group's capital; and
- Review regularly the appropriateness of its own governance arrangements and to embrace internal as well as external evaluation of Board effectiveness.

Directors must also act in a way they consider, in good faith, would promote the success of the Group for the benefit of the shareholders as a whole and, in doing so, have regard (amongst other matters) to the:

- likely consequences of any decision in the long-term;
- need to foster the Group's business relationships with customers, suppliers and others;
- interests of the Group's employees;
- impact of the Group's operations on the community, environment and tax payer; and
- desirability of the Group maintaining a reputation for high standards of business conduct.

Board Decisions
There is an effective Board to lead and control the Group. The Board has reserved to itself for decision a formal schedule of matters pertaining to the Group and its future direction, such as the Group'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 policies. This schedule is updated on a regular basis and at least yearly.

On an annual basis, the Board approves a Risk Appetite Statement together with its strategic, operating and financial plans. The Board approved the Group's most recent Risk Appetite Statement at the November 2015 Board meeting following participation in a dedicated Risk Appetite Workshop that was held in advance of the Board meeting. The Group Risk Appetite Statement is a description of the level and types of risk the Group is willing to accept, or to avoid, in order to achieve its business objectives.

In September 2015, the Group CEO presented proposals to the Board for the Group's strategic, operating and financial plans. Taking feedback from the Board, the Group CEO then presented updated plans to the November 2015 Group Executive Committee for finalisation and approval. These documents were then presented at the November 2015 meeting of the Board where they were approved.

The Board delegates day-to-day management of the Group to the Group CEO through his role as chair of the Executive Management Committee. The Board relies on its Risk Appetite and the delivery of strategic, operating and financial plans to be implemented by the Group CEO, the 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 Size and Composition
Biographies of each of the Directors are set out in the Board of Directors section. 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, finance, public service and strategy formulation provides both subject matter expertise and facilitates a broad spectrum of review and challenge at Board meetings, particularly when addressing major issues affecting the Group.

Decisions on Board membership are taken by the Board. The Nomination Committee brings recommendations on Board membership to the Board. There were no appointments to the Board in 2015. All proposed appointments to the Board of Permanent tsb p.l.c. are subject to the prior approval of the Central Bank of Ireland.

The balance and mix of appropriate skills and experience of Non-Executive Directors are taken into account when considering a proposed appointment. 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 challenge is expected and achieved is maintained in the Boardroom. In reviewing Board composition, the Nomination Committee considers the benefits of diversity, including gender, and looks to ensure that there is appropriate representation from other industry sectors. The Board has set a target of maintaining a minimum of 20% (at year-end this figure was 25%) female representation on the Board and reaching a level of 30% by 2018. Board gender balance is one of a number of factors considered by the Nomination Committee as part of the recruitment process for new Directors. The Company is committed to having a diverse Board, to achieving the targets in this regard and to ensuring an open and fair recruitment process.

The Board's objective is that approximately 50% of Non-Executive Directors, including the Board Chairman together with the Chairs of the Audit and the Risk and Compliance Committees should have banking and/or financial experience and this will also be taken into account when recommending appointments. All candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Group's activities and associated risks. The Nomination Committee seeks to ensure that a proportion of the Board have a deeper 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.

The Board has a target size of between 8 and 10 Directors with three of these positions being filled by Executive Directors, namely, the Group CEO, Group CFO and Group CRO. The recruitment of a new Group CRO and Group CFO is progressing well and is expected to conclude over the coming months.

The Board requires that all Non-Executive Directors are Independent Non-Executive Directors. The Board believes that this 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.

In late 2015, Dominic Dodd and David Stewart indicated that they would not seek re-appointment at the Company's 2016 AGM. Led by the Board Nomination Committee, and taking into account the previously referenced objectives with regard to skills, experience and diversity, a process is now underway, to identify suitable candidates to fill the vacancies left by the retiring Directors.

Term of Office

The term of appointment of Non-Executive Directors is three years and is subject to satisfactory performance that is reviewed annually. In accordance with the UK Code, all Directors are required to seek reappointment by election at the Company's 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.

Executive Directors' service contracts are agreed by the Board Remuneration and Compensation Committee. All Executive Directors' contracts provide for a rolling 11.5 month notice period to be provided. Holders of executive office in the Company will vacate the office of Director on ceasing to hold executive office. Directors who hold any directorship(s) in a subsidiary of the Company will vacate said directorship(s) 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.

The term of office of the Chairman is normally six years regardless of any previous terms as a Director. Exceptionally a further term of three years might be proposed but this would not be exceeded. The Chairman is proposed for reappointment by the Directors on an annual basis.

Board Effectiveness and Review

The Board has a formal performance review process to assess how the Board and its committees are performing. This process, which is facilitated every three years by external consultants, comprises a detailed and rigorous examination by Directors of all aspects of the Board and Committee performance. The review of performance for 2015 of the Board was externally facilitated by Alison Hardingham, Director of Business Psychology at Yellow Dog Consulting and neither Ms Hardingham nor Yellow Dog Consulting has any other connection with the Group. A number of outputs from this review are set on page 61. The performance review for 2015 included meetings between each of the Directors and the external facilitator together with the holding of a two day Board workshop where the effectiveness of the Board was discussed and reviewed. The purpose and desired outcomes of the Board evaluation process were set out and agreed between the external facilitator and the Board in advance. The Chairman presented a detailed summary of the evaluation process and outcomes to the Board in December 2015.

The performance of individual Directors is also assessed on an annual basis by the Group Chairman and is discussed with the Director concerned. The Non-Executive Directors, led by the Senior Independent Director, evaluate the performance of the Group Chairman, taking into account the views of Executive Directors. The Group Chairman meets at least once a year with the Non-Executive Directors without the Executives present. The output of these discussions together with the results of the external evaluation of the board supports the Nomination Committee's annual review of the structure, size and composition of the Board and of its Committees. The Nomination Committee must also satisfy itself that the Non-Executive Directors, the Chairman and Group CEO contribute effectively to Board debate and discussion and demonstrate a knowledge and understanding of the business, its risks and material activities. A meeting of the Nomination Committee to consider the effectiveness of the Board and its Committees

Corporate Governance Statement
Board Leadership and Effectiveness (continued)

took place in December 2015.
Procedures are in place for Directors, in furtherance of their duties, to take independent professional advice and training, if necessary, at the Group's expense. The Group has arranged Directors' and officers' liability insurance cover in respect of legal action against its Directors.

Director Induction and Ongoing Business Awareness

On appointment to the Board or to any Board Committees, all Directors receive a comprehensive induction tailored to their individual requirements. The induction, which is designed and arranged by the Group 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 how the Group works and the key issues it faces. Directors will also be encouraged to make site visits to see the Group'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 Group 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.

Independence

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. The Board is satisfied that each of the current Non-Executive Directors including the Chairman fulfils the independence requirements of the UK Code.

Board Meetings

The Board held 11 scheduled meetings and 19 un-scheduled Board meetings during 2015. A sizable number of these unscheduled meetings were required to facilitate the Group's Capital raising and deleveraging agenda in 2015. Board papers are issued electronically to Directors via a secure 'app' based tool in sufficient time to facilitate review by the Directors. The Board papers include the minutes of all relevant committee meetings which have been held since the previous Board meeting and the Chairman of each committee reports on the committee's proceedings at Board meetings, if appropriate. The Board receives formal reports on Group risk and compliance matters at each of its meetings.

Board Committees

All Board committees are composed of Non-Executive Directors, all of whom are considered by the Board to be independent. Membership, the Chairmanship and the terms of reference of each committee are reviewed annually. Detailed terms of reference for each of the committees are available on request and on the Group's website www.permanenttsbgroup.ie.

Corporate Governance Statement
Audit Committee

Composition and Operation
The Audit Committee is composed of Independent Non-Executive Directors. Neither the Chairman nor the Group CEO is a member of the Audit Committee. The Board requires that the Chairman of the Audit Committee has recent and relevant financial experience. The Chairman of the Audit Committee is responsible for leadership of the Committee and for ensuring its effectiveness. The members of the Audit Committee meet together at the start of each meeting. The head of Group Internal Audit 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 Group CEO, Board Chairman, external auditors or others is by invitation only and managed to ensure the on-going independence of the committee. The Board requires that a minimum of one member is common to the Audit Committee and the Risk and Compliance Committee. On an annual basis the Committee reviews its own terms of reference and its own effectiveness and recommends changes considered necessary to the Board.


Emer Daly Chairman

2015 Audit Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2015 meeting attendance
Emer Daly*	26 Oct 2011	-	4	10/10
Dominic Dodd	28 Jan 2014	-	1	10/10
Ken Slattery	31 Aug 2013	-	2	10/10
Richard Pike	1 Jun 2014	-	1	10/10

*Chairman

Role and Responsibilities
The Audit Committee 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 Group's internal financial controls. The Audit Committee 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 Audit Committee 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 Audit Committee monitors the integrity of the financial statements of the Group, 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 half-year 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 and 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 operating and financial review elsewhere herein. The Committee also reviewed governance and approval processes in place in 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 and the review of the draft Annual Report 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 below. 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 Audit Committee also had regard to the assessment of internal control over financial reporting, details of which are outlined in the risk management and internal control sections of the Risk and Compliance Committees report.

Matters considered by the Committee in 2015
During 2015 the Committee expended a significant amount of time considering those issues set out in the Significant Financial reporting Judgements and Disclosures. The Committee was also required to address a considerable number of issues relating to the Group's capital raising exercise (equity and AT1 instrument) and to the deleveraging of non-core assets.

During 2015, the Committee also:
- Considered the key financial reporting judgements for the financial statements and reviewed and recommended for approval to the Board, the Annual Report and Half-Year report;
- Reviewed Group Internal Audit activity throughout the year including a review of performance against the 2015 internal audit plan. The Committee also approved a Group Internal Audit Plan covering the years 2016-2020;
- Reviewed impairment provisions;
- Reviewed the effectiveness of internal control over financial reporting;
- Reviewed the governance and approval arrangements underlying the fair, balanced and understandable assessment of the Annual Report;
- Reviewed the Group's Pillar 3 policy and disclosures;
- Considered the accounting treatment for the issue of the AT1 instrument;
- Reviewed the accounting treatment for the sale of UK and Irish Loan assets with a total book value of circa €4.6bn;

Corporate Governance Statement

Audit Committee (continued)

- Reviewed the implementation of recommendations arising from the Financial Position & Prospectus Procedures prepared by PwC in advance of the Group's capital raise and Re-IPO;
- Considered the impact of provisions relating to the Bank's Mortgage Redress Project;
- Reviewed the basis and background for payment of Non-Audit fees made to PwC;
- Reviewed key changes to year end reporting standards, including changes under the 2014 Companies Act, Accounting Standards and Stock Exchange requirements (following re-listing on the Main Exchange of the Irish and London Stock Exchange);
- Reviewed the Group's Whistleblowing arrangement whereby employees can raise concerns, in confidence, about possible wrong doings in financial reporting and other matters.

Audit Committee Report

During the year the Audit Committee reviewed the external auditors findings and the following significant financial reporting judgements and disclosures for the 2015 Financial Statements.

Loan Impairment Provisions

The Committee considered the Group's methodology including assumptions and parameters for loan impairment provisioning. The Committee discussed with Management in detail the changes and revisions made to the Group's provisioning models, the resulting level of impairment provisions recognised in the financial year, and the total impairment allowance at the year end. The Committee focused more particularly on the Irish residential mortgage portfolio where the economic environment continued to improve. Improvement in macroeconomic factors including unemployment and house prices combined with lower new default and higher loan cures continued to be a feature of 2015's performance. Management also provided the Committee with sensitivities of various parameters and assumptions used in the impairment provision methodology.

The Committee also reviewed Management's considerations of arrears levels, forbearance measures and their impact on provision levels and key assumptions, and was satisfied that the level of loans classified as impaired at year end was consistent with the Group's methodology, and that the calculation and resulting provision recognised were appropriate based on the requirements of IAS 39.

Recognition and Recoverability of Deferred Tax Assets

The Committee considered the extent of deferred tax assets 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 years to come. The Committee noted the position of PTSB has become more certain as the Group's performance and strategic outlook has continued to improve along with continued improvement in the macroeconomic environment during 2015, as outlined in more detail under "Going Concern and Viability" on the following page.

Accordingly, in line with the requirements of IAS 12 "Income Tax", 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 judgements 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 deferred tax assets recognised in the financial statements at 31 December 2015 would be recovered. The Committee noted that IFRS does not allow for the deferred tax asset recognised to be discounted notwithstanding that this will likely take a significant number of years to recover.

Provisions for Liabilities

The Committee considered the provisions made in the financial statements in order to make an assessment of the appropriateness of the underlying liabilities. The Group has recognised a provision which relates to costs of ongoing disputes in relation to legacy business issues with certain customers and other factors in connection with an ongoing investigation by the Central Bank of Ireland. Management has exercised judgement in arriving at the potential provision in respect of these issues. There is significant estimation uncertainty involved in determining this provision and in particular including the population of impacted customers and the nature and amount of any associated liabilities. Management presented a paper outlining the requirements of IAS 37 and the basis of the provisions proposed including legal advice as appropriate, together with a sensitivity analysis for the key assumptions underpinning any such provisions. Material estimation uncertainty for such provisions was also considered and where the situation involved potential litigation legal advice was sought or updated.

IT Access

Certain matters in relation to IT access controls have communicated to the Audit Committee through the external audit process. We are satisfied that there are sufficient mitigating controls in place from a financial reporting perspective.

Going Concern

Note1 to the Financial Statements includes detail 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.

These matters are considered in further detail in Note 2 to the financial statements.

Viability

In accordance with the requirements of the UK Code, the Directors have assessed the viability of the Group, taking account of the Groups current position and 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 3 year term which falls within the time horizons considered within the various strategic planning and scenario testing frameworks employed by the Group. This period presents the Board and therefore readers of the Annual Report with a reasonable degree of confidence whilst still providing an appropriate longer-term outlook.

Assessing the prospects of the Company

In making this assessment, the Directors have considered the Group's Medium Term Plan, profitability forecasts, the economic environment, funding and capital resource projections.

Our corporate planning process is underpinned by various scenarios that encompass a wide spectrum of potential outcomes. These scenarios are designed to explore the resilience of the Group to the potential impact of significant risks set out on pages 43 to 49, including in particular funding and liquidity, capital adequacy, the economic and political environment, and the commitments outlined in the EU Restructuring Plan, or a combination of those risks.

The Group continues to be loss making in 2015, however, notwithstanding this there has been a continued improvement in underlying profitability (excluding exceptional items) driven by improved funding, operating and impairment costs, principally. The Directors have reviewed the Medium Term Plan and based on this, the macro economic conditions of the country and the planned resolution of legacy issues, they are satisfied that the Group is on track to return to profitability under a sustainable business model into the future.

There are certain key assumptions that are critical to the viability of the Group and these are outlined below:

Funding & Liquidity

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 during the period of assessment.

The Group's liquidity position remains broadly unchanged since December 2014, despite the repayment of €1.4bn of medium term notes in March 2015. The Group continues to undertake a number of initiatives to further improve its liquidity position in the areas of deposits, collateral optimisation, wholesale markets activity and deleveraging.

Notwithstanding the above, the Group continues to utilise the normal operations of the ECB for liquidity and funding during the period of assessment and the Directors and Management are aware that the Group's ability to continue to access system liquidity and funding will be dependent on the Group having sufficient eligible collateral.

Our funding plans assume, based on our interaction with wholesale markets and deposit trends, that the required liquidity and funding will be available to the Group over the medium term.

Capital Adequacy

The Group's Transitional CET1% has improved for the full year 31 December 2015 reflecting the Capital Raise. Directors and Management have also considered the forecast sufficiency of this capital base, including further intended deleveraging and its ability to withstand additional stress scenarios such as the economic environment in Ireland deteriorating. At present we do not have full certainty as to how our minimum regulatory capital requirements will evolve over the period to 2018 however we expect to be in a position to meet those requirements in the medium term.

Economic & Political Environment

The Group continues to be materially reliant on Government and European Union policy in relation to the Irish economy and the financial services sector.

The Group has successfully concluded a number of transactions including the issuance of equity, AT1 notes and senior unsecured debt, as well as certain asset disposals. At a macroeconomic level, property prices and unemployment continue to recover during 2015. The potential impact of economic, political and market risks and uncertainties are inherent in the Group's businesses and continue to impact the Group. The risks have a direct impact on the Group's loan arrears levels, impairment provisions and through the cost of regulation and as a consequence, profitability and regulatory capital levels. Directors and Management have considered these factors, and in particular, further house price falls and potential increase in the level of arrears under a stress case and the impact that these may have on the Group's performance and are satisfied that the Group is adequately capitalised for certain reasonably possible events. However, in this regard we have assumed that there is no material change to government or political policies which materially impact our business.

EU Restructuring Plan

The Restructuring Plan was approved in April 2015. The Restructuring Plan Term Sheet sets out the terms for restructuring the Group and includes the commitment to implementing certain loan portfolio disposals, reducing the value of defaulted Irish Tracker Mortgages and other behavioural commitments. The Group continues to monitor the progress against the Restructuring Plan Term Sheet, and assumes that no issues are currently expected to arise which would cast doubt on the longer term viability of the Group.

Corporate Governance Statement
Audit Committee (continued)

Robust assessment of the principal risks
We have performed a robust assessment of the principal risks to our business, including those that would threaten its business model, future performance, solvency or liquidity, its viability and the key assumptions outlined above. The scenarios we have considered in relation to our viability can be summarised as follows:

- Base case: planned profitability and growth over the medium term. This is the basis for our Medium Term Plan in which we have assumed that we continue to meet all material regulatory capital and liquidity targets over the assessed period to 2018;
- Prolonged cost of funds and house price deterioration: we estimate that our capital and liquidity ratios can withstand this for some years, depending on the severity, however over a very prolonged period or in the event of a very significant deterioration we would be required to take mitigating actions including but not limited to raising additional capital;
- A Government imposed medium term moratorium on foreclosures: significant growth in our non-performing loans and additional impairment losses could in extreme circumstances, require us to raise additional capital over the medium term;
- Significant reputational event: we have a strong liquidity buffer at present however a major reputational event which impacted significantly on deposit outflows could cause us to breach our regulatory liquidity ratios. In such circumstances we believe there are alternative mitigating actions available to the Group including raising secured debt and accessing additional collateralised system funding, if necessary and permissible in such circumstances;
- Increased competition: we believe our balance sheet could withstand a period of increased competition for some years with the impact on the Group's underlying profitability mitigated to a degree by Management actions to ensure the cost-base reflects the lower business volumes; and
- Significant European downturn and material deposit outflows: over the medium term this would likely require us to take a variety of mitigating actions including raising both capital and additional secured debt, if possible.

The scenarios considered were designed to be severe but plausible and take full account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks and that realistically would be open to the Group in the circumstances.

Confirmation of longer-term viability
Based upon our assessment of the above, the Directors have a reasonable expectation that the Group 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 2018.

Relationship with External Auditors

The Audit Committee provides a link between the Board and the external auditors, independent of the Company's Management. The external auditors regularly attend Audit Committee meetings and the Committee meet with the external auditors at least once a year without Management present to discuss their remit and any issues arising from the audit.

The Audit Committee reviewed the external audit plan prior to the commencement of the 2015 audit. Following the audit, the Audit Committee met with the external auditor to review the findings from the audit of the Group financial statements.

The Audit Committee has a process in place to ensure that the independence and objectivity of the external audit process is not compromised, which includes monitoring the nature and extent of the services provided by the external auditor through its annual 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 judgement, they are independent of the Group.

The Audit Committee review 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, regulatory returns and accounting advice. In line with best practice, the auditors do not provide services such as financial information system design and valuation work which could be considered to be inconsistent with the audit role.

The amount of fees payable to external auditors for their audit services was €0.5 million (excluding VAT) payable to PwC Ireland. €1.0 million (excluding VAT) was paid in respect of non-audit services to PwC Ireland, which principally related to their reporting accountant role for the Group's public offer in 2015 and which is customarily undertaken by the auditor.

The external auditor is required to rotate audit partner every five years. The Audit Committee also reviews the effectiveness, independence and objectivity of the external auditor.

The last competitive tendering process for the appointment of the auditors took place in 2012. This development followed a Board decision that the position of auditors should be subject to regular, competitive tendering.

The Audit Committee reviews the effectiveness of the External Auditor through discussion and assessment of its performance on a continuous basis at Audit Committee meetings attended by them.

Review of Group Internal Audit
The Audit Committee approves the annual work programme for the Group Internal Audit function, 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 Chairman of the Audit Committee and the Audit Committee meets with the Head of Internal Audit on a regular basis without the presence of Management. The Audit Committee receives regular reports from Group Internal Audit, which include summaries of the key findings of each audit in the period. The Audit Committee ensures co-ordination between Group Internal Audit and the external auditor.

The Audit Committee reviews the effectiveness of the Group Internal Audit through periodic evaluations, supplemented by external facilitators at appropriate intervals.

Corporate Governance Statement
Risk and Compliance Committee

Composition and Operation
The Risk and Compliance Committee is composed of Independent Non-Executive Directors. Neither the Chairman nor the Group CEO is a member of the Risk and Compliance Committee. 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 is common to the Audit Committee and the Risk and Compliance Committee. On an annual basis the Committee reviews its own terms of reference and its own effectiveness and recommends changes considered necessary to the Board.


David Stewart Chairman

2015 Risk and Compliance Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2015 meeting attendance
David Stewart*	1 Apr 2014	-	1	10/10
Emer Daly	24 Oct 2011	-	4	10/10
Richard Pike	28 Jan 2014	-	1	9/10
Julie O'Neill	28 Jan 2014	-	1	10/10

*Chairman

Role and Responsibilities
The Committee is responsible for monitoring adherence to the Group risk appetite statement. Where exposures exceed levels established in the appetite statement, the committee is responsible for developing appropriate responses. This is facilitated by the periodic review of a key risk indicators report calibrated to the risk appetite statement.

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 Board Risk and Compliance Committee supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Group's strategy is consistent with the Group's risk appetite.

Matters considered by the Committee in 2015
The focus of the Committee during 2015 centred around the Group Risk Change Programme which was originated to ensure that the Group Risk Function was in a strong position to discharge its duties in respect of overseeing the risk taking activities of the Group, and, fundamentally, supporting the need to assure a robust risk, governance and control culture across the Group.

Each meeting considered the management information provided by the Group CRO incorporating the following aspects:

- Risk Appetite metrics
- Recovery Plan metrics
- Credit risk and Impairment Provisioning
- Treasury and Market risks
- Capital adequacy
- Compliance and Regulatory issues
- Operational risk
- Information Security risk
- Legal risk

Specific reviews were also performed and recommendations made to the Board with regard to the Group's Internal Capital Adequacy Plan, Internal Liquidity Action Plan, Recovery Plan and the Group's Risk Management Architecture documentation that included the Group's Risk Appetite Framework and Risk Appetite Statement.

During the year, the committee also considered and approved Group Risk Frameworks, Policies and supporting documentation, including the following:

- Operational Risk Framework and Policy
- Credit policies
- Treasury policies, including the Funding & Liquidity Policy
- Risk Appetite Breach - Escalation Policy
- Data protection Policy
- Group Safety Statement
- Third Party Risk Management Policy
- Conduct Risk Management Framework
- Related Party Lending Regulations
- Compliance Monitoring Plan

The Committee also discussed and reviewed such matters as Anti-Money Laundering/ Counter Terrorism Financing, Mortgage Forbearance, Corporate Insurance and Health & Safety

Corporate Governance Statement
Risk and Compliance Committee (continued)

Risk Management and Internal Control

The Board has overall responsibility for the Group's system of risk management and internal control. The Group's business involves the acceptance and management of a range of risks. The Group's system of risk management and internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. It is possible that internal controls can be circumvented or overridden. Furthermore, because of changes in conditions, the effectiveness of an internal control system may vary over time.

The Board has responsibility for maintaining a system of risk management and internal control which provides reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

UK Code provisions C.2.3 requires the Board to review annually the effectiveness of the Group's system of risk management and internal control. This requires a review to cover all material controls including financial, operational and compliance controls.

The Board confirms that a detailed review on the effectiveness of the Group's risk management and internal control systems was undertaken in respect of 2015.

In considering the effectiveness of the Group's system of risk management and internal control, the Board has had a particular focus on ensuring that appropriate governance structures were in place to address issues raised through internal review and through feedback from stakeholders, including regulators. While there was no significant failure of the Group's system of risk management and internal control during 2015 leading to a financial loss, the Board identified a number of key improvements that need to be implemented in order to enhance the environment supporting risk management and internal control. The Board concluded that additional investment was required to underpin the effectiveness of its key control functions, particularly Group Risk. The Group is also developing internal control enhancements for other relevant functions, including improved processes for risk identification, mitigation and control. This work commenced during the second half of 2015 and will be continue through 2016.

Ensuring appropriate and robust levels of governance, risk management and internal control will continue to be a priority focus for the Board during 2016 and structures have been put in place to measure the effectiveness of these changes on an ongoing basis.

The Board has delegated to Executive Management the planning and implementation of the system of risk management and internal control within an established framework which applies throughout the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group for the year under review and up to the date of approval of the financial statements. In accordance with UK Code provision C.2.1. the Board confirms that a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity has been carried out, details of which are set out on page 72. A full description of those risks and how they are managed is set out in the Risk Management section. A description of the Group's system of Internal Control is set out below.

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 Risk and Compliance Committee. The Group CRO is a member of the Group Executive Committee and that of its sub-committees namely, the Group Risk Committee, the Group Credit Committee and the Assets & Liabilities Committee. The Group CRO reports directly to the Risk and Compliance Committee on the activities of these 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 Audit Committee. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities with guidance 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 half year Report is also reviewed by the Audit Committee in advance of being presented to the Board for their review and approval;
- Comprehensive budgeting systems are in place with annual financial budgets and a four year Medium Term Plan prepared and approved by the Board. Actual results are monitored and there is regular 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;
- Group Internal Audit (GIA) is responsible for the independent assessment of the Group's corporate governance, risk management and internal control processes. The Head of Group Internal Audit reports directly to the Board of Directors through the Audit Committee;
- The Audit Committee reviews the scope and nature of the work of Group Internal

Audit on an on-going basis to confirm its independence;

- Compliance in the Group is controlled centrally under the Group CRO. The Group CRO reports independently to the Group CEO and to the Chairman of the Board Risk and Compliance Committee and has direct access to the committee; and
- There is a risk management framework in place in 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.

There are a number of key Senior Executive positions open in the Group and which have been filled on an interim basis. The Group is in the process of concluding on recruitment for these roles and expects to have these filled in the near term.

The Audit Committee reviews the internal audit programme. The Head of Group Internal Audit reports regularly to the Audit Committee. The Audit Committee also reviews the half-year and annual financial statements 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 Board Risk and Compliance Committee reviews the compliance and risk management programmes and monitors total risk levels across the Group, in line with the overall policy approved by the Board. The Board Risk and Compliance Committee supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Group's strategy is consistent with the Group's risk appetite. The Group CRO reports regularly to the Risk and Compliance Committee.

The Group has in place a Whistle-blowing policy, which allows all staff and other people, who work with or for the Group, to raise any concerns they may have about suspected wrongdoing within the Group, and ensures that anyone raising a concern in good faith can feel safe and confident that the Group will treat the concern seriously, provide adequate protection and ensure fair treatment for the person raising the concern. In addition, the Group has in place a code of ethics, which lays down 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 relating to the preparation of the annual and interim financial statements in line with International Financial Reporting Standards as adopted by the European Union and as issued by the IASB;
- A Group Internal Audit 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;
- A control process is followed as part of interim and annual financial statements preparation, involving the appropriate level of management review of the significant account line items, and where judgements and estimates are made they are 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 Annual Report and Interim Report are also 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 Board Audit Committee covering all significant judgemental and technical accounting issues together with any significant presentation and disclosure matters; and
- User access to the general ledger and related financial reporting system is restricted to those individuals that require it for their assigned roles and responsibilities.

Corporate Governance Statement
Nomination Committee

Composition and Operation
The Nomination Committee is composed of Independent Non-Executive Directors. The Board requires that the Chairman and the Senior Independent Director are members of the Nomination committee.


Alan Cook Chairman

2015 Nomination Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2015 meeting attendance
Alan Cook*	2 Jun 2011	-	4	4/4
Dominic Dodd	16 Jul 2013	-	2	3/4
Julie O'Neill	28 Jan 2014	-	1	4/4
Emer Daly	1 Jun 2014	-	1	4/4

*Chairman

Role and Responsibilities
The Nomination Committee is charged with responsibility for bringing recommendations to the Board regarding the appointment of new Directors and of a new Group Chairman. The Group Chairman does not attend the Committee when it is dealing with the appointment of a successor to the Group Chairman. Decisions on Board appointments are taken by the full Board. All Directors are subject to re-appointment by election by the shareholders' at the first opportunity after their appointment.

The Committee keeps under review the leadership needs of the Group, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace. This Committee is also responsible for reviewing the effectiveness of the Board's operations, including the Chairmanship and composition of Board committees.

Matters considered by the Committee in 2015
During 2015, the Committee undertook a number of actions in execution of its mandate that included:

- a review of the succession plan for senior management positions across the Group;
- a review of its own terms of reference;
- a review of the effectiveness of the Board and that of its Committees and, having considered the output of the externally facilitated Board evaluation process, it made a number of recommendations to the Board as set out on page 61;
- a review of the size and composition of the Board and that of its committees and it made a number of recommendations to the Board including that the Group CRO should become an Executive Director of the Board;
- an assessment of the performance of both the Chairman and Group CEO against the provisions of the Central Bank of Ireland Corporate governance Code; and
- the review and approval of a 'skills self-assessment form' to be issued to each of the Non-Executive Directors so that an updated Board skills matrix could be prepared and recommended for approval to the Board in early 2016.

Corporate Governance Statement
Remuneration and Compensation Committee

Composition and Operation

Dominic Dodd Chairman

The members of the Remuneration and Compensation Committee are Dominic Dodd, Alan Cook, David Stewart and Ken Slattery, all of whom are experienced in terms of the management and oversight of large consumer-focused organisations where the remuneration and motivation of staff and executives was of crucial importance. The committee had 6 meetings during 2015 and in addition individual members met with Senior Management and external reward advisers to discuss emerging issues and regulatory requirements relating to remuneration issues.

2015 Remuneration and Compensation Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2015 meeting attendance
Dominic Dodd	29 Jan 2013	-	2	6/6
Alan Cook	5 May 2011	-	4	6/6
David Stewart	1 Apr 2014	-	1	5/6
Ken Slattery	28 Jan 2014	-	2	6/6

Role and Responsibilities

The Remuneration Committee considers all aspects of the performance and remuneration of Executive Directors and Senior Executives and sets the remuneration of these Executives, having consulted with the Group Chairman, the Group CEO and the other Non-Executive Directors. The Committee also has responsibility for setting the remuneration of the Group Chairman (without the Group Chairman being present) and the Group CEO. In addition, the Committee has responsibility for general oversight of reward policy to ensure its efficacy and compliance with legal and regulatory requirements. During 2015 the Committee used an external consultant for advice on Executive Director and Senior Management remuneration, remuneration trends in the external market and for perspective on regulatory compliance matters. Deloitte have also been engaged by the Group to provide advice and support relating to the Group Risk Change Programme.

Matters considered by the Committee in 2015

The purpose, duties and membership of the Committee are set out in the Committee's Terms of Reference. The Terms of Reference are reviewed by the Committee on an annual basis. The Group's Remuneration Policy, while set and governed by the Board, it is subject to certain agreements and commitments in place with the Irish State that currently restrict the terms of remuneration for Directors and Employees of the Group.

The Committee has oversight and is accountable to the Board for all of the Group's remuneration policies, and over the course of 2015 approved amendments to existing policies where there was a remuneration component. The Committee kept under review all aspects of remuneration for the Group Chairman, Group CEO, Executive Directors and members of the Group Executive Committee.

The Committee, with the supporting perspective of an external consultant and the internal Group Risk function, applied significant oversight to compliance with the Capital Requirements Directive (CRD) IV codes and regulations, including a focus on reviewing the remuneration components of material risk takers ("Identified Staff") as defined under CRD IV. The Committee approved a process and approach for the selection of Identified Staff in line with best practice guidance. The Committee reviewed the Group's reward policy, specifically the established variable commission schemes, as well as principles and practices to ensure they are fully aligned with regulatory requirements, particularly CRD III, CRD IV and relevant market practice.

The external consultant continues to work with the Group to ensure that remuneration policy reflects the requirements contained in CRD IV, notably their application to Identified Staff and the specific governance requirements therein.

The Group utilises a policy of median base pay versus market peer groups. The Committee is cognisant of the need to attract and retain the required talent and skills to deliver the return of value to the Company's shareholders. In doing so, it takes account of appropriate input from the Group's risk, compliance and Internal Audit functions to ensure that its decision making process is aligned with the Group's financial performance, regulatory guidelines and stakeholder interests.

If the Group is unable to attract, retain and motivate key skilled and qualified people its business may be negatively impacted. The Committee keeps the impact of the Group's remuneration policy and movements in the external market on attraction and retention metrics under review.

The Group's Remuneration Policy applies equally to its Irish and overseas subsidiaries, details of which are set out in the Director's report on Remuneration.

Directors Report on Remuneration

Remuneration Report

This report sets out the remuneration policy for the Group's Senior Executives and Directors. It has been prepared by the Remuneration and Compensation Committee and approved by the Board.

Remuneration Policy

Over the past four years the Remuneration Policy of the Group has been reviewed and overhauled to ensure that it met with the changing requirements being introduced in Ireland and the EU. Building on the changes previously made to the Remuneration Policy, the Committee has again this year reviewed its reward policy, principles and practice to ensure they are fully aligned with regulatory requirements, particularly CRD III, CRD IV and relevant market practice. The Group has continued to operate its Remuneration Policy in line with the remuneration requirements of the framework agreement between the Minister for Finance and the Company.

As a result of all these changes the Company has ceased most of its former reward practices and the reward arrangements within the Group during 2015 could be summarised as follows:

- There were no bonuses paid to Executive Directors or Identified Staff (as defined under CRD IV) in 2015;
- There has been no granting of share options since 2008, all outstanding share options have now lapsed and no further grants can be made under the remaining scheme which is now closed;
- No deferred remuneration was awarded in 2015;
- There are no outstanding Long Term Incentive Plan ("LTIP") share awards and the LTIP scheme has been withdrawn
- There was no change to the level of Executive Director compensation during 2015. Aggregate Executive Director compensation has fallen slightly from €895,000 to €781,000 (2014-2015);
- There was no change in the level of the basic fee paid to Non-Executive Directors during 2015. Aggregate fees paid to Non-Executive Directors increased slightly from €565,000 to €574,000 (2014-2015);
- A fee of €6,750 for membership of the Board Risk and Compliance committee was introduced November 2015;
- The Group utilises a policy of median pay versus market peer groups; and
- Remuneration Policy is fully compliant with Regulatory requirements.

Suitable changes have been made to our reward practice in relation to the risk dimensions of reward to ensure compliance with best practice. Plans are in place to strengthen the control of reward in the event of a return to any form of variable payments. The committee was advised throughout this period by external consultants on best practice for such matters.

At an overall level, the Committee ensures that the risk appetite statement and business plan informs the remuneration policy. The Committee had the remuneration practice for 2014 reviewed by the Interim Group CRO and was satisfied that it was fit for purpose and fully in line with the risk appetite statement.

In framing the Group's remuneration policy the Board confirms that it has complied with the UK Code. The Group's policy on Senior Executive remuneration (including Executive Directors) is to reward Executives competitively in order to ensure that the Group continues to attract and retain high calibre Executives and that they are properly motivated to perform in line with business strategy, objectives, values and long-term interests of the shareholders mindful of the range of regulatory changes that have taken place, capital requirements and ability to pay, subject to a cap of €500,000 which cannot be exceeded without the consent of the Minster of Finance.

The policy is also designed to ensure that there are adequate succession plans in place for the Group and clear plans in place to address scenarios where there is no internal candidate to step up to a role at a senior level. In 2015, these plans and approaches were implemented following three changes at Senior Executive Level. The risk, compliance and internal audit functions within the Group now makes direct input into compensation issues within the business units.

The Group CRO meets separately with the Committee to discuss remuneration related risk and compliance issues. The Committee will continue to have the reward strategy reviewed on an annual basis to ensure it complies with emerging regulatory developments and relevant market practices.

At the AGM in 2015 a "Say on Pay" resolution was approved by shareholders in line with good practice.

Non-Executive Directors

Non-Executive Directors are remunerated solely by way of fees in respect of their Board membership, full details of which are on page 79.

Executive Directors

The remuneration of the Executive Directors in 2015 comprises a basic salary, certain benefits and defined contribution pension entitlements.

Basic salary

The basic salary is reviewed annually having regard to competitive market practice and Government guidelines. No increases in basic salary were granted to Executive Directors in 2015.

Benefits

Executive Directors may avail of subsidised house purchase loans. Loans to Executive Directors are on the same terms and conditions as loans to other eligible PTSB management. At the end of 2015 no house purchase loans had been issued to serving Executive Directors.

Bonus and long-term incentive plans

No bonus payments were made to Executive Directors during 2014 or 2015. Neither were there any long term incentive arrangements in place for Executive Directors in 2015.

Pensions

Jeremy Masding is a member of the PTSB Defined Contribution Pension Scheme. The Group contributes to this pension scheme and contributions are determined solely in relation to basic salary.

Directors' Fees from another Company

Where an Executive Director of the Group is remunerated for service as a Non-Executive Director of a non-Group company and retains such remuneration, the amount of this remuneration is disclosed. There is no such remuneration to disclose for 2015.

Share Option Schemes - *Audited*

No share options were granted in 2014 or 2015. The opening balance of outstanding share options was 126,450 with an exercise price of €10.38 per share. As a consequence of the Group's share reorganisation under the capital raise transaction, each of these share options lapsed on the 15 May 2015. There were no share options in existence at the end of the period and the Group's sole remaining share option scheme is now closed. See note 32 for further information.

Executive Directors' Remuneration and Pension Benefits - *Audited*

The remuneration payable to Executive Directors who held office for any part of the financial year is as follows:

	Salary		Other remuneration		Total	
	2015	2014	2015	2014	2015	2014
	€000	€000	€000	€000	€000	€000
Jeremy Masding	400	400	52	53	452	453
Glen Lucken*	281	375	48	67	329	442
	681	775	100	120	781	895

J Masding - Other remuneration consists of employer pension contributions (€48k), Benefit in Kind (€0.5k), taxable expenses (€3.5k).
G .Lucken - Other remuneration consists of employer pension contributions (€34k), Benefit in Kind (€7k), taxable expenses (€7k).
* In September 2015 Mr. Lucken resigned from the board of PTSBGH. At the end of his employment as a director of the Group, Mr. Lucken is contractually entitled to a payment in lieu of notice of €402,500.

Executive Directors' Share Options - *Audited*

Jeremy Masding holds no Share Options in the Company. The Executive and Non-Executive Directors' shareholdings in the Company are detailed in note 40 of the financial statements.

Non-Executive Directors' Remuneration - *Audited*

Non-Executive Directors, including the Group Chairman are remunerated solely by way of fees in respect of their Board membership. The Group Chairman is paid an annual fee of €180,000 and Non-Executive Directors receive €50,625. Non-Executive Directors who perform additional services outside of their Board duties receive additional fees as follows:

- €25,313 to the chair of the Audit Committee and Risk and Compliance Committee;
- €6,750 to the members of the Audit Committee and to members of the Risk and Compliance Committee; and
- €16,875 to the Senior Independent Director.

Committee Membership is set out on pages 69, 73, 76, and 77.

Director	Note	2015 Basic Fee Level	2015 Fees Paid	2015 Additional Fees paid	2015 Total Paid	2014 Total Paid
		€ 000	€ 000	€ 000	€ 000	€ 000
Alan Cook		180	180	-	180	180
Emer Daly	1	51	51	25	76	76
Ken Slattery	2	51	51	7	57	57
Dominic Dodd	3	51	51	24	74	67
Julie O'Neill	4	51	51	1	52	47
Richard Pike	5	51	51	8	59	51
David Stewart	6	51	51	25	76	53
Pat Ryan	7	-	-	-	-	34

Note 1: Additional fees paid as Chair of the Audit Committee
Note 2: Additional fees paid as a member of the Audit Committee
Note 3: Additional fees paid as the Senior Independent Director and as a member of the Audit Committee
Note 4: Additional fees paid as a member of the Risk and Compliance Committee (payable from November 2015)
Note 5: Additional fees paid as a Member of the Audit Committee and as a member of the Risk and Compliance Committee
Note 6: Additional fees paid as Chair of the Risk and Compliance Committee.
Note 7: Retired from the Board on the 21 May 2014

Directors' Service Contracts - *Unaudited*

In accordance with the UK Code there are no Directors' service contracts with notice periods exceeding twelve months or with provisions for pre-determined compensation on termination which exceeds one year's salary and benefits.

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 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 and 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

Alan Cook
Group Chairman

Jeremy Masding
Group Chief Executive Officer

Emer Daly
Chairman of Audit Committee

Ciarán Long
Company Secretary

Independent Auditor's Report to the Members of Permanent TSB Group Holdings plc

Report on the financial statements

Our opinion

In our opinion:

- Permanent TSB Group Holdings plc's group 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 2015 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

Our audit approach

Overview

Materiality

- Overall Group materiality: €11 million which represents 0.5% 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 which accounts for 98% of the net assets of the group and 81% of absolute loss before tax (ie the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).
- In addition, specified audit procedures were performed on selected account balances of the group's UK subsidiaries – Capital Home Loans Limited (disposed of during 2015) and Lansdowne 199 Limited.

Areas of Focus

- Impairment provisions on loans and advances to customers
- Provisions for legacy legal and compliance liabilities
- Recoverability of the deferred tax asset
- IT Controls

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing 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.

Independent Auditor's Report to the Members of Permanent TSB Group Holdings plc (continued)

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Impairment provisions on Loans and Advances to Customers Refer to page 70 (Corporate Governance Statement), page 102 (Group accounting policies), page 115 (critical accounting estimates and judgements), page 137 (note 19, impairment provisions) and page 160 (financial risk management note dealing with credit risk). The determination of impairment provisions for the secured lending portfolios involves a number of different provisioning methods depending on loan performance and the size of the loan. Certain provisions are determined using modelling techniques, for example the Residential credit model, while others are determined on an individual loan basis using discounted cash flow calculations. The use of models involves the extraction of large amounts of data from the group's source systems. A mix of historical experience, market information and management judgement is incorporated into the various assumptions which underpin the provisioning process for provisions determined using models and provisions determined on an individual loan basis. Due to this inherent complexity and the significant management judgement involved, we focused on impairment provisions and in particular the assumptions underlying the calculation of modelled provisions relating to residential mortgages (Ireland & UK) such as collateral valuation, forced sale discount and foreclosure costs, and the assumptions used in discounted cash flow assessments relating to Commercial Real Estate (CRE), such as collateral valuation. We also focused on changes to model parameters and assumptions during the period to consider the basis for and the appropriateness of those changes.	We assessed and tested the design and operating effectiveness of management's controls over the source data and calculations. We also tested the completeness and accuracy of underlying data from the group's source systems. Given the complexity of the residential mortgage model, we engaged our IT audit specialists to assess the data feeds to the models and to re-perform certain model provision calculations. We performed testing over the classification of loans and advances as impaired or non-impaired. For modelled provisions, we challenged key assumptions by comparison to externally available information and assessed certain assumptions for consistency with group specific actual historic experience. Where changes were made to the model parameters and assumptions, we understood the rationale and considered the appropriateness of such changes. For loans where impairment is assessed on an individual loan basis, our testing incorporated the selection of a sample of individual loans where: • We assessed, by reference to the underlying documentation and through discussion with management, whether a trigger for impairment had occurred and challenged the reasonableness of management's judgement in this regard. • If an impairment trigger had occurred, we formed a view on the level of provision booked based on the detailed loan and counterparty information, including collateral valuation in the credit file, and considered the estimated future cash flows prepared by management to support the calculation of the impairment provision. We challenged the assumptions used in the future cash flows by comparing estimates to external support, where available. Where appropriate our work involved considering third party valuations of collateral and internal valuations derived from benchmark data. We considered and challenged the Group's rationalisation of the overall provision and we assessed the reasonableness of the total provision having regard to available external data.

Area of focus	How our audit addressed the area of focus
Provision for legacy legal and compliance liabilities Refer to page 70 (Corporate Governance Statement), page 109 (Group accounting policies), page 117 (critical accounting estimates and judgements) and page 148 (note 28 to the consolidated financial statements). Following an enforcement investigation by the Central Bank of Ireland the group launched the mortgage redress programme in July 2015. Arising from this investigation the group initiated a full mortgage product review to examine whether the contractual terms and conditions have been properly applied by the group. This work now falls within the scope of a mandated Central Bank of Ireland review following receipt of an industry letter in late 2015. The group has recognised a provision of €104 million in respect of legacy legal and compliance liabilities. We have focused on the total provision for legacy legal and compliance liabilities as until such time as all potentially affected customers are identified, the quantification of such provision requires management judgement and is subject to significant estimation uncertainty in respect of identifying the level of customers requiring redress, the related compensation and costs associated with the investigation.	We read correspondence with the Central Bank of Ireland regarding conduct issues. We met with the Head of Legal and the Head of Compliance. We understood and assessed the process undertaken by management in arriving at the provision estimate. We assessed and evaluated the methodology and challenged key assumptions used to determine the provision estimate and assessed whether the provision recognised is reasonable based on the available information to date. We have also considered the extent and appropriateness of the disclosures included within the financial statements in respect of such matters.
Recoverability of the deferred tax asset Refer to page 70 (Corporate Governance Statement), page 101 (Group accounting policies), page 116 (critical accounting estimates and judgements) and page 145 (note 22 to the consolidated financial statements). The group has deferred tax assets of €415 million. We focused on this area because the deferred tax asset primarily arises due to historical operating losses and a key judgement is whether there is convincing evidence of sufficient future taxable profits against which those losses can be utilised.	We assessed the forecast projections of profitability which inform management's decision to recognise a deferred tax asset in respect of historic operating losses. We considered whether the projections provide convincing evidence that sufficient taxable profits will be available to utilise unused tax losses. In particular, in this context, we evaluated the relevant macroeconomic assumptions and growth assumptions underlying the projections in the context of economic consensus forecasts.
IT Controls Refer to page 70 (Corporate Governance Statement). The IT framework of the group incorporates a number of IT systems which have been in place for many years. We have focused on IT controls and in particular deficiencies in the IT control environment, 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 IT audit specialists to update our understanding of the group's IT environment and of changes made to it during 2015. 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 mitigating controls where relevant. Where deficiencies affected specific applications within our audit scope we extended our programme of work to test compensating controls and to perform other procedures as considered relevant.

Independent Auditor's Report to the Members of Permanent TSB Group Holdings plc (continued)

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 geographic structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Group consists of Permanent TSB plc which is the main trading entity in Ireland. The business activity in the UK resided in Capital Home Loans Limited until it was disposed of during 2015, at which point the Group's remaining interest in the UK was transferred to a newly incorporated UK subsidiary, Lansdowne 199 Limited. The Group has a number of other subsidiaries in the Isle of Man and some smaller subsidiaries in Ireland.

In establishing the overall approach to scoping the group audit engagement we determined the type of work that needed to be performed by legal entity. All audit work was performed by the group audit team.

We performed an audit of the full financial information of Permanent TSB plc as this accounts for accounts for 98% of the net assets of the group and 81% of absolute loss before tax (ie the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). In order to increase the overall level of audit evidence on each account balance in the consolidated financial statements, audit procedures on selected account balances, classes of transactions or disclosures were performed at Capital Home Loans Limited and Lansdowne 199 Limited. The nature and extent of audit procedures was determined by our risk assessment for each account balance.

Together with additional procedures performed at the Group level, this gave us the evidence we needed for our opinion on the financial statements as a whole.

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 on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	€11 million (2014: €12 million).
How we determined it	0.5% of net assets.
Rationale for benchmark applied	Given the volatility in loss before tax arising over recent years from elevated impairments and subsequent reductions and the scale of losses arising from exceptional activities, we believe that net assets provides us with a more appropriate and consistent year on year basis for determining materiality rather than profitability.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.55 million (2014: €0.6 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 54 / 97, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company has adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2014 opinion

In our opinion the information given in the Directors' Report is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or - otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 69/80, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for 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 acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 70, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 74 of the Annual Report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 71/72 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

Under the Listing Rules we are required to review 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 Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Independent Auditor's Report to the Members of Permanent TSB Group Holdings plc (continued)

Directors' remuneration
Under the Companies Act 2014, we are required to report to you if, in our opinion, the disclosure of Directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made, and under the Listing Rules of the Irish Stock Exchange we are required 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 these responsibilities.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of our 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 included in the Corporate Governance Statement; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014 included in the Directors' Report;
  - is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014.
- Based on our knowledge and understanding of the company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement and the Directors' Report.
- In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement and the Directors' Report.
- Under the Listing Rules of the Irish Stock Exchange we are required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report having performed our review.

Other matters on which we are required to report by the Companies Act 2014

- 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 80, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ivan McLoughlin
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
8 March 2016

Consolidated Income Statement
For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Interest income	4	**694**	874
Interest expense	4	**(350)**	(604)
Net interest income		**344**	270
Fees and commission income	5	**56**	56
Fees and commission expense	5	**(17)**	(19)
Net trading (expense)/income	6	**(4)**	5
Net operating (expense)	7	**(1)**	(4)
Total operating income		**378**	308
Administrative, staff and other expenses (excluding exceptional items)	8	**(272)**	(347)
Bank Levy	40	**(27)**	(27)
Depreciation of property and equipment	20	**(13)**	(12)
Writeback on revaluation of property and equipment		**2**	4
Amortisation of intangible assets	21	**(7)**	(7)
Exceptional items			
Loss on disposal of assets	9	**(401)**	(9)
Loss on repurchase of Contingent Capital Notes	9	**(52)**	-
Restructuring costs	10	**(7)**	-
Total operating expenses		**(777)**	(398)
Operating loss before (charge)/writeback for impairment		**(399)**	(90)
Impairment (charge)/writeback			
Loans and advances to customers	19(a)	**(35)**	41
Repossessed assets	19(c)	**(1)**	1
Debt securities	19(b)	**1**	-
Total Impairment (charge)/writeback		**(35)**	42
Loss before taxation		**(434)**	(48)
Taxation	11	**9**	(54)
Loss for the year		**(425)**	(102)
Attributable to:			
Owners of the holding company		**(425)**	(102)
Loss per share		**€ Cent**	€ Cent
Basic loss per share of €0.5 ordinary shares	12	**(100.2)**	(27.9)*
Diluted loss per share of €0.5 ordinary shares	12	**(100.2)**	(27.9)*

*Prior year loss per share has been adjusted for the share reorganisation detailed in note 12.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Loss for the year		**(425)**	(102)
Other comprehensive income, net of tax:			
Items that will not be reclassified to the income statement in subsequent years			
Revaluation of property	20	**16**	11
Tax relating to items that will not be reclassified to the income statement	11	**(3)**	(6)
Items that may be reclassified to the income statement in subsequent years			
Currency translation adjustment reserve			
Transferred to income statement on discontinuance of the hedge		**-**	1
Available-for-sale ("AFS") reserve			
Change in fair value of AFS financial assets	14,15	**(13)**	(13)
Transfer to income statement on disposals of AFS financial asset		**-**	4
Tax relating to items that may be reclassified to the income statement	11	**2**	-
Cash flow hedge reserve			
Change in fair value recognised in equity	16	**44**	-
Amortisation of dedesignated CFH to income statement	16	**5**	-
Tax relating to items that may be reclassified to the income statement	11	**(6)**	1
Other comprehensive income, net of tax		**45**	(2)
Total comprehensive income for the year		**(380)**	(104)
Attributable to:			
Owners of the holding company		**(380)**	(104)
		(380)	(104)

Consolidated and Company Statement of Financial Position

As at 31 December 2015

	Notes	Consolidated 31 December 2015 €m	Consolidated 31 December 2014 €m	Company 31 December 2015 €m	Company 31 December 2014 €m
Assets					
Cash and balances with central banks	13	**64**	89	**-**	-
Items in course of collection	13	**31**	33	**-**	-
Assets classified as held for sale	41	**91**	1,030	**-**	-
Debt securities	14	**3,839**	5,326	**-**	-
Equity securities	15	**23**	-	**-**	-
Derivative assets	16	**58**	124	**-**	-
Loans and advances to banks	17	**1,516**	1,768	**-**	-
Loans and advances to customers	18	**23,030**	27,206	**-**	-
Prepayments and accrued income		**50**	57	**-**	-
Property and equipment	20	**115**	100	**-**	-
Intangible assets	21	**37**	68	**-**	-
Other assets	23	**74**	103	**-**	-
Deferred taxation	22	**393**	389	**-**	-
Investments in subsidiary undertakings	42	**-**	-	**1,459**	1,085
Total assets		**29,321**	36,293	**1,459**	1,085
Liabilities					
Deposits by banks (including central banks)*	24	**6,749**	9,107	**-**	-
Customer accounts	25	**18,550**	20,438	**-**	-
Debt securities in issue	26	**1,003**	3,425	**-**	-
Derivative liabilities	16	**397**	435	**-**	-
Accruals		**9**	18	**-**	-
Current tax liability		**4**	2	**-**	-
Other liabilities	27	**74**	83	**3**	3
Provisions	28	**117**	118	**-**	-
Subordinated liabilities	29	**22**	387	**-**	-
Total liabilities		**26,925**	34,013	**3**	3
Equity					
Share capital	30	**1,257**	1,212	**1,257**	1,212
Share premium	30	**331**	1,492	**331**	1,492
Other reserves	30	**(624)**	(669)	**-**	-
Retained earnings	30	**1,310**	245	**(132)**	(1,622)
Shareholders' equity		**2,274**	2,280	**1,456**	1,082
Other equity instruments	30	**122**	-	**-**	-
Total equity		**2,396**	2,280	**1,456**	1,082
Total liabilities and equity		**29,321**	36,293	**1,459**	1,085

*Deposits by banks (including central banks) includes €4.7bn (31 December 2014: €4.9bn) of ECB funding.

On behalf of the Board:

Alan Cook
Group Chairman

Jeremy Masding
Group Chief Executive Officer

Emer Daly
Chairman Audit Committee

Ciarán Long
Company Secretary

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

Group

	Attributable to owners of the holding company											
	Share capital €m	Share premium €m	Capital contri-bution reserve* €m	Reval-uation reserve* €m	AFS reserve* €m	Cash flow hedge reserve* €m	Currency translation adjustment reserve* €m	Share based payments reserve* €m	Other capital reserve* €m	Other equity instrument €m	Retained earnings €m	Total €m
As at 1 January 2014	1,212	1,492	118	6	122	(56)	(1)	1	(856)	-	346	2,384
Loss for the year ended 31 December 2014	-	-	-	-	-	-	-	-	-	-	(102)	(102)
Other comprehensive income, net of tax (note 11,31)	-	-	-	5	(8)	-	1	-	-	-	-	(2)
Total comprehensive income for the year	-	-	-	5	(8)	-	1	-	-	-	(102)	(104)
Transactions with owners, recorded directly in equity:												
Contributions by and distributions to owners												
Transfer to retained earnings	-	-	-	-	-	-	-	(1)	-	-	1	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	(1)	-	-	1	-
Balance as at 31 December 2014	**1,212**	**1,492**	**118**	**11**	**114**	**(56)**	**-**	**-**	**(856)**	**-**	**245**	**2,280**
Loss for the year ended 31 December 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(425)**	**(425)**
Other comprehensive income, net of tax (note 11,31)	**-**	**-**	**-**	**13**	**(11)**	**43**	**-**	**-**	**-**	**-**	**-**	**45**
Total comprehensive income for the year	**-**	**-**	**-**	**13**	**(11)**	**43**	**-**	**-**	**-**	**-**	**(425)**	**(380)**
Transactions with owners, recorded directly in equity:												
Reorganisation of reserves	**-**	**(1,490)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,490**	**-**
Contributions by and distributions to owners												
Issue of share capital	**45**	**357**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**402**
Issue of other equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125**	**-**	**125**
Issuance cost of share capital and other equity instruments	**-**	**(28)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**	**(31)**
Total contributions by and distributions to owners	**45**	**(1,161)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**122**	**1,490**	**496**
Balance as at 31 December 2015	**1,257**	**331**	**118**	**24**	**103**	**(13)**	**-**	**-**	**(856)**	**122**	**1,310**	**2,396**

* All are included in Other reserves in the Statement of financial position

Statement of Changes in Equity
For the year ended 31 December 2015

Company

	Attributable to owners of the holding company				
	Share capital €m	Share premium €m	Other reserves - Share based payments reserve €m	Retained earnings €m	Total €m
As at 1 January 2014	1,212	1,492	1	(1,623)	1,082
Loss for the year ended 31 December 2014	-	-	-	-	-
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					
Transfer to retained earnings	-	-	(1)	1	-
Total contributions by and distributions to owners	-	-	(1)	1	-
Balance as at 31 December 2014	**1,212**	**1,492**	**-**	**(1,622)**	**1,082**
Loss for the year ended 31 December 2015	**-**	**-**	**-**	**-**	**-**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**
Transactions with owners, recorded directly in equity:					
Reorganisation of reserves	**-**	**(1,490)**	**-**	**1,490**	**-**
Contributions by and distributions to owners					
Issue of share capital	**45**	**357**	**-**	**-**	**402**
Issuance cost of share capital	**-**	**(28)**	**-**	**-**	**(28)**
Total contributions by and distributions to owners	**45**	**(1,161)**	**-**	**1,490**	**374**
Balance as at 31 December 2015	**1,257**	**331**	**-**	**(132)**	**1,456**

Consolidated and Company Statement of Cash Flows

For the year ended 31 December 2015

		Group		Company	
	Notes	31 December 2015 €m	31 December 2014 €m	31 December 2015 €m	31 December 2014 €m
Cash flows from operating activities					
Loss before taxation for the year		**(434)**	(48)	**-**	-
Adjusted for:					
Depreciation, amortisation and impairment of property and equipment and intangibles		**51**	50	**-**	-
Reversal on revaluation of property		**(2)**	(4)	**-**	-
Gain on disposal of property		**(1)**	-	**-**	-
Impairment losses/writeback on:				**-**	-
- Loans and receivables to customers	19(a)	**35**	(41)	**-**	-
- Repossessed assets	19(c)	**1**	(1)	**-**	-
- Debt Securities		**(1)**	-	**-**	-
Unrealised losses/(gains) on financial assets		**4**	(5)	**-**	-
Loss on debt securities/buy back	29	**-**	11	**-**	-
Interest on subordinated liabilities	4	**25**	67	**-**	-
Loss on repurchase of subordinated liabilities		**51**	-	**-**	-
Loss on loans and receivables		**392**	-	**-**	-
Amortisation of bond discounts		**(12)**	(24)	**-**	-
Other mortgage related adjustments		**22**	28	**-**	-
Other provisions		**40**	73	**-**	-
Other non-cash items		**30**	34	**-**	-
		201	140	**-**	-
(Increase)/decrease in operating assets					
Loans and advances to banks		**2**	18	**-**	-
Loans and advances to customers		**5,247**	1,740	**-**	-
Debt securities		**1,927**	859	**-**	-
Derivative assets		**(5)**	102	**-**	-
Other assets		**198**	(16)	**-**	-
Prepayments and accrued income		**(28)**	(8)	**-**	-
Increase/(decrease) in operating liabilities					
Deposits by banks (including central banks)		**(2,643)**	(1,803)	**-**	-
Customer accounts		**(1,998)**	806	**-**	-
Debt securities in issue		**(1,724)**	942	**-**	-
Derivative liabilities		**(53)**	(160)	**-**	-
Other liabilities and accruals		**(18)**	6	**-**	-
Provisions		**(41)**	(24)	**-**	-
		864	2,462	**-**	-
					-
Net cash inflow / (outflow) from operating activities before tax		**1,065**	2,602	**-**	-
Tax paid		**(1)**	-	**-**	-
Net cash inflow / (outflow) from operating activities after tax		**1,064**	2,602	**-**	-

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2015

	Notes	Consolidated 31 December 2015 €m	Consolidated 31 December 2014 €m	Company 31 December 2015 €m	Company 31 December 2014 €m
Cash flows from investing activities					
Purchase of property and equipment	20	**(13)**	(16)	**-**	-
Proceeds from sale of property and equipment		**3**	1	**-**	-
Purchase of intangible assets	21	**(8)**	(13)	**-**	-
Net investment in restricted cash		**355**	(591)	**-**	-
Net cash flows from investing activities		**337**	(619)	**-**	-
Cash flows from financing activities					
Interest paid on subordinated liabilities		**(31)**	(40)	**-**	-
Principal repaid on subordinated liabilities		**(410)**	-	**-**	-
Redemption of debt securities in issue	26	**(1,567)**	(2,226)	**-**	-
Issuance of debt securities in issue		**300**	189	**-**	-
Proceeds from issue of ordinary shares	30	**373**	-	**-**	-
Proceeds from AT1 issue	30	**122**	-	**-**	-
Net cash flows from financing activities		**(1,213)**	(2,077)	**-**	-
Increase/(decrease) in cash and cash equivalents		**188**	(94)	**-**	-
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents as at 1 January		**660**	721	**-**	-
Increase/(decrease) in cash and cash equivalents		**188**	(94)	**-**	-
Effect of exchange translation adjustments		**(112)**	33	**-**	-
Cash and cash equivalents as at 31 December	13	**736**	660	**-**	-

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies

1.1 Corporate information
Permanent TSB Group Holdings plc is a holding company domiciled in Ireland. Its registered office is situated at 56 - 59, St. Stephen's Green, Dublin 2, Ireland. The holding 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 the Group and are prepared up to the end of the financial year, 31 December 2015.

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 were authorised for issue by the Directors on 08 March 2016.

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2015 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 ("OCI"), the consolidated and the Company statement of financial position, 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 International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. 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. There have been no changes in accounting policies during the year.

The individual financial statements of the holding Company have also been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union 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 to the Annual General Meeting and from filing it with the Registrar of Companies. The Company did not trade during current or prior years and consequently reported no profit or loss.

Basis of measurement
The Consolidated and Company financial statements have been prepared on the historical cost basis as modified to include fair valuation of certain financial instruments, financial assets classified as available for sale, land and buildings, repossessed assets and share-based payments.

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 financial statements, in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about the carrying amounts of assets and liabilities.

Actual results may differ from the estimates made. 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 tax assets, assets classified as held for sale, financial instruments and provisions. 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. Corporate information, basis of preparation and significant accounting policies (continued)

1.3 Going Concern

In considering Management's assessment of the Group's ability to continue as a going concern, we considered principal risks and uncertainties as they might pertain to the going concern assumption, particularly the status of the Group's adherence to the terms of the Restructuring Plan, the Liquidity position, Profitability and the Capital position. We considered the position on these items over the course of 2015 and into 2016, their current status and future projections. In doing so we considered each risk in turn, and the likelihood of the risk resulting in the going concern assumption becoming invalid over the period of assessment, being 12 months from the date of the accounts. We considered realistic alternatives, including downside scenarios so as to appropriately test assumptions and potential outcomes. We concluded, based on progress since 2014, in addition to the Group's outlook that the Group has no material uncertainties which would cast significant doubt on the going concern assumption.

Assessment basis

The time period 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 2015 is a period of 12 months from the date of approval of these financial statements ("the period of assessment").

In making this assessment, the Directors and Management have considered the Group's 2016-2019 Medium Term Plan, profitability forecasts, funding and capital resource projections under base and stress scenarios applied by the Group, together with a number of factors such as the outlook for the Irish economy, Government's fiscal policies, the availability of collateral to access funding through the euro system and ongoing changes in the regulatory environment. Further, the Group's outlook has continued to improve, both from the perspective of the macroeconomic environment and the Group's performance.

The Group continues to be materially reliant on Government and European Union policy in relation to the Irish economy and the financial services sector. In this context, it is important to note the rating upgrade of the Irish sovereign to investment grade. The Group has successfully concluded a number of transactions including equity, AT1, unsecured and secured debt, as well as asset disposals. At a macroeconomic level, property prices and unemployment continue to show signs of recovery in 2015.

The potential impact of these economic, political and market risks and uncertainties are inherent in the Group's businesses and continue to impact the Group. These include risk of house price falls and risk of deterioration of unemployment together with lower income levels. The risks have a direct impact on the Group's loan arrears levels, impairment provisions and as a consequence, profitability and regulatory capital levels. Directors and Management have considered these factors, and in particular, further house price falls and potential increase in the level of arrears under a stress case and the impact that these may have on the Group's performance and are satisfied that over the period of assessment the Group is adequately capitalised.

Restructuring plan

The Restructuring Plan was approved in April 2015. The Group continues to monitor the progress against the term sheet agreed by the Group, and has concluded that no issues are currently expected to arise which would cast doubt on the ability of the Group to continue as a going concern over the period of assessment.

Funding & liquidity

The Group continues to have sufficient liquidity throughout 2015. This is despite the repayment of €1.4bn medium term note (MTN) funding in March 2015. The Group continues to undertake a number of initiatives to further improve its liquidity position in the areas of deposits, collateral optimisation, wholesale markets activity and deleveraging. The Directors and Management have also considered forecasts of the liquidity position over the going concern period, under a range of scenarios.

Notwithstanding the above, the Group continues to utilise the normal operations of the ECB for liquidity and funding during the period of assessment and the Directors and Management are aware that the Group's ability to continue to access system liquidity and funding will be dependent on the Group having sufficient eligible collateral. 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, and does not cast significant doubt on the ability of the Group to continue as a going concern basis over the period of assessment.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

Profitability and capital adequacy
The Group in 2015 continues to be loss making, and therefore uncertainty over the return to profitability needs to be considered. Directors and Management have reviewed the Medium Term Plan and based on this, the macro economic conditions of the country and the planned resolution of legacy issues, Directors and Management are satisfied that the Group is on track to a return to profitability in a sustainable business model in the future.

The Group's Transitional CET1% has improved for the full year 31 December 2015 reflecting the Capital Raise and reducing risk weighted assets. Directors and Management have also considered the forecast sufficiency of this capital base, including further intended deleveraging and its ability to withstand additional stress scenarios such as the economic environment in Ireland worsening further. On the basis of the above considerations, the Directors and Management have concluded that capital adequacy 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, Directors and Management have considered the principal risks/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 consider it appropriate to prepare the financial statements on a going concern basis.

1.4 Comparative information
The comparative information for 2014 has been prepared on a consistent basis, other than for some reclassifications which have been made to the financial statements and notes to the financial statements to more appropriately reflect and enhance comparability, in respect of operating segments, loss per share and forbearance as described below. A third statement of financial position has not been included as it would not provide any additional information to the reader of the financial statements.

Operating segments
During 2015, the Group completed a reorganisation of its operating structure. The Group is now structured into two operating segments which reflect the internal financial and operational reporting structure. Further details of this reorganisation are provided in note 3.

Loss per share
The number of ordinary shares in issue changed during 2015 as a result of a Share reorganisation and Capital Raise which took place during the year. Refer to share capital note 30 for further details. The loss per share (note 12) and the Share Capital, Reserves and other equity instruments (note 30) have been updated to reflect these changes.

Forbearance
During the year, the Group revised the definition of Forbearance to align the entry and exit criteria with the European Banking Authority guidelines. The Group has restated the Forbearance disclosures for the prior year within note 34.

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 entity, for example through voting or other rights;
- exposure to, or rights to, variable returns through involvement with the entity;
- the ability to use its power over the entity 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 Group companies are eliminated.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(i) Basis of consolidation (continued)

Investments in subsidiaries are shown at cost in the Company financial statements unless they are impaired or held for sale, in which case they are recorded at their recoverable amounts. In general, investments in subsidiaries are assessed for impairment when the subsidiary is loss making or where there are other indicators of impairment.

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

For acquisitions on or before 1 January 2010, the amount capitalised as goodwill is the excess of the cost of a business combination over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. This applies to acquisitions of subsidiary undertakings, associated undertakings and other businesses.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

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 IAS 39, “Financial Instruments: Recognition and Measurement” in the income statement.

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.

(ii) Foreign currencies

Foreign currency transactions are translated into the functional currency of the entity 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.

The results and financial position of Group entities 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 OCI and as a separate component of equity (currency translation adjustment reserve).

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

(ii) Foreign currencies (continued)

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.

(iii) Recognition of income and expenses

Interest and similar income and expenses

For all interest bearing financial instruments, interest income or expense is recorded using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability, or a shorter period where appropriate, to the carrying amount of the financial asset or liability on initial recognition.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate and all premiums and discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Fees and commission income and expense

As outlined above, fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

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.

Net trading income

Net trading income comprises gains less losses relating to trading assets and trading liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.

Exceptional items

Exceptional items are a material component of the Group's profit or loss which would not ordinarily occur while carrying out normal business activities. Consequently due to their materiality, they are presented separately in the income statement to provide ease of analysis for the user of these financial statements.

Bank levy

A levy payable to Government is provided for the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

(iv) Employee Benefits

The Group operates a number of defined contribution pension schemes, under which the Group pays fixed contributions to a separate entity.

Defined contribution pension plan

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.

Share-based payments

The Group operates a number of equity-settled share option schemes based on non-market vesting criteria. The Group has availed of the transitional arrangements under IFRS 1 First-time Adoption of IFRS and no charge is included for share options granted before 7 November 2002 which had not vested by 1 January 2005. For all other options, the fair value of the options is determined at the date of grant and expensed in the income statement over the period during which the employees become unconditionally entitled to the options. The expense is credited to a separate equity reserve on the statement of financial position. At each year end the Group revises its estimate of the number of options that it expects to vest and any adjustment relating to current and past vesting periods is charged to the income statement. There were no outstanding share options as of 31 December 2015.

Short term employee benefits

Short term employee benefits, such as salaries and other benefits are accounted for on an accrual basis over the period in which 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)

(iv) Employee Benefits (continued)

Termination payments

Termination benefits are 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.

(v) Current and deferred taxation

Taxation comprises both current and deferred tax. Taxation is recognised in the income statement except where it relates to an item in equity which 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%, UK: 20% from 1 April 2015), (UK: 21% from 1 April 2014).

Deferred tax is provided using the liability method on all temporary differences except those arising on goodwill not deductible for tax purposes, or on initial recognition of an asset or liability in a transaction that is not a business combination and which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates enacted or substantively enacted by the reporting date that are expected to be applied to the temporary differences when they reverse.

Deferred tax liabilities and assets are offset only where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

A deferred tax asset 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. Deferred tax assets 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.

(vi) Financial instruments

(a) Financial assets

Financial assets are recorded at fair value and are classified, on initial recognition, as held for trading ("HFT"), designated at fair value through profit and loss ("FVTPL"), available-for-sale ("AFS"), held to maturity ("HTM") or loans and receivables. All derivative assets are classified as HFT unless they have been designated as hedges. 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 HFT or 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 inputs. These include recent transactions in similar items, discounted cash flow projections, option pricing models and other valuation techniques used by market participants.

Financial assets are de-recognised when the right to receive cash flows from the financial assets has expired or the Group has transferred substantially all the risks and rewards of ownership.

The Group enters into certain transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all the risks and rewards are retained, then the transferred assets are not de-recognised. Transfers of assets with retention of all or substantially all risks and rewards include sale and repurchase agreements and securitisations.

In transactions in which the Group neither retains nor transfers substantially all 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 assets.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

(vi) Financial instruments (continued)

Debt securities

The Group classifies debt securities as one of HTM, AFS or loans and receivables.

Debt securities classified as HTM, subsequent to initial recognition, are measured at amortised cost less any allowance for impairment. Income on these investments is recorded on an effective interest basis as interest income in the income statement. Impairment losses, where they arise, and foreign exchange movements are reflected in the income statement.

Debt securities classified as AFS, subsequent to initial recognition, are measured at fair value with unrealised gains and losses, other than currency translation differences, recognised within OCI and in a separate reserve. Realised gains and losses, impairment losses and foreign exchange movements are reflected in the income statement. Income on debt securities classified as AFS is recognised on an effective interest basis and included as interest income in the income statement.

In 2008, in compliance with the amendments to IAS 39 "Financial Statements: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" (October 2008), the Group reclassified debt securities from the AFS category to a loans and receivables category. The securities reclassified meet the qualifying criteria in the amendment to the standard and the Group has the intention and the ability to hold these financial assets for the foreseeable future or until maturity. The impact of this reclassification is detailed in note 14.

Debt securities classified as loans and receivables are measured at amortised cost, based on an effective interest rate which is determined at the date of initial recognition.

Equity securities

The Group classifies equity securities as AFS. Equity securities classified as AFS are initially recognised at fair value, subsequent to initial recognition, are measured at fair value with unrealised gains and losses, other than currency translation differences, recognised within OCI and in a separate reserve. Realised gains and losses, impairment losses and foreign exchange movements are reflected in the income statement.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and that the Group has no intention of trading. Loans and advances, subsequent to initial recognition, are held at amortised cost less an allowance for incurred impairment losses unless they are part of a fair value hedge relationship. Income is recognised on an effective interest basis as interest receivable in the income statement.

Where loans and advances are part of a fair value hedging relationship, the accumulated change in the fair value resulting from the hedged risk is recognised together with the movements in the fair value of the related hedging instrument, in the income statement.

Cash and cash equivalents

Cash and cash equivalents include liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. It also comprises balances with a maturity of less than three months.

(b) Impairment of financial assets

A financial asset is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which give rise to an adverse impact on the estimated future cash flows of the asset. Impairment provisions are calculated either individually on loans where significant, or on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment provision accounts. Losses expected from future events are not recognised.

Payments relating to impaired loans and advances are used to reduce the accrued interest and the remainder, if any, to reduce the principal amount outstanding.

Impairment of loans and advances to customers

Specific impairment

Loans are assessed for objective evidence based on current information and events at the date of assessment. The Group assesses the key portfolios (ROI and UK residential mortgage loans) for evidence of individual impairment monthly while the commercial portfolio is assessed quarterly. Residential mortgage loan portfolios are assessed, in the first instance due to their homogenous nature, by use of a statistical model primarily driven by the current delinquency status, being the number of days in arrears.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(vi) Financial instruments (continued)

Objective evidence of impairment may include the following:

- Delinquency in contractual interest or principal repayments;
- Significant financial difficulty of the borrower;
- Deterioration in value of the collateral;
- For reasons relating to the borrower's financial difficulty a concession is granted that would not otherwise be considered;
- It is probable that the borrower will enter bankruptcy or other financial re-organisation;
- A forbearance request by the customer accompanied by submission of a standard financial statement ("SFS");
- Absence of active markets (commercial mortgages);
- Borrower's ability to refinance the existing loan (commercial mortgages); and
- Any significant exceptional events.

Certain macro-economic factors such as a decrease in property prices and an increase in unemployment rates are also considered as objective evidence requiring an impairment assessment to be performed.

In general, the Group employs statistical models to assess and calculate the appropriate provision charge for all loans greater than 90 days in arrears or when there is objective evidence of impairment. Those statistical models mainly incorporate historical trends of probability of defaults, rates by which defaulted or delinquent accounts are assumed to return to performing status (known as cure rates), the timing of recoveries of collateral and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates (Probability of Default), loss rates (Loss Given Default), cure rates and the expected timing of recoveries of collateral are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

However, in certain circumstances an individual assessment will be carried out and an impairment charge will be calculated. Loans are individually assessed when certain criteria have been met. The criteria for the individual portfolios are as follows:

ROI residential mortgages:	Exposures in excess of €5m and/or greater than 90 days in arrears. For exposures over €1m and less than €5m, a risk based approach is adopted where collateral values are benchmarked to sample market comparatives;
UK residential mortgages:	Where there is objective evidence that the borrower may be experiencing difficulties;
Commercial mortgages:	Exposures in excess of €0.75m where any facility is greater than 90 days in arrears or currently in forbearance.

The impairment provisions on individually significant accounts are reviewed at least quarterly and more regularly when circumstances require.

When a loan is impaired, interest income continues to be recognised at the original effective interest rate (in the case of a portfolio assessment, the weighted average interest rate of the portfolio) on the carrying amount, representing the unwind of the discount of the expected cash flows.

Incurred But Not yet Reported ("IBNR") impairment

Loans for which no evidence of loss has been specifically identified are grouped together according to their credit risk characteristics (such as home loans or buy-to-let, geographical location, type of collateral, loan-to-value ratio, past due status, forbearance treatment status) for the purpose of calculating an estimated collective provision. This reflects impairment losses that the Group has incurred as a result of events occurring before the statement of financial position date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually reported in the future when more evidence of impairment becomes available at which stage the relevant loans are moved from IBNR to specific impairments.

IBNR impairment provision is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics, adjusted for current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based, and to remove the effects of the condition in the historical period that do not exist currently;
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of a specific provision against the loan (known as the emergence period); and
- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the statement of financial position date is likely to be greater or less than that suggested by historical experience.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

(vi) Financial instruments (continued)

To effect this, when appropriate empirical information is available, the Group utilises a transition rate methodology. The methodology employs statistical analysis of historical data and experience of delinquency and losses as a result of the events occurring before the statement of financial position date which the Group is not able to report on an individual loan basis, and that can be reliably estimated. Under the transition rate approach, loans are grouped into ranges according to the number of days past due and a statistical model is used to estimate the likelihood that loans in each range will progress straight to specific impairment. The estimated loss is calculated as the product of the probability of the customer defaulting, Group's exposure to the customer and the historical loss rate adjusted for current market conditions.

Write-off of loans and advances

Loans (and the related impairment provisions) are written off, either partially or in full, when it is viewed that it is unlikely that the loan will be collectible. In the case of secured debt where the collateral has been realised and where there are insufficient funds from the realisation of the collateral, the Group must determine whether there is a reasonable expectation of further recovery. Recoveries of amounts previously written off are offset against the loan impairment provision charge in the income statement.

Write-back of impairment provision

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment provision account accordingly. The write-back is recognised in the income statement.

Forbearance strategies – residential mortgage loans

Forbearance occurs when a borrower is granted a temporary or permanent concession or an agreed change ('forbearance measure') to a loan for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred if the concession or agreed change to a loan granted to a borrower is not related 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.

All loans that are considered for a forbearance solution are assessed for impairment under IAS 39 and where a loan is deemed impaired, an appropriate provision is created to cover the difference between the loan's carrying value and the present value of estimated future cash flows discounted at the loan's original effective interest rate. Where, having assessed the loan for impairment and the loan is not deemed to be impaired, it is included within the IBNR assessment.

Loans in forbearance classified as impaired or non-performing, may be reclassified as performing following a satisfactory assessment of the customer's continuing ability and willingness to repay, displayed by 12 months of continuous payments being made as required under the newly restructured terms and the account remaining less than 31 days in arrears for the full 12 month period. Loans that are reclassified as performing are included in the Group's IBNR assessment.

Non-forbearance renegotiation

Where a concession or agreed change to a loan is not directly linked to apparent financial stress or distress, these amendments are not considered forbearance. Any changes in expected cash flows are accounted for under IAS 39 i.e. the carrying amount of the asset is adjusted to reflect any change to estimated cash flows discounted at the original effective interest rate, before the modification of terms. If a renegotiated asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Any difference between the asset's carrying amount and the present value of estimated future cash flows is reflected in the income statement. However, where cash flows on the original asset have been considered to have expired, the original asset is derecognised and a new asset is recognised at fair value. Any difference arising between the derecognised asset and the new asset is recognised in the income statement.

Impairment of AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that the asset is impaired.

Impairment losses on AFS financial assets are recognised by reclassifying the losses accumulated in the AFS reserve to the income statement. The amount reclassified as impairment is the difference between the amortised cost and the current fair value, less any impairment loss previously recognised in the income statement. If the fair value of a debt instrument classified as an AFS financial asset increases subsequently and the increase can be objectively related to a credit event occurring after the impairment loss was recognised, then the impairment loss is reversed through the income statement. Impairment losses recognised on AFS equity instruments are not reversed through the income statement.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(vi) Financial instruments (continued)

(c) Financial liabilities

Financial liabilities include deposits by banks including central banks, customer accounts, debt securities, subordinated debt and contingent capital notes issued by the Group (the contingent capital notes were repurchased in the first half of 2015). 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, which 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 effective interest rate method.

A financial liability is de-recognised when its contractual obligations are discharged, cancelled or expired. 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. De-recognition 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.

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 effective interest rate 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.

(d) 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 fair value through profit or loss. Certain risks in hedged financial instruments, financial assets classified as available for sale, property and equipment, repossessed assets and share-based payments are measured at fair value on initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which is accessible to the Group.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, 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;
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 33.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

(vii) Derivative instruments and hedging

Derivative instruments used by the Group primarily comprise of currency forward rate contracts, currency and interest rate swaps, cross-currency interest rate swaps, futures contracts and forward rate agreements. All derivatives are classified as HFT unless they have been designated as hedges.

All derivatives are held on the statement of financial position at fair value.

Gains and losses arising from derivatives held for trading are recognised in trading income.

IAS 39 permits the Group to designate certain derivatives as either:

- Hedges of the exposure to changes in the fair value of recognised assets or liabilities that is attributable to a particular risk (fair value hedge);
- Hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

Formal documentation is drawn up at inception of a new hedge specifying the risk management objectives, the hedging strategy, the component transactions and the methodology that will be used to measure effectiveness. Assessment of hedge effectiveness is carried out at inception and on an on-going basis over the life of the hedge relationship to determine whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within the required effectiveness range of 80%-125%.

Fair value hedge: Movements in the fair value of derivative hedge positions together with the fair value movement in the hedged risk of the underlying instrument are reflected in the income statement under net interest income and trading income.

Cash flow hedge: The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges are recognised in OCI and are included in the cash flow hedge reserve in the statement of changes in equity (net of tax). The gains or losses relating to the ineffective portion are recognised immediately in the income statement in trading income. The amount accumulated in equity is reclassified to the income statement in the same period that the hedged risk is realised. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the income statement.

Net investment hedge: This type of hedge is accounted for similar to the cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and separately identified as currency translation reserve within shareholders' equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement and the effective portion that is held within the reserves is reclassified to the income statement on the disposal of the foreign operation.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, is terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- The host contract is not itself carried at fair value through profit or loss;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in the income statement unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(vii) Derivative instruments and hedging (continued)

Credit valuation adjustment

The Group is engaged in OTC derivative transactions and considers whether a fair value adjustment for credit risk is required. Credit valuation adjustment (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 virtually all of its derivative positions (99.8%) through the use of netting and collateral arrangements. 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 party 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 credit valuation adjustments become appropriate to be recognised.

(viii) Leases

Lessee

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Assets held as finance leases are capitalised and included in property and equipment initially at the lower of fair value and the present value of minimum lease payments and are subsequently held at depreciated cost.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ix) Securitised assets

The Group has entered into funding arrangements to finance specific loans and advances to customers where a substantial proportion of the risk and rewards of the assets are retained. All such financial assets are held on the Group's statement of financial position and a liability is recognised for the proceeds of the funding transactions.

(x) 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 and leasehold premises with initial lease terms in excess of fifty years are revalued at least annually by external professional valuers. Any accumulated depreciation 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.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

(x) Property and equipment (continued)

Property and equipment is 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

(xi) Intangible assets (other than Goodwill)

(a) Software

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 value in use.

(b) Core deposit intangible assets

Core deposit intangibles arise from the acquisition of deposit portfolios and are stated at cost (being its fair value on initial recognition) less amortisation and provision for impairment, if any, and are amortised on a straight line basis over five years. They are subject to impairment review at least annually and if events or changes in circumstances indicate that the carrying amount may not be recoverable, they are written down through the income statement by the amount of any impairment loss identified in the year.

(xii) Repossessed assets

In certain circumstances, property is repossessed following foreclosure on loans that are in default. On initial recognition the repossessed properties are valued based on valuations obtained from an independent valuer at the date of repossession. Subsequent to initial recognition, where the most recent valuation is greater than six months at a reporting date, the property is revalued based on movements in the Group's index based valuation model. Where the carrying value of the repossessed assets are less/greater than their fair value, an impairment write-back/charge is recognised in the income statement. Repossessed assets are reported within other assets in note 23.

(xiii) 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 an asset (or disposal group), other than a financial asset as classified under IAS 39, or rights under an insurance contract, is initially classified as held for sale, it is 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 group) are recognised in the income statement. Increases in fair value less costs to sell of such assets (or disposal group) 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 statement of financial position classifications.

Financial assets within the scope of IAS 39, "Financial Instruments: Recognition and Measurement", Deferred tax assets and Income taxes within the scope of IAS 12 continue to be measured in accordance with these standards.

1. Corporate information, basis of preparation and significant accounting policies (continued)

(xiv) 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 exceed the economic benefits expected to be received under it.

Contingent liabilities are possible obligations whose existence are dependent on whether some uncertain future events or present obligations occurs and where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

(xv) 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.

(xvi) 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) 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.

(xvii) 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 statement of financial position when substantially all the risks and rewards of ownership remain with the Group. The liability to the counterparty is included separately on the statement of financial position 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 statement of financial position.

The difference between the sale and repurchase price is recognised in the income statement over the life of the agreements using the effective interest rate. 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 statement of financial position.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

(xviii) Purchases and sales of own shares
Shares purchased and held by the employee benefit trust in anticipation of share awards that may vest under the long-term incentive plan are also treated as treasury shares and therefore treated as a deduction in arriving at shareholders' equity rather than an asset.

(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 balance sheet.

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 balance sheet. Collateral received in the form of cash is recorded on the balance sheet, 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 balance sheet. 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
New and revised IFRSs affecting amounts reported and/or disclosures in these financial statements
In 2015, the Group assessed the new and revised IFRSs and concluded that none had a material impact on the Group Financial Statements.

The Group has assessed the impact of the following standards which have been endorsed during the year, and have confirmed they do not impact the Group accounts:
- IFRSs 2010 - 2012 Annual Improvements Cycle;
- IFRSs 2011 - 2013 Annual Improvements Cycle.

1. Corporate information, basis of preparation and significant accounting policies (continued)

New and revised IFRSs in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued by the IASB but are not yet effective at 31 December 2015.

Topic	Description of change	Effective date	Impact
IFRS 9, "Financial instruments"	The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through the Income Statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instruments and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	Periods beginning on or after 1 January 2018. Early application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the standard in phases. See page 113 to 114 for further detailed information on the application of this standard.	Application of IFRS 9 is expected to have significant impact on Group's financial position and performance. However, the Group has to quantify the full potential impact of this standard. The standard was published on 24 July 2014 and has yet to be endorsed by the EU.
Amendment to IAS 16, "Property, plant and equipment" and to IAS 38, "Intangible asset" regarding depreciation and amortisation.	This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	Periods beginning on or after 1 January 2016. Endorsed by the EU December 2015.	The implementation of these amendments is expected to have no impact on the Group accounts.
Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture.	These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	Periods beginning on or after 1 January 2016. Yet to be EU endorsed.	The implementation of these amendments is expected to have no impact on the Group accounts.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

Topic	Description of change	Effective date	Impact
Amendment to IAS 27, 'Separate financial statements' regarding the equity method	The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	Periods beginning on or after 1 January 2016. Endorsed in December 2015.	The implementation of these amendments is expected to have no impact on the Group accounts.
Annual improvements 2014	These annual improvements amend standards from the 2012-2014 reporting cycle. It includes changes to: • IFRS 5, "Non-current assets held for sale and discontinued operations" – The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'. • IFRS 7, "Financial instruments: Disclosures" – There are two amendments: - Servicing contracts – if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters. - Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective. • IAS 19, "Employee benefits" – The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.	Periods beginning on or after 1 January 2016. Endorsed in December 2015.	The implementation of these amendments is expected to have no material impact on the Group accounts.

1. Corporate information, basis of preparation and significant accounting policies (continued)

IFRS 9 “Financial Instruments” is a comprehensive new accounting standard for recognising and measuring financial instruments and will replace the existing standard, IAS 39, from 1 January 2018. It introduces a number of significant changes in relation to classification and measurement of financial instruments, hedge accounting and impairment. The most significant impact for the Group arising from the transition to IFRS 9 is expected to be in relation to the measurement of loan loss provisions under the new impairment model required by IFRS 9. IFRS 9 introduces the requirement to calculate expected credit losses (ECL), which enables a more progressive approach to recognising credit loss than the current IAS39 incurred loss model. Under IAS 39 a financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment (“a loss event”). Losses as a result of a future event (“expected losses”) no matter how likely are not recognised. In contrast the IFRS 9 impairment model looks to the movement in the credit risk of an asset since its origination and requires recognition of expected loan loss when there is a significant increase in credit risk even where a loss event has not yet occurred.

General concepts within IFRS 9 expected credit loss approach

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. Under the IFRS 9 ECL model, the change in credit risk should be based on the risk of default and not changes in the amount of expected credit losses which may be expected on a financial instrument.

The scope of the impairment part of the standard includes:

- Investments in debt instruments measured at amortised cost;
- Investments in debt instruments measured at fair value through other comprehensive income (FVOCI);
- All loan commitments not measured at fair value through profit or loss;
- Financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at fair value through profit or loss; and
- Lease receivables that are within the scope of IAS 17, Leases, and trade receivables or contract assets within the scope of IFRS 15 that give rise to an unconditional right to consideration.

The standard outlines a 3-stage model for impairment based on changes in credit quality since initial recognition:

Stage 1 – includes financial instruments that have not had a significant increase in credit risk since initial recognition. 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 after 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 assets in scope will have an impairment provision equal to at least 12-month ECL.

Stage 2 – includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. 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.

Stage 3 – includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there has been a significant increase in credit risk since initial recognition. IFRS 9 impairment model is based on an assessment of relative increases in credit risk since initial recognition rather than the identification of an absolute point of credit risk at which an entity considers that the risk of default is likely.

Notes to the Consolidated Financial Statements
(continued)

1. Corporate information, basis of preparation and significant accounting policies (continued)

Overview of existing impairment process and anticipated areas of change

The key components of the Group's existing process for the management of credit risk and its loan loss provisioning process are set out on pages 164 to 165 of note 34 Financial risk management. The Group's accounting policy on impairment provisioning is set out in note 1 and estimates and judgements exercised in the impairment provisions calculation are discussed in note 2.

In summary, the Group uses statistical models to calculate risk inputs such as PD, LGD and EAD. These inputs are informed based on the Group's observed historical experience. For impairment purposes under IAS 39, the Group calibrates these models to produce point-in-time inputs, in line with the incurred loss model required by the standard.

The move to the expected loss model in IFRS 9 will result in a number of changes in the Group's current impairment approach. The more important of these changes are set out below:

- All originated loans and other assets within scope of the standard will attract a provision equal to at least 12 months expected loss from origination.
- The standard will require the Group to calculate and maintain lifetime inputs, such as lifetime PDs, LGDs and EADs.
- The Group will be required to conduct its assessment of a change in credit risk relative to the risk at origination for that exposure. Where there has been an increase in credit risk since origination that is significant, a provision for lifetime expected losses will be recognised.
- The scope of the standard includes undrawn loan commitments previously within the scope of IAS 37. This will require the Group to hold a provision on such undrawn facilities.
- The Group will be required to assess expected credit loss for financial assets held primarily for liquidity purposes, such as those currently classified as available for sale or held to maturity.
- Forward looking macro-economic scenarios are required to be included into the provisioning process and the determination of changes in credit risk. This will require the Group to develop an approach to include its forward looking views into its provision estimates, including for periods beyond its traditional forecast horizon.
- IFRS 9 requires the Group to calculate expected credit losses which consider multiple scenarios and possible outcomes together with their probability of occurrence.

The Group's approach to implementation of IFRS 9

IFRS 9 implementation is a Priority 1 Project for the Group, for which the CFO is responsible. The Group began considering the potential impact that IFRS 9 will have on its business in H1 2015 and formally instituted its Implementation Project in H2 2015. This project is led by the CFO who chairs a cross functional Project Steering Group which is responsible for the successful implementation of IFRS 9. The Project Steering Group, brings together the key individuals from Finance, Risk, and the Business, including the Heads of Risk, Operations and IT, in an integrated project structure, to support the governance and successful implementation of IFRS 9. The project is led by a dedicated IFRS 9 Project Director.

Recognising the significant impact IFRS 9 will have on its business, the Project Steering Group has established a number of dedicated Project work streams comprising senior representatives from across the business. The Project work streams at present cover Hedge Accounting, Classification & Measurement, Impairment, Operating Model & People, Data & Systems, Disclosures, Communications and Regulatory Interaction and Management Information & Reporting.

The Group anticipates a phased and gradual implementation period over a 2 year horizon, including Assessment, Design, Build and Implement phases to run concurrently and depending on the level of complexity in each of the above work streams. The Group expects to make significant progress in its implementation throughout 2016, including substantially completing the build of its IFRS 9 ECL model for the ROI mortgage book in early 2017. In addition, the processes and controls as well as changes in governance, necessary to implement the Group's IFRS 9 impairment process will be considered in 2016 as part of the determination of an appropriate end state operating model between Risk and Finance. This design, build and validation work is projected to be substantially completed during the first half of 2017, so as to allow the Group to complete parallel running of its IFRS 9 models in advance of full adoption of the standard on 1 January 2018.

Given the extent and complexity of design activity required to implement IFRS 9, in particular the number of significant judgemental areas to be concluded upon, the quantitative impact of transition to IFRS 9 on the Group's stock of impairment provisions and its capital at initial application cannot be reliably estimated at this time. The Group will provide more detailed and specific disclosure as the programme progresses, and reliable estimates of impact become available.

2. Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements 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.

Critical accounting estimates and judgements made by management in applying the Group's accounting policies are set out below.

a) Impairment losses on loans and advances to customers

Management reviews the Group's loan portfolios to assess for impairment monthly. This review involves exercising judgement in determining the key assumptions and estimations when calculating impairment provisions on both individually and collectively assessed loans and advances to customers. Details of the Group's impairment provisioning methodologies are provided within the credit risk section of note 34.

Specific impairment provisions

In general, the Group employs statistical models to assess and estimate impairment provisions. These are subject to estimation uncertainty due to the use of various parameters and assumptions in the calculations such as, historic loss experience, rates by which defaulted or delinquent accounts are assumed to return to performing status (known as cure rate), foreclosure costs and current economic assumptions such as house price changes as well as the expected level of application of forbearance treatments which may differ from the actuals.

These parameters and assumptions require significant management judgement to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than that suggested by historical experience. Historical experience provides the most objective and relevant information to assess inherent loss within each portfolio, though sometimes it may not be as representative of the inherent incurred loss in a given portfolio at the statement of financial position date. For example, when there have been changes in economic, regulatory or behavioural conditions which result in the most recent trends in the portfolio risk factors not being fully reflected in the calculations. In these circumstances, management uses judgement by appropriately adjusting the relevant parameters and assumptions derived from historical loss experience to ensure such parameters and assumptions are reflective of current economic conditions.

The parameters and the assumptions used in the calculation of impairment provisions are reviewed regularly in light of differences between loss estimates and actual loss experience. For example, cure rates, loss rates and expected timing of future recoveries are regularly re-calibrated against actual outcomes to ensure they remain up to date and appropriate.

Given the relative sizes of the portfolios, the key judgemental area for the Group is in relation to the level of impairment provision applied for the ROI residential mortgage portfolio and the key variables within this judgement include account behavioural trends such as cure rates, collateral valuations linked to movement in market house prices and foreclosure costs and application of forbearance treatments. Sensitivity analysis of cure rates, movement in house prices and the foreclosure costs assumptions are provided below:

- **Collateral valuations:** The value of collateral is estimated by applying the changes in house price indices to the originally assessed value of the property. If the assumed peak-to-trough house piece decline in the model increased by 5% at 31 December 2015, the impairment provision would increase by c. €177m and if the house prices decline was decreased by 5% at 31 December 2015, the impairment provision would decrease by c. €167m. The actual house price decline at 31 December 2015 was 33.5% from the peak in 2007 according to the Residential Property Price Index published by the CSO.
- **Cure rate:** The cure rate is, as explained above, the rate by which defaulted or delinquent loans are assumed to return to performing status. A 5% favourable change in the cure rate will reduce the impairment provision by c. €13m at 31 December 2015 and a 5% unfavourable change in the cure rate will increase the impairment provision by c. €13m at 31 December 2015.
- **Foreclosure costs:** Foreclosure costs assumption also influence the impairment provision. A 5% increase in foreclosure costs will result in increasing the impairment provision by c. €140m at 31 December 2015 and a 5% decrease in foreclosure costs will result in decreasing the impairment provision by c. €138m at 31 December 2015.
- **Firesale discount:** A 5% increase change in the firesale discount rate will increase the impairment provision by c.€100m at 31 December 2015 and a 5% decrease in the firesale discount rate will reduce the impairment provision by c.€96m at 31 December 2015.
- **Repo rate:** A 10% increase in the repossession rate will increase the impairment provision by c.€53m at 31 December 2015 and a 10% decrease in the repossession rate will decrease the impairment provision by c.€52m at 31 December 2015.
- **Default rates:** *The following information has not been subject to audit by the Group's Independent Auditor.* A 1% favourable change in the default rate will reduce the impairment provision by c. €35m at 31 December 2015 and a 1% unfavourable change in the default rate will increase the impairment provision by c. €35 m at 31 December 2015.

IBNR impairment provisions

IBNR impairment provisions for residential mortgage portfolios are also subject to estimation uncertainty, in part because it is not practicable to identify losses on an individual loan if objective evidence does not exist. Where no objective evidence is available, these loans are grouped together with financial assets which have similar credit characteristics and are collectively assessed for impairment.

Notes to the Consolidated Financial Statements
(continued)

2. Critical accounting estimates and judgements (continued)

IBNR impairment provisions are made for loans which are believed to be impaired at the statement of financial position date and while not individually assessed, are expected to have incurred losses. This provision is sensitive to changes in the time between the loss event and the date the impairment is specifically identified known as the loss emergence period. The emergence period currently in use is 12 months in general and management believes this to be appropriate but is sometimes longer for particular risk profile portfolios. In the ROI residential mortgage portfolio, a further increase of one month in the loss emergence period would result in an increase to the impairment charge of c. €3m while a decrease of one month in the loss emergence period would result in a decrease to the impairment charge of c. €8m.

b) Deferred taxation

At 31 December 2015, the Group had a net deferred tax asset of €393m. 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 trading losses, being €415m at 31 December 2015. This entails consideration of the future legal entity and trading structure of the Group, which ultimately will be influenced by the Group's strategy, economic environment and the ability to use past trading losses to offset future trading profits.

In 2013, it became evident that the future for the Group will be a Core Bank strategy (i.e. the business of Permanent TSB plc would be maintained within a single viable entity). This position has become stronger since 2013 as the Group's performance and strategic outlook and the macroeconomic environment have continued to improve. The Core bank strategy was also the basis of the Group's Restructuring Plan which was formally approved by the European Commission in April 2015.

Accordingly, in line with the requirements of IAS 12 "Income Tax", in 2013 Management and Directors formed the view that it was probable that there would be sufficient future taxable profits within the Core Bank against which carried forward tax losses in the Core Bank could be utilised. Management revisited this position in the context of the Group's circumstances as at 31 December 2015 and remain of the same view. This requires significant judgements to be made about the projection of long-term profitability because of the period over which recovery extends.

In making the assessment, the Board considered the following factors:
- The formal approval of the Group's Restructuring Plan by the European Commission in April 2015;
- The successful conclusion of the Group's €525m capital raise and re-listing in May 2015;
- The raising of €300m of unsecured debt during the year by way of a 3 year Senior Unsecured Medium Term Note, the Group's first such issuance in 8 years;
- Further progress on the deleveraging of the Non-Core portfolios during 2015;
- The improving macroeconomic environment including the continued stabilisation in Irish Sovereign Bond yields, continued growth in GDP, the continued decline in unemployment and the continued increase in house prices;
- The improving trajectory in the Group's financial performance and projected return to profitability;
- The continued financial support provided to the Group by the Irish Government and Eurosystem;
- The Group's projected liquidity and capital position; and;
- Considerations of forecasting risks, including sensitivity analysis on the financial projections, including the effect of higher than expected impairments, cost of funds or operating expenditure, and lower than expected asset yields, new lending or ECB rates.

Taking the above factors into account, and in the absence of any expiry date for the utilisation of carried forward tax losses in Ireland, the Directors 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 €415m of a deferred tax asset on tax losses on the statement of financial position as at the 31 December 2015.

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 trading losses carried forward. Based on the Group's latest forecast plans to 2019 and assuming a level of profitability growth consistent with GDP growth of approximately 2%, it will take c. 17 years for the deferred tax asset on tax losses of €415m to be utilised. 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.

2. Critical accounting estimates and judgements (continued)

It should be noted that Management make certain judgements in the process of applying the Group's accounting policies which may impact on amounts recognised in the financial statements and consequently on taxable profits and the utilisation of tax losses. As set out in Note 22, analysis carried out demonstrates that were certain adverse events to arise it continues to be our 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 could 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 plc is based on the current business model of the Company. There are no expectations 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, we expect that, notwithstanding these, the Group will be profitable in 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. Therefore, if all of these assumptions change, within a reasonably possible range, it is our expectation that the maximum time period over which these assets might be recovered could extend from 17 to 33 years. These estimates will continue to be refined as we move through delivering our restructuring plan commitments; however, much of this estimation uncertainty may not be resolved for a number of years. Over the past year we have refined our estimate of the expected time period of recovery of these assets. As noted, based on the Group's latest forecast plan, it is our estimate that the expected time period for recovery of the deferred tax asset on tax losses to be 17 years.

c) Financial instruments

The Group's accounting policy for the determination of fair value of financial instruments is set out in note 1, (vi) (d). 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 valuation 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 33.

d) Assets and disposal groups classified as held for sale

Management has followed the accounting requirements of IFRS 5 in classifying certain loans and advances to customers as held for sale and has exercised judgement as to whether certain transactions planned meet all of the criteria within IFRS 5 to cause the resultant assets and liabilities to be classified as held for sale. In making this judgement, management considered various factors including industry and sector performance along with recent comparable market transactions and also the Group's ability to sell the assets in current market conditions.

e) Provisions

Management has followed the accounting requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when assessing if a provision needs to be recognised. A provision is recognised when:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefit will be required to settle the obligations; and
- a reliable estimate can be made of the amount of the obligation.

Notes to the Consolidated Financial Statements
(continued)

2. Critical accounting estimates and judgements (continued)

The Group has recognised a provision which relates to legal and compliance costs of ongoing disputes in relation to legacy business issues with certain customers and other factors, including a Mortgage Redress Programme (MRP) in connection with an on-going investigation by the Central Bank of Ireland. Management has exercised judgement in arriving at the potential provision in respect of these issues. There is significant estimation uncertainty involved in determining this provision, and in particular including the population of impacted customers and the nature and amount of any associated liabilities. These could result in material adjustments to the provision in the future. At this point, information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it could be expected to prejudice the position of the Group.

3. Operating segments

During 2015, the Group completed a reorganisation of its operating structure. The Group is structured into two operating segments which reflect the internal financial and operational reporting structure, Core Bank and Non-Core Business. Previously, the Group operated on a three SBU ("Strategic Business Unit") structure including PTSB, AMU and Non-Core. PTSB and AMU has been amalgamated into one segment, 'Core Bank' and is reported to key management personnel on this basis.

Core Bank:

The Core Bank is the core commercial part of the Group which offers a comprehensive range of retail banking products through multiple channels, in addition to corporate and institutional deposits, and which manages, through the AMU platform, the Group's non-performing and/or high risk home loans, buy-to-let and unsecured loan portfolios.

Non-Core Business:

The Non-Core Business comprises of UK businesses and Irish portfolios.

Non-Core UK, which comprises (i) a sterling residential mortgage portfolio of mostly buy-to-let loans held in Lansdowne 199 a Group subsidiary (predominantly tracker), (the portfolio is managed by the CHL loan servicing platform which the Group sold together with CHL itself and a portfolio of approximately €3.5bn of such mortgage loans (de-recognition of £2.5bn (€3.5bn)) of loans has occurred following regulatory approval); (ii) a legacy portfolio of residential mortgages, held by an Isle of Man based subsidiary, Irish Permanent (IOM) Limited; and (iii) a deposit-taking business in the Isle of Man, operated through Permanent Bank International Limited ("PBI"); and

Non-Core Ireland, which comprises of an Irish commercial real estate portfolio incorporating both performing and non-performing components. The Group completed the sale of the majority of this portfolio in 2015 with a residual amount expected to be disposed of in 2016

All portfolios comprised within the Non-Core Business are closed for new business, with the exception of PBI, as it facilitates the Group in hedging its foreign exchange exposure more efficiently.

The Executive Committee ("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 and quarterly basis.

The accounting policies of the segments are in line with those of the Group. Transactions between the reportable segments are on normal commercial terms and conditions. The primary performance measure utilised by the ExCo for the reportable segments is net interest income, impairments and profit before tax.

The Group operates a funding mechanism which allocates the funding and related costs across the Core/Non-Core SBUs. For the purposes of the segmental analysis the income / (expense) in respect of this intergroup funding is reported in the internal customers in net interest income, while on the balance sheet this funding is reported on the intergroup funding line.

The Group is not reliant on revenue from transactions with a single external customer that amounted to 10% or more of the Group's revenue in the current or comparative reporting periods.

3. Operating segments (continued)

Financial performance of the segments for the years ended 31 December 2015 and 31 December 2014 are presented below.

Year ended 31 December 2015

	Core Bank	Non-core		
	Total		Of which UK*	Total
	€m	€m	€m	€m
Net interest income				
From external customers	229	115	81	344
From internal customers	117	(117)	(107)	-
Total Net interest income/(expense)	346	(2)	(26)	344
Other banking income	35	-	-	35
Net other operating (expense)/income	(2)	1	1	(1)
Total operating income	379	(1)	(25)	378
Total operating expenses including bank levy and excluding exceptional items, depreciation and amortisation	(279)	(20)	(17)	(299)
Depreciation of property and equipment	(13)	-	-	(13)
Writeback of impairment on property revaluation	2	-	-	2
Amortisation of intangible assets	(7)	-	-	(7)
Total operating expenses excluding exceptional items	(297)	(20)	(17)	(317)
Operating profit/(loss) before writeback/(charge) for impairments and exceptional items	82	(21)	(42)	61
(Charge)/writeback of impairments of loans and advances and repossessed assets	(63)	28	(6)	(35)
Operating profit before exceptional items	19	7	(48)	26
Exceptional items (net)				(460)
Loss before taxation				(434)
Taxation				9
Loss for the year				(425)

* This is based on geographical location and constitutes operations in the UK conducted through CHL and Lansdowne 199 and business conducted in IOM through PBI.

Notes to the Consolidated Financial Statements
(continued)

3. Operating segments (continued)

Year ended 31 December 2014

	Core Bank	Non-core		
	Total		Of which UK*	Total
	€m	€m	€m	€m
Net interest income				
From external customers	89	181	**117**	270
From internal customers	186	(186)	**(153)**	-
Total Net interest income / expenses	275	(5)	**(36)**	270
Other banking income	42	-	**-**	42
Net other operating income	(7)	3	**-**	(4)
Total operating income	310	(2)	**(36)**	308
Total operating expenses excluding exceptional items, depreciation and amortisation	(341)	(33)	**(20)**	(374)
Depreciation of property and equipment	(12)	-	**-**	(12)
Writeback of impairment on property revaluation	4	-	**-**	4
Amortisation of intangible assets	(7)	-	**-**	(7)
Total operating expenses excluding exceptional items	(356)	(33)	**(20)**	(389)
Operating profit / (loss) before writeback/(charge) or impairments and exceptional items	(46)	(35)	**(56)**	(81)
Impairments of loans and advances and repossessed assets	51	(9)	**(10)**	42
Operating loss before exceptional items	5	(44)	**(66)**	(39)
Exceptional items (net)				(9)
Loss before taxation				(48)
Taxation				(54)
Loss for the year				(102)

* This is based on geographical location and constitutes operations in the UK conducted through CHL and business conducted in IOM through PBI.

3. Operating segments (continued)

Segment assets and liabilities and capital expenditure of the Group's operating segments as at 31 December 2015 and 31 December 2014 are presented below.

31 December 2015

	Core Bank	Non-core		
	Total		Of which UK*	Total
	€m	€m	€m	€m
Assets				
Held for sale	-	91	-	91
Other assets	25,367	3,863	3,577	29,230
Total segment assets	**25,367**	**3,954**	**3,577**	**29,321**
Total segment liabilities	**23,345**	**3,580**	**3,206**	**26,925**
Total segment liabilities of which are intergroup funding	**2,048**	**(2,048)**	**(1,674)**	**-**
Capital expenditure	**21**	**-**	**-**	**21**

*This is based on geographical locations and constitutes operations in the UK conducted through Lansdowne 199 and business conducted in IOM through PBI.

31 December 2014

	Core Bank	Non-core		
	Total		Of which UK*	Total
	€m	€m	€m	€m
Assets				
Held for sale	-	1,030	**-**	1,030
Other assets	27,472	7,791	**7,282**	35,263
Total segment assets	27,472	8,821	**7,282**	36,293
Total segment liabilities	25,797	8,216	**6,856**	34,013
Total segment liabilities of which are intergroup funding	6,783	(6,783)	**(5,422)**	-
Capital expenditure	29	-	**-**	29

*This is based on geographical locations and constitutes operations in the UK conducted through CHL and business conducted in IOM through PBI.

Notes to the Consolidated Financial Statements
(continued)

4. Net interest income

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Interest income		
Loans and advances to customers	**572**	682
Loans and advances to banks	**2**	6
Debt securities and other fixed-income securities		
- Held to maturity	**52**	59
- Available for sale ("AFS")	**51**	91
- Loans and receivables	**15**	32
- Amortisation of AFS securities reclassified to loans and receivables (note 14)	**1**	3
Gains on interest rate hedges on assets	**1**	1
	694	874
Interest expense		
Deposits from banks (including central banks)	**(57)**	(81)
Due to customers	**(215)**	(312)
Interest on debt securities in issue	**(9)**	(53)
Interest on subordinated liabilities	**(24)**	(68)
Fees payable on ELG Scheme (note 40)	**(14)**	(59)
Amortisation of core deposit intangibles (note 21)	**(31)**	(31)
	(350)	(604)
Net interest income	**344**	270

Interest recognised on impaired loans and advances to customers was €81m (31 December 2014: €94m) and the unwind of the discount on impaired loans and advances to customers amounted to €47m (31 December 2014: €53m).

Interest recognised on loans and advances to customers which are non-performing but not impaired was €23m (31 December 2014: €19m) and interest recognised on forborne loans and advances to customers was €63m (31 December 2014: €103m).

Included in net interest income are net gains on interest rate fair value hedges which include gains on hedging instruments of €21m (31 December 2014: loss €32m) and losses on hedged items attributable to hedged risk of €20m (31 December 2014: gain €33m).

Net interest income includes a charge in respect of deferred acquisition costs on loans and advances to customers of €22m (31 December 2014: €27m).

5. Fees and commission income / (expense)

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Fees and commission income		
Retail banking and credit card fees	**45**	44
Brokerage and insurance commission	**9**	10
Other fee and commission income	**2**	2
Fees and commission income	**56**	56
Fees and commission expense	**(17)**	(19)
Net fees and commission income	**39**	37

6. Net trading income / (expense)

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Held-for-trading		
Interest rate instruments	**(7)**	3
Foreign exchange gains/(losses)	**3**	2
	(4)	5

7. Other operating income / (expense)

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Other income	**2**	8
Other operating income	**2**	8

Included in other income is a gain on the disposal of buildings of €0.3m (31 December 2014: €0.2m).

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Loss on buyback of debt securities issued	**-**	(11)
Other expenses	**(3)**	(1)
Other operating expense	**(3)**	(12)

Notes to the Consolidated Financial Statements
(continued)

8. Administrative, staff and other expenses

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Staff costs (as detailed below)	**132**	130
Other general and administrative expenses*	**140**	217
Administrative, staff and other expenses	**272**	347

* Other general and administrative expenses include operating lease rentals on land and buildings of €7.8m, (31 December 2014: €9.2m) and €3m (31 December 2014: nil) in respect of the Bank Recovery and Resolution Directive ('BRRD'). Also included are the following fees paid to the Group auditors for services outlined below:

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Auditor's remuneration (including expenses and excluding VAT)		
- Audit of the individual and the Group financial statements	**0.5**	0.5
- Other assurance services	**0.4**	0.2
- Tax advisory services	**-**	-
- Other non-audit services*	**1.0**	0.5

Staff costs

Year ended 31 December	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Wages and salaries including commission paid or payable to sales staff	**109**	107
Staff redundancy costs	**1**	1
Social insurance	**12**	11
Pension costs		
- Payments to defined contribution pension schemes	**11**	11
Total staff costs	**133**	130
Of which, recognised in:		
Restructuring costs (note 10)	**1**	-
Administrative staff and other expenses	**132**	130
Total staff costs	**133**	130

Staff Costs of €3m (31 December 2014: €3m), has been capitalised to Intangible Assets 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.

*Non-audit services principally related to PwC's reporting accountant role for the Group's public offer in 2015 and which is customarily undertaken by the auditor.

8. Administrative, staff and other expenses (continued)

Staff numbers

The number of staff employed are broken down by geographical location and by their operating segments for 31 December 2015 and 31 December 2014 in the tables below:

Closing and average number of staff (including Executive Directors) employed during the year:

	Closing staff numbers		Average staff numbers	
	2015	2014	2015	2014
Ireland	**2,269**	2,225	**2,275**	2,189
UK	**12**	96	**69**	108
	2,281	2,321	**2,344**	2,297

Closing and average number of staff employed by the Group split by operating segment	Closing staff numbers		Average staff numbers	
	2015	2014	2015	2014
Core Bank	**2,260**	2,220	**2,269**	2,184
Non-Core	**21**	101	**75**	113
	2,281	2,321	**2,344**	2,297

Information concerning Directors' emoluments is disclosed in the audited section of the Directors' Report on Remuneration on pages 78 to 79.

9. Exceptional items

At 31 December 2015, exceptional items amounted to €460m of which €453m is discussed below with the remaining €7m analysed in restructuring costs, note 10.

Deleveraging costs

During the year the Group carried out a number of deleveraging transactions which included the sale of its subsidiary CHL together with €3.5bn of gross loans and advances and the sale of certain commercial real estate loan portfolios amounting to €2bn of gross loan and advances. Details of these transactions are provided below:

Capital Home Loans Limited ("CHL")

On 10 March 2015, the Group entered into an agreement to sell €3.5bn (£2.5bn) of loans held by its UK business, CHL, and to sell its CHL platform for servicing its UK loans. This €3.5bn of loans included €0.7bn of loans which formed part of a Group securitisation.

As part of the sale agreement CHL continue to service the residual UK based assets held by the Group in a new entity, Lansdowne 199, setup by the Group, details of which are outlined in note 42. This servicing arrangement is carried out on normal commercial terms.

The sale of CHL was completed in July 2015. The Group received consideration of €2.4bn on completion of the sale of these assets and retained funding of €0.7bn associated with the loans which formed part of the Group securitisation noted above. As a result the Group has recognised a loss of €399m inclusive of costs of €75m. The assets sold were predominantly performing low rate interest only tracker mortgages and were sold at a discount due primarily to the low yield of assets. Prior to this sale the Group hedged the basis risk associated with the securitised assets through a cashflow hedge. As part of the sale this derivative transferred to the purchaser with the Group acting as the external swap provider. The mark to market movement of €7m in equity on the transaction date has been recognised in exceptional items as part of the loss on sale with any further mark to market movements being recognised on the trading line in the Income Statement. As part of the sale the Group was required to terminate a repurchase agreement in place with an external counterparty associated with the underlying assets sold. The break fees associated with termination amounted to €29m.

As part of the Group's continuing deleveraging programme the Group previously held £500m of Lansdowne 199 loans and advances to customer assets as assets classified as held for sale at 30 June 2015 in accordance with IFRS 5. Following this classification the Group was required to de-designate derivatives associated with a cashflow hedge for these assets. The Group is required by IAS 39 to amortise the previously recognised mark to market movements out of equity to the income statement over the remaining time period of the original hedge and is also required to recognise any future mark to market movements directly in the Income Statement. As a result, costs amounting to €9m have been recognised in exceptional costs in the Income Statement. The related loan assets have since been reclassified to loans and advances to customers, further details of which are disclosed in note 41, however, the related derivative on the assets previously classified as held for sale has continued to be fair valued in the Income Statement within exceptional items.

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(continued)

9. Exceptional items (continued)

Commercial real-estate portfolios

On 10 March 2015, the Group agreed the sale of two portfolios of non-core loans backed largely by Irish commercial real estate. The portfolios comprised approximately €1.5bn of gross loans spread across Ireland.

The net book value of the portfolio disposed was €776m. Costs associated with the transaction were €23m. Consideration received was €804m, giving rise to a gain on sale of €5m being recognised.

On 8 July 2015, the Group agreed the sale of further portfolios of non-core loans backed largely by Irish commercial real estate. The portfolios comprise approximately €478m of gross loans spread across Ireland.

The net book value of the portfolio disposed was €202m. Costs associated with the transaction were €8m. Consideration received was €221m, giving rise to a gain on sale of €11m being recognised.

Springboard

A number of loans that were previously sold as part of the Springboard deleveraging transaction in 2014 were repurchased in 2015 due to on-going legacy and compliance issues being investigated by the Group. The Group agreed to repurchase these loans and pay certain additional compensation to the purchaser, amounting to approximately €9m.

Repurchase of the Convertible Contingent Capital Note ("CoCo")

On 7 May 2015 the Group repurchased the CoCo from the Minister for Finance at a net cost to the Group of €52m. To facilitate this repurchase the Group was required to amend the terms and conditions of this instrument.

The repurchase was a key element of the capital raise and was possible when the Group completed the Equity Raise and AT1 Issuance. For further information see note 29, Subordinated liabilities.

10. Restructuring costs

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Staff redundancy costs *	1	-
Other restructuring costs	5	-
Share reorganisation	1	-
	7	-

*See note 8.

During the year the Group initiated a restructuring programme of certain elements of its business. This resulted in costs of €6m to the Group of which €1m relates to staff redundancy costs. Separately the Group applied to the High Court for a capital reduction as part of the capital raise initiative carried out in 2015. Costs of €1m associated with this capital reduction have been recognised in restructuring costs.

11. Taxation

(A) Analysis of taxation (credit)/charge

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Current taxation		
Charge for current year	**3**	1
	3	1
Deferred taxation		
Origination and reversal of temporary differences	**(12)**	10
Adjustment for prior periods	**-**	43
Deferred taxation recognised in the income statement (note 22)	**(12)**	53
Taxation (credited)/charged to income statement	**(9)**	54
Effective tax rate	**2%**	-112%

The Group taxation credit for the year ended 31 December 2015 was €8.5m (31 December 2014: €54m tax charge).This credit is mainly due to (i) the inclusion of a current tax charge of €3m arising on tax adjusted profits in Group subsidiary companies (€2m) and on non-trading profits in PTSB plc (€1m); (ii) a current year deferred tax credit of €12m which arises due to: (1) the utilisation of tax losses carried forward to shelter taxable profits in the year (€6m); (2) a deferred tax credit of €4m on other timing differences in PTSB plc; and (3) a net deferred tax credit of €14m arising on consolidation adjustments and in Group subsidiary companies.

(B) Reconciliation of standard to effective tax rate

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Loss on the Group activities before tax	**(434)**	(48)
Tax calculated at standard ROI corporation tax rate of 12.5% (2014: 12.5%)	**(54)**	(6)
Adjustment to tax charge in respect of previous years	**-**	43
Non-deductible expenses	**53**	20
Unrecognised deferred tax assets	**-**	6
Non-taxable income	**(8)**	(14)
Other	**-**	5
Taxation (credited)/charged to income statement	**(9)**	54

Notes to the Consolidated Financial Statements
(continued)

11. Taxation (continued)

(C) Tax effects of each component of other comprehensive income

	Year ended 31 December 2015		
	Gross €m	Tax €m	Net €m
Revaluation of property	16	(3)	13
Currency translation adjustment reserve	-	-	-
AFS reserve:			
- Change in fair value of AFS securities	(13)	2	(11)
- Transfer to income statement on asset disposal	-	-	-
Cash flow hedge reserve:			
- Change in fair value	44	(5)	39
- Amortisation of dedesignated CFH to income statement	5	(1)	4
Balance as at 31 December 2015	52	(7)	45

	Year ended 31 December 2014		
	Gross €m	Tax €m	Net €m
Revaluation of property	11	(6)	5
Currency translation adjustment reserve	1	-	1
AFS reserve:			
- Change in fair value of AFS securities	(13)	2	(11)
- Transfer to income statement on disposals	4	(1)	3
Balance as at 31 December 2014	3	(5)	(2)

12. Loss per share

(A) Basic loss per share

	Year ended 31 December 2015	*Restated Year ended 31 December 2014
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares[1]	**424,293,704**	365,253,393
Loss for the year attributable to equity holders	**(€425m)**	(€102m)
Loss per share (€ cent)	**(100.2)**	(27.9)

(B) Fully diluted loss per share

	Year ended 31 December 2015	*Restated Year ended 31 December 2014
Weighted average number of potential dilutive ordinary shares arising from the Group's share option schemes	**-**	-
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of fully diluted loss per share	**424,293,704**	365,253,393
Loss per share (€ cent)	**(100.2)**	(27.9)

Diluted loss per 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 2015, as the share options lapsed, the Convertible Contingent Capital notes were repurchased in May 2015, and additional tier 1 securities issued during the year were assessed due to the conversion feature within the security and were found to have an anti-dilutive effect.

At 31 December 2014, the share option exercise prices were all higher than the average share price for the period and the Convertible Contingent Capital notes issued in 2011 were assessed and found to have an anti-dilutive effect. As a result there was no difference in the basic and diluted loss per share.

[1]Weighted average number of shares

	2015	*Restated 2014
Number of shares in issue at 1 January* (note 30)	**365,257,973**	365,257,973
Treasury shares held (note 30)	**(4,580)**	(4,580)
	(4,580)	(4,580)
Net movements during the year		
Weighted average shares redesignated*	**49,484**	-
Weighted average shares issued	**58,990,827**	-
Weighted average number of shares	**424,293,704**	365,253,393

*As per IAS 33, when calculating the loss per share the weighted average number of ordinary shares outstanding during the period and all periods presented shall be adjusted for events other than the conversion of potential ordinary shares that have changed the number of ordinary shares without a corresponding change in reserves. During the year, the Group carried out a share re-organisation which had no corresponding change in reserves and this has been reflected in the comparatives.

Notes to the Consolidated Financial Statements
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13. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	31 December 2015 €m	31 December 2014 €m
Cash and balances with central banks	**64**	89
Items in the course of collection	**31**	33
Loans and advances to banks repayable on demand (maturity of less than 3 months) (note 17)	**1,480**	1,732
	1,575	1,854
Restricted cash included in loans and advances to banks repayable on demand	**(839)**	(1,194)
Cash and cash equivalents per statement of cash flows	**736**	660

At 31 December 2015, restricted cash of €839m (31 December 2014: €1,194m) relates to cash of €300m (31 December 2014: €720m) held by the Group's securitisation entities while €539m (31 December 2014: €474m) relates to cash collateral placed with counterparties in relation to asset derivative positions and repurchase agreements.

14. Debt securities

	31 December 2015				31 December 2014			
	HTM securities €m	AFS securities €m	Loans and receivables €m	Total €m	HTM securities €m	AFS securities €m	Loans and receivables €m	Total €m
Government bonds	**1,555**	**1,506**	**16**	**3,077**	1,299	2,558	-	3,857
NAMA bonds	**-**	**-**	**762**	**762**	-	-	1,276	1,276
Bonds issued by credit institutions	**-**	**-**	**-**	**-**	78	104	-	182
Other bonds	**-**	**-**	**-**	**-**	-	-	12	12
Gross debt securities	**1,555**	**1,506**	**778**	**3,839**	1,377	2,662	1,288	5,327
Less:								
Collective provisions (note 19(b))	**-**	**-**	**-**	**-**	-	-	-	(1)
Net debt securities per SOFP	**1,555**	**1,506**	**778**	**3,839**	1,377	2,662	1,288	5,326

The carrying value of debt securities can be analysed as follows:

	31 December 2015				31 December 2014			
	HTM securities	AFS securities	Loans and receivables	Total	HTM	AFS securities	Loans and receivables	Total
Listed	**1,555**	**1,506**	**-**	**3,061**	1,377	2,662	12	4,051
Unlisted	**-**	**-**	**778**	**778**	-	-	1,276	1,276
Gross debt securities	**1,555**	**1,506**	**778**	**3,839**	1,377	2,662	1,288	5,327

The Group has carried out an impairment assessment on its debt securities held and confirmed that there were no indications of impairment. The impairment provision is analysed in note 19.

14. Debt securities (continued)

Debt securities with a carrying value of €1.6bn (31 December 2014: €2.1bn) have been pledged to third parties in sale and repurchase agreements. Of these debt securities €0.9bn (31 December 2014: €1.9bn) have been placed with a Government Institution. For further details refer to note 25.

As at 31 December 2015, the amount of debt securities remaining available to be used and eligible as collateral (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements had a carrying value of €2.2bn (31 December 2014: €3.2bn).

HTM securities of €1.6bn are made up of Irish Government gilts. They represent securities with fixed maturities and fixed and determinable cash flows, which the Group has the ability and intention to hold until maturity.

Loans and receivables debt securities includes €0.8bn of bonds issued by NAMA and €0.02bn of NTMA investments held by a subsidiary.

The movement in HTM, AFS and loans and receivables securities may be classified as follows:

	2015			2014		
	HTM Securities €m	AFS Securities €m	Loans and receivables €m	HTM Securities €m	AFS Securities €m	Loans and receivables €m
As at 1 January	**1,377**	**2,662**	**1,288**	844	2,576	2,397
Change in fair value	**-**	**(54)**	**-**	-	11	-
Additions	**275**	**-**	**16**	649	172	-
Maturities / disposals	**(93)**	**(1,105)**	**(531)**	(154)	(123)	(1,117)
Interest net of cash receipts	**(4)**	**3**	**5**	38	15	10
Exchange differences	**-**	**-**	**-**	-	11	1
Amortisation to statement of comprehensive income	**-**	**-**	**-**	-	-	(3)
At 31 December	**1,555**	**1,506**	**778**	1,377	2,662	1,288

AFS reclassified to loans and receivables

During the year ended 31 December 2008, the Group availed of the amendment to IAS 39 and IFRS 7 issued in October 2008, effective 1 July 2008, which permitted financial assets classified as AFS that would have met the definition of loans and receivables, had they not been designated as AFS, to be reclassified out of the AFS category to the loans and receivables category as the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

The table below sets out the financial assets reclassified and their carrying and fair values:

	Carrying value		Fair value	
	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
AFS debt securities previously reclassified to loans and receivables	**-**	12	**-**	10

The movement in the carrying value of debt securities classified as loans and receivables is included on the following page for both the current and prior year.

Notes to the Consolidated Financial Statements
(continued)

14. Debt securities (continued)

The table below sets out the amounts actually recognised in the income statement and other comprehensive income in respect of assets reclassified out of AFS debt securities into loans and receivables.

	Income statement		Other comprehensive income	
	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Interest income	**-**	(2)	**-**	-
Amortisation	**1**	3	**-**	-
Total	**1**	1	**-**	-

The table below sets out the amounts that would have been recognised in the periods following reclassification if the reclassification had not been made:

	Income statement		Other comprehensive income	
	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Interest income	**-**	(2)	**-**	-
Fair value movement	**1**	-	**-**	26
Cumulative impact	**185**	184	**(2)**	(2)

At the date of reclassification, 31 December 2008, the effective interest rates on reclassified AFS investment securities ranged from 1.5% to 5% with expected recoverable cash flows of €2,098m. The expected remaining cash flows from these securities amounted to €Nil at 31 December 2015.

The Group has not reclassified any debt securities from AFS to loans and receivables during the current or prior year.

15. Equity securities

	31 December 2015 Total €m	31 December 2014 Total €m
AFS Equity Securities	**23**	-
Total equity investments	**23**	-

The carrying value of equity securities can be analysed as follows:

	31 December 2015 Total €m	31 December 2014 Total €m
Unlisted	**23**	-
Gross equity securities	**23**	-

15. Equity securities (continued)

PTSB is a Principal Member of Visa Europe and as such owns one share with a fair value of €22.6m in Visa Europe. Following a public announcement, all shares in Visa Europe are due to be sold in 2016 with Principal Members receiving consideration in the form of cash and preferred stock in Visa Inc. In addition, an earn-out may be payable in future years where certain conditions are met. The fair value of this shareholding is classified as level 3 as the valuation of the share includes inputs that are based on unobservable market data. Management has made assumptions and judgements, based on the best information made available to PTSB by Visa Europe to determine the fair value. The underlying element of the fair value calculation is the estimated consideration payable to PTSB as indicated by Visa Europe. Adjustments have been made to the estimated consideration to take account of a range of costs which may be incurred by Visa Europe and which would need to be reflected in the fair value of the share.

Sensitivity analysis of level 3 fair value measurements

At 31 December 2015, financial instruments classified as level 3 amounted to €23m equity securities. Management have stressed these unobservable inputs by +/- 100bps which would have a resultant impact on the fair value calculation by +/- €0.1m.

16. Derivative assets / liabilities

Derivative instruments are used by the Group to hedge against interest rate risk, foreign currency risk and basis risk exposures. Certain derivative instruments do not fulfil the hedge accounting criteria under IAS 39 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;
- Currency and interest rate swaps which are commitments to exchange one set of cash flows for another; and
- Cross-currency interest rate swaps which are primarily used to reduce the foreign exchange exposure on loan portfolios.

Further details on the Group's risk management policies are set out in note 34.

Derivatives, which are not in qualifying hedge accounting relationships, are treated as trading for accounting purposes in accordance with IAS 39. Derivatives held by the Group are analysed as follows:

	31 December 2015			31 December 2014		
	Contract/ notional amount	Fair value asset	Fair value liability	Contract/ notional amount	Fair value asset	Fair value liability
	€m	€m	€m	€m	€m	€m
Designated as fair value hedges						
Interest rate swaps	**1,676**	**30**	**111**	3,991	88	165
	1,676	**30**	**111**	3,991	88	165
Designated as cash flow hedges						
Interest rate swaps	**-**	**-**	**-**	50	-	2
Cross-currency interest rate swaps	**2,452**	**-**	**192**	3,081	-	198
	2,452	**-**	**192**	3,131	-	200
Held for trading						
Forwards	**499**	**7**	**1**	1,083	1	19
Interest rate swaps	**937**	**21**	**27**	517	35	26
Cross-currency interest rate swaps	**681**	**-**	**53**	-	-	-
	2,117	**28**	**81**	1,600	36	45
Embedded derivatives	**95**	**-**	**13**	292	-	25
	95	**-**	**13**	292	-	25
Derivative assets & liabilities as per the statement of financial position	**6,340**	**58**	**397**	9,014	124	435

Notes to the Consolidated Financial Statements
(continued)

16. Derivative assets / liabilities (continued)

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 exchange and interest rates. The financial instruments hedged for interest rate risk include fixed rate loans, available for sale debt securities, fixed rate debt issued and other borrowed funds. The Group uses currency swaps to hedge against specifically identified currency risks, and interest rate swaps to hedge interest rate risk. The Group's fair value hedge relationships principally are interest rate swaps used to hedge the interest rate risk of the fixed rate mortgage portfolio, debt issuances, available for sale debt securities and other borrowed funds.

The gains / (losses) recognised in net interest income on the hedging instruments designated as fair value hedges and the hedged items attributable to the hedged risk are analysed below:

	31 December 2015 €m	31 December 2014 €m
Gains/(losses) on hedging instruments	**21**	(32)
(Losses)/gains on hedged items attributable to hedged risk	**(20)**	33
Net gains	**1**	1

Cash flow hedges

The Group is exposed to variability in future interest cash flows on non–trading liabilities which bear interest at floating rates. The Group uses cross currency interest rate swaps as cash flow hedges in order to hedge the exposure to these variable future cash flows between its UK mortgage portfolio and its funding which is Euro denominated.

The time period in which the cash flows are expected to occur and affect the consolidated statement of comprehensive income are as below:

	<1 year €m	1-2 years €m	2-5 years €m	Total €m
Forecast cash inflows	**1,350**	**-**	**-**	**1,350**
Forecast cash outflows	**(1,605)**	**-**	**-**	**(1,605)**
	(255)	**-**	**-**	**(255)**

The total amount recognised in other comprehensive income after tax during the year was a credit of €34m (31 December 2014: €nil). During the year no ineffectiveness has been recognised in the income statement in respect of this hedge relationship.

The Group reclassified €681m of Loans and Advances to customers to Assets classified as held for sale which were previously included in hedging arrangements. This has resulted in the termination of the hedging relationship and €4m being recycled to the Income Statement from Equity.

Net investment hedge in foreign operations

The Group hedges part of the currency risk of its net investment in foreign operations using currency borrowings.

During 2014, this hedge became ineffective and management decided to prospectively discontinue the hedge relationship. This resulted in €1m being transferred to the income statement. In 2015, the Group put in place a new net investment hedge where certain GBP denominated deposits in PTSB are designated as the hedging items.

The following gains / (losses) have been recorded in other comprehensive income in respect of hedging instruments held to manage the Group's net investment in foreign operations in addition to the gains / (losses) on the net investment:

	31 December 2015 €m	31 December 2014 €m
Losses in respect of hedging instruments held for net investment in foreign operations	**9**	-
Gain in respect of non-derivative hedged net investment in foreign operations	**(9)**	-
Transfer to income statement on discontinuance of the hedge	**-**	1
Gain in respect of net investment hedge		1

17. Loans and advances to banks

	31 December 2015 €m	31 December 2014 €m
Held at amortised cost		
Placed with central banks	**458**	309
Placed with other banks	**1,058**	1,459
Total loans and advances to banks	**1,516**	1,768

Placements with other banks includes restricted cash of €839m (31 December 2014: €1,194m) of which €300m (31 December 2014: €720m) is held by Group's securitisation entities and €539m (31 December 2014: €474m) relates to cash collateral placed with counterparties in relation to asset derivative positions and repurchase agreements.

Loans and advances to banks amounting to €1,480m as at 31 December 2015 (31 December 2014: €1,732m) have been treated as cash and cash equivalents for the purpose of the consolidated statement of cash flows, as they have a maturity of less than three months from inception.

18. Loans and advances to customers

Loans and advances by category are set out below:

	31 December 2015 €m	31 December 2014 €m
ROI residential mortgages		
- Held through special purpose entities	**10,319**	12,165
- Held directly	**11,220**	10,686
UK residential mortgages		
- Held through special purpose entities	**-**	6,098
- Held directly	**3,569**	660
	25,108	29,609
Commercial mortgage loans	**382**	2,004
Consumer finance		
- Term loans / other	**319**	345
Gross loans and advances to customers	**25,809**	31,958
Less: provision for impairment (note 19)	**(2,688)**	(3,722)
Assets classified as held for sale (note 41)	**(91)**	(1,030)
Net loans and advances to customers	**23,030**	27,206

Net loans and advances to customers is analysed as follows:

	31 December 2015 €m	31 December 2014 €m
Core	**19,188**	20,075
Non-core	**3,842**	7,131
	23,030	27,206

Notes to the Consolidated Financial Statements
(continued)

18. Loans and advances to customers (continued)

Net loans and advances can be analysed into fixed and variable-rate loans as follows:

	Gross loans and advances to customers		Net loans and advances to customers	
	31 December 2015 €m	31 December 2014 €m	31 December 2015 €m	31 December 2014 €m
ROI				
Tracker	**14,198**	14,889	**12,494**	13,029
Variable rate	**7,411**	8,012	**6,528**	7,021
Fixed rate	**524**	502	**493**	458
	22,133	23,403	**19,515**	20,508
UK				
Tracker	**3,484**	6,606	**3,433**	6,547
Variable rate	**67**	133	**64**	132
Fixed rate	**18**	19	**18**	19
	3,569	6,758	**3,515**	6,698
	25,702*	30,161	**23,030**	27,206

* Excluded from this is €107m of commercial loans which are included in Assets Held for Sale (31 December 2014: €1,797m).

The Group has established a number of securitisations which involves transferring interest in pools of residential mortgages to the special purpose entities which issue mortgage-backed floating-rate notes (notes) to fund the purchase of the interest in 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. All of the Group special purpose entities are consolidated. See note 42.

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 2015 €bn	31 December 2014 €bn
Residential mortgages held through special purpose entities	**10.3**	18.3
Notes issued by special purpose entities		
- rated	**6.4**	13.6
- unrated	**3.9**	3.9

18. Loans and advances to customers (continued)

The notes issued by these special purpose entities comprise the following:

	31 December 2015 €bn	31 December 2014 €bn
- Sold to third parties and included within debt securities in issue (non-recourse) on the statement of financial position (note 26)	**0.5**	1.6
- Held by the ECB as collateral in respect of funds raised under the euro system funding programme (note 24)	**3.8**	4.4
- Held by other banks and institutions as part of collateralised lending or sale and repurchase agreements (note 24)	**0.6**	5.2
- Other		
Available collateral[1]	**1.5**	2.4
Unrated notes	**3.9**	3.9
	10.3	17.5

[1]The eligibility of available collateral will depend on the criteria of the counterparty.

As at 31 December 2015, the Group had €1.6bn (31 December 2014: €1.3bn) drawn down under the SMBPN programme with the ECB. This was secured by way of a floating charge over €4.2bn (31 December 2014: €3.2bn) of ROI residential mortgages. Refer to note 24.

19. Impairment provisions

(a) Loans and advances to customers

The following table reflects impaired loans for which provisions are held and an analysis of specific and IBNR impairment provision balances across the loans and advances to customers portfolio.

A loan is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which give rise to an adverse impact of the estimated future cash flows of the asset. Impairment provisions are calculated either individually on loans where significant, or on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement.

Notes to the Consolidated Financial Statements
(continued)

19. Impairment provisions (continued)

The impaired loan balances as at 31 December 2015 were €5,432m (31 December 2014: €7,478m). As at 31 December 2015, there were €131m (31 December 2014: €224m) of loans which are greater than 90 days in arrears that are considered past due but not impaired. Refer to note 34 for further details.

31 December 2015	Loans and advances to customers	Impaired loans	Impaired % of total loans	Impairment Provisions Specific	Impairment Provisions IBNR	Impairment Provisions Total	Total provisions as % of impaired loans	Total provisions as % of total loans
	€m	€m	%	€m	€m	€m	%	%
Residential:								
ROI:								
- Home loans	**15,862**	**3,712**	**23%**	**1,367**	**131**	**1,498**	**40%**	**9%**
- Buy-to-let	**5,596**	**1,360**	**24%**	**766**	**197**	**963**	**71%**	**17%**
UK:								
- Home loans	**234**	**27**	**12%**	**7**	**1**	**8**	**30%**	**3%**
- Buy-to-let	**3,335**	**111**	**3%**	**36**	**10**	**46**	**41%**	**1%**
Commercial	**382**	**137**	**36%**	**41**	**53**	**94**	**69%**	**25%**
Consumer finance:								
- Term loans / other	**318**	**85**	**27%**	**75**	**4**	**79**	**93%**	**25%**
Total gross loans	**25,727**	**5,432**	**21%**	**2,292**	**396**	**2,688**	**49%**	**10%**
Impairment provision	**(2,688)**							
Assets classified as held for sale	**(91)**							
Deferred fees, discounts & fair value adjustments	**82**							
At 31 December	**23,030**							

31 December 2014	Loans and advances to customers	Impaired loans	Impaired % of total loans	Impairment Provisions Specific	Impairment Provisions IBNR	Impairment Provisions Total	Total provisions as % of impaired loans	Total provisions as % of total loans
	€m	€m	%	€m	€m	€m	%	%
Residential:								
ROI:								
- Home loans	16,455	3,947	24%	1,418	156	1,574	40%	10%
- Buy-to-let	6,259	1,844	29%	948	151	1,099	60%	18%
UK:								
- Home loans	389	7	2%	3	1	4	57%	1%
- Buy-to-let	6,369	95	1%	42	15	57	60%	1%
Commercial	2,004	1,483	74%	816	76	892	60%	45%
Consumer finance:								
- Term loans / other	344	102	30%	90	6	96	94%	28%
Total gross loans	31,820	7,478	24%	3,317	405	3,722	50%	12%
Impairment provision	(3,722)							
Assets classified as held for sale	(1,030)							
Deferred fees, discounts & fair value adjustments	138							
At 31 December	27,206							

19. Impairment provisions (continued)

Impairment charge/(write-back) on loans and advances to customers by geographical location

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Republic of Ireland ("ROI")		
Home loans	**(12)**	124
Buy-to-let	**66**	(156)
Commercial	**(27)**	(13)
Consumer finance	**2**	(6)
	29	(51)
United Kingdom ("UK")		
Home loans	**-**	1
Buy-to-let	**6**	9
	6	10
Total impairment charge/(write-back) to the income statement	**35**	(41)

Impairment charge by nature of impairment provision

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Specific	**4**	160
IBNR	**31**	(201)
Total impairment charge/(write-back) to the income statement	**35**	(41)

Impairment charge by Segment

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Core	**62**	(50)
Non-core	**(27)**	9
Total impairment charge/(write-back) to the income statement	**35**	(41)

Notes to the Consolidated Financial Statements
(continued)

19. Impairment provisions (continued)

A reconciliation of the provision for impairment for loans and advances to customers is as follows:

2015	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Total	€m	€m	€m	€m	€m
As at 1 January	2,673	61	892	96	3,722
Charge/(Write-back) for the year (as per Income Statement)	54	6	(27)	2	35
Increase due to interest booked but not recognised	54	-	11	4	69
Unwinding of discount	(41)	-	(6)	-	(47)
Amounts written off*	(46)	(16)	(26)	(23)	(111)
Recoveries payable to the Credit Institutions Resolution Fund (note 27)	-	-	-	(2)	(2)
Recoveries	3	2	-	2	7
Disposals	(225)	(3)	(750)	-	(978)
Exchange movements	-	4	-	-	4
Other	(11)	-	-	-	(11)
As at 31 December	2,461	54	94	79	2,688

*Amounts written off relate to accounting write offs where the prospect of recovery at a certain point in time appears remote. This does not prevent the Group from continuing to pursue this outstanding debt and where circumstances change, may result in the recovery of amounts previously written off.

2015	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Core	€m	€m	€m	€m	€m
As at 1 January	2,448	-	-	96	2,544
Charge for the year (as per Income Statement)	60	-	-	2	62
Increase due to interest booked but not recognised	53	-	-	4	57
Unwinding of discount	(41)	-	-	-	(41)
Amounts written off	(46)	-	-	(23)	(69)
Recoveries payable to the Credit Institutions Resolution Fund (note 27)	-	-	-	(2)	(2)
Recoveries	3	-	-	2	5
Disposals	(39)	-	-	-	(39)
Other	(11)	-	-	-	(11)
As at 31 December	2,427	-	-	79	2,506

19. Impairment provisions (continued)

2015	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Non-core	€m	€m	€m	€m	€m
As at 1 January	**225**	**61**	**892**	**-**	**1,178**
(Write-back)/charge for the year (as per Income Statement)	**(6)**	**6**	**(27)**	**-**	**(27)**
Increase due to interest booked but not recognised	**1**	**-**	**11**	**-**	**12**
Unwinding of discount	**-**	**-**	**(6)**	**-**	**(6)**
Amounts written off	**-**	**(16)**	**(26)**	**-**	**(42)**
Recoveries	**-**	**2**	**-**	**-**	**2**
Disposals	**(186)**	**(3)**	**(750)**	**-**	**(939)**
Exchange movements	**-**	**4**	**-**	**-**	**4**
Other	**-**	**-**	**-**	**-**	**-**
As at 31 December	**34**	**54**	**94**	**-**	**182**

2014	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Total	€m	€m	€m	€m	€m
As at 1 January	2,950	76	911	98	4,035
(Write-back)/charge for the year (as per Income Statement)	(32)	10	(13)	(6)	(41)
Increase due to interest booked but not recognised	71	-	32	8	111
Unwinding of discount	(33)	-	(20)	-	(53)
Amounts written off	(128)	(37)	(15)	(8)	(188)
Recoveries	-	7	-	5	12
Recoveries payable to the Credit Institutions Resolution Fund (note 25)	-	-	-	(1)	(1)
Disposals	(155)	-	(4)	-	(159)
Exchange movements	-	5	1	-	6
As at 31 December	2,673	61	892	96	3,722

2014	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Core	€m	€m	€m	€m	€m
As at 1 January	2,561	-	-	98	2,659
(Write-back)/charge for the year (as per Income Statement)	(44)	-	-	(6)	(50)
Increase due to interest booked but not recognised	62	-	-	8	70
Unwinding of discount	(31)	-	-	-	(31)
Amounts written off	(100)	-	-	(8)	(108)
Recoveries	-	-	-	5	5
Recoveries payable to the Credit Institutions Resolution Fund (note 25)	-	-	-	(1)	(1)
As at 31 December	2,448	-	-	96	2,544

Notes to the Consolidated Financial Statements
(continued)

19. Impairment provisions (continued)

2014	Residential mortgages			Consumer	
	ROI	UK	Commercial	finance	Total
Non-core	€m	€m	€m	€m	€m
As at 1 January	389	76	911	-	1,376
(Write-back)/charge for the year (as per Income Statement)	12	10	(13)	-	9
Increase due to interest booked but not recognised	9	-	32	-	41
Unwinding of discount	(2)	-	(20)	-	(22)
Amounts written off	(28)	(37)	(15)	-	(80)
Recoveries	-	7	-	-	7
Disposals	(155)	-	(4)	-	(159)
Exchange movements	-	5	1	-	6
As at 31 December	225	61	892	-	1,178

(b) Debt securities
The impairment provision balance of €1m held on debt securities at 31 December 2014 was released during 2015 as it was no longer considered to be required. There were no further provisions made during the year.

(c) Repossessed Assets
In the year ended 31 December 2015, the Group incurred an impairment charge on repossessed assets of €1m (31 December 2014: writeback (€1m)). Repossessed assets are included in other assets (refer to notes 23 and 34 for further analysis).

20. Property and equipment

	Held at Fair Value	Held at Cost	Held at Cost	
2015	Land and buildings	Office and computer equipment	Motor vehicles	Total
	€m	€m	€m	€m
Cost or valuation				
At 1 January	**118**	**49**	**4**	**171**
Additions	**7**	**6**	**-**	**13**
Revaluations	**18**	**-**	**-**	**18**
Disposals	**(3)**	**(6)**	**(4)**	**(13)**
Reclassification	**2**	**(1)**	**-**	**1**
At 31 December	**142**	**48**	**-**	**190**
Accumulated depreciation				
At 1 January	**41**	**27**	**3**	**71**
Provided in the year	**5**	**8**	**-**	**13**
Disposals	**(1)**	**(6)**	**(3)**	**(10)**
Reclassification	**-**	**1**	**-**	**1**
At 31 December	**45**	**30**	**-**	**75**
Net book value at 31 December	**97**	**18**	**-**	**115**

Of the €18m revaluation, €2m was recognised in the income statement due to impairment write-back on land and buildings and €16m in the statement of comprehensive income.

20. Property and equipment (continued)

2014	Held at Fair Value Land and buildings €m	Held at Cost Office and computer equipment €m	Held at Cost Motor vehicles €m	Total €m
Cost or valuation				
At 1 January	99	39	5	143
Additions	6	10	-	16
Revaluations	15	-	-	15
Disposals	(2)	-	(1)	(3)
At 31 December	118	49	4	171
Accumulated depreciation				
At 1 January	38	20	3	61
Provided in the year	4	7	1	12
Disposals	(1)	-	(1)	(2)
At 31 December	41	27	3	71
Net book value at 31 December	77	22	1	100

The net book value of land and buildings include the following:

	31 December 2015 €m	31 December 2014 €m
Land	**21**	19
Buildings - freehold	**60**	51
Buildings - leasehold	**16**	7
	97	77

Land and buildings at 31 December 2015 held at fair value was €97m (31 December 2014: €77m). The historic cost of land and buildings is €112m (31 December 2014: €115m).The net book value of property and equipment at 31 December 2015 held at cost less accumulated depreciation amounted to €18m (31 December 2014:€23m).

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 2015 and 31 December 2014 were performed by independent professional valuers having appropriate qualifications and recent experience in the fair value measurement of properties in locations and category being valued. The effective date of revaluation is 31 December 2015 and 31 December 2014.

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 8% to 10%. There has been no change to the valuation techniques during the year.

Notes to the Consolidated Financial Statements
(continued)

20. Property and equipment (continued)

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 2015 are as follows:

31 December 2015	Level 1 €m	Level 2 €m	Level 3 €m	Total Fair value €m
Land	-	21	-	21
Buildings - freehold	-	60	-	60
	-	81	-	81

31 December 2014	Level 1 €m	Level 2 €m	Level 3 €m	Total Fair value €m
Land	-	19	-	19
Buildings - freehold	-	51	-	51
	-	70	-	70

21. Intangible assets

2015	Software €m	Core deposits* €m	Total €m
Cost			
At 1 January	47	156	203
Additions	8	-	8
Reclassification	(3)	-	(3)
At 31 December	52	156	208
Accumulated amortisation			
At 1 January	21	114	135
Provided in the year	7	31	38
Reclassification	(2)	-	(2)
At 31 December	26	145	171
Net book value at 31 December	26	11	37

2014	Software €m	Core deposits* €m	Total €m
Cost			
At 1 January	34	156	190
Additions	13	-	13
At 31 December	47	156	203
Accumulated amortisation			
At 1 January	14	83	97
Provided in the year	7	31	38
At 31 December	21	114	135
Net book value at 31 December	26	42	68

*Core deposit intangibles are amortised over five years from the date of recognition. Amortisation of these core deposit intangibles are reflected in net interest income, note 4. Management have undertaken an impairment review as at 31 December 2015 of the core deposit intangible assets which confirmed that there was no indication of impairment and the five year amortisation period is appropriate. The remaining period for amortisation of core deposit intangibles is just under one year.

22. Deferred taxation

	31 December 2015 €m	31 December 2014 €m
Deferred tax liabilities	**(22)**	(31)
Deferred tax assets	**415**	420
Net Deferred tax assets	**393**	389

Net deferred tax assets are attributable to the following:

2015

	At 1 January €m	Recognised in income statement €m	Recognised in equity €m	Other €m	At 31 December €m
Property and equipment	**(4)**	**-**	**(4)**	**-**	**(8)**
Unrealised gains / (losses) on assets/liabilities	**(9)**	**-**	**(4)**	**-**	**(13)**
Core deposit intangibles	**(5)**	**4**	**-**	**-**	**(1)**
Losses carried forward	**420**	**(6)**	**-**	**-**	**414**
Other temporary differences	**(13)**	**14**	**-**	**-**	**1**
	389	**12**	**(8)**	**-**	**393**

2014

	At 1 January €m	Recognised in income statement €m	Recognised in equity €m	Other €m	At 31 December €m
Property and equipment	1	-	(5)	-	(4)
Unrealised gains / (losses) on assets/liabilities	(11)	(1)	1	2	(9)
Core deposit intangibles	(9)	4	-	-	(5)
Losses carried forward	464	(44)	-	-	420
Other temporary differences	1	(13)	-	(1)	(13)
	446	(54)	(4)	1	389

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 plc legal entity against which PTSB plc tax losses carried forward can be used. Management and Directors have reviewed this position as at 31 December 2015 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 plc. This information is based on the following supporting evidence: (i) The formal approval of the Restructuring Plan by the Eurpoean Commission during 2015 which provides significant support to the position that PTSB plc will continue as a single legal entity; (ii) A review of the quantum of tax losses carried forward in PTSB plc 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 plc against which the full quantum of tax losses carried forward can be utilised; (iii) The consideration of forecasting risks, 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 margins). This analysis demonstrated, were certain adverse events to occur, it would remain probable that there would be sufficient future taxable profits within PTSB plc 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 (iv) The consideration of a number of other factors which may impact the utilisation of the tax losses including the macroeconomic environment, the successful completion of the capital raise during 2015, the Restructuring Plan and Group's financial position. These factors are set out in further details in note 2b.

It should also be noted that under current Irish and UK tax legislation there is no time restriction on the utilisation of trading losses. Therefore, the tax losses carried forward in PTSB plc 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.

Notes to the Consolidated Financial Statements
(continued)

22. Deferred taxation (continued)

The total unrecognised deferred tax assets on carried forward tax losses at 31 December 2015 amounted to €21m (31 December 2014: €78m) which relates to the subsidiaries.

Under IFRS these balances are recognised on an undiscounted basis.

23. Other assets

	31 December 2015 €m	31 December 2014 €m
Repossessed assets	**58**	61
Other debtors	**16**	42
	74	103

During the year, a further €43m of assets were repossessed, while €45m of assets were sold. Further, an impairment charge in respect of these assets of €1m was recorded in the income statement. These repossessed assets are held at fair value based on independent valuations received or indexed as appropriate. These valuations are considered to be within level 2 in the IFRS 13 hierarchy. For further details in relation to repossessed assets, see note 34.

Management believes that selling the balance of properties within 12 months is improbable based on historic experience. Therefore, in light of the requirements of IFRS 5, the Group concluded that these repossessed assets do not meet the criteria to be classified as held for sale.

24. Deposits by banks (including central banks)

	31 December 2015 €m	31 December 2014 €m
Placed by the ECB	**4,650**	4,870
Placed by other banks and institutions on repurchase agreements	**1,072**	3,720
Other deposits	**1,027**	517
Net deposits by banks	**6,749**	9,107
Balances placed by the ECB		
Maximum	**8,225**	7,000
Average	**4,653**	5,786

The Group received €3bn (31 December 2014: €3.6bn) of deposits from the ECB which are secured on €3.8bn (31 December 2014: €4.4bn) of notes issued by special purpose entities controlled by the Group.

The Group received €1.6bn (31 December 2014: €1.3bn) of deposits under the SMBPN programme which is collateralised on €4.2bn (31 December 2014: €3.2bn) of ROI residential mortgages which are secured by way of a floating charge.

Included in deposits made by the ECB is €nil (31 December 2014: €3.3bn) of deposits made under the ECB's three year Long Term Refinancing Operation (LTRO) which matured in February 2015. This has been replaced with system funding with typical maturities of 3 months in length.

Of the deposits placed on repurchase agreements, €0.5bn (31 December 2014: €3.5bn) are collateralised on €0.6bn (31 December 2014: €5.2bn) of notes issued by special purpose entities controlled by the Group. The notes issued by special purpose entities are secured by a first fixed charge over residential mortgages held by the special purpose entities (refer to note 18).

Other deposits include €5m (31 December 2014: €408m) of cash collateral placed in relation to liability derivative positions and repurchase agreements. Other deposits also includes €1bn (31 December 2014: €nil) of a secured loan facility.

25. Customer accounts

	31 December 2015 €m	31 December 2014 €m
Term deposits	**10,682**	13,320
Demand deposits	**2,920**	2,726
Current accounts	**3,006**	2,639
Notice and other accounts	**1,942**	1,753
Total Customer accounts	**18,550**	20,438

€1.1bn of deposits are placed by a Government institution (31 December 2014: €2.3bn), of which €0.9bn (31 December 2014: €1.9bn) forms part of a repurchase agreement and is included under term deposits. These deposits are collateralised on €0.9bn of debt securities (31 December 2014: €1.9bn). See note 14 for further details. The remaining €0.2bn (31 December 2014: €0.4bn) is included within term deposits.

An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 34.

26. Debt securities in issue

	31 December 2015 €m	31 December 2014 €m
At amortised cost		
Bonds and medium-term notes	**470**	1,778
Non-recourse funding	**533**	1,647
	1,003	3,425
Maturity analysis		
Repayable in less than 1 year	**25**	1,547
Repayable in greater than 1 year but less than 2 years	**50**	24
Repayable in greater than 2 years but less than 5 years	**316**	50
Repayable in greater than 5 years	**612**	1,804
	1,003	3,425

Bonds & MTN's
During the year €1.6bn of MTN's matured and on the 18 May 2015 the Group issued €300m of senior unsecured debt for a 3 year term.

Non-Recourse funding
As at 31 December 2015, the Group had advances of €0.5bn (31 December 2014: €1.6bn) collateralised on residential property loans of €0.5bn (31 December 2014: €1.6bn) 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. During 2015, €0.3bn of non-recourse funding was redeemed at par as the related securitisation was collapsed. Separately in 2015, the Group sold the underlying assets associated with a securitisation which resulted in €715m of debt securities in issue being derecognised from the statement of financial position.

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 and any related income generated by the portfolios, without recourse to the Group. The Group is not obliged to support any losses in respect of the mortgages subject to the non-recourse funding and does not intend to do so. 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 that they will not seek recourse in any other form.

Notes to the Consolidated Financial Statements
(continued)

26. Debt securities in issue (continued)

Debt buybacks

Bonds and medium-term notes

During 2014, the Group repurchased certain of its medium term notes with an aggregate nominal value of €551m for a cash consideration of €562m. The resulting loss of €11m was recognised in other operating expenses in the income statement.

27. Other liabilities

	31 December 2015 €m	31 December 2014 €m
Amounts falling due within one year		
PAYE and social insurance	**3**	3
Other taxation including DIRT	**8**	12
Other creditors	**63**	68
	74	83

Included in other creditors is €2m (31 December 2014: €1m) due under the Financial Incentive Agreement entered into as part of the acquisition of loans and advances of Newbridge Credit Union ("NCU") in 2013. The funds relate to 50% of the impairment losses incurred by the Group on the loans and advances of NCU since its acquisition in 2013 and other costs. See note 40 for further details.

In other liabilities of the Company is €3m (31 December 2014: €3m) which relates to an intercompany balance between the Company and its principle subsidiary PTSB.

28. Provisions

	2015				2014			
	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	**5**	**112**	**1**	**118**	13	40	12	65
Provisions made during the year	**1**	**33**	**7**	**41**	2	76	-	78
Write-back of provisions during the year	**(1)**	**-**	**-**	**(1)**	-	-	(5)	(5)
Provisions used during the year	**-**	**(41)**	**-**	**(41)**	(10)	(4)	(6)	(20)
As at 31 December	**5**	**104**	**8**	**117**	5	112	1	118

Restructuring costs

This provision was initially recognised in 2013 due to the closure of a number of branches. As at 31 December 2015, the costs relating to onerous lease provisions is €5m (31 December 2014: €5m). The Group remains a lessee in a number of non-cancellable leases over properties that it no longer occupies. The provision relates to leases on properties ranging between one and twenty years and is calculated as the present value of future lease payments. It is expected that €1m of this provision will be utilised in the next 12 months.

Provision for legacy legal and compliance liabilities

The provision relates to legal and compliance costs of on-going disputes in relation to legacy business issues with certain customers and other actions, including a mortgage redress programme in connection with an on-going investigation by the Central Bank of Ireland.

In December 2015, the Group received an industry-wide letter from the Central Bank of Ireland instructing it to undertake a review of its tracker mortgages. The terms of this review are broadly consistent with the Mortgage Redress Program announced by the Group in 2015 however there are challenging timelines mandated by the review and the full impact of the review cannot be determined with certainty until a full population of impacted loans has been determined and individual cases are reviewed. The Group has taken the view, based on the available information and the level of complexity and uncertainty around the range of potential outcomes, that the provision set out above represents its best estimate of the potential costs at 31 December 2015. However, there is significant estimation uncertainty inherent in this provision. The matter is being kept under review as more information becomes available. Further disclosure of the information usually required by IAS37, Provisions, Contingent Liabilities and Contingent Assets, is not provided on the grounds that it can be expected to prejudice the position of the Group.

Other

This provision of €8m (31 Dec 2014: €1m) relates to indemnities and guarantees provided by the Group as part of the deleveraging of various asset portfolios. It is expected that the majority of this provision will be utilised over the next 12 months.

29. Subordinated liabilities

	2015 €m	2014 €m
As at 1 January	**387**	359
Repurchase of Contingent Convertible Notes*	**(366)**	-
Other movements	**1**	28
As at 31 December**	**22**	387

	31 December 2015 €m	31 December 2014 €m
Dated		
€24m 0% non-callable lower tier 2 capital notes 2018	**22**	21
€400m 10% fixed-rate convertible contingent capital notes 2016	**-**	366
	22	387

** Included in the closing balance is a hedge accounting adjustment of €1m (31 December 2014: €2m).

All of the above subordinated liabilities are issued by PTSB.

* Analysis of movement in respect of contingent convertible notes:

	€m
As at 31 December 2014	366
Amortisation up until date of repurchase	10
Accelerated discount unwind	41
Repayment of principal	(400)
Payment of accrued interest	(17)
As at 31 December 2015	-

The €400m 10% Contingent Convertible Notes ("CoCo") were issued by the Group on 27 July 2011 with a maturity date of 28 July 2016.

On 7 May 2015 the Group repurchased the CoCo from the Minister for Finance. To facilitate this repurchase the Group was required to amend the terms and conditions of this instrument. The repurchase was funded from the Group's equity raise and AT1 issuance in early 2015.

In the Income Statement, an aggregate loss on repurchase of €52m is shown as an exceptional item which represents the premium paid for the redemption and the accelerated effective interest rate ("EIR") unwind of €41m.

Terms and conditions of other outstanding subordinated liabilities
The terms and conditions of the remaining outstanding subordinated liabilities of the Group as at 31 December 2015 are detailed as follows: €24m zero coupon, non-callable lower tier 2 capital notes repayable on 15 September 2018, issued at 43.1825% of aggregate nominal amount of €55m. Under the Lower Tier 2 LME exercise carried out by the Group in 2011, €31m of the €55m original nominal amount of these notes were repurchased. The remaining notes accrete up at an effective interest rate of 8.76%.

The consent of the CBI is required before:
- Any repayment, for whatever reason, of a dated subordinated liability prior to its stated maturity; and
- Any exercise of any redemption option in any undated liability.

In the event of the winding up of the entity which issued the subordinated liability, the claims of the holders of the subordinated liabilities shall be subordinated to the claims of depositors, policyholders and creditors of the relevant entity other than creditors that are expressed to rank pari-passu with or junior to the claims of the holders of the subordinated liabilities.

Notes to the Consolidated Financial Statements
(continued)

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.

Authorised share capital

31 December 2015

	Number of shares	m
Ordinary shares of €0.50 each	**1,550,000,000**	**€775**
Deferred shares of €0.289 each	**84,344,636,678**	**€24,376**

31 December 2014

	Number of shares	m
Ordinary shares of €0.031 each	70,400,000,000	€2,182
Deferred shares of €0.289 each	70,400,000,000	€20,346
Preference Shares of €1 each	300,000,000	€300
Preference Shares of US$1 each	200,000,000	$200
Preference Shares of Stg£1 each	100,000,000	£100

Share Reorganisation

At the Group's AGM on 8 April 2015, the Shareholders approved the Share Reorganisation which included:

- subdivision;
- consolidation; and
- redesignation.

This Share Reorganisation was completed on the 13 April 2015.

Subdivision

Prior to the Share Reorganisation, the nominal value of each of the existing Ordinary share was €0.031. As a result of the subdivision, each existing Ordinary share was subdivided into 31 Ordinary shares with a €0.001 nominal value.

Consolidation and Redesignation

After the subdivision, five of every 31 newly subdivided Ordinary shares of €0.001 each were consolidated into one Ordinary share of €0.005. Every 289 of the remaining subdivided Ordinary shares of €0.001 each were consolidated and redesignated as one newly created Deferred share of €0.289 with additional €0.001 shares being issued to ensure that all holdings were evenly divisible by 289 (i.e. holdings were rounded up where fractions of shares would otherwise occur).

Immediately thereafter, each Ordinary share of €0.005 was further consolidated such that for every 100 Ordinary shares of €0.005 held by each Shareholder, one newly consolidated Ordinary share of €0.50 was created with additional shares of €0.005 being issued to ensure that all holdings were evenly divisible by 100 (i.e. holdings were rounded up where fractions of shares would otherwise occur).

The issue of additional €0.001 and €0.005 Ordinary shares highlighted above to facilitate the rounding up of shareholdings was funded by way of a transfer of €46,843 from the Company's Share Premium account to the Company's Share Capital Account.

For further information on shares, see the Directors' Report on page 56.

30. Share capital, reserves and other equity instruments (continued)

Issued share capital

The movement in the number of paid up Ordinary and Deferred shares is as follows:

	€ 0.289 Deferred shares	€ 0.031 Ordinary shares	€ 0.001 Ordinary shares	€ 0.005 Ordinary shares	€ 0.50 Ordinary shares	Total
As at 1 January 2015	**276,782,351**	**36,525,797,323**	**-**	**-**	**-**	
Reorganisation						
Subdivision	**-**	**-**	**1,132,299,717,013**	**36,525,797,323**	**-**	
Rounding	**-**	**-**	**12,505,131**	**6,867,600**	**-**	
Consolidation	**3,286,101,161**	**(36,525,797,323)**	**(1,132,312,222,144)**	**(36,532,664,923)**	**365,326,649**	
Capital Raise						
New ordinary shares issued	**-**	**-**	**-**	**-**	**88,888,889**	
Open offer	**-**	**-**	**-**	**-**	**479,954**	
As at 31 December 2015	**3,562,883,512**	**-**	**-**	**-**	**454,695,492**	
Issued share capital (€m)	**1,030**				**227**	**1,257**
Shares held under employee benefit trust	**499,111**				**4,580**	

Balances as at 31 December 2014

	€ 0.289 Deferred shares	€ 0.031 Ordinary shares	Total
As at 1 January 2014	276,782,351	36,525,797,323	
Movement	-	-	
As at 31 December 2014	276,782,351	36,525,797,323	
Issued share capital (€m)	80	1,132	1,212
Shares held under employee benefit trust	457,914	457,914	

Capital Raise

During the year the Company issued new Ordinary Share Capital of 88,888,889 shares by way of a private placing along with an open offer to existing shareholders of new Ordinary Share Capital of 479,954 shares, all with a nominal value of €0.50. This formed part of a capital transaction carried out by the Group in 2015. The private placement raised €400m and the open offer raised €2.2m.

Following this issuance of additional ordinary shares and the disposal of shares by the State, the Minister for Finance now owns 74.9% of the share capital of the Company.

No shares were issued as a result of the exercise of options under the Group's share option schemes or under the Group's profit sharing scheme during the current or prior year.

Share Premium

The share premium reserve represents the excess of amounts received for share issues less associated issue costs over the par value of those shares of the Company. The Group recognised additional share premium of €357m on completion of the capital raise which is offset against €28m of costs.

On 22 July 2015, the Group obtained from the High Court of Ireland an order of court, confirming the cancellation and reduction of €1.49bn out of its share premium reserve to be transferred to its retained earnings reserve. The resulting reduction has been applied to reduce the existing deficit in the retained earnings reserve.

Notes to the Consolidated Financial Statements
(continued)

30. Share capital, reserves and other equity instruments (continued)

Other Reserves

- **Capital contribution reserve**
  This reserve comprises of the capital contribution component and fair value adjustment of the mandatory conversion feature of contingent capital notes issued by PTSB. The conversion feature requires the note holder to convert into shares of the Group on the occurrence of a conversion event. The contingent capital note was repurchased by the Group on the 7 May 2015. Further details in note 29.

- **Revaluation reserve**
  The revaluation reserve is a non-distributable reserve comprising of unrealised gains or losses, net of tax, on the revaluation of owner occupied properties.

- **AFS reserve**
  The AFS reserve comprises unrealised gains or losses, net of tax, on AFS financial assets which have been recognised at fair value in the statement of financial position.

- **Cash flow hedge reserve**
  The cash flow hedge reserve comprises of cumulative net gains or losses, net of tax, on effective cash flow hedging instruments.

- **Currency translation adjustment reserve**
  The currency translation adjustment reserve represents the cumulative gains and losses, net of hedging on the re-translation of the Group's net investment in foreign operations, at the rate of exchange at the reporting date.

- **Share-based payments reserve**
  This reserve comprises the cost of share options which have been charged to the income statement over the vesting period of the options. All share options lapsed in 2015 leaving an option reserve of nil.

- **Other capital reserves**
  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.

  Under the scheme of arrangement to incorporate the Company and present it as the ultimate holding Company of the Group, the share capital and share premium in PTSB of €2,922m (including the €2,698m already presented in capital reserves) was cancelled and share capital and share premium was issued in the Group at fair value of €1,087m. These changes in share capital are reflected in the other capital reserves.

Retained earnings

The retained earnings include distributable and non-distributable earnings. These reserves represent the retained earnings of the holding Company and subsidiaries after consolidation adjustments. It also includes €1.49bn which was transferred from share premium as noted above.

Other equity instruments
Additional Tier 1 Securities

	2015 €m	2014 €m
As at 1 January	**-**	-
Additional Tier 1 securities issued during the period	**125**	-
Issuance cost	**(3)**	-
As at 31 December	**122**	-

On 6 May 2015, PTSB issued €125,000,000 fixed rate resettable additional tier one securities "AT1 Securities" as part of the Capital Raise.

The AT1 Securities are perpetual 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.

30. Share capital, reserves and other equity instruments (continued)

On the occurrence of a Trigger Event the AT1 Securities 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 Common Equity Tier 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 Capital Requirements Regulation (CRR).

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).

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 of equity.

31 December 2015	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m
Other comprehensive income (net of tax)						
Revaluation of property	**13**	**-**	**-**	**-**	**-**	**13**
Currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**-**
AFS reserve:						
Change in fair value of AFS financial assets	**-**	**(11)**	**-**	**-**	**-**	**(11)**
Transfer to income statement on disposal	**-**	**-**	**-**	**-**	**-**	**-**
Cash flow hedge reserve:						
Net change in fair value	**-**	**-**	**39**	**-**	**-**	**39**
Amortisation of redesignated CFH to income statement	**-**	**-**	**4**	**-**	**-**	**4**
Total other comprehensive income	**13**	**(11)**	**43**	**-**	**-**	**45**

31 December 2014	Revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Currency translation adjustment reserve	Retained earnings	Total
	€m	€m	€m	€m	€m	€m
Other comprehensive income (net of tax)						
Revaluation of property	5	-	-	-	-	5
Currency translation adjustment	-	-	-	1	-	1
AFS reserve:						
Change in value of AFS financial assets	-	(11)	-	-	-	(11)
Transfer to income statement on disposal	-	3	-	-	-	3
Cash flow hedge reserve:						
Net change in fair value	-	-	-	-	-	-
Amortisation of redesignated CFH to income statement	-	-	-	-	-	-
Total other comprehensive income	5	(8)	-	1	-	(2)

32. Share-based payments

Share option schemes

The Group operated one share option scheme in which management and staff of the Group had participated. Full details of the share option scheme is set out in the Directors' Report on Remuneration on page 79, which has been audited and forms part of these financial statements.

Notes to the Consolidated Financial Statements
(continued)

32. Share-based payments (continued)

The total number of options outstanding are as follows:

31 December 2015

		Number of options		
Grant date	Exercise price	Other employees	Key management	Total
2008	-	-	-	-
		-	-	-

31 December 2014

		Number of options		
Grant date	Exercise price	Other employees	Key management	Total
2008	€10.38	74,538	51,912	126,450
		74,538	51,912	126,450

Options were normally exercisable between three and ten years from grant date and expire ten years after the grant date. There are no outstanding options at 31 December 2015 (31 December 2014: less than 0.00035% of the issued share capital).

All options granted prior to 2008 have met their vesting conditions and are lapsed as of 31 December 2015.

	Number of options		Weighted average exercise price €	
	2015	2014	2015	2014
Outstanding at 1 January	**126,450**	563,994	**10.38**	12.44
Lapsed during the year	**(126,450)**	(348,474)	**10.38**	13.21
Forfeited during the year	-	(89,070)	-	12.33
Outstanding as at 31 December	-	126,450	-	10.38
Exercisable as at 31 December	-	126,450		

There were no options issued in 2015 or 2014. The Group carried out a share reorganisation during the year as part of the capital raise transaction. This has resulted in a distortion of the share price. The information below is provided for indicative purposes only.

The average share price during the year was €4.64 (2014: €0.08). The share price during the year ranged from €0.057 to €6.3 (2014: €0.05 to €0.14).

The exercise price for outstanding options at 31 December 2014 was €10.38.

The weighted average contractual life of options outstanding at 31 December 2014 was 3.2 years.

There was no charge to the income statement in respect of equity-settled transactions in 2015 or 2014.

The fair value of service received for share options granted was measured by reference to the fair value of share options granted. The value is estimated based on the Black-Scholes model adjusted for dividends.

In calculating the number of options which were expected to vest, the Group took into account the service condition attaching to the options. Share options were granted under a non-market performance condition which was not taken into account in calculating the fair value at date of grant.

33. Measurement basis and fair values of financial instruments

(a) Measurement basis and fair values of financial instruments

31 December 2015	Note	Held at amortised cost €m	At fair value through equity €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair Value €m
Financial assets							
Cash and balances with central banks	13	**64**	**-**	**-**	**-**	**64**	**64**
Items in course of collection	13	**31**	**-**	**-**	**-**	**31**	**31**
Debt securities*	14	**2,333**	**1,506**	**-**	**-**	**3,839**	**3,935**
Equity securities	15	**-**	**23**	**-**	**-**	**23**	**23**
Derivative assets**	16	**-**	**-**	**28**	**30**	**58**	**58**
Loans and advances to banks	17	**1,516**	**-**	**-**	**-**	**1,516**	**1,516**
Loans and advances to customers***	18	**23,105**	**-**	**-**	**16**	**23,121**	**19,457**
Financial liabilities							
Deposits by banks	24	**6,749**	**-**	**-**	**-**	**6,749**	**6,749**
Customer accounts	25	**18,545**	**-**	**-**	**5**	**18,550**	**18,565**
Debt securities in issue	26	**1,006**	**-**	**(13)**	**10**	**1,003**	**991**
Derivative liabilities**	16	**-**	**192**	**94**	**111**	**397**	**397**
Subordinated liabilities	29	**21**	**-**	**-**	**1**	**22**	**22**

31 December 2014	Note	Held at amortised cost €m	At fair value through equity €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair Value €m
Financial assets							
Cash and balances with central banks	13	89	-	-	-	89	89
Items in course of collection	13	33	-	-	-	33	33
Debt securities*	14	2,664	2,662	-	-	5,326	5,450
Equity securities	15	-	-	-	-	-	-
Derivative assets**	16	-	-	36	88	124	124
Loans and advances to banks	17	1,768	-	-	-	1,768	1,768
Loans and advances to customers***	18	28,210	-	-	26	28,236	23,886
Financial liabilities							
Deposits by banks	24	9,107	-	-	-	9,107	9,107
Customer accounts	25	20,431	-	-	7	20,438	20,206
Debt securities in issue	26	3,424	-	(25)	26	3,425	3,343
Derivative liabilities**	16	-	200	70	165	435	435
Subordinated liabilities	29	385	-	-	2	387	444

*Debt securities held at amortised cost include €1,555m of held to maturity securities (31 December 2014: €1,377m).

**Derivative assets and liabilities held at fair value through profit or loss relate to embedded derivative instruments and derivatives instruments deemed to be held for trading. Derivative liabilities held at fair value through equity relate to instruments that are held as cash flow hedges.

***Loans and advances to customers includes assets held for sale of €91m (31 December 2014: €1,030m).

Notes to the Consolidated Financial Statements
(continued)

33. Measurement basis and fair values of financial instruments (continued)

The following table sets out the fair values of financial instruments that the Group holds at 31 December 2015. It categorises these securities into the relevant level on 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 market data.
Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market data.

31 December 2015	Note	Total carrying value	Level 1	Level 2	Level 3	Total fair value
		€m	€m	€m	€m	€m
Financial assets						
Cash and balances with central banks	13	**64**	**-**	**64**	**-**	**64**
Items in course of collection	13	**31**	**-**	**31**	**-**	**31**
Debt securities	14	**3,839**	**3,919**	**16**	**-**	**3,935**
Equity securities	15	**23**	**-**	**-**	**23**	**23**
Derivative assets	16	**58**	**-**	**58**	**-**	**58**
Loans and advances to banks	17	**1,516**	**-**	**1,516**	**-**	**1,516**
Loans and advances to customers*	18	**23,121**	**-**	**-**	**19,457**	**19,457**
Financial liabilities						
Deposits by banks	24	**6,749**	**-**	**6,759**	**-**	**6,759**
Customer accounts	25	**18,550**	**-**	**18,565**	**-**	**18,565**
Debt securities in issue	26	**1,003**	**539**	**452**	**-**	**991**
Derivative liabilities	16	**397**	**-**	**397**	**-**	**397**
Subordinated liabilities	29	**22**	**-**	**22**	**-**	**22**

*Loans and advances to customers includes Assets held for sale of €91m (note 41).

31 December 2014	Note	Total carrying value	Level 1	Level 2	Level 3	Total fair value
		€m	€m	€m	€m	€m
Financial assets						
Cash and balances with central banks	13	89	-	89	-	89
Items in course of collection	13	33	-	33	-	33
Debt securities	14	5,326	5,450	-	-	5,450
Equity securities	15	-	-	-	-	-
Derivative assets	16	124	-	124	-	124
Loans and advances to banks	17	1,768	-	1,768	-	1,768
Loans and advances to customers*	18	28,236	-	-	23,886	23,886
Financial liabilities						
Deposits by banks	24	9,107	-	9,107	-	9,107
Customer accounts	25	20,438	-	20,206	-	20,206
Debt securities in issue	26	3,425	1,598	1,745	-	3,343
Derivative liabilities	16	435	-	435	-	435
Subordinated liabilities	29	387	-	444	-	444

*Loans and advances to customers includes assets held for sale of €1,030m (note 41).

33. 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. Where market prices are not available, fair values are determined using valuation techniques. These techniques are subjective in nature and may involve assumptions which are based upon Management's view of market conditions at year end which may not necessarily be indicative of any subsequent fair value. Any minor changes in the assumptions used could have a significant impact on the resulting estimated fair values and, as a result, it may be difficult for the users to make a reasonable comparison of the fair value information disclosed here, 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. The fair values disclosed above also 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 AFS financial assets and derivative assets and liabilities, 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 and balances with central banks / 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 except for the €36m which has a maturity of greater than three months. These loans and advances are repayable on demand and short-term in nature, hence, the fair value of these financial instruments 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 mortgages. Cash flows are discounted using the current weighted average standard variable portfolio rate. 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. For other portfolios, a Management estimated discount is applied based on indicative bids, where these are available.

A 1% change in the average discount rate would impact the fair value of the residential mortgage portfolio by approximately €1.7bn.

Debt securities - Loans and receivables (NAMA senior bonds)

Included in the debt securities loans and receivables of €778m are €762m of NAMA senior bonds. The fair value of these securities is derived from market prices through independent pricing sources (level 1).

In the event of market prices not being available, the fair value of these bonds would be derived using a valuation technique as there is no active market for these bonds. The valuation techniques used in arriving at the fair value include, analysing available market data, yield on Irish Government bonds with similar maturity, expected cash flows from these securities, identifying a risk free discount rate and applying an appropriate credit spread (level 3).

Debt securities (HTM securities and other Loans and Receivables)

Included in debt securities at 31 December 2015 are €1,555m (31 December 2014: €1,377m) of HTM and €16m (31 December 2014: €12m) of loans and receivables other than NAMA bonds. HTM and the residual loans and receivables debt values are derived from observable market data through independent pricing sources such as Bloomberg (level 1), with the exception of €16m exchequer notes held with the NTMA (level 2).

Notes to the Consolidated Financial Statements
(continued)

33. Measurement basis and fair values of financial instruments (continued)

Equity securities (AFS)
Included in equity securities at 31 December 2015 are €23m (31 December 2014: nil) which are classified as level 3 as the valuation for this equity instrument includes inputs that are unobservable market data including management judgement in respect of the current value of the equity investment.

Deposits by banks / customer accounts
The estimated fair value of current accounts and deposits 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 debts with similar remaining maturities (level 2).

Debt securities in issue / subordinated liabilities
The fair values of these liabilities are estimated using market prices of instruments that are substantially the same as those issued by the Group (level 2).

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 available for sale financial assets and certain derivatives assets and liabilities at fair value through other comprehensive income. The remaining derivative assets and liabilities are held for trading and fair valued through the Income Statement.

Debt securities (AFS Securities)
Included in debt securities at 31 December 2015 are €1,506m (31 December 2014: €2,662m) of AFS securities. At 31 December 2015, all of the AFS securities fair value has been determined directly from observable market prices (level 1 inputs).

Derivative assets and liabilities
Derivatives of the Group are determined using valuation techniques such as discounted cash flow and pricing models which are commonly used by market participants. These valuations are provided by third party brokers, and the models used incorporate observable market inputs such as current interest rate, time to maturity, forward foreign exchange rates, yield curves and volatility measures (level 2 inputs). Therefore, derivative assets and derivative liabilities have been classified as level 2 in the fair value hierarchy below.

Fair value measurements recognised in the statement of financial position
The following table presents financial instruments that are measured at fair value categorised into the fair value hierarchy.

31 December 2015	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value				
Debt securities				
-AFS Debt securities (note 14)	**1,506**	**-**	**-**	**1,506**
Equity instruments (note 15)	**-**	**-**	**23**	**23**
Derivative assets (note 16)	**-**	**58**	**-**	**58**
Financial liabilities measured at fair value				
Derivative liabilities (note 16)	**-**	**397**	**-**	**397**

31 December 2014	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value				
-AFS Debt securities (note 14)	2,662	-	-	2,662
Equity securities (note 15)	-	-	-	-
Derivative assets (note 16)	-	124	-	124
Financial liabilities measured at fair value				
Derivative liabilities (note 16)	-	435	-	435

There were no transfers between level 1 and level 2 of the fair value hierarchy during 2015 or 2014.

33. Measurement basis and fair values of financial instruments (continued)

Level 3 fair value measurements

(i) Reconciliation

	2015 €m	2014 €m
Equity instruments - AFS		
As at 1 January	-	-
Revaluation movement	23	-
As at 31 December	**23**	-

There were no gains or losses included in the income statement for these assets during 2014 or 2015.

Equity securities - AFS

PTSB is a Principal Member of Visa Europe and as such owns one share with a fair value of €23m in Visa Europe. Following a public announcement, all shares in Visa Europe are due to be sold in 2016 with Principal Members receiving consideration in the form of cash and preferred stock in Visa Inc. In addition, an earn-out may be payable in future years where certain conditions are met. The fair value of this shareholding is classified as level 3 as the valuation of the share includes inputs that are based on unobservable market data. Management has made assumptions and judgements, based on the best information made available to PTSB by Visa Europe to determine the fair value. The underlying element of the fair value calculation is the estimated consideration payable to PTSB as indicated by Visa Europe. Adjustments have been made to the estimated consideration to take account of a range of costs which may be incurred by Visa Europe and which would need to be reflected in the fair value of the share. Management have considered the potential favourable and unfavourable effects on the valuation of the shareholding in Visa Europe were changes to arise to the unobservable inputs. Management have stressed these unobservable inputs by +/- 100bps which would have a resultant impact on the fair value calculation by +/- €0.1m.

Sensitivity analysis of level 3 fair value measurements

At 31 December 2015, financial instruments classified as level 3 amounted to €23m equity securities.

34. Financial risk management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Board Risk and Compliance Committee ("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 Enterprise Risk Management Committee, the Group Credit Committee and the Assets & Liabilities Committee.

The Group Audit Committee, consisting of members of the Board of Directors, 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 Group Audit Committee is assisted in its oversight role by Group Internal Audit. Group Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

Further details on Group risk management framework, Group's risk appetite and strategy, risk governance and risk identification and assessment are described under the Risk Management section of this Annual Report which has not been subject to audit.

The Group risk identification and assessment process identifies the following risks as being material to the operations of the Company:
1. Credit Risk
2. Liquidity Risk
3. Market Risk (including currency risk, fair value interest rate risk)
4. Operational Risk

This note presents information about the Group's exposure and approach to management of Credit Risk, Liquidity Risk and Market Risk (including interest rate risk and foreign exchange risk). The Group's exposure and approach to management of Operational Risk is detailed within the Risk Management section of this Annual Report.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

The key financial risks arise in the underlying subsidiary companies of the Group. All of the Directors of the Company are also Directors on the Board of PTSB. In addition, they have representation on the Boards of Lansdowne 199, Springboard Mortgages Limited and Permanent Bank International Limited, its key subsidiary companies. This allows the Directors to monitor the key risks and controls in the underlying subsidiaries.

1. Credit Risk

Credit risk is 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.

The manner in which the Group's exposure to credit risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below:

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 financial health or its ability to maintain its core business.

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.

Credit-related Commitments

The Group manages credit-related commitments (including commitments and letters of offer) that are not reflected as loans and advances on the statement of financial position.

How Credit Risk Arises

Credit risk is defined as the potential for material financial loss arising from a failure to:

- Accurately predict the likelihood of a customer repaying their debt based upon their disclosed, known or discovered attributes and characteristics at the point of funding;
- Accurately model the likelihood or extent of unexpected changes in the customer's ability or intent to repay their debt; and
- Accurately predict unexpected changes in the value of security pledged to the Group.

How Credit Risk Is Managed

Credit risk is managed within a three lines of defence model, consistent with the Central Bank Corporate Governance Code and European Banking Authority ("EBA") Guidelines on Internal Governance. To manage this model, Management operates the following:

- Effective policies and processes to identify, measure or assess, monitor, mitigate and report on risks (first line of defence);
- An internal control framework designed to manage credit policy and strategy, provide support to the business units in the effective application of policy and then to verify that policies and procedures are complied with (second line of defence); and
- Group Internal Audit function to provide an independent review of the first two lines of defence (third line of defence).

To support the effective oversight of the first and second lines of defence, the Group has established a Group Centre with responsibility for managing Customer Credit Risk.

The Customer Credit Division consists of four individual business units each reporting to the Director of Customer Credit (a member of the Group's Executive Committee) who reports to the Group's Chief Risk Officer.

The structure and roles of each unit within the Division are summarised below:

Customer Acquisition Strategy & Decisioning

The primary role of the unit is to support the design of new credit products/processes and manage the credit decisioning process.

Decision Science

The unit is tasked with building and maintaining all of the Group's models and in particular its scorecards and credit models.

34. Financial risk management (continued)

Credit Policy, Management Information and Impairment

The unit's responsibility is three-fold:

- Managing the design and maintenance of Credit Policy and tracking and testing adherence to same;
- Managing the Bank's impairment calculations, forecasting and reporting; and
- Designing and delivering efficient credit portfolio data and reporting.

Collections Strategy

The unit is responsible for designing and developing effective strategies for the management of high risk credit facilities, including arrears collection outcomes.

Key components in the Group's management of credit risk are summarised below:

Credit Policy

To aid in the management of credit risk, the Group has put in place detailed credit policies which contain the core values and principles governing the provision and management of credit. These policies take account of the Group's Risk Appetite Statement, applicable sector credit limits, the lessons learned from the Group's recent history, 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. All exposures above certain predetermined levels require approval by the Group Credit Committee. Below Group Credit Committee 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.

Credit Risk Measurement

All 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 periodically as part of the facility review process.

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 probability of defaults (PDs), to individual exposures. With regard to portfolio segmentation, the Group's credit exposures have been segmented to appropriately reflect the characteristics, and risk profile, associated with different types of exposures.

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

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 – as per the Capital Requirements Regulation ("CRR") definition of default.

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

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 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 probability of default.

The internal grading below incorporates the IRB rating.

- 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.
- Fair risk profile (IRB ratings 22 to 24) – includes exposures whose general profiles are considered to require some additional monitoring.
- Defaulted (IRB rating 25) – includes exposures that are greater than 90 days past due or judged to be impaired.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Derivative assets
Credit default risk also arises on non-traded / over-the-counter derivative exposures since the Group is exposed to the risk of the counterparty defaulting prior to the maturity of "in-the-money" products, thereby necessitating replacement of the contract at applicable market rates. To manage this risk, counterparty limits are maintained in the Group's investment accounting system, and specialist Risk Management and Compliance teams undertake regular independent monitoring of counterparty exposure against limits. All breaches of counterparty limits are notified to the ALCO.

In the case of most counterparties, to avoid a build-up of exposure on derivatives, the Group uses a credit support annex ("CSA"), which is an addendum to the bi-lateral ISDA Agreement with a counterparty, and which requires daily settlement of mark to market values of outstanding derivative deals.

The Group has substantially mitigated its derivative positions through the use of netting and collateral arrangements. The netting 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. It is therefore not considered appropriate to include credit valuation adjustments ("CVA") or debt valuation adjustments ("DVA") when calculating the fair value of the derivative positions.

Collateral
Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. 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. The Group takes collateral as a secondary source, which can be called upon if the borrower is unable or unwilling to service and repay debt as originally assessed.

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.).

The Group's requirements for collateral around completion, valuation and management requirements are set out in appropriate credit policy and business unit procedures.

Credit Reporting / Monitoring
It is the Group's policy to ensure that adequate up to date credit management information is available to support the effective management of individual exposures and the overall credit portfolio. The Group allocates significant resources to ensure on-going monitoring and compliance with approved risk limits. Credit risk at a Group, Business Unit, Operating Unit and Product Type Level is reported on a monthly basis to Senior Management.

This monthly reporting includes information and appropriate insights into portfolio trends including portfolio growth and quality. The Group Credit Committee monitors portfolio and customer concentration on an on-going basis with reference to pre-agreed portfolio control limits and guide points which are designed with reference to the Group's Risk Appetite Statement which is approved annually by the Group Board of Directors.

The Group Credit Committee also monitors credit policy exceptions on an on-going basis. In addition, other reports are submitted to Senior Management and the Group Credit Committee as required. The Group also operates a Credit Quality Review (CQR) function which reports to the Customer Credit Director and which is tasked with examining the quality of credit assessment and adherence to credit policy across the various portfolios.

The Group's Internal Audit function also provides an independent review of credit risk management controls and procedures.

34. Financial risk management (continued)

Forbearance Measures

The Group has a process in place, the objective of which is to secure compliance with the requirements of the CBI 2013 Code of Conduct on Mortgage Arrears ("CCMA"), which sets out the framework that the Group must use when dealing with borrowers in mortgage arrears or in pre-arrears.

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.

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 and they comply with all regulatory requirements. The Group is also cognisant of the mortgage arrears resolution targets ("MART") set by the Central Bank of Ireland and has met all of its targets in 2014 and in 2015, with Quarter 4 subject to Central Bank of Ireland verification.

During the period of forbearance, arrears are maintained, and unless the customer is paying more than their contractual minimum payment, arrears balances will remain and the loan will continue to be reported as in arrears with certain long term forbearance strategies (such as term extension and split mortgages) allowing for arrears capitalisation to occur. When customers come to the end of their arrangement period, depending on their circumstances, they may be offered a further arrangement or, if not suitable, they will continue to be managed as a mainstream collections case and if unable to recover, will then move towards repossession or voluntary sale.

Under the Group's current policy, customers can have their arrears balance capitalised once they have demonstrated they can pay the contractual minimum payment, but are unable to clear their historic arrears. This is usually demonstrated by the customer making six contractual monthly payments over the last six months and demonstrating that this level of repayment is sustainable into the future. Customers are able to recapitalise once over a 7 year period.

The Group currently offers the following forbearance strategies:

Interest only
This is an arrangement where the borrower pays full interest on the loan balance. This may be on a long or short term arrangement. This differs from the original facility agreement where the borrower is required to pay capital plus interest.

Reduced payments (less than interest only)
This is an arrangement where the borrower pays less than full interest on the loan balance. This may be a long or short term arrangement. This differs from the original facility where the borrower is required to pay capital plus interest. The underpayment of interest is capitalised to the loan principal.

Reduced payments (greater than interest only)
This is an arrangement where the borrower pays full interest on the loan balance plus some principal. This may be a long or short term arrangement. There is an expectation that the principal repayments will increase over time. The shortfall in principal is capitalised.

Arrears capitalisation
This is an arrangement where the arrears on the loan are capitalised to the loan principal. The repayment is on original terms or adjusted taking into account the increased original loan balance.

Term extension
This is an arrangement where the original term of the loan is extended.

Split Mortgage
This is an arrangement where a loan is split with one portion of the loan being warehoused and during this period no interest is paid on the warehoused portion of the loan. The other portion of the loan continues on the original terms of the loan agreement.

Hybrid
This is an arrangement which may incorporate a number of different forbearance arrangements.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Payment moratorium
This is a temporary amendment to the contractual repayment terms on a loan for a short period of time due to a temporary change in the life circumstances of the borrower.

Loan Loss Provisioning
Through its on-going credit review processes, the Group seeks early identification of deteriorating loans with a view to taking corrective action to prevent the loan becoming impaired. It is the Group's policy to provide for impairment promptly and consistently across the portfolio. For those loans that become impaired, the focus is to minimise the loss that the Group will incur from such impairment. Loans that are at risk of impairment are managed by the Group's dedicated Asset Management Unit. Management of these accounts may involve implementing appropriate forbearance solutions, entering into sustainable restructuring arrangements or taking action to enforce the Group's security.

Other factors taken into consideration in estimating provisions include the domestic and international economic climate, changes in portfolio risk profile and the effect of any external factors such as legal or competition requirements.

Loan loss provisioning is an on-going process and the provisioning methodologies applied across the portfolio are subject to formal approval by the Group Credit Committee and Group Board of Directors on a half-yearly basis. The adequacy of impairment provisions is also reviewed by the Board on a half-yearly basis.

Where cash flows arising from the realisation of collateral held are included in impairment assessments, Management typically rely on valuations or business appraisals from independent external professionals. However, in the case of property assets where restricted market liquidity continues to be a feature of the market, the Group uses estimated cash flows based on valuations from the most appropriate source available for the asset in question.

The Group's accounting policy on impairment provisioning is set out in note 1 and estimates and judgements exercised in the impairment provisions calculation are discussed in note 2.

All credit exposures, either individually or collectively, are regularly reviewed for objective evidence of impairment. Where such evidence of impairment exists, the exposure is measured for an impairment provision. Where objective evidence of impairment exists, as a result of one or more past events, the Group is required to estimate the recoverable amount of the exposure or group of exposures.

The Group's impairment provisioning methodologies are compliant with IFRS. International Accounting Standard (IAS) 39 requires that there is objective evidence of impairment and that the loss has been incurred. The standard does not permit the recognition of expected losses, no matter how likely these expected losses may appear.

Specific Impairment Provisions
Loans are assessed for specific provisions where they are individually significant loans or greater than 90 days in arrears and / or there is objective evidence that the loan is impaired. An impairment loss occurs where the Group does not expect to recover the full value of the loan facility. The criteria used by the Group to determine whether there is such objective evidence includes, but is not limited to:

- Delinquency in contractual interest or principal repayments;
- Significant financial difficulty of the borrower;
- Deterioration in value of the collateral;
- Where a borrower is in financial difficulty and a concession is granted that would not otherwise be considered;
- The probability that the borrower will enter bankruptcy or other financial re-organisation;
- A forbearance request by the customer accompanied by the submission of a Standard Financial Statement ("SFS");
- Absence of an active market (commercial mortgages);
- Borrower's ability to refinance the existing loan (commercial mortgages); and
- Any significant exceptional events.

In general, the Group employs statistical models to assess and calculate the appropriate provision charge for all loans greater than 90 days in arrears or when there is objective evidence of impairment. Those statistical models mainly incorporate historical trends of probability of defaults, rates by which defaulted or delinquent accounts are assumed to return to performing status (known as cure rates), the timing of recoveries of collateral and the amount of loss incurred, adjusted for Management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates (Probability of Default), loss rates (Loss Given Default), cure rates and the expected timing of recoveries of collateral are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

34. Financial risk management (continued)

However, in certain circumstances an individual assessment will be carried out and an impairment charge will be calculated. They are as follows:

Individual Assessment
ROI Residential Mortgages
In respect of residential mortgage exposures an individual assessment is performed for all accounts greater than €5m or where evidence is obtained that the borrower may be experiencing difficulties or any other indications as listed in the criteria used by the Group to determine whether there is objective evidence of impairment present. In such cases, a discounted cash flow approach is used incorporating the following factors:

- The loan exposure;
- The recent repayment history i.e. the level of arrears and anticipated future repayments;
- The estimated value of the collateral and certain assumptions with regard to the peak to trough decline in residential house prices;
- The cost of realising the collateral; and
- The estimated time to realise the security / collateral.

For exposures of over €1m and less than €5m, a risk based approach is adopted where collateral values are benchmarked to sample market comparatives.

UK Residential Mortgages
UK residential mortgages may be individually assessed where there is objective evidence that the borrower may be experiencing difficulties.

Commercial Mortgages
Commercial loans meeting the following criteria are reviewed individually for impairment:

- Loans greater than 90 days in arrears where the customer exposure is greater than €750,000 in value;
- Loans currently in forbearance where the customer exposure is greater than €750,000 in value; and
- Watch list cases – performing commercial loans but where evidence is obtained that the borrower may be experiencing financial difficulties.

To determine the appropriate account-specific impairment provision for commercial mortgages, a discounted cash flow is calculated incorporating the following factors:

- The Group's aggregate exposure to the customer;
- The viability of the customer's business model in generating sufficient cash flow to service its debt obligations;
- The estimated realisable value of any security (or other credit risk mitigants) and the likelihood of a successful repossession;
- The expected distribution available on any liquidation or bankruptcy;
- The cost of realising the collateral; and
- The estimated time to realise the security / collateral.

In addition to the above, the Group operates a comprehensive annual review process for performing commercial loans and loans not subject to specific impairment assessment.

IBNR Impairment Provisions
Loans which are not specifically impaired or in default, are included in the IBNR provisioning approach. The impairment on unimpaired loans which are collectively assessed is calculated using statistical models by determining the probability of arrears levels deteriorating and applying Loss Given Defaults ("LGD") to the loan balance. These LGDs take into account the key factors required including valuation of collateral, discounting and expected cure rates, based on historical experience, adjusted as appropriate for Management judgement to reflect current conditions as at the statement of financial position date.

A provision may also be established if no loan-specific indicators of impairment loss have been identified and attributed to specific customers, where experience and other observable data indicate that such impairment losses are present in the portfolio as at the date of assessment.

The IBNR impairment provision factors in the historical loss experience in portfolios with similar credit risk characteristics, current economic conditions and behavioural trends of borrowers.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Valuation Methodologies

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

- ROI residential property valuations are based on the CSO residential property price index or on recent valuations where property is repossessed while maintaining an appropriate buffer;
- 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 and discount rates; and
- In the UK, property values are determined using drive by valuations and the expert judgement of recognised providers.

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

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 Group's financial assets as at the statement of financial position date.

	Notes	31 December 2015 €m	31 December 2014 €m
Cash and balances with central banks	13	**64**	89
Items in course of collection	13	**31**	33
Debt securities (i)	14	**3,839**	5,326
Equity securities	15	**23**	-
Derivative assets (ii)	16	**58**	124
Loans and advances to banks (iii)	17	**1,516**	1,768
Loans and advances to customers (including assets held for sale) (iv)	18	**23,121**	28,236
		28,652	35,576
Other assets			
Commitments and contingencies	39	**500**	490
		29,152	36,066

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 (including sovereign debt). An IRB approach is applied in managing credit risk with the exception of Ireland. Sovereign debt is restricted to countries with an internally set rating that is equivalent to a Moody's rating of A3 or higher. In addition, restrictions around the holding of securities in certain euro zone countries have also been put in place. The Group has set counterparty limits for all debts and loans on a Group-wide basis.

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 Moody's rating. There are no specific impaired debt securities as at 31 December 2015 or at 31 December 2014.

Debt securities neither past due nor impaired

	31 December 2015 €m	% Change	31 December 2014 €m
Rating			
A	**3,839**	-28%	5,326
Total	**3,839**		5,326

34. Financial risk management (continued)

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

	31 December 2015		31 December 2014	
	Sovereign debt €m	Corporate debt €m	Sovereign debt €m	Corporate debt €m
Country				
Ireland	**3,839**	**-**	5,047	182
Poland	**-**	**-**	86	-
United Kingdom	**-**	**-**	-	12
	3,839	**-**	5,133	194
Impairment Provision		**-**		(1)
Total		**3,839**		5,326

The provision in the prior year relates to a collective provision.

The Group holds debt securities, included above, of €3.8bn as at 31 December 2015 (31 December 2014: €4.0bn) which carry a guarantee from the Irish Government.

(ii) Derivative assets

	31 December 2015 €m	% Change	31 December 2014 €m
Rating			
A	**6**	-89%	56
Covered by netting agreements	**52**	-24%	68
Total	**58**		124

The Group has executed Collateral Support Agreements ("CSA") with its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements, the Group exchanges collateral in line with movements in the market values of derivative positions daily. The fair value of collateral that the Group held against derivative positions with a cumulative positive market value of €58m as at 31 December 2015 (31 December 2014: €124m) amounted to €4m as at 31 December 2015 (31 December 2014: €65m).

(iii) Loans and advances to banks

The Group has a policy to ensure that, where possible, loans and advances to banks are held with investment grade counterparties. 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 rating prescribed by Moody's Investor Services Limited.

	31 December 2015 €m	% Change	31 December 2014 €m
Rating			
Aaa	**458**	44%	318
Aa	**30**	-65%	86
A	**979**	-6%	1,039
Baa	**48**	-85%	312
Ba	**1**	-92%	13
Total	**1,516**		1,768

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

(iv) Loans and advances to customers

Asset Quality

The Core loans and advances includes loans and advances to customers in respect of ROI residential mortgages and consumer finance originated by PTSB, while the Non-core loans and advances to customers relate to commercial mortgages, including residential mortgages which are connected to these commercial mortgages and UK residential mortgages.

Loans which are neither past due nor impaired are analysed as excellent, satisfactory or fair according to their IRB rating as described above. These numbers are not included in the statutory audit opinion set out herein.

Past due but not impaired is defined as loans where repayment of interest and / or principal are overdue by at least one day but which are not impaired.

A loan is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which give rise to an adverse impact on the estimated future cash flows of the asset. Impairment provisions are calculated either individually on loans where significant, or on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement.

31 December 2015	Residential mortgages						Analysed as:	
	ROI	UK	Comm*	Consumer finance	Total		Core	Non-core
	€m	€m	€m	€m	€m	%	€m	€m
**								
Excellent	10,245	2,064	17	153	12,479	48%	10,348	2,131
Satisfactory	4,198	1,190	140	49	5,577	22%	4,202	1,375
Fair risk	1,282	113	30	19	1,444	6%	1,295	149
Neither past due nor impaired	15,725	3,367	187	221	19,500	76%	15,845	3,655
Past due but not impaired	661	64	58	12	795	3%	665	130
Impaired	5,072	138	137	85	5,432	21%	5,103	329
	21,458	3,569	382	318	25,727	100%	21,613	4,114
Provision for impairment losses	(2,461)	(54)	(94)	(79)	(2,688)		(2,506)	(182)
	18,997	3,515	288	239	23,039		19,107	3,932
Deferred fees, discounts and fair value adjustment	81	-	-	1	82		81	1
	19,078	3,515	288	240	23,121		19,188	3,933

* Includes €91m of Assets classified as held for sale from the Commercial portfolio.
** The shaded information is not subject to audit by the Group's Independent Auditor.

31 December 2014	Residential mortgages						Analysed as:	
	ROI*	UK	Comm*	Consumer finance	Total		Core	Non-core
	€m	€m	€m	€m	€m	%	€m	€m
**								
Excellent	11,675	4,119	58	140	15,992	50%	11,718	4,274
Satisfactory	2,979	2,203	303	62	5,547	18%	2,996	2,551
Fair risk	1,441	162	106	22	1,731	5%	1,452	279
Neither past due nor impaired	16,095	6,484	467	224	23,270	73%	16,166	7,104
Past due but not impaired	828	172	54	18	1,072	3%	834	238
Impaired	5,791	102	1,483	102	7,478	24%	5,482	1,996
	22,714	6,758	2,004	344	31,820	100%	22,482	9,338
Provision for impairment losses	(2,673)	(61)	(892)	(96)	(3,722)		(2,544)	(1,178)
	20,041	6,697	1,112	248	28,098		19,938	8,160
Deferred fees, discounts and fair value adjustment	137	-	-	1	138		137	1
	20,178	6,697	1,112	249	28,236		20,075	8,161

* Includes €1.03bn of Assets classified as held for sale from the Commercial and ROI residential portfolios.
** The shaded information is not subject to audit by the Group's Independent Auditor.

Analysis of the above tables is provided on the following page.

34. Financial risk management (continued)

The Group's core loans after impairment amounted to €19.1bn or 83% of total loans and advances as at 31 December 2015 (31 December 2014: €20.0bn). The Group's non-core loans after impairment amounted to €3.9bn or 17% of total loans and advances as at 31 December 2015 (31 December 2014: €8.2bn).

Loans which are neither past due nor impaired, before provision for impairment losses, amounted to €19.5bn or 76% of the loan book as at 31 December 2015 in comparison to €23.3bn or 73% of the loan book as at 31 December 2014.

As at 31 December 2015, €0.8bn or 3% of the loan portfolios are within past due but not impaired loans category compared to €1.1bn or 3% as at 31 December 2014.

Impaired loan balances as at 31 December 2015 were €5.4bn or 21% of the total loan book (31 December 2014: €7.5bn or 24%). Impaired loans have decreased by 27% in 2015.

Impairment provisions were €2.7bn and represented 10% of total gross loans and advances to customers at 31 December 2015 compared to €3.7bn which represented 12% of total gross loans and advances to customers as at 31 December 2014.

Total interest income as at 31 December 2015 on impaired loans in the income statement amounted to €81m (31 December 2014: €94m).

The table below outlines the arrears profile for ROI and UK residential mortgages by asset quality analysed by Home loans and Buy-to-let:

31 December 2015	**ROI residential mortgages**		**UK residential mortgages**		
	Home loans	**Buy-to-let**	**Home loans**	**Buy-to-let**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
*					
Excellent	**9,254**	**991**	**52**	**2,012**	**12,309**
Satisfactory	**1,783**	**2,415**	**135**	**1,055**	**5,388**
Fair risk	**577**	**705**	**6**	**107**	**1,395**
Neither past due nor impaired	**11,614**	**4,111**	**193**	**3,174**	**19,092**
Past due but not impaired	**536**	**125**	**14**	**50**	**725**
Impaired	**3,712**	**1,360**	**27**	**111**	**5,210**
	15,862	**5,596**	**234**	**3,335**	**25,027**
Provision for impairment losses	**(1,498)**	**(963)**	**(8)**	**(46)**	**(2,515)**
	14,364	**4,633**	**226**	**3,289**	**22,512**
Deferred fees, discounts and fair value adjustment	**81**	**-**	**-**	**-**	**81**
	14,445	**4,633**	**226**	**3,289**	**22,593**

* The shaded information is not subject to audit by the Group's Independent Auditor.

31 December 2014	**ROI residential mortgages**		**UK residential mortgages**		
	Home loans	**Buy-to-let**	**Home loans**	**Buy-to-let**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
*					
Excellent	9,412	2,263	96	4,023	15,794
Satisfactory	1,691	1,288	225	1,978	5,182
Fair risk	714	727	11	151	1,603
Neither past due nor impaired	11,817	4,278	332	6,152	22,579
Past due but not impaired	691	137	50	122	1,000
Impaired	3,947	1,844	7	95	5,893
	16,455	6,259	389	6,369	29,472
Provision for impairment losses	(1,574)	(1,099)	(4)	(57)	(2,734)
	14,881	5,160	385	6,312	26,738
Deferred fees, discounts and fair value adjustment	137	-	-	-	137
	15,018	5,160	385	6,312	26,875

* The shaded information is not subject to audit by the Group's Independent Auditor.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Non-performing loans:

Non-performing loans ("NPLs") are defined as impaired loans, loans which are greater than 90 days in arrears, loans where the borrower is considered unlikely to repay the total loan balance without realisation of the underlying collateral and loans which are considered unlikely to pay as defined under regulatory guidelines, including the May 2013 CBI guidelines on impairment provisioning and under European Banking Authority Implementing Technical Standards.

31 December 2015	ROI residential mortgages		UK residential mortgages				
	Home loans	Buy-to-let	Home loans	Buy-to-let	Comm.	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
Not Impaired no arrears	**69**	**374**	**2**	**5**	**4**	**-**	**454**
Not Impaired < 90 days in arrears	**35**	**20**	**3**	**6**	**-**	**-**	**64**
Not Impaired > 90 days in arrears	**127**	**4**	**-**	**-**	**-**	**-**	**131**
Impaired loans	**3,712**	**1,360**	**27**	**110**	**138**	**85**	**5,432**
Non-performing loans	**3,943**	**1,758**	**32**	**121**	**142**	**85**	**6,081**
NPLs as % of gross loans	**25%**	**31%**	**14%**	**4%**	**37%**	**27%**	**24%**
Provision coverage ratio*	**39%**	**71%**	**30%**	**42%**	**68%**	**93%**	**48%**
NPL Provision coverage ratio**	**38%**	**55%**	**25%**	**38%**	**66%**	**93%**	**44%**

* Provision coverage ratio is calculated as impairment provisions as a % of non-performing loans greater than 90 days in arrears and/or impaired
**NPL Provision coverage ratio is calculated as impairment provisions as a % of non-performing loans

31 December 2014	ROI residential mortgages		UK residential mortgages				
Restated	Home loans	Buy-to-let	Home loans	Buy-to-let	Comm.	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
Not Impaired no arrears	43	356	21	30	46	-	496
Not Impaired < 90 days in arrears	56	28	5	14	7	-	110
Not Impaired > 90 days in arrears	180	13	13	18	-	-	224
Impaired loans	3,947	1,844	7	95	1,483	102	7,478
Non-performing loans	4,226	2,241	46	157	1,536	102	8,308
NPLs as % of gross loans	26%	36%	12%	2%	77%	30%	26%
Provision coverage ratio*	38%	59%	20%	50%	60%	94%	48%
NPL Provision coverage ratio**	37%	49%	9%	36%	58%	94%	45%

* Provision coverage ratio is calculated as impairment provisions as a % of non-performing loans greater than 90 days in arrears and/or impaired
**NPL Provision coverage ratio is calculated as impairment provisions as a % of non-performing loans

34. Financial risk management (continued)

Loans and advances which are past due but not impaired:

The table below provides an aged analysis of loans and advances which are past due but not impaired.

31 December 2015	ROI residential mortgages		UK residential mortgages				
	Home loans	Buy-to-let	Home loans	Buy-to-let	Comm.	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
0-30 days	313	102	2	6	5	9	437
31-60 days	60	13	9	39	2	2	125
61-90 days	36	5	3	5	51	1	101
91-180 days	25	1	-	-	-	-	26
181-360 days	25	-	-	-	-	-	25
> 360 days	77	4	-	-	-	-	81
Total past due not impaired	**536**	**125**	**14**	**50**	**58**	**12**	**795**
Fair value of collateral held*	**516**	**114**	**14**	**50**	**48**	**-**	**742**

*Fair value of collateral held	ROI residential mortgages		UK residential mortgages				
	Home loans	Buy-to-let	Home loans	Buy-to-let	Comm.	Consumer finance	Total
	€m	€m	€m	€m	€m	€m	€m
0-30 days	297	92	2	6	4	-	401
31-60 days	58	12	9	39	1	-	119
61-90 days	34	5	3	5	43	-	90
91-180 days	25	1	-	-	-	-	26
181-360 days	25	-	-	-	-	-	25
> 360 days	77	4	-	-	-	-	81
Total past due not impaired	**516**	**114**	**14**	**50**	**48**	**-**	**742**

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.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Loans and advances which are past due but not impaired (continued)

31 December 2014	ROI residential mortgages		UK residential mortgages				
	Home loans €m	Buy-to-let €m	Home loans €m	Buy-to-let €m	Comm. €m	Consumer finance €m	Total €m
0-30 days	347	95	20	31	44	13	550
31-60 days	107	18	12	61	7	3	208
61-90 days	57	11	5	12	3	2	90
91-180 days	35	1	7	8	-	-	51
181-360 days	34	2	4	5	-	-	45
> 360 days	111	10	2	5	-	-	128
Total past due not impaired	691	137	50	122	54	18	1,072
Fair value of collateral held*	654	122	49	120	38	-	983

*Fair value of collateral held	ROI residential mortgages		UK residential mortgages				
	Home loans €m	Buy-to-let €m	Home loans €m	Buy-to-let €m	Comm. €m	Consumer finance €m	Total €m
0-30 days	322	85	20	31	31	-	489
31-60 days	99	15	12	60	5	-	191
61-90 days	53	9	5	12	2	-	81
91-180 days	35	1	6	8	-	-	50
181-360 days	34	2	4	4	-	-	44
> 360 days	111	10	2	5	-	-	128
Total past due not impaired	654	122	49	120	38	-	983

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 on the following page 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 ROI and UK residential mortgage portfolios analysed across home loans and buy-to-let facilities by value. The weighted average LTV on the ROI and UK residential mortgage portfolios is 90% at 31 December 2015 compared to 93% at 31 December 2014.

In general, property prices have shown an increasing trend in ROI as reflected in the CSO house price index which has gone up by 6.6% in 2015. The UK housing market also reflected an increase in prices in 2015. This is reflected by the improvements in mortgages that are >100% LTV across all four portfolios as can be seen from the table below. The overall percentage of mortgages that are >100% LTV improved by 3% to 35% in 2015.

34. Financial risk management (continued)

31 December 2015	ROI residential mortgages		UK residential mortgages		
	Home loans	Buy-to-let	Home loans	Buy-to-let	Total
	%	%	%	%	%
Less than 50%	**20%**	**7%**	**9%**	**8%**	**15%**
50% to 70%	**17%**	**10%**	**27%**	**34%**	**18%**
71% to 90%	**20%**	**15%**	**39%**	**41%**	**22%**
91% to 100%	**9%**	**11%**	**17%**	**14%**	**10%**
Subtotal	**66%**	**43%**	**92%**	**97%**	**65%**
101% to 110%	**8%**	**14%**	**5%**	**2%**	**9%**
111% to 120%	**8%**	**14%**	**1%**	**1%**	**8%**
121% to 130%	**7%**	**10%**	**0%**	**0%**	**7%**
131% to 140%	**4%**	**7%**	**1%**	**0%**	**4%**
141% to 150%	**2%**	**4%**	**0%**	**0%**	**2%**
151% to 160%	**1%**	**2%**	**1%**	**0%**	**1%**
161% to 170%	**1%**	**1%**	**0%**	**0%**	**1%**
171% to 180%	**1%**	**1%**	**0%**	**0%**	**1%**
Greater than 180%	**2%**	**4%**	**0%**	**0%**	**2%**
Subtotal	**34%**	**57%**	**8%**	**3%**	**35%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Weighted average LTV:					
Stock of residential mortgages	**85%**	**112%**	**76%**	**73%**	**90%**
New residential mortgages	**68%**	**53%**	**0%**	**0%**	**68%**
Impaired mortgages	**118%**	**156%**	**78%**	**85%**	**127%**

31 December 2014	ROI residential mortgages		UK residential mortgages		
	Home loans	Buy-to-let	Home loans	Buy-to-let	Total
	%	%	%	%	%
Less than 50%	18%	6%	15%	8%	13%
50% to 70%	15%	7%	24%	33%	17%
71% to 90%	18%	12%	37%	41%	22%
91% to 100%	8%	9%	15%	13%	10%
Subtotal	59%	34%	91%	95%	62%
101% to 110%	7%	11%	8%	4%	8%
111% to 120%	8%	13%	1%	1%	7%
121% to 130%	7%	12%	0%	0%	7%
131% to 140%	7%	9%	0%	0%	6%
141% to 150%	5%	6%	0%	0%	4%
151% to 160%	3%	4%	0%	0%	2%
161% to 170%	1%	3%	0%	0%	1%
171% to 180%	1%	2%	0%	0%	1%
Greater than 180%	2%	6%	0%	0%	2%
Subtotal	41%	66%	9%	5%	38%
Total	100%	100%	100%	100%	100%
Weighted average LTV:					
Stock of residential mortgages	92%	118%	73%	74%	93%
New residential mortgages	66%	54%	43%	48%	65%
Impaired mortgages	123%	151%	94%	93%	131%

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Analysis by LTV of the Group's residential mortgage lending which is neither past due nor impaired:

The table below illustrates that 74% of ROI residential home loan mortgages that are neither past due nor impaired are in positive equity as at 31 December 2015, an 8% increase on 2014. 51% of ROI residential BTL mortgages are in positive equity as at 31 December 2015, a 10% increase on 2014. 92% of UK residential home loan mortgages and 98% of UK residential BTL mortgages are in positive equity as at 31 December 2015, a 1% and 2% increase on 2014.

31 December 2015	ROI residential mortgages				UK residential mortgages			
	Home loans		Buy-to-let		Home loans		Buy-to-let	
	€m	%	€m	%	€m	%	€m	%
Less than 50%	**2,840**	**24%**	**355**	**9%**	**17**	**9%**	**255**	**8%**
50% to 70%	**2,320**	**20%**	**474**	**12%**	**55**	**28%**	**1,129**	**36%**
71% to 90%	**2,460**	**21%**	**715**	**17%**	**73**	**38%**	**1,310**	**41%**
91% to 100%	**988**	**9%**	**532**	**13%**	**33**	**17%**	**413**	**13%**
Subtotal	**8,608**	**74%**	**2,076**	**51%**	**178**	**92%**	**3,107**	**98%**
101% to 110%	**930**	**8%**	**568**	**14%**	**9**	**5%**	**39**	**1%**
111% to 120%	**847**	**7%**	**556**	**13%**	**1**	**1%**	**16**	**1%**
121% to 130%	**704**	**6%**	**393**	**9%**	**1**	**1%**	**5**	**0%**
131% to 140%	**292**	**3%**	**253**	**6%**	**2**	**1%**	**4**	**0%**
141% to 150%	**107**	**2%**	**119**	**3%**	**1**	**0%**	**2**	**0%**
151% to 160%	**51**	**0%**	**63**	**1%**	**1**	**0%**	**1**	**0%**
161% to 170%	**31**	**0%**	**33**	**1%**	**-**	**0%**	**-**	**0%**
171% to 180%	**16**	**0%**	**21**	**1%**	**-**	**0%**	**-**	**0%**
Greater than 180%	**28**	**0%**	**29**	**1%**	**-**	**0%**	**-**	**0%**
Subtotal	**3,006**	**26%**	**2,035**	**49%**	**15**	**8%**	**67**	**2%**
Total	**11,614**	**100%**	**4,111**	**100%**	**193**	**100%**	**3,174**	**100%**

31 December 2014	ROI residential mortgages				UK residential mortgages			
	Home loans		Buy-to-let		Home loans		Buy-to-let	
	€m	%	€m	%	€m	%	€m	%
Less than 50%	2,512	21%	312	7%	54	16%	524	9%
50% to 70%	1,949	17%	391	9%	87	26%	2,054	33%
71% to 90%	2,273	19%	631	15%	114	34%	2,525	41%
91% to 100%	1,014	9%	432	10%	48	15%	802	13%
Subtotal	7,748	66%	1,766	41%	303	91%	5,905	96%
101% to 110%	927	8%	546	14%	20	6%	197	3%
111% to 120%	865	7%	574	13%	4	1%	29	1%
121% to 130%	850	7%	491	11%	1	1%	11	0%
131% to 140%	692	6%	356	9%	1	0%	4	0%
141% to 150%	435	4%	225	5%	1	0%	2	0%
151% to 160%	148	1%	147	3%	-	0%	3	0%
161% to 170%	51	0%	54	1%	1	1%	1	0%
171% to 180%	32	0%	41	1%	-	0%	-	0%
Greater than 180%	69	1%	78	2%	1	0%	-	0%
Subtotal	4,069	34%	2,512	59%	29	9%	247	4%
Total	11,817	100%	4,278	100%	332	100%	6,152	100%

34. Financial risk management (continued)

Analysis by LTV of the Group's residential mortgage lending which are 90 days past due or impaired:
In total 37% (31 December 2014: 30%) of the ROI and UK residential mortgage portfolios which are 90 days past due or impaired have an LTV of up to 100% and 17% (31 December 2014: 25%) of loans have an LTV exceeding 150%.

31 December 2015	ROI residential mortgages		UK residential mortgages		
	Home loans	Buy-to-let	Home loans	Buy-to-let	Total
	%	%	%	%	%
Less than 50%	**7%**	**1%**	**5%**	**1%**	**5%**
50% to 70%	**9%**	**4%**	**25%**	**16%**	**8%**
71% to 90%	**15%**	**8%**	**42%**	**44%**	**15%**
91% to 100%	**9%**	**7%**	**20%**	**25%**	**9%**
Subtotal	**40%**	**20%**	**92%**	**86%**	**37%**
101% to 110%	**9%**	**13%**	**5%**	**11%**	**10%**
111% to 120%	**10%**	**15%**	**1%**	**2%**	**11%**
121% to 130%	**9%**	**11%**	**0%**	**1%**	**10%**
131% to 140%	**9%**	**11%**	**1%**	**0%**	**9%**
141% to 150%	**7%**	**6%**	**1%**	**0%**	**6%**
151% to 160%	**4%**	**4%**	**0%**	**0%**	**4%**
161% to 170%	**3%**	**3%**	**0%**	**0%**	**3%**
171% to 180%	**2%**	**3%**	**0%**	**0%**	**2%**
Greater than 180%	**7%**	**14%**	**0%**	**0%**	**8%**
Subtotal	**60%**	**80%**	**8%**	**14%**	**63%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
	€m	**€m**	**€m**	**€m**	**€m**
Loans greater than 90 days in arrears or impaired	**3,839**	**1,365**	**27**	**111**	**5,342**

31 December 2014	ROI residential mortgages		UK residential mortgages		
	Home loans	Buy-to-let	Home loans	Buy-to-let	Total
	%	%	%	%	%
Less than 50%	7%	1%	7%	1%	5%
50% to 70%	8%	3%	13%	10%	7%
71% to 90%	13%	7%	42%	31%	11%
91% to 100%	8%	5%	14%	26%	7%
Subtotal	36%	16%	76%	68%	30%
101% to 110%	9%	8%	12%	23%	9%
111% to 120%	9%	12%	6%	8%	9%
121% to 130%	9%	14%	2%	1%	10%
131% to 140%	9%	10%	2%	0%	9%
141% to 150%	8%	9%	0%	0%	8%
151% to 160%	7%	6%	2%	0%	6%
161% to 170%	4%	6%	0%	0%	5%
171% to 180%	3%	4%	0%	0%	4%
Greater than 180%	6%	15%	0%	0%	10%
Subtotal	64%	84%	24%	32%	70%
Total	100%	100%	100%	100%	100%
	€m	€m	€m	€m	€m
Loans greater than 90 days in arrears or impaired	4,127	1,857	20	113	6,117

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Loan origination profile of the residential mortgage loan portfolio before provision for impairment:

The table below illustrates that €6bn or 29% of the ROI residential mortgage portfolio and €1bn or 18% of the UK residential mortgage portfolio originated before 2006. Between 2006 and 2008 origination was €14bn or 63% of the ROI residential mortgages and €3bn or 80% of the UK residential mortgages. The residual of 8% of the ROI residential mortgages and 2% of the UK residential mortgages were originated between 2009 and 2015.

31 December 2015	ROI residential mortgages portfolio		Impaired ROI residential mortgages portfolio		UK residential mortgages portfolio		Impaired UK residential mortgages portfolio	
	Number	Balance €m	Number	Balance €m	Number	Balance €m	Number	Balance €m
1996 and before	**2,790**	**36**	**401**	**8**	**13**	**1**	**2**	**-**
1997	**1,703**	**28**	**116**	**4**	**10**	**-**	**-**	**-**
1998	**2,223**	**51**	**159**	**8**	**31**	**2**	**2**	**-**
1999	**3,426**	**112**	**312**	**20**	**50**	**5**	**2**	**-**
2000	**4,231**	**182**	**451**	**35**	**70**	**6**	**4**	**-**
2001	**4,977**	**248**	**552**	**50**	**155**	**17**	**5**	**-**
2002	**6,632**	**438**	**647**	**67**	**177**	**17**	**4**	**1**
2003	**9,693**	**799**	**1,154**	**148**	**250**	**38**	**9**	**2**
2004	**13,880**	**1,505**	**1,784**	**280**	**790**	**139**	**26**	**6**
2005	**19,668**	**2,779**	**3,285**	**616**	**2,381**	**401**	**84**	**18**
2006	**28,369**	**5,330**	**5,786**	**1,336**	**5,295**	**910**	**132**	**22**
2007	**24,355**	**5,193**	**5,561**	**1,475**	**6,447**	**1,264**	**301**	**68**
2008	**15,582**	**2,978**	**3,573**	**891**	**3,388**	**695**	**94**	**20**
2009	**3,931**	**461**	**653**	**113**	**85**	**14**	**-**	**-**
2010	**1,499**	**138**	**74**	**10**	**294**	**55**	**6**	**1**
2011	**1,049**	**107**	**16**	**3**	**7**	**1**	**1**	**-**
2012	**550**	**51**	**3**	**2**	**37**	**2**	**4**	**-**
2013	**1,342**	**177**	**5**	**1**	**14**	**2**	**-**	**-**
2014	**2,786**	**403**	**2**	**3**	**2**	**-**	**-**	**-**
2015	**3,082**	**442**	**9**	**2**	**-**	**-**	**-**	**-**
Total	**151,768**	**21,458**	**24,543**	**5,072**	**19,496**	**3,569**	**676**	**138**

31 December 2014	ROI residential mortgages portfolio		Impaired ROI residential mortgages portfolio		UK residential mortgages portfolio		Impaired UK residential mortgages portfolio	
	Number	Balance €m	Number	Balance €m	Number	Balance €m	Number	Balance €m
1996 and before	3,980	51	544	10	125	4	-	-
1997	1,910	37	127	4	71	3	-	-
1998	2,470	66	209	10	212	21	1	-
1999	3,756	134	399	24	415	47	1	-
2000	5,071	214	502	39	454	47	1	-
2001	5,341	283	623	55	643	67	-	-
2002	7,077	497	753	79	778	84	1	-
2003	10,290	888	1,285	168	1,758	272	9	2
2004	14,564	1,655	2,079	339	3,460	544	27	5
2005	20,727	3,048	3,600	735	5,421	870	58	12
2006	29,283	5,714	6,192	1,538	8,339	1,393	99	19
2007	25,117	5,566	6,004	1,703	11,233	2,162	298	45
2008	16,038	3,136	3,769	952	5,676	1,162	85	19
2009	4,124	491	660	114	94	15	-	-
2010	1,595	152	80	12	323	59	1	-
2011	1,093	116	17	3	8	1	-	-
2012	579	56	3	2	57	3	-	-
2013	1,394	191	5	1	17	3	-	-
2014	2,864	419	2	3	5	1	-	-
Total	157,273	22,714	26,853	5,791	39,089	6,758	581	102

34. Financial risk management (continued)

Repossessed collateral

Properties are repossessed where the obligor either (i) voluntarily surrenders the property or (ii) the Group takes legal repossession due to non-repayment of the loan facility. The Group will seek to maximise the proceeds from the sale of repossessed properties with a view to extinguishing the outstanding loan facility. The following tables outline the main movements in this category during the year.

Stock of repossessions	31 December 2015		31 December 2014	
	Number	Loan balance outstanding €m	Number	Loan balance outstanding €m
Residential repossessions				
ROI:				
Home loans	**211**	**57**	199	53
Buy-to-let	**196**	**51**	166	45
Commercial	**-**	**-**	42	31
UK:				
Home loans	**2**	**-**	5	1
Buy-to-let	**35**	**6**	97	15
Total	**444**	**114**	509	145

Repossessed assets are sold as soon as practicable, with proceeds offset against any outstanding indebtedness. These assets which total €58m as at 31 December 2015 (31 December 2014: €61m) are included within other assets in the statement of financial position. During the year 317 residential properties were repossessed, comprising of ROI and UK properties and can be split as follows:

Properties repossessed during 2015

	ROI Number	UK Number
Home loans	118	7
BTL	96	94
Commercial	2	-
Total	216	101

The details of these disposals are included on the following page:

	ROI Number	UK Number
Home loans	106	10
BTL	60	146
Commercial	6	-
	172	156
Properties sold as part of asset disposal:		
Commercial	38	-
BTL	5	4
Other	1	6
Total	216	166

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

During the year, 328 properties were disposed, of which 156 of these were in the UK, representing 48% of the total disposals, excluding disposals as part of deleveraging. The details of these disposals are provided in the table below.

31 December 2015	Number of disposals	Balance outstanding at repossession	Gross sales proceeds	Costs to sell	Pre provisioning loss on sale*
		€m	€m	€m	€m
Residential repossessions					
ROI:					
Home loans	**106**	**27**	**11**	**1**	**17**
Buy-to-let	**60**	**18**	**5**	**-**	**13**
Commercial	**6**	**3**	**1**	**-**	**2**
UK:					
Home loans	**10**	**2**	**2**	**-**	**-**
Buy-to-let	**146**	**21**	**17**	**1**	**5**
Year ended 31 December 2015	**328**	**71**	**36**	**2**	**37**

31 December 2014	Number of disposals	Balance outstanding at repossession	Gross sales proceeds	Costs to sell	Pre provisioning loss/ (profit) on sale*
		€m	€m	€m	€m
Residential repossessions					
ROI:					
Home loans	143	34	12	1	23
Buy-to-let	58	15	5	-	10
Commercial	10	12	4	-	8
UK:					
Home loans	10	1	2	-	(1)
Buy-to-let	368	57	44	4	17
Year ended 31 December 2014	589	119	67	5	57

*Calculated as gross sales proceeds less balance outstanding at repossession less costs to sell. These losses are provided for as part of the impairment provisioning process.

34. Financial risk management (continued)

Forborne loans - Advances to customers (all tables in this forbearance section for year ended 31 December 2014 have been restated as discussed in note 1)

(a) Asset Quality

The method of splitting the forborne loans and advances to customers over the different asset quality categories:

- Neither past due nor impaired
- Past due but not impaired
- Impaired

is the same as that used for asset quality of the Group's total loan portfolio.

The level of forborne UK Home Loans is minimal to the overall forborne loans and therefore is not disclosed in the below tables.

31 December 2015

	Residential mortgages					
	ROI		UK			
	Home Loans	Buy-To-Let	Buy-To-Let	Commercial	Total	
	€m	€m	€m	€m	€m	%
*						
Excellent	-	-	-	-	-	-
Satisfactory	**968**	**237**	**51**	**11**	**1,267**	**21%**
Fair risk	**198**	**415**	**10**	**8**	**631**	**11%**
Neither past due nor impaired	**1,166**	**652**	**61**	**19**	**1,898**	**32%**
Past due but not impaired	**241**	**38**	**6**	**-**	**285**	**5%**
Impaired	**3,028**	**699**	**21**	**40**	**3,788**	**63%**
	4,435	**1,389**	**88**	**59**	**5,971**	**100%**
Provision for impairment losses	**(1,147)**	**(374)**	**(8)**	**(18)**	**(1,547)**	
	3,288	**1,015**	**80**	**41**	**4,424**	

* The shaded information is not subject to audit by the Group's Independent Auditor.

31 December 2014

	Residential mortgages					
	ROI		UK			
	Home Loans	Buy-To-Let	Buy-To-Let	Commercial	Total	
	€m	€m	€m	€m	€m	%
*						
Excellent	20	1	-	-	21	-
Satisfactory	1,026	288	82	63	1,459	20%
Fair risk	291	397	12	30	730	10%
Neither past due nor impaired	1,337	686	94	93	2,210	30%
Past due but not impaired	333	62	18	37	450	6%
Impaired	3,194	796	25	651	4,666	64%
	4,864	1,544	137	781	7,326	100%
Provision for impairment losses	(1,162)	(434)	(10)	(374)	(1,980)	
	3,702	1,110	127	407	5,346	

* The shaded information is not subject to audit by the Group's Independent Auditor.

The balance of loans in the neither past due nor impaired category has decreased by €312m or 14.1% while the balance of loans in the past due but not impaired category decreased by €165m or 36.6%. These movements are in line with expectations as loans progress through the forbearance cycle and the asset quality of these loans improve.

The impaired loan balances have decreased by €878m or 18.8% as the Group has intensified the level of customers in difficulty it has dealt with during the year.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Forborne loans and advances which are past due but not impaired:

The table below provides an aged analysis of forborne loans and advances which are past due but not impaired:

31 December 2015	ROI		UK		
	Home loans	Buy-To-Let	Buy-To-Let	Commercial	Total
	€m	€m	€m	€m	€m
0-30 days	133	37	-	-	170
31-60 days	17	1	5	-	23
61-90 days	10	-	1	-	11
91-180 days	16	-	-	-	16
181-360 days	17	-	-	-	17
> 360 days	48	-	-	-	48
Total past due not impaired	**241**	**38**	**6**	**-**	**285**
Fair value of collateral held*	**231**	**34**	**6**	**-**	**271**

*Fair value of collateral held	ROI		UK		
	Home loans	Buy-To-Let	Buy-To-Let	Commercial	Total
	€m	€m	€m	€m	€m
0-30 days	124	33	-	-	157
31-60 days	17	1	5	-	23
61-90 days	9	-	1	-	10
91-180 days	16	-	-	-	16
181-360 days	17	-	-	-	17
> 360 days	48	-	-	-	48
Total past due not impaired	**231**	**34**	**6**	**-**	**271**

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 2014	ROI		UK		
	Home loans	Buy-To-Let	Buy-To-Let	Commercial	Total
	€m	€m	€m	€m	€m
0-30 days	143	53	5	31	232
31-60 days	48	2	9	5	64
61-90 days	26	2	1	1	30
91-180 days	20	-	2	-	22
181-360 days	25	1	-	-	26
> 360 days	71	4	1	-	76
Total past due not impaired	333	62	18	37	450
Fair value of collateral held*	317	56	18	28	419

34. Financial risk management (continued)

*Fair value of collateral held

	ROI Home loans €m	ROI Buy-To-Let €m	UK Buy-To-Let €m	Commercial €m	Total €m
0-30 days	132	47	5	23	207
31-60 days	45	2	9	4	60
61-90 days	24	2	1	1	28
91-180 days	20	-	2	-	22
181-360 days	25	1	-	-	26
> 360 days	71	4	1	-	76
Total past due not impaired	317	56	18	28	419

(b) Impairment provisions

The following table reflects forborne loans and forborne loans >90 days in arrears for which provisions are held and an analysis of specific and impairment provision balances held against these loans.

Total forborne

31 December 2015	Total Loans €m	Total forborne loans €m	Forborne % of Total loans %	Impairment Provisions Specific €m	Impairment Provisions IBNR €m	Impairment Provisions Total €m	Total provisions as % of forborne loans %
Residential:							
ROI:							
- Home loans	**15,862**	**4,435**	**28%**	**1,068**	**79**	**1,147**	**26%**
- Buy-to-let	**5,596**	**1,389**	**25%**	**330**	**44**	**374**	**27%**
UK:							
- Buy-to-let	**3,335**	**88**	**3%**	**8**	**-**	**8**	**9%**
Commercial	**382**	**59**	**15%**	**15**	**3**	**18**	**31%**

31 December 2014	Total Loans €m	Total forborne loans €m	Forborne % of Total loans %	Impairment Provisions Specific €m	Impairment Provisions IBNR €m	Impairment Provisions Total €m	Total provisions as % of forborne loans %
Residential:							
ROI:							
- Home loans	16,455	4,864	30%	1,086	76	1,162	24%
- Buy-to-let	6,259	1,544	25%	375	59	434	28%
UK:							
- Buy-to-let	6,369	137	2%	10	-	10	7%
Commercial	2,004	781	39%	355	20	375	48%

The total forborne loans have decreased by €1.4bn or 19% as the Group reaches agreement on resolution strategies with customers in difficulty.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Total forborne loans >90 days in arrears

31 December 2015	Total Loans	Total forborne loans	Forborne % of Total loans	Impairment Provisions Specific	IBNR	Total	Total provisions as % of forborne loans
	€m	€m	%	€m	€m	€m	%
Residential:							
ROI:							
- Home loans	**15,862**	**1,299**	**8%**	**510**	**2**	**512**	**39%**
- Buy-to-let	**5,596**	**312**	**6%**	**175**	**-**	**175**	**56%**
UK:							
- Buy-to-let	**3,335**	**5**	**0%**	**3**	**-**	**3**	**60%**
Commercial	**382**	**17**	**4%**	**11**	**-**	**11**	**65%**

31 December 2014	Total Loans	Total forborne loans	Forborne % of Total loans	Impairment Provisions Specific	IBNR	Total	Total provisions as % of forborne loans
	€m	€m	%	€m	€m	€m	%
Residential:							
ROI:							
- Home loans	16,455	1,686	10%	620	3	623	37%
- Buy-to-let	6,259	423	7%	212	-	212	50%
UK:							
- Buy-to-let	6,369	8	0%	3	-	3	38%
Commercial	2,004	391	20%	236	-	236	60%

The forborne loans > 90 days in arrears have decreased by €875m or 35% due to the arrears for a large number of home loan accounts improving. These accounts remain forborne but exit the >90 days pool.

34. Financial risk management (continued)

(c) Weighted Average - LTV

Analysis by LTV of the Group's residential mortgage lending which are 90 days past due or impaired:

In total 39% of the ROI residential, UK residential and Commercial mortgage portfolios which are 90 days past due have an LTV of up to 100% and 13% of loans have an LTV exceeding 150%.

31 December 2015

	Residential mortgages				
	ROI		UK		
	Home loans %	Buy-to-let %	Buy-to-let %	Commercial %	Total %
Less than 50%	**7%**	**2%**	**0%**	**12%**	**6%**
50% to 70%	**9%**	**5%**	**7%**	**7%**	**8%**
71% to 90%	**16%**	**9%**	**49%**	**12%**	**15%**
91% to 100%	**10%**	**8%**	**18%**	**0%**	**10%**
Subtotal	**42%**	**24%**	**74%**	**31%**	**39%**
101% to 110%	**10%**	**15%**	**18%**	**6%**	**11%**
111% to 120%	**10%**	**19%**	**4%**	**3%**	**11%**
121% to 130%	**10%**	**12%**	**2%**	**0%**	**10%**
131% to 140%	**9%**	**9%**	**0%**	**3%**	**9%**
141% to 150%	**7%**	**6%**	**0%**	**2%**	**7%**
151% to 160%	**4%**	**3%**	**0%**	**11%**	**4%**
161% to 170%	**2%**	**2%**	**0%**	**2%**	**2%**
171% to 180%	**2%**	**3%**	**0%**	**9%**	**2%**
Greater than 180%	**4%**	**7%**	**2%**	**33%**	**5%**
Subtotal	**58%**	**76%**	**26%**	**69%**	**61%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

31 December 2014

	Residential mortgages				
	ROI		UK		
	Home loans %	Buy-to-let %	Buy-to-let %	Commercial %	Total %
Less than 50%	6%	1%	0%	1%	5%
50% to 70%	8%	4%	4%	2%	7%
71% to 90%	14%	8%	33%	2%	11%
91% to 100%	9%	7%	20%	2%	7%
Subtotal	37%	20%	57%	7%	30%
101% to 110%	9%	10%	27%	1%	8%
111% to 120%	9%	15%	13%	4%	9%
121% to 130%	9%	17%	2%	4%	10%
131% to 140%	10%	10%	0%	4%	9%
141% to 150%	8%	11%	0%	3%	8%
151% to 160%	7%	6%	0%	4%	6%
161% to 170%	4%	3%	0%	6%	4%
171% to 180%	2%	2%	0%	5%	3%
Greater than 180%	5%	6%	1%	62%	13%
Subtotal	63%	80%	43%	93%	70%
Total	100%	100%	100%	100%	100%

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

(d) Forbearance arrangements - ROI residential mortgages

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in accordance with existing CCMA.

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 2015 and 31 December 2014.

The impaired balance noted represents the loan balances to which impairment charges have been raised due to either being 90 days or more in arrears, or showing evidence of impairment prior to reaching arrears of 90 days.

(i) ROI residential home loan mortgages:

The incidence of the main type of forbearance arrangements for owner occupied residential mortgages are analysed below:

31 December 2015	All Loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances €m	Number	Balances €m
Interest only	**389**	**69**	**136**	**26**
Reduced payment (less than interest only)	**192**	**33**	**160**	**29**
Reduced payment (greater than interest only)	**14,043**	**2,151**	**7,306**	**1,244**
Payment moratorium	**185**	**30**	**116**	**19**
Arrears capitalisation	**3,284**	**477**	**1,955**	**307**
Term extension	**2,061**	**167**	**599**	**56**
Hybrid*	**2,341**	**344**	**1,701**	**263**
Split mortgages	**6,037**	**1,164**	**6,037**	**1,164**
Total	**28,532**	**4,435**	**18,010**	**3,108**

31 December 2014	All Loans		Loans > 90 days in arrears and / or impaired Restated	
	Number	Balances €m	Number	Balances €m
Interest only	381	75	156	35
Reduced payment (less than interest only)	224	37	189	33
Reduced payment (greater than interest only)	16,077	2,501	8,168	1,386
Payment moratorium	232	41	71	10
Arrears capitalisation	2,266	333	1,256	185
Term extension	2,162	176	605	56
Hybrid*	4,498	669	3,674	573
Split mortgages	5,344	1,032	5,344	1,032
Total	31,184	4,864	19,463	3,310

* Hybrid is a combination of two or more forbearance arrangements.

The tables above reflect a decrease of 2,652 cases, as at 31 December 2015 for the Group in the number of ROI residential home loans in forbearance arrangements, a decrease of €429m. The average value of forborne loans is relatively unchanged during the period (31 December 2015: €0.155m versus 31 December 2014: €0.156m). As at 31 December 2015, 63% of ROI residential home loan mortgages that are in a forbearance arrangement are >90 days in arrears and / or impaired compared to 62% of loans as at 31 December 2014.

34. Financial risk management (continued)

(ii) ROI 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 2015	All Loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances €m	Number	Balances €m
Interest only	**1,454**	**558**	**487**	**176**
Reduced payment (less than interest only)	**30**	**11**	**29**	**11**
Reduced payment (greater than interest only)	**1,279**	**450**	**629**	**217**
Payment moratorium	**9**	**2**	**8**	**2**
Arrears capitalisation	**413**	**135**	**242**	**92**
Term extension	**61**	**11**	**29**	**5**
Hybrid*	**303**	**93**	**193**	**69**
Split mortgages	**391**	**129**	**391**	**129**
Total	**3,940**	**1,389**	**2,008**	**701**

31 December 2014	All Loans		Loans > 90 days in arrears and / or impaired	
	Number	Balances €m	Number	Balances €m
Interest only	1,472	567	519	202
Reduced payment (less than interest only)	80	24	78	24
Reduced payment (greater than interest only)	1,556	528	727	247
Payment moratorium	5	1	4	1
Arrears capitalisation	465	166	251	94
Term extension	79	17	33	9
Hybrid*	430	149	355	132
Split mortgages	269	92	269	92
Total	4,356	1,544	2,236	801

* Hybrid is a combination of two or more forbearance arrangements.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Impairment charge and provisions on loans and advances to customers by product line.

Forborne loans - impairment charge	Year ended 31 December 2015			Year ended 31 December 2014		
	Performing €m	Non-performing €m	Total €m	Performing €m	Non-performing €m	Total €m
Residential						
- Home loans						
-ROI	**(34)**	**55**	**21**	(56)	126	70
- Buy-to-let						
-ROI	**(33)**	**(3)**	**(36)**	(77)	(58)	(135)
-UK	**-**	**1**	**1**	-	2	2
Commercial	**-**	**2**	**2**	1	48	49
Total impairment charge	**(67)**	**55**	**(12)**	(132)	118	(14)

Forborne loans - stock of impairment provisions	Year ended 31 December 2015			Year ended 31 December 2014		
	Performing €m	Non-performing €m	Total €m	Performing €m	Non-performing €m	Total €m
Residential						
- Home loans						
-ROI	**75**	**1,072**	**1,147**	70	1,092	1,162
- Buy-to-let						
-ROI	**24**	**350**	**374**	28	406	434
-UK	**-**	**8**	**8**	-	10	10
Commercial	**2**	**16**	**18**	8	366	374
Total impairment provisions	**101**	**1,446**	**1,547**	106	1,874	1,980

Forbearance arrangements - UK mortgages and commercial mortgages

The incidence of the main type of forbearance arrangements for UK buy to let and commercial mortgages are analysed below:

UK buy to let mortgages	31 December 2015		31 December 2014	
	Number	Balances €m	Number	Balances €m
Arrears capitalisation	**431**	**88**	667	137
Total	**431**	**88**	667	137

Commercial mortgages	31 December 2015		31 December 2014	
	Number	Balances €m	Number	Balances €m
Interest only	**4**	**1**	121	70
Reduced payment (less than interest only)	**2**	**2**	46	25
Reduced payment (greater than interest only)	**31**	**22**	549	435
Payment moratorium	**-**	**-**	3	1
Arrears capitalisation	**18**	**12**	132	124
Term extension	**19**	**11**	38	15
Hybrid*	**25**	**11**	214	107
Split mortgages	**-**	**-**	12	4
Total	**99**	**59**	1,115	781

*Hybrid is a combination of two or more forbearance arrangements.

34. Financial risk management (continued)

The balance of loans in forbearance in the UK BTL amounts to €88m a decrease of €49m. 3% of the UK BTL portfolio is in forbearance treatments.

The balance of loans in forbearance in the commercial portfolio amounts to €59m a decrease of €722m or 92%.

(e) Reconciliation of movement in forborne loans for all classes

The tables below provide an analysis of the movement of total forborne loans and forborne loans > 90 days in arrears during the year. It outlined the number and balances of forbearance treatments offered, expired and loans paid down during the year.

31 December 2015

	Residential mortgages							
	ROI & UK							
	Home Loans cases	Home Loans balances €m	Buy to Let cases	Buy to Let balances €m	Comm. cases	Comm. balances €m	Total cases	Total balances €m
Opening balance 01 January 2015	**31,184**	**4,864**	**5,023**	**1,681**	**1,115**	**781**	**37,322**	**7,326**
New forbearance extended during the period	**2,062**	**297**	**365**	**116**	**4**	**3**	**2,431**	**416**
Deleveraged loans	**(132)**	**(52)**	**(375)**	**(158)**	**(1,000)**	**(717)**	**(1,507)**	**(927)**
Exited forbearance								
- re-classified to past due > 90 days past due and/or impaired	**(150)**	**(18)**	**(26)**	**(9)**	**(1)**	**(1)**	**(177)**	**(28)**
Re-classified to non-forbearance loans								
- expired forbearance treatment	**(3,616)**	**(507)**	**(466)**	**(119)**	**(10)**	**(3)**	**(4,092)**	**(629)**
- expired loan paid down	**(816)**	**(67)**	**(150)**	**(29)**	**(9)**	**(2)**	**(975)**	**(98)**
Balance Shift*	**-**	**(82)**	**-**	**(5)**	**-**	**(2)**	**-**	**(89)**
Closing balance of forbearance loans as at 31 December 2015	**28,532**	**4,435**	**4,371**	**1,477**	**99**	**59**	**33,002**	**5,971**

*Repayments in respect of loans which are in forbearance at the start and end of the year

31 December 2014

	Residential mortgages							
	ROI & UK							
	Home Loans cases	Home Loans balances €m	Buy to Let cases	Buy to Let balances €m	Comm. cases	Comm. balances €m	Total cases	Total balances €m
Opening balance 01 January 2014	30,649	4,852	4,488	1,406	953	684	36,090	6,942
New forbearance extended during the period	4,703	655	1,011	383	221	131	5,935	1,169
Exited forbearance								
- re-classified to past due > 90 days past due and/or impaired	(119)	(15)	(35)	(18)	(13)	(15)	(167)	(48)
Re-classified to non-forbearance loans								
- expired forbearance treatment	(2,999)	(440)	(189)	(37)	(25)	(10)	(3,213)	(487)
- expired loan paid down	(1,050)	(125)	(252)	(54)	(21)	(6)	(1,323)	(185)
Balance Shift*	-	(63)	-	1	-	(3)	-	(65)
Closing balance of forbearance loans as at 31 December 2014	31,184	4,864	5,023	1,681	1,115	781	37,322	7,326

*Repayments in respect of loans which are in forbearance at the start and end of the year

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Reconciliation of movement in Forborne Loans > 90 days in arrears

31 December 2015

	Residential mortgages ROI & UK							
	Home Loans cases	Home Loans balances €m	Buy to Let cases	Buy to Let balances €m	Comm. cases	Comm. balances €m	Total cases	Total balances €m
Opening balance 01 January 2015	**9,661**	**1,686**	**1,133**	**431**	**582**	**391**	**11,376**	**2,508**
New forbearance extended during the period	**1,549**	**213**	**245**	**82**	**15**	**5**	**1,809**	**300**
Deleveraged Loans	**(63)**	**(41)**	**(90)**	**(50)**	**(568)**	**(373)**	**(721)**	**(464)**
Exited Forborne & >90, now Forborne < 90	**(3,225)**	**(528)**	**(381)**	**(138)**	**(2)**	**(5)**	**(3,608)**	**(671)**
Exited forbearance								
- re-classified to past due/in default	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Re-classified to non-forbearance loans								
- expired forbearance treatment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- expired loan paid down	**(342)**	**(35)**	**(45)**	**(8)**	**(4)**	**(1)**	**(391)**	**(44)**
Balance Shift*	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**4**
Closing balance of forbearance loans as at 31 December 2015	**7,580**	**1,299**	**862**	**317**	**23**	**17**	**8,465**	**1,633**

*Repayments in respect of loans which are in forbearance at the start and end of the year

31 December 2014

	Residential mortgages ROI & UK							
	Home Loans cases	Home Loans balances €m	Buy to Let cases	Buy to Let balances €m	Comm. cases	Comm. balances €m	Total cases	Total balances €m
Opening balance 01 January 2014	13,929	2,421	1,083	343	528	354	15,540	3,118
New forbearance extended during the period	2,377	345	500	214	130	83	3,007	642
Exited Forborne & >90, now Forborne < 90	(6,093)	(1,009)	(375)	(114)	(65)	(47)	(6,533)	(1,170)
Exited forbearance								
- re-classified to past due/in default	-	-	(1)	-	-	-	(1)	-
Re-classified to non-forbearance loans								
- expired loan paid down	(552)	(81)	(74)	(14)	(11)	(4)	(637)	(99)
Balance Shift*	-	10	-	2	-	5	-	17
Closing balance of forbearance loans as at 31 December 2014	9,661	1,686	1,133	431	582	391	11,376	2,508

*Repayments in respect of loans which are in forbearance at the start and end of the year

34. Financial risk management (continued)

2. Liquidity Risk

Liquidity risk is 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. Liquidity risk arises from differences in timing between cash inflows and cash outflows and is dependent on the maturity profile and composition of the balance sheet. Cash inflows are driven, among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven, among other things, by the outflows from deposit accounts, new lending and by the maturity of the debt issued by the Group. Liquidity risk may increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing liabilities. These factors are often associated with times of distress or adverse market events such as financial or economic turmoil.

Governance

The Group's exposure to liquidity risk is governed by the Group's Risk Appetite Statement and associated limits and the Group's Liquidity Policy. The Group's Liquidity Policy is designed to comply with regulatory standards with the objective of ensuring the Group holds a sufficient liquidity buffer to meet its obligations, including deposit withdrawals and funding commitments, as and when they fall due under normal and stress conditions. The protocols establish quantitative rules and targets in relation to measurement and monitoring of liquidity risk. The policy is approved by the Board on the recommendation of the BRCC and the Asset and Liability Committee (ALCO). The effective operation of this policy is delegated to the ALCO. The internal audit function provides further oversight and challenge to the liquidity risk framework.

Regulatory Compliance

The Group is required to comply with the liquidity requirements of the Central Bank of Ireland with joint supervision from the ECB under the Single Supervisory Mechanism (SSM).

Liquidity Management

Group Treasury are responsible for the day to day management of the Group's liquidity position and compliance with the regulatory requirements. In carrying out this responsibility, the principle objective is to ensure that adequate liquid assets are available at all times to meet the operational and strategic liquidity needs of the Group. 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 and undrawn commitments and other contingent liabilities.

Therefore liquidity management consists of two main activities:

1. Operational liquidity management, which focuses on monitoring current and expected daily cash flows to ensure that the Group's liquidity needs are met. This takes account of the liquidity value of the Group's liquid asset portfolio, which can be readily converted into cash to cover any unforeseen outflows; and

2. Strategic liquidity management, which focuses on assessing an optimal balance sheet structure taking into account the expected future maturity profile of the Group's assets and liabilities.

Liquidity Risk Assessment and Measurement

Liquidity risk is measured on a daily basis using a range of metrics against the prescribed limit framework. Customer behavioural assumptions are applied to non-contractual product lines when modelling the cash flows.

PTSB continues to measure and report adherence to the CBI liquidity mismatch ratio which requires that banks have sufficient resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the 0-8 day time horizon and 90% in the 9-30 day time horizon. The Group also monitors its liquidity position through the Liquidity Coverage Ratio (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 their liquidity needs for a 30 calendar day liquidity stress scenario.

The Group actively monitors a comprehensive list of early warning indicators (EWIs) covering a range of market wide and bank specific events. The purpose of the EWI's is to provide forewarning of any potential liquidity trigger events and allows the Group sufficient time to intervene and mitigate the risk. The Group's contingency funding plan (CFP) outlines the strategy and action plan to address liquidity crisis events. The CFP identifies processes incremental to the existing daily liquidity risk management & reporting framework to assist in making timely, well-informed decisions.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

Stress testing forms a key pillar of the overall liquidity risk framework. The Group performs regular stress testing and scenario analysis to evaluate the impact of stresses on its liquidity position. These stress tests incorporate both Group specific and systemic risks that are designed to examine the adequacy of the Group liquidity buffer.

A full suite of liquidity metrics and stress test results are reported to ALCO, BRCC and the Board on an on-going basis.

Further details on the Group's risk management framework, Group's risk appetite and strategy, risk governance and risk identification and assessment are described under the Risk Management section of this Annual Report.

Funding Profile

The ALCO monitors sources of funding and reviews short-term and long-term borrowings and their respective maturity profiles. The Group's funding profile based on remaining maturities was:

	31 December 2015 %	31 December 2014 %
Customer deposits	**70**	61
Long-term debt	**4**	16
Short-term debt	**26**	23
	100	100

The ALCO also monitors the dependencies inherent in funding by reviewing the Group's usage of lines of credit with financial institutions.

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 as hedging instruments in respect of financial liabilities.

31 December 2015	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Liabilities							
Deposits by banks	**3,785**	**1,942**	**-**	**1,039**	**-**	**-**	**6,766**
Customer accounts	**10,131**	**2,759**	**1,955**	**2,370**	**1,168**	**244**	**18,627**
Debt securities in issue	**-**	**5**	**18**	**20**	**67**	**1,281**	**1,391**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**24**	**24**
Derivative liabilities	**-**	**-**	**3**	**193**	**15**	**91**	**302**
Total liabilities	**13,916**	**4,706**	**1,976**	**3,622**	**1,250**	**1,640**	**27,110**

31 December 2014	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Liabilities							
Deposits by banks	4,065	2,031	-	-	-	3,146	9,242
Customer accounts	9,243	2,545	2,097	4,407	2,171	207	20,670
Debt securities in issue	2	1,442	58	64	48	2,437	4,051
Subordinated liabilities	-	-	-	40	440	24	504
Derivative liabilities	-	(49)	(5)	(1)	(7)	(28)	(90)
Total liabilities	13,310	5,969	2,150	4,510	2,652	5,786	34,377

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.

34. Financial risk management (continued)

The following table details the Group's liquidity analysis for derivative instruments that do not qualify as hedging instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates from the yield curves at the end of the reporting year.

31 December 2015	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)	(2)	(3)	12	6
Gross settled:							
FX forwards							
- inflow	255	244	-	-	-	-	499
- outflow	(253)	(241)	-	-	-	-	(494)
Balance at 31 December 2015	**2**	**3**	**(1)**	**(2)**	**(3)**	**12**	**11**

31 December 2014	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	-	5	(1)	(3)	(4)	2	(1)
Gross settled:							
FX forwards							
- inflow	338	528	388	-	-	-	1,254
- outflow	(342)	(537)	(393)	-	-	-	(1,272)
Balance at 31 December 2014	(4)	(4)	(6)	(3)	(4)	2	(19)

3. Market Risk

Market risk is the risk of change in fair value of a financial instrument due to adverse movements in equity prices, interest rates or foreign currency exchange rates. Interest rate risk and foreign exchange risk constitute the majority of the Group's market risk. The Group's Risk Appetite Statement and associated policies set out the governance and limit framework for the management of market risk exposures. These policy documents are regularly reviewed by the Board Risk and Control Committee (BRCC). The internal audit function provides additional oversight to the market risk framework.

All market risks within the Group are subject to strict internal controls and reporting procedures and are monitored by the Assets and Liabilities Committee (ALCO). Group Treasury is responsible for the management of market risk exposures on the balance sheet.

3.1 Foreign Exchange Risk

Foreign currency exchange risk is the volatility in earnings resulting from the retranslation of foreign currency (e.g. Sterling and US dollar) denominated assets and liabilities from mismatched positions. It arises due to the fact that the Group conducts business in a range of currencies other than Euro, principally Sterling and US Dollars. The Group's assets and liabilities subject to foreign exchange risk comprise of the retail and corporate deposit books and loan book, combined with the interbank lending, wholesale funding instruments and the liquid asset investment portfolio. The main foreign exchange exposure for the Group arises in managing its sterling-denominated mortgage business and the Isle of Man deposit book business conducted by Permanent Bank International.

Derivative positions (FX swaps) are purchased in order to provide funding for GBP assets not funded otherwise. Overnight FX exposures are monitored against the €7.5m limit in the Daily Risk Reports sent to Treasury and Risk Senior Management daily. It is the responsibility of Group Treasury to measure and monitor currency exchange rate exposures and eliminate or hedge any material unmatched positions as soon as practicable.

Foreign Exchange exposures also may arise as a result of non-Euro contractual payment obligations to third parties. Group Treasury will manage these exposures in line with the underlying policy framework.

Proprietary trading positions in foreign currency exchange rate instruments are not permitted.

Notes to the Consolidated Financial Statements
(continued)

34. Financial risk management (continued)

3.2 Interest rate risk

Interest rate risk arises due to the structural mismatch between assets and liabilities in the balance sheet. The Group is primarily exposed to re-price, yield curve, option and basis risk. Interest rate risk is managed principally through gap analysis and the application of a 200bps shock scenario which results in an impact of €46m (31 December 2014: €41m). The risk calculations are produced and quantified by Group Risk and reported against the prescribed limits to senior management daily.

Gap analysis is a technique for measuring a bank'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.

A summary of the Group's interest rate gap position is as follows:

Interest Rate Repricing

31 December 2015	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						
Euro	19,362	1,496	370	2,712	454	24,394
Sterling	3,537	10	20	50	(5)	3,612
US dollar	1	-	-	-	-	1
Other	-	-	-	-	-	-
Total assets (A)	22,900	1,506	390	2,762	449	28,007
Liabilities						
Euro	(17,049)	(1,518)	(2,048)	(4,948)	(706)	(26,269)
Sterling	(1,436)	(83)	(131)	(56)	-	(1,706)
US dollar	(72)	(5)	(4)	-	-	(81)
Other	(4)	-	-	-	-	(4)
Total liabilities (B)	(18,561)	(1,606)	(2,183)	(5,004)	(706)	(28,060)
Derivatives						
Euro	3,956	(122)	2	(812)	4	3,028
Sterling	(3,532)	(1)	-	-	-	(3,533)
US dollar	58	5	-	-	-	63
Other	-	-	-	-	-	-
Derivatives affecting interest rate sensitivities (C)	482	(118)	2	(812)	4	(442)
Interest rate repricing gap						
Euro	6,269	(144)	(1,676)	(3,048)	(248)	1,153
Sterling	(1,431)	(74)	(111)	(6)	(5)	(1,627)
US dollar	(13)	(1)	(4)	-	-	(18)
Other	(4)	-	-	-	-	(4)
Interest rate repricing gap (A) + (B) + (C)	4,821	(218)	(1,791)	(3,054)	(253)	(497)
Cumulative interest rate repricing gap	4,821	4,603	2,812	(242)	(495)	

34. Financial risk management (continued)

31 December 2014

	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						
Euro	20,837	1,373	209	4,323	778	27,520
Sterling	7,246	51	102	24	-	7,423
US dollar	-	-	82	-	-	82
Other	-	-	-	-	-	-
Total assets (A)	28,083	1,424	393	4,347	778	35,025
Liabilities						
Euro	(19,307)	(1,769)	(3,097)	(5,676)	(814)	(30,663)
Sterling	(4,165)	(144)	(237)	(140)	-	(4,686)
US dollar	(151)	(3)	(9)	(8)	-	(171)
Other	(5)	-	-	-	-	(5)
Total liabilities (B)	(23,628)	(1,916)	(3,343)	(5,824)	(814)	(35,525)
Derivatives						
Euro	4,178	211	91	(446)	(152)	3,882
Sterling	(4,267)	-	-	(1)	-	(4,268)
US dollar	160	-	(78)	4	-	86
Other	-	-	-	-	-	-
Derivatives affecting interest rate sensitivities (C)	71	211	13	(443)	(152)	(300)
Interest rate repricing gap						
Euro	5,708	(185)	(2,797)	(1,799)	(188)	739
Sterling	(1,186)	(93)	(135)	(117)	-	(1,531)
US dollar	9	(3)	(5)	(4)	-	(3)
Other	(5)	-	-	-	-	(5)
Interest rate repricing gap (A) + (B) + (C)	4,526	(281)	(2,937)	(1,920)	(188)	(800)
Cumulative interest rate repricing gap	4,526	4,245	1,308	(612)	(800)	

35. Capital management

PTSB is regulated by the European Central Bank under the Single Supervisory Mechanism (SSM). While there are a number of regulated entities within the Group which have individual regulatory capital requirements and are regulated by their local regulators, PTSB is the principal regulated entity.

The ECB has adopted the Basel III framework, under CRD IV, on a phased basis from 1 January 2014, with full implementation by 2024. CRD IV consists of the Capital Requirements Regulation ("CRR"), which is directly applicable to firms across the EU and the new CRD, which was signed in to Irish law on 31 March 2014.

To address the capital deficit arising from the SSM Comprehensive Assessment Adverse Stress (2014) the Group raised €402 million of new equity capital and €125 million of Additional Tier 1 capital during the year.

Notes to the Consolidated Financial Statements
(continued)

35. Capital management (continued)

The core objective of the Group's capital management policy is to ensure the Group complies with its regulatory capital requirements and maintains sufficient capital to cover its business risks and support its market 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 ECB minimum regulatory capital requirements. The ICAAP is subject to the review and evaluation by the ECB and the Central Bank.

The management of capital within the Group is monitored by the BRCC and the ALCO in accordance with Board approved policy. In general, outside of PTSB, all regulated entities within the Group operate to an internal target level of capital which provides a margin of comfort above the regulatory minimum, with any excess capital above this target level being remitted to Group.

The Group's regulatory capital comprises three tiers:

- 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;
- Additional Tier 1 Capital; which includes qualifying convertible perpetual financial instruments with discretionary coupons.
- Tier 2 Capital, which includes qualifying subordinated liabilities, revaluation reserves and other regulatory capital adjustments.

The Group calculates risk weighted assets which are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position.

The Group has a risk weighted asset calculation requirement under CRD IV in respect of market and operational risk.

The Group and its individually regulated operations have not breached any regulatory capital ratios during 2014 and 2015.

The following information has not been subject to audit by the Group's independent auditor.
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 2015 and 31 December 2014 which are calculated in accordance with CRD IV regulatory capital requirements.

	31 December 2015 €m	31 December 2014 €m
Common Equity Tier 1 capital		
Share capital and share premium	**1,588**	2,922
Reserves	**676**	(814)
Prudential filters	**(178)**	(6)
Total qualifying CET1 capital	**2,086**	2,102
Additional Tier 1 Capital	**122**	-
Total qualifying Tier 1 capital	**2,208**	2,102
Tier 2 capital		
Subordinated liabilities	**11**	15
Revaluation reserve	**14**	11
Other	**69**	84
Total qualifying Tier 2 capital	**94**	110
Total own funds	**2,302**	2,212

Subsequent to the 2014 year end the Group re-filed its regulatory return to reflect a minor corporate structure adjustment which had the effect of reducing the total own funds by €3m or 0.1%. This adjustment was not deemed sufficiently material so as to warrant an adjustment to the prior year disclosures above, however the Group's Pillar III disclosures reflect this adjustment for 2015.

35. Capital management (continued)

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

	31 December 2015 €m	31 December 2014 €m
Risk weighted assets (Transitional basis)		
Total risk-weighted assets	**12,210**	14,830
- Credit Risk	**11,805**	14,438
- Operational Risk	**405**	392
Capital Ratios		
Common Equity Tier 1 capital ratio (Transitional basis)	**17.1%**	14.2%
Total capital ratio (Transitional basis)	**18.9%**	14.9%

The total capital ratio is calculated and reported to the Central Bank on a quarterly basis.

The Single Supervisory Mechanism (SSM) during 2015 advised that the Group's SREP (Supervisory Review and Evaluation Process) requirement for 2016 is to maintain the CET 1 ratio at a minimum level of 11.45%, calculated on a transitional basis. The SREP requirement, which takes into account both quantitative and qualitative factors of the assessed institution, is subject to annual review by the SSM.

The movement in the Group's regulatory capital is summarised below:

	2015 €m	2014 €m
Balance as at 1 January	**2,212**	2,513
Capital issued during the year (net of transaction cost)	**495**	-
Operating loss after tax	**(425)**	(103)
Core deposit intangible add-back/deduction	**27**	31
Deferred tax assets add-back/deduction	**(47)**	-
Other movements*	**40**	(229)
Balance as at 31 December	**2,302**	2,212

*Other movements are explained as follows:

	31 December 2015 €m	31 December 2014 €m
Reductions in Tier 2 subordinated debt	**(3)**	(167)
Excess of provisions over expected losses on IRB (cap 0.6% RWA)	**(15)**	(14)
Increase/(reduction) in other own funds	**58**	(48)
Other movements	**40**	(229)

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(continued)

36. Current / non-current assets and liabilities

The following table provides an analysis of certain asset and liability line items as at 31 December 2015 and 31 December 2014. The analysis includes amounts with a remaining contractual maturity of no more than 12 months after the statement of financial position date (current) and with a remaining contractual maturity of more than 12 months after the statement of financial position date (non-current).

		31 December 2015			31 December 2014		
	Note	Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Assets							
Cash and balances at central banks	13	**64**	**-**	**64**	89	-	89
Items in the course of collection	13	**31**	**-**	**31**	33	-	33
Debt securities	14	**1,346**	**2,493**	**3,839**	2,484	2,842	5,326
Equity Securities	15	**23**	**-**	**23**	-	-	-
Derivative assets	16	**12**	**46**	**58**	62	62	124
Loans and advances to banks	17	**1,516**	**-**	**1,516**	1,768	-	1,768
Loans and advances to customers	18	**411**	**22,619**	**23,030**	325	26,881	27,206
Assets classified as held for sale	41	**91**	**-**	**91**	1,030	-	1,030
Prepayments and accrued income		**50**	**-**	**50**	57	-	57
Other assets	23	**10**	**64**	**74**	39	64	103
Deferred tax assets	22	**23**	**370**	**393**	-	389	389
Liabilities							
Deposits by banks (including central banks)	24	**6,749**	**-**	**6,749**	9,107	-	9,107
Customer accounts	25	**17,152**	**1,398**	**18,550**	18,104	2,334	20,438
Debt securities in issue	26	**25**	**978**	**1,003**	1,547	1,878	3,425
Derivative liabilities	16	**256**	**141**	**397**	55	380	435
Accruals		**9**	**-**	**9**	18	-	18
Other liabilities		**74**	**-**	**74**	83	-	83
Provisions	28	**9**	**108**	**117**	43	75	118
Subordinated liabilities	29	**-**	**22**	**22**	366	21	387

37. Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets that consist of loans and advances to customers. In accordance with note 1 (vi), the transferred financial assets continue either to be 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.

37. Transfer of financial assets (continued)

(a) Transferred financial assets that are not derecognised in their entirety

Sale and repurchase agreements

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the statement of financial position as Loans and advances to customers (note 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.

Securitisations

The Group sells loans and advances to customers to SEs that in turn issue notes to investors that 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, 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 2015		31 December 2014	
	Sale and repurchase agreements €m	Securitisations €m	Sale and repurchase agreements €m	Securitisations €m
Carrying amount of assets	**10,858**	**528**	14,836	1,618
Carrying amount of associated liabilities	**6,647**	**533**	10,337	1,647
Liabilities that have recourse only to the transferred financial assets				
Fair value of assets	**10,799**	**416**	14,230	1,347
Fair value of associated liabilities	**6,648**	**539**	10,298	1,618
Net position	**4,151**	**(123)**	3,932	(271)

(b) Transferred financial assets that are derecognised in their entirety

The Group has not transferred any financial assets that were derecognised in their entirety.

Notes to the Consolidated Financial Statements
(continued)

38. Offsetting financial assets and financial liabilities

In accordance with IAS32 Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the balance sheet 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.

The tables highlight the amounts that have been offset on the balance sheet and those amounts covered by collateral placed with or by counterparties to these trades. It does not highlight where right of offset is available in the event of a default, as allowed under ISDA master agreements.

The tables below provide analysis of derivative financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar agreements:

	31 December 2015					
	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross financial assets/ (liabilities) recognised	Gross financial (liabilities)/ assets offset	Net amounts reported on the statement of financial position	Financial instruments	Cash collateral	Net amount
	€m	€m	€m	€m	€m	€m
Assets						
Derivative assets	**58**	**-**	**58**	**-**	**(1)**	**57**
Total	**58**	**-**	**58**	**-**	**(1)**	**57**
Liabilities						
Derivative liabilities	**(397)**	**-**	**(397)**	**-**	**338**	**(59)**
Repurchase agreements	**(6,647)**	**-**	**(6,647)**	**-**	**6**	**(6,641)**
Total	**(7,044)**	**-**	**(7,044)**	**-**	**344**	**(6,700)**

	31 December 2014					
	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross financial assets/ (liabilities) recognised	Gross financial (liabilities)/ assets offset	Net amounts reported on the statement of financial position	Financial instruments	Cash collateral	Net amount
	€m	€m	€m	€m	€m	€m
Assets						
Derivative assets	124	-	124	-	(53)	71
	124	-	124	-	(53)	71
Liabilities						
Derivative liabilities	(435)	-	(435)	-	327	(108)
Repurchase agreements	(10,337)	-	(10,337)	-	340	(9,997)
	(10,772)	-	(10,772)	-	667	(10,105)

39. Commitments and contingencies

The table below gives the contractual amounts of capital commitments and operating lease 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.

Credit commitments	31 December 2015 €m	31 December 2014 €m
Guarantees and irrevocable letters of credit	5	5
Commitments to extend credit		
- less than 1 year	**348**	344
- 1 year and over	**147**	141
Total commitments to extend credit	**495**	485
Total credit commitments	**500**	490

Operating lease commitments

The Group leases various offices under non-cancellable operating leases. The future aggregate minimum lease payments under these leases are as follows:

	31 December 2015 €m	31 December 2014 €m
Less than 1 year	**7**	7
Greater than 1 year and less than 5 years	**27**	27
Greater than 5 years	**24**	29
Total operating lease commitments	**58**	63

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 statement of financial position.

Since 31 December 2008, the Group had been subject to investigations by a number of statutory bodies including the Central Bank (Supervision Division) into 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). At 31 December 2015, these investigations were still on-going.

Notes to the Consolidated Financial Statements
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40. Related parties

The Group has a related party relationship with its Directors, Senior Executives and Group's pension schemes and additionally with the Minister of Finance, as a result of the issuance of the Group Ordinary Shares, as disclosed in note 30. Share capital, reserves and other equity instruments, and the Group's participation in Government Guarantee Schemes as described below, the Group has a related party relationship with the Irish Government and Irish Government related entities.

(A) Directors' shareholdings

The interests of the Directors and the Company Secretary, including interests of their close family members in the share capital and share options of the Company are as follows:

Number of beneficial ordinary shares held	31 December 2015			31 December 2014* Restated		
	Ordinary shares	Options	Share awards	Ordinary shares	Options	Share awards
Alan Cook	-	-	-	-	-	-
Jeremy Masding	-	-	-	-	-	-
Emer Daly	**5**	-	-	5	-	-
Dominic Dodd	-	-	-	-	-	-
Glen Lucken (resigned 18 August 2015)	-	-	-	-	-	-
Julie O'Neill (appointed 28 January 2014)	-	-	-	-	-	-
Richard Pike (appointed 28 January 2014)	-	-	-	-	-	-
Ken Slattery	-	-	-	-	-	-
David Stewart (appointed 1 April 2014)	-	-	-	-	-	-
Pat Ryan (resigned 21 May 2014)	-	-	-	-	-	-
Ciarán Long (Company Secretary)	**334**	-	-	16,629	12,648	-

Ciarán Long, as a trustee of the employee benefit trust set up under the terms of the long-term incentive plan, has a non-beneficial interest in 4,580 shares held in the plan (31 December 2014: 457,914).

Details of the Directors' remuneration is included in the Director's Remuneration Report. on page 79.

(B) Transactions with key management personnel

Key management personnel include Non-Executive Directors, Executive Directors and members of the Executive Committee (ExCo). The Executive Directors and members of the ExCo are listed below:

Members of the ExCo at 31 December 2015

Jeremy Masding	Group Chief Executive Officer
Patricia Carroll	Interim Group Chief Financial Officer
Stephen Groarke	Interim Chief Risk Officer
Toby Clements	Chief Operating Officer
David Curtis	Customer Credit Director
Tony Hession	Group HR Director
Emil Ivanov	Group Strategy and Planning Director
Brendan Lynott	Distribution Director
Ger Mitchell	Mortgage and Consumer Finance Director
Niall O'Grady	Savings and Current Account Director
Shane O'Sullivan	Managing Director of Asset Management Unit
Andrew Walsh	Group Chief Legal Officer

Additionally, Glen Lucken, Jerold Williamson and Paul Byrne were all considered to be key management personnel during 2015 and their details have been included overleaf.

40. Related parties (continued)

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 in B(i) below. 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 2015	31 December 2014
Non-Executive Directors	**7**	7
Executive Directors and Senior Management	**12**	13
	19	20

B (i) Total compensation to key management personnel is as follows:

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Fees	**574**	565
Taxable benefits	**122**	89
Salary and other benefits	**4,183**	3,582
Pension benefits		
- defined contribution	**391**	402
CFO Fees	**173**	-
Total	**5,443**	4,638

During 2015 three (31 December 2014: four) connected persons to the key management personnel were employees of the Group none of whom are Directors of the Group. The aggregate compensation paid to these individuals amounted to €0.094m (31 December 2014: €0.086m).

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 IAS24 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 2015 €'000	31 December 2014 €'000
Balances		
Loans	**2,340**	1,924
Unsecured credit card balances and overdrafts	**8**	5
Deposits	**1,231**	1,028

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Transactions during the year		
Loan advances	**-**	3
Loan repayments	**105**	79
Interest received on loans	**46**	62
Interest paid on deposits	**(6)**	(23)

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40. Related parties (continued)

Loans to Directors

31 December 2015	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	**28**	**-**	**7**	**21**	**2**	**28**
	28	**-**	**7**	**21**	**2**	**28**

31 December 2014	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	35	-	6	28	3	35
	35	-	6	28	3	35

During the year the Group's Interim Chief Financial Officer was seconded from professional services firm KPMG, of which she is a partner. Fees for this secondment are included in total compensation to key management personnel shown above. During 2015 the Group also paid fees of €8.6m to KPMG for advice, assistance and support on various projects, and in particular, relating to a number of regulatory and compliance projects of importance to the Group. Whilst Ms. Carroll was seconded to the Group, she was not involved in the delivery of any of the services supplied by KPMG, nor was she involved in the selection of KPMG for any of the work undertaken. Ms. Carroll has been seconded to the Group since late 2015 and the majority of any ongoing KPMG work for the Group had been contracted for and had commenced prior to this date. At all times the Group has maintained appropriate segregation from Ms. Carroll and the relevant services provided by KPMG to ensure that there is no conflict of interest.

(C) Irish Government and Irish Government related entities

Following the Group's share issuance in May 2015, 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:

- As part of the Capital transaction in May 2015, the Group repurchased the Contingent Capital Note from the Minister for Finance. To complete this transaction the Group paid a premium of €11m to the Minister for Finance, see details in note 29.
- PTSB and its subsidiary Permanent Bank International Ltd were participating covered institutions under the Government's Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the "ELG Scheme") which guaranteed certain eligible liabilities (including deposits) of up to five years in maturity prior to its withdrawal by the Minister for Finance from 29 March 2013. Under the ELG Scheme, the Group issued a 5 year €2bn bond in March 2010 which matured during the year. The charge to the income statement in respect of the ELG Scheme to 31 December 2015 was €14m (31 December 2014: €59m). The liabilities covered by the scheme at 31 December 2015 amounted to €760m (31 December 2014: €2,774m).
- The Group holds securities issued by the Government and Government related entities of €3,839m (31 December 2014: €5,133m).
- Customer accounts include deposits of €1.1bn placed by a Government institution (31 December 2014: €2.3bn). Further details on these deposits are provided in Note 25.

40. Related parties (continued)

- As at 31 December 2015, the Group held €1.6bn of deposits placed by the CBI under the SMBPN programme (31 December 2014: €1.3bn). The deposits are secured by way of floating charge over €4.2bn (31 December 2014: €3.2bn) of ROI residential mortgages. See note 24 for further details.
- 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 (No2) 2013 is payable in the second half of each calendar year. As per the accounting guidance the obligating event occurs as the activity that triggers the payment of the levy occurs in accordance with the relevant legislation. In 2015 the amount recognised in the income statement was €27m (31 December 2014: €27m). The Bank levy has been extended by 5 years to 2021 as announced by the Minister for Finance on 13 October 2015.
- 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 Newbridge Credit Union ("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 2015, the Group had recorded a payable of €1.6m due under the FIA.
- At the 31 December 2015 the Company had an intercompany balance of €3m (31 December 2014: €3m) with its principal subsidiary PTSB.

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
EBS Limited						
	31 December 2015	**-**	**-**	**-**	**-**	**-**
	31 December 2014	5	23	-	-	-
Allied Irish Banks plc						
	31 December 2015	**3**	**-**	**-**	**2**	**496**
	31 December 2014	9	-	2	12	-
Bank of Ireland						
	31 December 2015	**-**	**-**	**-**	**-**	**151**
	31 December 2014	2	159	-	-	-

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41. Assets classified as held for sale

At 31 December 2015, assets classified as held for sale amounted to €91m (2014: €1,030m). In accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued operations, none of the loan portfolios outlined below are deemed to be a discontinued operation as they are not considered a major line of business or geographical area. All of these portfolios are measured in accordance with IAS 39: Financial instruments as required by IFRS 5. Management expects to complete the sale of the portfolio within the next 12 months. This Commercial loan book forms part of the Group's Non-Core segment as outlined in Operating segments, note 3.

The Assets Held for Sale can be analysed as follows:

Commercial real-estate portfolio

Continuing the Group's strategy to sell certain parts of its Non-Core Irish Assets a net loan balance of €91m in loans and advances to customers from the Group's Commercial loan portfolio ("CRE") have been brought to market. This has resulted in these loans and advances to customers being recognised as Assets Held for Sale in the Statement of Financial Position at 31 December 2015.

The following assets were held for sale during 2015:

a) Capital Home Loans Limited ("CHL")

i. At 30 June 2015 the Group classified net loan balances of €681m (£500m) of loans and advances to customer's assets from its UK residential mortgages now held by a newly incorporated Group entity, Lansdowne 199 which is a wholly owned subsidiary of the Group. The loans have since been reclassified to loans and advances to customers as the Group assesses it deleveraging options in respect of its UK portfolio.

b) Commercial real-estate portfolio

i. On 8 July 2015, the Group agreed the sale of €202m of commercial loans which formed part of the Group's Non-Core Irish Assets were classified as held for sale during 2015. This sale was completed on 14 October 2015. This gave rise to a gain on sale of €14m being recognised in the income statement.

ii. At 31 December 2014, the Group had reclassified loans and advances to customers with a net book value of €1.03bn from the Group's Commercial loan portfolio (CRE) being recognised as assets classified as held for sale. This commercial loan book formed part of the Group's Non-Core segment at 31 December 2015 as outlined in Operating segments, note 3.

On 10 March 2015, the Group agreed the sale of the majority of these loans with completion of the transaction occurring on 19 June 2015 with a gain on sale of €5m being recognised in the income statement. At 31 December 2015, €91m of these loans continue to be held for sale. Management remain committed to the sale and the probability of the sale being completed remains high.

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 1.0% of the total assets of the Group.

The key subsidiaries of the holding company meeting the criteria outlined above are:

Name and registered office	Nature of business	Incorporated in	% of ordinary shares held
Held directly by the company:			
Permanent TSB plc 56-59 St. Stephens Green, Dublin 2	Retail banking and mortgage lending	Ireland	100
Held by subsidiaries:			
Permanent TSB Finance Limited 56-59 St. Stephens Green, Dublin 2	Consumer finance	Ireland	100
Lansdowne 199 Limited 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom	Mortgage lending	UK	100
Permanent Bank International Limited (formerly Irish Nationwide IOM Limited) Hillary House, Prospect Hill, Douglas, Isle of Man, IMI 1EQ	Deposit business	IOM	100
Springboard Mortgages Limited 56-59 St. Stephens Green, Dublin 2	Mortgage lending	Ireland	100
Irish Permanent (IOM) Limited 69 Athol Street, Douglas, Isle of Man, IM1 1JE	Mortgage lending	IOM	100

In presenting details of the principal subsidiary undertakings, the exemption permitted by section 315 (a) (i) of the Companies Act 2014 in relation to disclosing related undertaking net assets or profit or loss, has been availed of, and the Company will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

The reporting date for each of the Group's principal subsidiary entities is 31 December.

The principal country of operation of each company is the country in which it is incorporated.

The registered office of Permanent TSB Group Holdings plc is 56-59 St. Stephens Green, Dublin 2.

Notes to the Consolidated Financial Statements
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42. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

(A) Company's interest in subsidiary undertakings

The Company is the ultimate holding company of the Group while PTSB is a 100% subsidiary of the Company. The investment in PTSB was carried at cost in the holding company statement of financial position. The investment amounted to €1,459m at 31 December 2015. During 2015, the holding company carried out a capital transaction which resulted in the issuance of new shares in the Company. This resulted in an additional €402m of equity being raised. This additional equity less costs of €28m increased the Company's investment in its subsidiary PTSB and has been passed onto by way of capital contribution.

(B) Structured entities (SEs)

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities 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 or 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 the power to:

- Exercise rights, powers and discretions of the Issuers in relation to the mortgage loans and their related security and to perform its duties in relation to the mortgage loans and their related securities; and
- To do or cause to be done any and all other things which it reasonably considers necessary or 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 as outlined in the above agreement:

- Is to manage the credit risk associated with the mortgages contained in the individual SEs. This may result in the impairment losses being incurred in the entity.
- 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 effect the investee returns and the ability to use its power to effect 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 these SEs.

The Group currently has five SEs in issue in the Republic of Ireland the details which are outlined below:

	Sub loan provided	Deferred consideration receivable
SEs setup with ROI Residential Mortgages		
- Fastnet 3 Ltd	√	
- Fastnet 5 Ltd	√	
- Fastnet 6 Ltd	√	
- Fastnet 9 Ltd	√	
- Fastnet 10 Ltd	√	

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 2015, restricted cash of €300m (31 December 2014: €720m) relates to cash held by the Group's securitisation entities.

42. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

Risks and support provided to SEs

The support provided to the SEs setup with ROI residential mortgages is limited to the value of the subordinated loans provided to these vehicles.

There is a risk that the Group will not recoup the funding provided by way of the subordinated loans when the SEs are wound up.

43. Reporting currency and exchange rates

The consolidated financial statements are presented in millions of Euro.
The following tables show for the current year-end and prior year-end, the average and closing rates used by the Group:

	31 December 2015	31 December 2014
€ / £ exchange rate		
Closing	**0.7340**	0.7789
Average	**0.7242**	0.8030
€ / US$ exchange rate		
Closing	**1.0887**	1.2141
Average	**1.1044**	1.3207

44. Events after the reporting period

No events occurred between the reporting date 31 December 2015 and the date of the financial statements were approved for issue by the Board of Directors being the 8 March 2016 that may require adjustments to our disclosure in these financial statements.

Appendix

The following information has not been subject to audit by the Group's Independent Auditor

Additional credit information
ROI Residential portfolio
The tables below provide additional detail in respect of the Group's retail mortgage portfolios which is the segment of the lending market the Group has most exposure to.

The following parameters form part of the IRB approach used by the Group in calculating impairment provisions associated with these portfolios:
- Exposure at Default is defined as the Group's gross exposure on the loan facility upon default of an obligor
- Average Probability of default (PD) is the internal ratings assigned using sets of characteristics or attributes associated with the exposure.
- Average Loss Given Default (LGD) is a "Workout" approach used to estimate actual loss on exposures.
-

Exposure by geographical location

31 December 2015	Exposure at Default (€m)	Average PD (%)	Average LGD (%)
ROI	**21,430**	**25.9%**	**9.4%**
UK	**3,671**	**8.0%**	**11.9%**
Other EU	**38**	**22.1%**	**10.8%**
Rest of the World	**70**	**24.8%**	**11.5%**
Total	**25,209**	**23.3%**	**9.8%**

31 December 2014	Exposure at Default (€m)	Average PD (%)	Average LGD (%)
ROI	22,938	28.5%	10.0%
UK	6,188	6.4%	13.2%
Other EU	39	23.1%	11.1%
Rest of the World	73	26.7%	11.9%
Total	29,238	23.9%	10.7%

Exposure by Grade	31 December 2015		31 December 2014	
	Exposure at Default (€m)	Average PD (%)	Exposure at Default (€m)	Average PD (%)
Excellent	**12,428**	**0.8%**	15,510	0.8%
Satisfactory	**5,502**	**1.7%**	5,074	1.7%
Fair	**1,797**	**15.8%**	2,111	16.1%
Defaulted	**5,482**	**100.0%**	6,543	100.0%
	25,209	**23.3%**	29,238	23.9%

For financial reporting purposes, impairment allowances are recognised based on objective evidence of impairment at the Balance Sheet date with respect to losses that have been incurred. As a result, impairment allowances will differ from amounts calculated from expected loss model perspective.

The following information has not been subject to audit by the Group's Independent Auditor

Loan loss provisioning - IBNR

The impairment on unimpaired loans which are collectively assessed is calculated using statistical models by determining the possibility of arrears levels deteriorating and applying loss given defaults to the impaired loan balance.

The following tables detail the parameters by internal risk grading used by the Group in calculating the impairment provisions in respect of the ROI residential and consumer portfolios. The parameters in respect of ROI residential Cured and Forborne loans are also detailed.

	31 December 2015			31 December 2014		
ROI: Owner occupiers	Exposure (€m)	Average PD (%)	Average LGD (%)	Exposure (€m)	Average PD (%)	Average LGD (%)
Excellent	**9,279**	**1.1%**	**15.30%**	9,432	1.4%	15.90%
Satisfactory	**1,797**	**6.2%**	**17.30%**	1,704	7.5%	17.80%
Fair	**869**	**21.3%**	**18.40%**	1,122	25.5%	18.80%
Cured	**384**	**18.0%**	**18.5%**	476	17.5%	19.1%
Forborne	**1,276**	**13.5%**	**20.1%**	1,504	17.0%	20.8%

	31 December 2015			31 December 2014		
ROI: Buy-to-Let	Exposure (€m)	Average PD (%)	Average LGD (%)	Exposure (€m)	Average PD (%)	Average LGD (%)
Excellent	**993**	**1.1%**	**29.7%**	2,272	1.7%	30.4%
Satisfactory	**2,424**	**2.3%**	**37.7%**	1,293	4.1%	36.1%
Fair	**806**	**9.2%**	**39.8%**	828	13.8%	36.8%
Cured	**204**	**14.70%**	**42.50%**	432	16.60%	39.50%
Forborne	**686**	**7.80%**	**40.80%**	735	12.40%	36.90%

ROI Consumer

	2015			2014		
Non-residential	Exposure (€m)	Average PD (%)	Average LGD (%)	Exposure (€m)	Average PD (%)	Average LGD (%)
Excellent	**154**	**1.3%**	**66.1%**	137	1.7%	67.4%
Satisfactory	**50**	**4.2%**	**73.0%**	61	3.6%	74.8%
Fair	**28**	**6.5%**	**69.0%**	25	9.7%	70.3%

Provision amounts calculated outside of the statistical models are excluded from the above. The LGD on the 'Faire' grade in the ROI residential mortgage portfolio is driven by a number of conservative scales applied in respect of over defaulted, multiple Forborne etc.

Abbreviations and Definitions

The following information has not been subject to audit by the Group's Independent Auditor

AFS Available For Sale

ALCO Asset and Liability Committee

AMU Asset Management Unit

AT1 Additional Tier 1

AQR Asset Quality Review

BRCC Board Risk and Compliance Committee

BAC Board Audit Committee

BTL Buy To Let

CA Comprehensive assessment

CBI Central Bank of Ireland

CCMA Code of Conduct on Mortgage Arrears

CET 1 Common Equity Tier 1

CHL Capital Home Loan

CODM Chief Operating Decision Maker

CRD Capital Requirements Directive

CRE Commercial Real Estate

CRR Capital Requirements Regulation

CSA Credit Support Annex

CSO Central Statistics Office

CVA Credit Valuation Adjustment

DVA Debt Valuation Adjustments

EBA European Banking Authority

ECB European Central Bank

EIR Effective Interest Rate

ELG Eligible Liabilities Guarantee Scheme

EU European Union

ExCo Executive Committee

FIA Financial Incentives Agreement

FVTPL Fair Value Through Profit or Loss

GDP Gross Domestic Product

HFS Held For Sale

HTM Held To Maturity

IAS International Accounting Standard

IASB International Accounting Standards Board

IBNR Incurred But Not Reported

ICAAP Internal Capital Adequacy Assessment Process

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards

IOM Isle of Man

IRB Internal Ratings Board

IRRBB Interest Rate Risk in the Banking Board

ISDA International Swap Dealers Association

LGD Loss Given Default

LME Liability Management Exercise

LTV Loan To Value

MART Mortgage Arrears Resolution Targets

MARS Mortgage Arrears Resolution Strategy

NAMA National Asset Management Agency

NCU Newbridge Credit Union

NPL Non Performing Loan

OCI Other Comprehensive Income

PBI Permanent Bank International Limited

PPI Payment Protection Insurance

PTSB Permanent TSB plc

PTSBGH Permanent TSB Group Holding plc

ROI Republic of Ireland

SBU Strategic business unit

SE Structured Entities

SFS Standard financial statement

SMBPN Special Mortgage Backed Promissory Note

SPE Special Purpose Entity

SSM Single Supervisory Mechanism

UK United Kingdom

VAT Value Added Tax

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.

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.

Basel III Basel III is a global, voluntary regulatory framework on bank capital adequacy, stress testing and market liquidity risk.

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 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 (CET1) capital 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.

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'): Statutory law implemented by the European Union for capital adequacy. CRD have introduced a supervisory framework in the European Union which reflects the Basel II and Basel III rules on capital measurement and capital standards.

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the customers.

Credit Risk The risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions.

Credit Risk Mitigation Methods to reduce the credit risk associated with an exposure by the application of credit risk mitigants. Examples include: collateral; guarantee; and credit protection.

CVA Credit Valuation Adjustment ("CVA") is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of counterparty's default.

Customer accounts money deposited with the Group by counterparties other than banks and classified as liabilities.. This includes various types of unsecured deposits, credit current and notice accounts.

Debt securities Instruments representing certificates of indebtedness of credit institutions, public bodies and other undertakings. Debt securities can be secured or unsecured.

Debt securities in issue Transferable certificates of indebtedness of the Group to the bearer of the certificates. They include commercial paper, certificates of deposit, bonds and medium-term notes.

Default When a customer fails to make timely payment of interest or principal on a debt security or to otherwise comply with the provisions of a bond indenture. Depending on the materiality of the default, if left unmanaged it can lead to loan impairment.

DVA Debt Valuation Adjustments: an adjustment made by an entity to the valuation of over-the-counter derivative liabilities to reflect within fair value the entity's own credit risk.

Eurozone The eurozone, is a monetary union of 19 of the 28 European Union (EU) member states which have adopted the euro (€) as their common currency and sole legal tender. The other nine members of the European Union continue to use their own national currencies. The eurozone consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Exposure At Default Exposure at default ("EAD") is the gross exposure under a facility upon default of an obligor.

Fair value The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Forbearance Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan, for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance strategies are employed in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such arrangements can include extended payment terms, a temporary reduction in interest or principal repayments, payment moratorium and other modifications.

Foreign currency exchange risk The risk that the 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.

Home loan A loan provided by bank, secured by borrower's primary residence or second home.

ICAAP Internal Capital Adequacy Assessment Process ("ICAAP"): is a supervisory review and an evaluation process to assess Group's own calculations, the adequate capital which Group consider necessary to cover the risks they take and which they are exposed to.

ILAAP Internal Liquidity Adequacy Assessment Process: is a supervisory review and evaluation process to assess the Groups own calculations, the adequate liquidity which the Group considers necessary to cover the risks they take and which are exposed to.

Abbreviations and Definitions
(continued)

Impaired loans A loan is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which give rise to an adverse impact of the estimated future cash flows of the asset. Impairment provisions are calculated either individually on loans where significant, or on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement.

IRBA The Internal Ratings Based Approach ("IRBA") allows bank 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.

LCR Liquidity Coverage Ratio: The ratio to ensure that bank has an adequate amount of high quality liquid assets in order to meet short-term obligations under a stress scenario lasting for 30 days. The LCR will be phased in over a number of years, with credit institutions obliged to hold 60% of their full LCR in 2015, 70% in 2016, 80% in 2017 and 100% in 2018, as per CRD iV.

LGD Loss Given Default ("LGD") is the share of an asset that is lost when a borrower defaults on a loan.

Liquidity Risk The risk that the Group may experience difficulty in financing its assets and / or meeting its contractual obligations as and when they fall due, without incurring excessive cost.

LTV Loan To Value ("LTV") 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 usually matures in five to 10 years. They can be issued on a fixed or floating coupon basis.

NAMA National Asset Management Agency ("NAMA") was established in 2009 as one of a number of initiatives taken by the Irish Government to address the Irish Financial crisis.

Net Interest Income is the difference between interest earned on assets and interest paid on liabilities.

Net Interest Margin Net Interest Margin ("NIM") is a performance metric that measure difference between the interest income generated on lendings and the amount of interest paid on borrowings relative to the amount of interest-earning assets.

Non-performing loans Non-performing loans are defined as impaired loans, loans which are greater than 90 days in arrears, loans where the borrower is assessed as unlikely to repay the loan in full without the realisation of the collateral and loans which are deemed unlikely to pay as defined by the May 2013 CBI guidelines on impairment provisioning / EBA ITS.

NSFR Net Stable Funding 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, 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.

RWAs Risk Weighted Assets ("RWAs") is a measure of amount of bank's assets or off-balance sheet exposures which are weighted according to risk on prescribed rules and formulas as defined in the under Basel Banking Accord.

Securitisation Securitisation is the process of taking an illiquid asset, or group of assets, and through financial engineering, transforming them into a security.

Settlement Risk The risk that the Group delivers a sold asset or cash to a counterparty and then does not receive the corresponding cash or purchased asset as expected.

SSM The Single Supervisory Mechanism ("SSM") is the 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.

SME Small and Medium Enterprises.

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).

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 I capital is core capital; this includes equity capital and disclosed reserves.

Tier 2 capital Tier 2 capital is supplementary bank capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

Tracker mortgage A mortgage which follows the Base Rate of interest set by the European Central Bank and will be fixed at a certain percentage above this rate.

With special thanks to our staff participating
in the Annual Report photography:

Aidan Grehan
Eimer Costello
Elaine Brady
Ian Ridgard
Karen Duke
Laura Lynsky
Laura Napier
Peter Richardson
Phillip Power
Ruth Murphy

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