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Interim Report

For the six months ended 30 June 2024

Permanent TSB Group Holdings plc

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

The words "expect", "anticipate", "intend", "plan", "estimate", "aim", "forecast", "project", "target", "goal", "believe", "may", "could", "will", "seek", "would", "should", "continue", "assume" and similar expressions (or their negative) identify certain forward-looking statements but their absence does not mean that a statement is not forward looking. The forward-looking statements in this document are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

Forward looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the Group to be materially different from those expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future global, national and regional economic conditions, levels of market interest rates, credit or other risks of lending and investment activities, competition and the behaviour of other market participants, the actions of regulators and other factors such as changes in the political, social and regulatory framework in which the Group operates or in economic or technological trends or conditions. Material economic assumptions underlying the forward looking statements are discussed further in Risk Management.

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

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

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

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Financial Highlights

Financial performance

Underlying profit €m [a]

June 2024:	€82m
June 2023:	€86m

June 2024: €82m

Driven by increased net interest income and write-back of impairment charges, offset by an increase of in operating expenses, resulting in a net €4m decrease in the year.

Profit before taxation

June 2024:	€75m
June 2023:	€26m

June 2024: €75m

Increased primarily due to a reduction in exceptional costs along with a write-back of impairment charges.

Net Interest Margin (NIM) % [b]

June 2024:	2.27%
June 2023:	2.29%

June 2024: 2.27%

2bps lower due to higher cost of funds with a growth in deposit volumes on higher interest-bearing deposits. Offset by higher interest income.

Return/(loss) on Equity % [c]

June 2024:	5.80%
June 2023:	7.59%

June 2024: 5.80%

Decrease in Return on equity driven by a reduction in underlying profit.

Transformation and simplification

Adjusted Cost to Income Ratio [d]

June 2024:	73%
June 2023:	63%

June 2024: 73%

Increased due to an increase in staff costs, the acceleration of investment in the digital transformation programme and the effect of cost inflation pressures.

Customer deposits [e]

June 2024:	€23.6bn
December 2023:	€23.0bn

June 2024: €23.6bn

Increase in retail deposits driven by an increase in higher interest bearing term deposit products.

Asset Quality

CET 1 Ratio [f]

June 2024:	14.5%
December 2023:	14.3%

June 2024: 14.5%

Increase due to the recognition of H1 profits and reduction in RWAs

NPL Ratio [g]

June 2024:	1.7%
December 2023:	3.3%

June 2024: 1.7%

NPL ratio reduced since December 23 due to the planned deleveraging loan sale portfolio being re-classified as held for sale.

RWA [h]

June 2024:	€11,338m
December 2023:	€11,546m

June 2024: €11,338m

Decrease driven by a change in the overall mix of the Group's RWAs

(a) See page 8 for a reconciliation of underlying profit to profit before tax on an IFRS basis.
(b) Defined as net interest income (NII) divided by average interest-earning assets.
(c) Defined as profit for the period after tax (excluding exceptional and other non-recurring items) expressed as a percentage of total average equity.
(d) Defined as total operating expenses (excluding exceptional items, other non-recurring items, and bank levy and regulatory charges) divided by total operating income.
(e) Defined as the sum of current accounts, retail deposits and corporate deposits.
(f) Total Common Equity Tier 1 (CET1) capital divided by total risk weighted assets (RWAs).
(g) Defined as non-performing loans (NPLs) expressed as a percentage of the total gross loans of the bank. The 2024 figure excludes the loan portfolio held for sale at period end. NPL ratio including held for sale assets is 3.3%
(h) RWAs are the Group's assets or off balance sheet exposures, weighted according to risk

Non-Financial Highlights

An increased focus on Sustainability and Climate Risk, with a Board approved Sustainability Strategy aligned to the Sustainable Development Goals (SDGs) [(1)] and the development of an ESG Risk Strategy	Disclosing the Bank's carbon impact across Scope 1,2 and 3 (including financed emissions) and committing to setting science-based carbon emission reduction targets (SBTs) by the end of 2024
A 'Low' ESG Risk Rating through Sustainalytics	Title Sponsor of the Irish Olympic Team and the Irish Paralympic Team for the 2024 Games in Paris
Strong performance of the Bank's Green Mortgage [(2)], with c.€267 million in green lending drawn down during H1 2024, accounting for 38% of new Mortgage lending	c.€19.4 million in funding provided to the Social Finance Foundation since 2009 [(3)]
Participation in the Strategic Banking Corporation of Ireland's Growth and Sustainability Loan Scheme, offering €70m in low-cost loans to SMEs	81% Culture Index Score, +11% above our Culture Index Target of 70%
The Bank is offering €100m in funding as part of Strategic Banking Corporation of Ireland's Home Energy Upgrade Loan Scheme – first lender to launch the Scheme	89% of employees feel comfortable to be themselves at work regardless of background or life experiences
€500m Green Bond Issuance, the first under the Bank's Green Bond Framework	58% Female Board Gender Composition and 39% of Senior Leadership positions are filled by Women
	+20 Relationship Net Promoter Score (RNPS) [(4)], remaining level on our FY 23 RNPS

Our Commitment to Building a Sustainable Business

Our Purpose is to work together to build trust with our customers and communities.

Our Sustainability Strategy gives us an opportunity to put our purpose into action - enabling us to play our part in addressing the global climate crisis, elevate our social impact, enhance our culture and deliver what matter most to our customers and colleagues.

Ultimately, building a sustainable organisation that is fit for the future.

Awards and Recognitions in H1 2024

- Winner – Financial Services Loyalty Programmes/ Initiative of the Year for PTSB's Explore Current Account, Irish Loyalty Awards, 2024
- Winner – Brand Campaign Award, Marketing Institute Ireland All Ireland Marketing Awards, 2024
- Winner – Best Community or Charity Engagement for the PTSB Community Fund, Bonkers Awards, 2024
- Winner – Best Innovation Award for PTSB Protect, Bonkers Awards, 2024
- Winner – Team of the year for PTSB's Customer Service Team, Workplace Excellence Awards, 2024
- Winner – Excellence in Learning and Development for PTSB's Digital and Direct Rising Stars Programme, Workplace Excellence Awards, 2024
- Winner – Colleague Engagement and Team Building, Workplace Excellence Awards, 2024
- Winner – Excellence in Employee Engagement and Team Building, Workplace Excellence Awards, 2024
- Winner – Elevating the Colleague Experience (Large Company), CIPD Awards, 2024
- Winner – Elevating the Employee Experience (Large Company), CIPD Awards, 2024
- Winner – Diversity, Equality and Inclusion Initiative, Business and Finance ESG Awards, 2024
- Winner – Speaking Up and Psychological Safety Award for PTSB's DICE Employee Resource Group, IBCB Proud to Work in Banking Awards, 2024
- Winner – Ethical Behaviour Award for PTSB's People Experience Team, IBCB Proud to Work in Banking Awards, 2024
- Highly Commended – Outstanding Employee Resource Group Award, Irish Centre for Diversity Awards, 2024
- Winner – Best Sports Sponsorship for the Olympic Federation of Ireland's Dare to Believe Schools Programme, Irish Sport Industry Awards, 2024

Ambitions for H2 2024 and Onwards

- Continuing to embed PTSB's Sustainability Strategy and evolve the Bank's Sustainability Maturity
- Increasing our focus on Climate-related and Environmental Risk management
- Using our carbon baseline to set SBTs aligned to the Paris Agreement and IPCC findings and developing a corresponding Carbon Transition Plan to help us to achieve our targets
- Elevating our social impact through partnerships and continuing to support local communities through the PTSB Community Fund
- Partnering with small businesses through our Business Banking Strategy
- Ensuring strong corporate governance, compliance, and fair business conduct

(1) The United Nation's Sustainable Development Goals (SDGs) were launched in 2015 to provide a plan of action for people, planet and prosperity. While we recognise that we may contribute to all 17 SDGs in some way, we have identified 6 as being core to our Strategy.

(2) A 5-Year Fixed Product available to all new and existing home loan customers, and a 3-Year Fixed Product available to new home loan customers only, where their homes have a confirmed or proposed Building Energy Rating of A1 to B3.

(3) The Social Finance Foundation was established in 2007 by the Irish Government to address the needs of community organisations and social enterprises for loan funding which was difficult to obtain from mainstream financial institutions. Acting as a 'wholesaler', it provides funding to its lending partners Clann Credo and Community Finance Ireland.

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

Chief Executive Review

Introduction

We have had a strong start to 2024 as we continue to build on the progress made in the previous year.

Our focus throughout the first half of the year has been on continuing to grow and diversify our business, increasing our presence in business banking, further embedding our new PTSB Asset Finance business, and offering customers much-needed choice through our competitive mortgage and savings and deposit options. All while delivering on our promise of being 'Altogether more human'.

This promise, to bring the best of technology and our people together to deliver a better banking experience for our customers, is how we differentiate ourselves from our competitors. It is an outward expression of the positive change already happening across the Bank. It is our commitment to putting customer needs at the centre of how we think, plan, design and deliver for them, whether that's through our voice, digital or in-person channels, or a combination of them all. And meeting customer needs has been central to our strong performance throughout the first half of the year.

We have continued to invest in our technology, strengthening our core systems so we provide a secure and resilient service for the ultimate benefit of all our customers. We are also the only bank in Ireland to introduce Voice Guidance functionality, available on our ATMs and self-service banking machines (SSBMs) nationwide, to support visually impaired customers.

Throughout the first half of 2024, we have delivered on our customer promise with the introduction of a range of new products and competitive rate changes. We launched a new 32-Day Notice product to our business customers in February, and for our personal customers, we announced the launch of our new Interest First deposit product in June, which pays 2.75% Annual Equivalent Rate for one-year fixed term savings. This unique offering in the Irish market allows customers to receive their interest upfront as a lump sum, within the first month of opening the account, instead of waiting until the end of the one-year fixed term. This means that our customers can use their interest for what they need it for now, knowing their money is secure for when they need it in the future.

We announced changes to our deposit rates for all personal customers, including market-leading six-month and one-year fixed rates announced in May. We also announced significant reductions to our standard 3-year fixed rate mortgage products for new and existing customers by up to 1.05% in May.

Our green mortgage product offering is a key feature of our Sustainability Strategy as we support customers in their transition to a low-carbon economy. Building on the Bank's already successful five-year fixed rate green mortgage product, which is available to new and existing customers, we were delighted to expand our green product offering with the launch of our three-year fixed rate green mortgage to new customers in May, and this became available to existing customers at the end of July.

Our ambition to support the transition to a low-carbon economy is also why we are so proud to have been the first lender to participate in the Strategic Banking Corporation of Ireland's (SBCI) Home Energy Upgrade Loan Scheme (HEULS), and also to have announced our participation in the SBCI Growth & Sustainability Loan Scheme (GSLS).

Delivering on our 'Altogether more human' promise means supporting and investing in our communities too. That's why this year has been so exciting with both the Olympic and Paralympic Games taking place in Paris this summer. Indeed, as you read this note, Ireland's finest athletes are competing in these historic Games and we are thrilled to support them through our landmark title sponsorship.

This sponsorship is really important to us. It's the perfect match because it allows us to demonstrate our commitment to communities around Ireland and to show our support for the role they play in nurturing, developing and encouraging our Olympic and Paralympic athletes and participation in sport more broadly. We are huge supporters of the communities that we are a part of and we are also huge supporters of Team Ireland – we wish them every success this summer.

Our sponsorship of Team Ireland has also given us a bigger platform to increase PTSB's brand awareness and affinity amongst our customers and prospective customers, enabling us to further demonstrate our credentials to the wider market and to continue competing strongly and growing strongly.

And I am pleased to say that our colleagues and our leaders are driving this effective, competitive, and sustainable business performance. Indeed, I was delighted to recently strengthen our leadership at Executive level, welcoming Leontia Fannin to the Executive Management Team as our inaugural Chief Sustainability & Corporate Affairs Officer, with Ger Mitchell appointed our new Chief Customer & People Officer, and Patrick Farrell our new Chief Retail Banking Officer.

Taking all this progress into account, I remain confident that the acquisitions and investments we have made, and continue to make, are putting us in a strong position to continue to further grow and diversify our business and deliver sustainable returns for our shareholders over time. Our results show that we are on the right track to achieve our Ambition of becoming Ireland's best personal and business bank through exceptional customer experiences, and that the future is bright.

Business Performance Review

The Bank reports strong business performance for the first half of the year, with customer deposits of €23.6bn at June 2024, an increase of 4% (€1.0bn) since June 2023 and 3% (€0.6bn) since December 2023. This strong performance has been driven by our competitive savings and deposit proposition, which has included personal deposit rate increases in the first half of the year, with market leading six-month and one-year fixed term deposit products announced. Since November 2022, we have announced eight deposit rate increases for our personal customers. Building on this, we also announced the launch of our unique Interest First Deposit product at the end of Q2.

Business Banking lending, encompassing both SME and Asset Finance lending, of €180m in the first half of 2024 is triple that of the prior year due to the acquisition of the asset finance business in July 2023, and complemented by organic business growth. New SME lending of €63m has increased 5% versus H1'23, and PTSB Asset Finance has also performance strongly with new lending of €117m, an increase of 24% (€23m) versus H2'23.

The Bank is seeing positive progress in our mortgage market performance since the beginning of the year, and particularly since the announcement of a number of significant rate reductions in May. This is evidenced by the 10bps increase in our Q2'24 mortgage market share to 13.5% as compared to 13.4% in Q1'24, with a strong pipeline as we head into the second half of the year. We are committed to providing competitive offerings across our mortgage products, while meeting the needs of our customers and the wider economy.

Financial Performance Review

The Bank reported a Profit Before Tax of €75m for the first half of 2024 (2023: €26m). Net Interest Income increased by 4% versus the prior period, mainly driven by increased income on mortgages, and as a result of the acquisition and subsequent growth of the Asset Finance business. Net fees and commission income is €23m for the period ended 30 June 2024 which is in line with 2023.

Operating Income

Net interest income (NII) of €311m has increased by 4% versus the prior period and our Net Interest Margin (NIM) decreased by 2bps to 2.27%. Interest income increased due to the higher interest rate environment together with earnings from higher interest earning assets partly offset by higher cost of funds due to increasing deposit volumes primarily in higher interest-bearing retail deposits.

Net fees and commission income is €23m for the period ended 30 June 2024 which is in line with 2023.

Net other income was €2m for 2024, in line with 2023. Other income is driven by sales of properties in possession and gains on derivative contracts.

Operating Expenses

Operating expenses excluding exceptional and other non-recurring items of €274m are higher than the prior period, primarily due to an increase in staff numbers compared with the comparative period, along with Performance Related Pay increases, and costs associated with servicing the Bank's increased Branch network, and the investment in the Bank's brand position.

Impairment

The Bank recorded an impairment write-back on loans and advances to customers of €20m for the first half of 2024, compared to a €9m charge for 2023. This write-back reflects the strong underlying performance and robust asset quality within the loan book, together with the favourable macro-economic environment especially in terms of house prices.

Exceptional and Other Non-Recurring Costs

The total exceptional and non-recurring items for 2024 are €7m (2023: €60m). Exceptional costs comprise, €6m charge in relation to deleveraging, and €3m in relation to legacy legal cases. This is offset by a €2m deleveraging write-back relating to a previous loan sale. The reduction compared to the prior period is due to costs which were incurred in the Ulster Bank transaction in 2023.

Non-Performing Loans (NPLs)

Non-performing loans (excluding the Glas III held for sale portfolio) as a percentage of gross loans were 1.7% at 30 June 2024, decreased from 3.3% at 31 December 2023, driven by the sale of non-performing loans which were recognised as Assets Held for Sale at the end of the period.

Capital

At 30 June 2024, the regulatory CET1 was 14.5% (31 December 2023: 14.3%) and the Total Capital ratio was 20.3% (31 December 2023: 20.0%), exceeding the Group's 2024 minimum requirements of 10.33% and 15.25% respectively.

The increase in the CET1 ratio (+20bps) in the six months to June 2024 was primarily due to the recognition of H1 profits and reduction in RWAs, primarily driven by Credit Risk RWAs and Standardised RWAs, partially offset by prudential filter Deferred Tax Asset, increased investments in intangible software assets and AT1 coupon payments.

Capital ratios remain above both management and regulatory minima.

Exceptional Customer Experiences

Throughout the first half of 2024, we have seen the benefits of the investments in our multi-year digital transformation programme come to life as we deliver on our brand promise of being 'Altogether more human'.

Building on our commitment to deliver exceptional experiences to our customers by leveraging technology, PTSB introduced Voice Guidance functionality on all PTSB ATMs and SSBMs nationwide and we are the only bank in Ireland with this support available for visually impaired customers. Additionally, we have commenced rolling out new PTSB Debit and Credit cards to our customers following our recent rebrand. These cards include a small notch on the right side of the card which makes it easier for visually impaired customers to identify which way to use their card in ATM and Chip and PIN machines.

Launched in October 2023, 'PTSB Protect' is the new feature to our banking app which helps prevent customers falling victim to fraudulent scams. The feature has been an extremely successful fraud protection tool, supporting a 70% decrease in customers clicking through to fake website in the first half of the year, along with a 76% decrease in customer account exposure, which is the available balance in a customer's account at time of potential compromise. We were delighted to win the 'Best Innovation Award' at the 2024 Bonkers Awards in recognition of this global-first feature.

With c. 640k digitally active customers, our recent enhancements to the PTSB mobile app and desktop services platforms are being positively received. Furthermore, our Relationship Net Promoter Score, which measures how likely a customer is to recommend PTSB's products and services to their family and friends, is at 20pts for the first half of the year, +1pt versus the same period last year.

Sustainable Business Growth

Sustainability is a key strategic priority for our business and during the first half of 2024, we have continued to make progress across the four pillars of our Sustainability Strategy. We are continuing to support our customers in navigating the transition to a low-carbon economy with €267m in green mortgage lending in the first half of the year, which equates to 38% of the Bank's total mortgage lending for H1. This has been driven by the Bank's competitive green mortgage proposition, which included the launch of a three-year fixed rate green mortgage product in March.

Chief Executive Review
(continued)

To further support customers in meeting their sustainability goals, we are delighted to have been the first financial institution to participate in the SBCI Retrofit Scheme (HEULS), offering customers low-cost loans to upgrade the energy efficiency of their home.

Furthermore, we were also delighted to extend our business banking offering by joining the SBCI's €500m Growth & Sustainability Loan Scheme (GSLS). Our participation in this scheme enables us to support SMEs (including farmers, fishers, foresters and food businesses) that are investing in their growth, resiliency, or investing in climate action and environmental sustainability measures that will enhance their performance.

Our Purpose is working together to build trust with our customers and our communities. We demonstrate this through various initiatives including our Community Fund, our Community Partnerships, National and Regional Sponsorships, Schools initiatives and Volunteer Partners.

We were extremely proud to donate €300k to our 2023 Community Fund partners, which included €150k in matched funding by the Bank, and are delighted to support ALONE, Our Lady's Hospice and Care Services Harold's Cross, Blackrock & Wicklow, Dillon Quirke Foundation, Blood Bikes South, Ashling Murphy Memorial Fund and Cancer Care West as our 2024 Community Fund partners.

Through our partnership with the Social Finance Foundation, we have provided €19.4m in funding since 2009. The Social Finance Foundation was established in 2007 by the Irish Government to address the needs of community organisations and social enterprises for loan funding which was difficult to obtain from mainstream financial institutions. Acting as a 'wholesaler', it provides funding to its lending partners Clann Credo and Community Finance Ireland.

Our focus on sustainability extends to all areas of the Bank, and in recognition of our efforts across the Sustainability agenda, we were pleased to be certified with the Business Working Responsibly Mark (The Mark) for the second time. The Mark is the only independently audited standard for Sustainability in Ireland and is audited by the National Standards Authority of Ireland, based on the international standard for social responsibility.

PTSB's recertification highlights the achievements and progress made by the Bank through delivery of its Sustainability Strategy, which includes a focus on four pillars aimed at integrating EESG consideration into all areas of the business, aligned to the United Nation's Sustainable Development Goals.

Outlook

Continued growth, excellence in customer experience, and competitiveness are our key priorities as we look to the second half of the year.

We have introduced a range of market-leading products during the first half of the year and have laid the foundations for even further growth. We will continue to invest in our technology, our branches, our people and our customers for the remainder of the year so we can fulfil our Purpose and achieve our Ambition.

Despite an emphasis on strong growth, we understand that we remain a community serving the community and work tirelessly to deliver on our promise of being 'Altogether more human'. It is that commitment which ensures we can offer customers and colleagues the best in 'tech and touch' throughout our Bank. It is this emphasis on both a market-leading digital experience and a personal, human touch which truly sets us apart from our competitors.

Ireland is currently experiencing emerging economic tailwinds; at PTSB we understand that we need to adapt and grow in line with this environment while always being mindful of the threats and challenges which could emerge, often at short notice. Our investment in our customers and our colleagues is focused and strategic, and the quality of the service we offer gives us justified confidence that we can and will continue on our upward trajectory.

I want to thank my many colleagues for the hard work they do every day to make PTSB the Bank it is. It is a Bank that we are – and should be – proud of, and it is through our people's dedication and commitment that we can continue to grow and deliver for our customers, shareholders and the Irish economy.

Eamonn Crowley
Chief Executive
31 July 2024

Financial Review

Performance Summary

The Group's strong financial performance during the first half of 2024 has been supported by the positive macroeconomic environment, robust employment, increases in the House Price Index and strong asset quality. The continued higher interest rate environment has generated an increase in average rates across the Group's mortgage products resulting in higher gross interest income. This is partly offset by an increase in cost of funds due to the growth in deposit volumes which was primarily in higher interest-bearing retail deposits, including market-leading rates on six-month and one-year deposits. The expansion and diversification of the Group's business banking offering has also contributed to the overall growth in net interest income.

The Group has returned an underlying profit of €82m for the first half of 2024, which is a decrease of €4m from the same period in 2023.
Net interest income has increased by 4% compared with the same period last year. Total operating expenses (excluding non-recurring regulatory items) have increased by 20% year on year, primarily driven by higher headcount. Strong underlying performance and robust asset quality within the loan book, together with the favourable macro-economic environment especially in terms of house prices has resulted in an impairment write-back is €20m on loans and advances to customers for the half year ended 30 June 2024, compared to an impairment charge of €9m for the half year ended 30 June 2023.

The above are the main items which result in the Group delivering an overall profit before tax for the period of €75m, which is an increase of €49m from the same period in 2023.

The Group continued to manage its capital and liquidity positions prudently during the year. The liquidity and capital positions of the Group remain well above all minimum regulatory requirements, with CET1 and total capital sitting at 14.5% and 20.3% respectively.

Basis of preparation

The financial review is prepared using International Financial Reporting Standards (IFRS) and Non-IFRS measures to analyse the Group's financial performance for the half year ended 30 June 2024.

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

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

The Group has a tightly drawn accounting policy for exceptional items and exceptional items are considered to include:

- Profit/loss on disposal of businesses;
- Gain on bargain purchase in respect of business combinations;
- Profit/loss on material deleveraging prior to 31 December 2021, including any increase in impairment arising solely due to the sale of NPLs becoming part of the Group's recovery strategy;
- Material restructuring costs; and
- Material transaction, integration and restructuring costs associated with acquisitions (including potential liquidations).

However, from time to time certain material non-recurring items occur which do not meet the definition of exceptional items as set out in the accounting policy. To assist the users of the financial statements and to ensure consistency in reporting with other financial institutions, these items are disclosed separately from underlying profit in the financial review. These items are clearly identified as non-IFRS items and reconciled back to the IFRS income statement. A reconciliation between the underlying profit and operating profit on an IFRS basis is set out on page 8.

Basis of calculation

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

Management performance summary condensed consolidated income statement

	Table	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Net interest income	1	**311**	298
Net fees and commissions income		**23**	23
Net other income		**2**	2
Total operating income		**336**	323
Total operating expenses (excl. exceptional items and other non-recurring items, bank levy and other regulatory charges)	3	**(245)**	(204)
Bank levy and other regulatory charges		**(29)**	(24)
Underlying profit/(loss) before impairment		**62**	95
Impairment write-back/ (charge) on loans and advances to customers	4	**20**	(9)
Underlying profit/(loss) before exceptional and other non-recurring items		**82**	86
Exceptional items comprise:	5	**2**	(29)
Costs incurred in relation to Ulster Bank transaction		**-**	(29)
Impairment write-back arising from deleveraging of loans		**2**	2
Other costs		**-**	(2)
Other non-recurring items comprise:		**(9)**	(31)
Impairment charge on Ulster Bank transaction		**-**	(29)
Impairment charge on deleveraging		**(6)**	(1)
Other items relating to Ulster Bank transaction		**-**	(1)
Charges in relation to legacy legal cases		**(3)**	-
Profit/(loss) before taxation		**75**	26
Taxation		**(12)**	(1)
Profit/(loss) for the period		**63**	25

Management performance summary consolidated income statement – key highlights

- **Total operating income** has increased by €13m year on year primarily due to:
  - **Net Interest income** increased by €13m (4%) during 2024 to €311m. The increase is mainly driven by the higher interest rate environment together with earnings from higher interest earning assets, partly offset by higher cost of funds due to increasing deposit volumes primarily in higher interest bearing retail deposits.
  - **Net fees and commission income** was €23m for the period ended 30 June 2024, consistent with the prior period.
- **Total operating expenses (excl. exceptional items and other non-recurring items, bank levy and other regulatory charges)** are €245m for the half year ended 30 June 2024 compared to €204m at 30 June 2023, an increase of 20%. The increase is predominantly driven by increased staff numbers, and continued investment in digital & strategic projects.
- **Bank levy and other regulatory charges** amounted to €29m for the period ended 30 June 2024. Other regulatory charges include €3m for the Deposit Guarantee Scheme (30 June 2023: €19m). The Single Resolution Fund fee for the period ended 30 June 2024 was €Nil (30 June 2023: €4m). The Bank Levy of €24m was previously recognised in H2 in previous periods but was recognised in H1 for the period ended 30 June 2024 due to a change in the legislation.
- **Impairment write-back** is €20m on loans and advances to customers for the half year ended 30 June 2024, compared to an impairment charge of €9m for the half year ended 30 June 2023. This write-back reflects the strong underlying performance and robust asset quality within the loan book, together with the favourable macro-economic environment especially in terms of house prices.
- **Exceptional costs** of €2m for the half year ended 30 June 2024 comprises €2m relating to an impairment write-back arising from deleveraging of loans. The reduction in exceptional costs compared to 2023 is due to the completion of the acquisition of the Ulster Bank business, in 2023 €29m of costs related to the transaction were incurred.
- **Other non-recurring items** comprise €6m impairment charge on deleveraging, and a €3m charge in relation to legacy legal cases.
- **Profit before tax** of €75m for the period ended 30 June 2024, compared to a profit of €26m in the prior period, due to the absence of significance transaction costs which occurred in the first half of 2023.

Net interest income	Net interest margin
€311m	2.27%

Table 1: Net Interest Income

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Interest income	**450**	348
Interest expense	**(139)**	(50)
Net interest income	**311**	298
Net interest margin (NIM)	**2.27%**	2.29%

Net Interest income

Net Interest Income of €311m for the period ended 30 June 2024 increased by €13m (4%), compared to the prior year. This is mainly driven by the following:

- Higher interest income from lending and treasury assets supported by the higher interest rate environment
- The migration of the Asset Finance business in H2 2023 and its continued growth, offset by
- Higher cost of funds due to growth in deposit volumes, primarily in higher interest-bearing retail deposits.

Table 2: Average Balance Sheet

	Half year ended 30 June 2024			Half year ended 30 June 2023		
	Average Balance €m	Interest €m	Average Yield/ Rate %	Average Balance €m	Interest €m	Average Yield/ Rate %
Interest-earning assets						
Loans and advances to customers	**21,258**	**375**	**3.53%**	20,087	299	2.98%
Debt securities and derivative assets	**3,575**	**27**	**1.51%**	3,263	15	0.92%
Loans and advances to banks	**2,732**	**48**	**3.51%**	2,822	34	2.41%
Total average interest-earning assets	**27,565**	**450**	**3.27%**	26,172	348	2.66%
Non-interest earning assets	**946**			939		
Total assets	**28,511**			27,111		
Interest-bearing liabilities						
Customer accounts	**23,234**	**60**	**0.52%**	22,183	12	0.11%
Debt securities in issue and derivative liabilities	**1,723**	**59**	**6.85%**	1,018	19	3.73%
Lease liabilities	**34**	**-**	**1.69%**	39	-	2.39%
Subordinated Liabilities	**256**	**4**	**3.13%**	254	4	3.15%
Deposits by banks	**691**	**16**	**4.34%**	1,003	15	2.99%
Total average interest-bearing liabilities	**25,938**	**139**	**1.07%**	24,497	50	0.41%
Non-interest earning liabilities	**154**			186		
Total liabilities	**26,092**			24,683		
Total average equity attributable to owners	**2,419**			2,428		
Net Interest Margin			**2.27%**			2.29%

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

Financial Review
(continued)

Net interest margin (NIM)
Increased income from higher interest earning assets partly offset by higher deposit and wholesale funding costs. NIM decreased by 2bps to 2.27% for the half year ended 30 June 2024 compared to 2.29% for the prior period.

Interest income/Average interest-earning assets
- Interest income on loans and advances to customers increased by €76m due to increased average rates across mortgage products driven by the higher interest rate environment, and the migration of the Asset Finance business in H2 2023.
- Interest income on debt securities and derivative assets increased by €12m due to lower yielding debt securities being replaced by higher yielding assets.
- The Interest income on loans and advances to banks increased by €14m due to higher average ECB interest rates leading to increased yields on excess liquidity held with the central bank during 2024. This balance consists of excess cash reserves with the CBI.

Interest expense/Average interest-bearing liabilities
- Interest expense increased on customer accounts due to an increase in average balances and migration to term deposit accounts.
- Interest expense on debt securities in issue increased by €40m during the year due to additional debt issuances being issued at higher rates. A €500m MREL eligible Green Bond was issued in April 2024.
- The average balance of deposits by banks reduced from the prior period due to a reduction in repo activity. The average balance of subordinated liabilities remained consistent year on year.

Total operating expenses *	Adjusted cost income ratio
€245m	73%

* Excluding exceptional, other non-recurring items and regulatory charges

Table 3: Operating expenses

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Staff costs		
Wages and salaries including commission paid to sales staff	**95**	79
Social insurance	**11**	9
Pension costs	**10**	8
Total staff costs	**116**	96
General and administrative expenses	**90**	76
Administrative, staff and other expenses (excluding non-recurring items)	**206**	172
Depreciation and impairment of property and equipment	**14**	13
Amortisation of intangible assets	**25**	19
Total operating expenses (excluding exceptional, other non-recurring items and regulatory charges)	**245**	204
Bank levy and other regulatory charges	**29**	24
Total operating expenses (excluding exceptional and other non-recurring items items)	**274**	228
Headline cost to income ratio*	**82%**	71%
Adjusted cost to income ratio**	**73%**	63%
Closing staff numbers***	**3,240**	3,077
Average staff numbers	**3,243**	2,853

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

Operating expenses

Staff costs

Total staff costs have increased by €20m (21%) from €96m for the period ended 30 June 2023 to €116m for the period ended 30 June 2024 primarily due to an increase in average staff numbers from across the Group in the second half of 2023 along with increases in average salaries through performance related pay.

General and administrative expenses (excluding non-recurring items)

General and administrative expenses increased by €14m for the period ended 30 June 2024 to €90m due to the increase in technology licencing costs and cost inflation pressure.

Bank levy and other regulatory charges

Bank levy and other regulatory charges amounted to €29m for the period ended 30 June 2024. Other regulatory charges include €3m for the Deposit Guarantee Scheme (30 June 2023: €19m). The Single Resolution Fund fee for the period ended 30 June 2024 was €Nil (30 June 2023: €4m). Due to a change in legislation the Bank Levy of €24m (30 June 2024: €Nil) was previously recognised in H2 in previous periods but was recognised in H1 for the period ended 30 June 2024.

Adjusted cost income ratio

Operating costs (excluding exceptional items, other non-recurring items, and bank levy and regulatory charges) of €245m and operating income of €336m for the period ended 30 June 2024 led to an adjusted cost income ratio of 73% for 2024, compared to an adjusted cost income ratio of 63% for the period ended 30 June 2023. The adjusted cost income ratio increased compared with the prior period due to the increased operating expenses driven by staff costs. This was partially offset by an increase in total operating income.

Impairment (charge)/ write-back

€20m

Table 4: Impairment

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Total impairment (charge)/write-back on loans and advances to customers	**20**	(9)

The impairment write-back of €20m on loans and advances to customers for the period ended 30 June 2024, compared to a charge of €9m for the period ended 30 June 2023. This write-back reflects the strong underlying performance and asset quality within the loan book, together with the favourable macro-economic environment.

Exceptional and other non-recurring items

€(7)m

Table 5: Exceptional and other non-recurring items

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Exceptional items		
Costs incurred in relation to the Ulster Bank transaction	**-**	(29)
Impairment write-back arising from deleveraging of loans	**2**	2
Restructuring and other costs	**-**	(2)
Other non-recurring items		
Impairment charge on Ulster Bank transaction*	**-**	(29)
Impairment charge on deleveraging*	**(6)**	(1)
Other items relating to Ulster Bank transaction**	**-**	(1)
Charges in relation to legacy legal cases	**(3)**	-
Exceptional and other non-recurring items	**(7)**	(60)

* included in IFRS impairment charge
** Included in IFRS administrative, staff and other expenses

Summary consolidated statement of financial position

	Table	30 June 2024 €m	31 December 2023 €m
Assets			
Home loans		**19,247**	19,574
Buy-to-let		**427**	590
Total residential mortgages		**19,674**	20,164
Commercial mortgages		**388**	371
Consumer finance		**926**	892
Total loans and advances to customers (net of provisions)	6	**20,988**	21,427
Debt securities		**3,894**	3,256
Remaining asset balance		**4,265**	3,072
Total assets		**29,147**	27,755
Liabilities and equity			
Current accounts		**9,354**	9,329
Retail deposits		**12,891**	12,320
Corporate & institutional deposits		**1,361**	1,317
Total customer accounts	8	**23,606**	22,966
Debt securities in issue		**1,997**	1,512
Remaining liability balances		**1,083**	858
Total liabilities		**26,686**	25,336
Total equity		**2,461**	2,419
Total equity and liabilities		**29,147**	27,755
Liquidity coverage ratio (1)		**232%**	220%
Loan to deposit ratio (2)		**90%**	93%
Net stable funding ratio (3)		**166%**	155%
Return on equity (4)		**5.80%**	6.36%

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

Summary consolidated statement of financial position - key highlights
Loans and advances to customers (including Glas III held for sale assets) were €21,196m as at 30 June 2024, a decrease of €231m from €21,427m at 31 December 2023, due to new lending volumes being outpaced by contractual repayments and redemptions. Total loans and advances (excluding Glas III held for sale assets) were €20,988m at 30 June 2024.

Remaining asset balances were €4,265m at 30 June 2024, an increase of €1,193m from €3,072m at 31 December 2023. This is primarily due to an increase in deposits held with the CBI due to increased customer deposits and a new Green Bond MREL issuance of €500m in H1 2024.

Customer accounts were €23,606m at 30 June 2024, an increase of €640m (3%) from 31 December 2023. This is primarily due to an increase in retail deposits driven by more favourable fixed term deposit rates.

Debt securities in issue were €1,997m at 30 June 2024, an increase of €485m which was due to the issuance €500m Green Bond issuance in April 2024

Remaining other liabilities increased by €225m primarily due to additional repurchase agreements compared to 2023.

Table 6 (a): Summary of movement in loans and advances to customers

	30 June 2024 €m	31 December 2023 €m
Gross loans and advances to customers 1 January	**21,688**	19,804
New lending*	**876**	2,337
Loans acquired**	**-**	1,490
Redemptions and repayments of existing loans	**(1,098)**	(1,923)
Write-offs and restructures	**(14)**	(19)
Net movement from non-performing and other	**-**	(1)
Gross loans and advances to customers 30 June	**21,452**	21,688
Assets classified as held for sale	**(341)**	-
Gross loans and advances to customers excluding assets held for sale 30 June	**21,111**	21,688

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

Table 6 (b): Composition of loans and advances to customers
This table is presented net of Glas III portfolio reclassified to held for sale at 30 June 2024.

	30 June 2024 €m	31 December 2023 €m
Residential mortgages:		
Home loans	**19,192**	19,557
Buy-to-let	**506**	749
Total residential mortgages	**19,698**	20,306
Commercial	**433**	437
Consumer finance	**513**	499
Finance leases and hire purchase receivables	**467**	446
Total measured at amortised cost	**21,111**	21,688
Of which are reported as non-performing loans	**368**	718
Deferred fees, discount fees and business combination related fair value adjustments	**291**	309
Provision for impairment losses	**(414)**	(570)
Total loans and advances to customers	**20,988**	21,427

Total loans and advances to customers (net)

€20,988m

Loans and advances to customers (including Glas III held for sale assets) were €21,196m as at 30 June 2024, a decrease of €231m from €21,427m at 31 December 2023, due to new lending volumes being outpaced by contractual repayments and redemptions. Total loans and advances (excluding Glas III held for sale assets) were €20,988 at 30 June 2024.

Total new lending for the period ended 30 June 2024 amounted to €947m, down 33% from €1,421m at 30 June 2023. New mortgage lending, which represented 92% of total new lending, decreased by 46% compared to H1 2023. The decrease in overall lending reflects the reduction in the switcher market compared the same period in the prior year. Despite a reduced switcher market, we are seeing positive trends in our mortgage market share in Q2, with recent mortgage rate reductions driving a strong pipeline for the remainder of the year.

The Irish mortgage market activity in H1 2024 has decreased compared to the same period in 2023. The BPFI has reported that the Mortgage market has been slow starting with €4.3bn drawdowns for the first five months of 2024, down 16% on the same period in 2023. The mortgage market growth in 2024 has been slower than expected due to the dominance of the First-Time Buyer segment that takes longer to convert from application to drawdown.

Housing supply has increased based on most recent data showing there were 37,408 units commenced in the twelve months to March 2024, up 37% compared to prior period.

Asset Finance and Business new lending of €180 million is treble that of the prior year. This strong business performance is due to the Asset Finance business, acquired in July 2023, together with solid SME lending in the first half of 2024.

New Consumer Term Lending pay-outs of €65m increased by 9% when compared to the prior year, supported by consumer confidence and the strength in the Irish economy. Digital adoption continues to grow with 83% of new term lending drawdowns through direct channels.

NPLs	NPLs as a % of gross loans	NPLs including assets held for sale	NPLs as a % of gross loans including assets held for sale
€368m	1.7%	€708m	3.3%

Table 7: NPLs
This table is presented net of Glas III portfolio reclassified to held for sale at 30 June 2024.

	30 June 2024 Total €m	31 December 2023 Total €m
Home loans	**251**	403
Buy-to-let	**74**	267
Commercial	**17**	20
Consumer finance	**17**	16
Finance leases and hire purchase receivables	**9**	12
Non-performing loans	**368**	718
NPLs as % of gross loans	**1.7%**	3.3%
NPLs incl. assets classified as held for sale	**708**	-
NPLs as % of gross loans incl. assets classified as held for sale	**3.3%**	-
Foreclosed assets*	**9**	11
Non-performing assets (NPAs)**	**377**	729
NPAs as % of gross loans	**1.8%**	3.4%

* Foreclosed assets are defined as assets held on the statement of financial position which are obtained by taking possession of collateral or by calling on similar credit enhancements.
** NPAs are defined as NPLs plus foreclosed assets.

NPL percentage decreased to 1.7% at June 2024 from 3.3% at December 2023 due to 'Glas III' portfolio reclassification to Held for Sale at 30 June 2024. This loan sale transaction involves the sale of a non-performing portfolio with a gross balance sheet value of €341m and an overall risk weight intensity of c. 68%. The Portfolio comprises 1,244 loan accounts secured on 1,489 properties. The transaction increases the Bank's Common Equity Tier 1 (CET1) Ratio by c. 35 basis points and the Total Capital Ratio by c. 45 basis points once fully completed. This transaction also alleviates the negative capital impact of regulatory calendar provisioning associated with this portfolio, which based on existing risk weights and capital requirements is equivalent to c. €2bn of new lending. The transaction reduces the Bank's H1'24 NPL ratio to c. 1.7% on a pro forma basis, 20bps lower than the European average of 1.9%.

Customer accounts

€23,606m

Table 8: Customer accounts

	30 June 2024 €m	31 December 2023 €m
Current accounts	**9,354**	9,329
Retail deposits	**12,891**	12,320
Total retail deposits (including current accounts)	**22,245**	21,649
Corporate deposits	**1,361**	1,317
Total customer deposits	**23,606**	22,966
Loan to deposit ratio*	**90%**	93%

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

At 30 June 2024, customer accounts increased to €23,606m from €22,966m at 31 December 2023, reflecting a strong performance in acquiring and retaining Customer deposits, an increase of 4% (€1.0bn) since June 2023 and 3% (€0.6bn) since December 2023.

The Bank has continued its strong focus on acquiring and retaining customer deposits in the first half of the year, with the Bank's market share of Retail Deposits (excluding Current Accounts) at c. 11.5%.

The loan to deposit ratio has decreased slightly due to the increase in customer accounts and the re-classification of €212m of mortgages as Held for Sale.

Capital Management

Capital management objectives
The objectives of the Group's capital adequacy risk management framework are to ensure that the Group has sufficient capital to cover current and future risks inherent in its business, support its strategy and growth whilst adhering to its risk appetite and to comply with prevailing regulatory capital requirements at all times.

Regulatory Framework
The Group's regulatory requirements, more commonly known as CRD IV, are contained within EU Regulation 575/2013 ('the CRR'), which is directly applicable in all EU countries. Directive 2013/36/EU ('CRD IV') has been transposed into Irish law through S.I. No. 158 and 159 of 2014, as well as various technical standards and EBA guidelines. Under these requirements, the Group's total capital for Pillar 1 must be adequate to cover its credit, market and operational risks, including capital buffers. The Group must also hold sufficient capital to cover the additional risks identified under the Pillar 2 process including any add-on's imposed on the Group as part of the supervisory SREP assessment.

Implementation of the CRD IV legislation commenced on a phased basis from 1 January 2014. The CRD IV transition rules resulted in a number of deductions from CET1 capital being introduced on a phased basis, all of which are now fully implemented. The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent clarifications, including ECB regulation 2016/445 on the exercise of options and discretions.

Regulatory capital developments
In October 2021, the European Commission published a legislative proposal, in the form of amendments to the CRR and CRD, to implement the final revisions to the Basel Framework which, among other things, will see changes to the Credit Risk and Operational Risk frameworks. The Commission expectation is that the new rules will enhance the European Union's banking sector's resilience, increase financial stability and provide the basis for stable funding of the economy. The amendments will implement the final Basel III standards, harmonise supervisory authority powers, introduce an RWA output floor for banks adopting an Internal Rating Based (IRB) approach and bring ESG considerations into risk assessment. The final elements of the implementation of Basel III in the European Union have been agreed and endorsed by the Council and Parliament and will be implemented in EU law. In December 2023, the preparatory bodies of the Council and Parliament have endorsed the banking package consisting of:

- a legislative act to amend the Capital Requirements Directive (Directive 2013/36/EU); and
- a legislative act to amend the Capital Requirements Regulation (Regulation No (EU) 2013/575).

Co-legislators confirmed that the new CRR rules will be applicable from 1 January 2025. In advance of this, the provision included in the CRD will be transposed into law by Member States.

An increase of 0.5% to the Countercyclical Buffer (CCyB)has been applied from 7 June 2024, increasing the cumulative CCyB to 1.5%. This is in line with the Central Bank's objective of building up the CCyB to 1.5% when risk conditions are deemed to be neither elevated nor subdued.

On 26 September 2023, the Central Bank informed the Group of the outcome of the annual assessment of Other Systemically Important Institutions (O-SIIs) in Ireland. As a result of the assessment, the Central Bank has assessed the Group as an O-SII and requires the Group to maintain a 0.5% O-SII buffer from 1 January 2025.

On 15 December 2023, the Central Bank informed the Group of its Supervisory Review and Evaluation Process (SREP) assessment by way of the final SREP letter. According to the outcome of the SREP assessment, the Group's Pillar 2 Requirement (P2R) has reduced by 20bps to 3.25%.

The European Union (Corporate Sustainability Reporting) Regulations 2024 were signed into law on 5 July 2024, and came into effect on 6 July.

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

Regulatory capital requirements
At 30 June 2024, the Group's Common Equity Tier1 minimum requirement of 10.33% (31 December 2023: 9.83%) is comprised of a Pillar 1 Requirement of 4.5%, Pillar 2 Requirement of 1.83%, Capital Conservation Buffer (CCB) of 2.5% and CCyB of 1.5%. The Group's Total Capital minimum requirement of 15.25% consists of a Pillar 1 CRR requirement of 8%, P2R of 3.25%, CCB of 2.5% and CCyB of 1.5%.

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

Pro forma Capital ratios at 30 June 2024[1]
At 30 June 2024, the regulatory transitional CET1 was 14.5% (31 December 2023: 14.3%) and the Total Capital ratio was 20.3% (31 December 2023: 20.0%), exceeding the Group's 2024 minimum requirements of 10.33% and 15.25% respectively.

The increase in the transitional CET1 ratio (+20bps) in the six months to June 2024 was primarily due to the recognition of interim profits (c. +€63m) and reduction in RWAs (c.€208m), primarily driven by Credit Risk RWAs and Standardised RWAs, partially offset by prudential filter Deferred Tax Asset (c. -€20m) due to annual transitional phase-in, increased investment in intangible software assets (c. -€25m), AT1 coupon payments (c. -€21m).

At 30 June 2024, the fully loaded the CET1 ratio was 14.5% (31 December 2023: 14.0%) and the fully loaded Total Capital ratio was 20.3% (31 December 2023: 19.7%).

At 30 June 2024, the transitional and fully loaded leverage ratio was 6.9% (31 December 2023: 7.3% and 7.2% respectively). The movement in the leverage ratio was primarily due to balance sheet growth.

1 Recognition of 2024 Interim Profits in Own Funds is subject to Regulatory Approval by way of an Article 26 submission.

At 30 June 2024, the Bank had a non-performing loan portfolio “Glas III” classified as Held for Sale, with a value of €341m and an overall risk weight intensity of c. 68%. On completion, the transaction will increase the Bank’s CET1 ratio by c. 35bps and the Total Capital ratio by c. 45bps, resulting in an underlying CET1 of c. 14.9%. This will be recognised in CET1 when the loans migrate in the second half of 2024.

Table 9: Regulatory Capital outlines the Group’s regulatory (transitional) and fully loaded capital positions under CRDIV/CRR2.

Table 9: Regulatory Capital

	30 June 2024		31 December 2023	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
Capital Resources:				
Common Equity Tier 1*	**1,644**	**1,644**	1,647	1,616
Additional Tier 1	**368**	**368**	368	368
Tier 1 Capital	**2,012**	**2,012**	2,015	1,984
Tier 2 Capital	**290**	**290**	290	290
Total Capital	**2,302**	**2,302**	2,305	2,274
Risk Weighted Assets	**11,338**	**11,338**	11,546	11,546
Capital Ratios:				
Common Equity Tier 1 Capital	**14.5%**	**14.5%**	14.3%	14.0%
Tier 1 Capital	**17.7%**	**17.7%**	17.5%	17.2%
Total Capital	**20.3%**	**20.3%**	20.0%	19.7%
Leverage Ratio**	**6.9%**	**6.9%**	7.3%	7.2%

* The 2024 Interim Profit is reflected in the Group’s capital ratios calculations. The application for the inclusion of the Interim Profit in the regulatory capital metrics is being sought under Article 26 (2) of the CRR.

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

Table 10: CET1 Capital reconciles the statutory shareholders' funds to the Group's regulatory (transitional) and fully loaded CET1 Capital.

Table 10: CET1 Capital

	30 June 2024		31 December 2023	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
Total Equity	**2,461**	**2,461**	2,419	2,419
Less: AT1 Capital	**(368)**	**(368)**	(368)	(368)
Adjusted Capital	**2,093**	**2,093**	2,051	2,051
Prudential Filters:				
Intangibles	**(120)**	**(120)**	(95)	(95)
Deferred Tax	**(297)**	**(297)**	(277)	(308)
IFRS9 *(Transitional Adjustment)**	**-**	**-**	-	-
Calendar Provisioning	**(24)**	**(24)**	(24)	(24)
AT1 Distribution Accrual	**(7)**	**(7)**	(7)	(7)
Others	**(1)**	**(1)**	(1)	(1)
Common Equity Tier 1	**1,644**	**1,644**	1,647	1,616

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

Transitional (regulatory) capital
At 30 June 2024, the transitional CET1 capital decreased by c. €3m to €1,644m (31 December 2023: €1,647m). The decrease was primarily driven by prudential filter Deferred Tax Asset (c. -€20m) due to annual transitional phase-in, increased investment in intangible software assets (c. -€25m), AT1 coupon payments (c. -€21m), partially offset by H1 profits (c. +€63m).

Fully loaded capital
At 30 June 2024, the fully loaded CET1 capital increased by c. +€28m to €1,644m (31 December 2023: €1,616m). The increase was primarily due to H1 profits (c. +€63m) and prudential filter Deferred Tax Asset (c. +€11m), partially offset by increased investment in intangible software assets (c. -€25m) and AT1 coupon payments (c. -€21m).

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)
The Group's MREL position at 30 June 2024 was 35.2% on an RWA basis and 13.7% on a leverage basis.

At 30 June 2024, the Group's final minimum MREL requirement is 24.60% on a RWA basis and 5.91% on a leverage basis (31 December 2023: 21.98% (interim) and 5.91% respectively). The Group's MREL RWA requirement including the Combined Buffer Requirement (CBR) is 28.60% (31 December 2023: 25.48%) in which the Combined Buffer Requirement includes CCB of 2.5% and CCyB of 1.5%.

The Group continues to monitor changes in MREL requirements together with developments in the Single Resolution Board (SRB)'s MREL Policy which could potentially impact on the Group's MREL target.

Risk weighted assets (RWAs)
Table 11: Risk weight assets (RWAs) sets out the Group's risk weighted assets (RWAs) at 30 June 2024 and 31 December 2023.

Table 11: Risk Weighted Assets

	30 June 2024		31 December 2023	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
RWAs				
Credit Risk	**9,625**	**9,625**	9,693	9,693
Counterparty Credit Risk*	**113**	**113**	136	136
Operational Risk	**873**	**873**	873	873
Other**	**727**	**727**	844	844
Total RWAs	**11,338**	**11,338**	11,546	11,546

* Counterparty credit risk includes Treasury, Repo & CVA RWAs
** Other consists primarily of Property & Equipment, Intangible Assets and Prepayments

At 30 June 2024, RWAs decreased by c. €208m to €11,338m (31 December 2023: €11,546m). The decrease was driven by Credit Risk RWAs (c. €68m) due to net loan book movement, Counterparty Credit Risk RWAs (c. €23m), and Other RWAs (c. €117m) driven by Standardised RWAs.

Risk Management

1. Risk Management and Governance

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

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

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

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

Enterprise Risk Management Framework

Within the Internal Control Framework (ICF), the Enterprise Risk Management Framework (ERMF) is the Bank's overarching Risk Management Framework articulating the management process governing risks within the following key risk categories: Capital Adequacy Risk; Liquidity and Funding Risk; Market Risk; Credit Risk; Business Risk; Operational Risk; Information Technology ('IT') Risk; Model Risk; Compliance Risk (including AML); Conduct & Reputational Risk; and Climate-Related & Environmental Risk. The ERMF outlines the Bank-wide approach to the identification; assessment and measurement; mitigation and control; monitoring and testing; and, reporting and escalation of breaches across the outlined risk categories. The Bank manages, mitigates, monitors and reports its risk exposure through a set of risk management processes, activities and tools.

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

Risk Appetite and Strategy

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

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

The RAS is an articulation of how the Bank's appetite for and tolerance of risk will be expressed. This comes in the form of qualitative statements about the nature and type of risk that the Bank will take on, and quantitative limits and thresholds that define the range of acceptable risk. The RAS includes component risk appetite statements for each of the distinct key risk categories defined, including qualitative expressions of risk appetite as well as quantitative measures which translate the qualitative expressions of risk appetite into actionable metrics ("RAS Metrics") and supporting key risk indicators ("KRIs") that can be monitored and reported to ensure prompt and proactive adherence with the Board-approved risk appetite. For instance, the RAS articulates a qualitative statement of the Bank's credit risk appetite and defines the quantitative RAS metrics and KRIs the Bank employs to evaluate the Bank's credit risk profile against its Board-approved risk appetite.

The Bank has a straight-forward business model, to deliver a full-service Retail and SME Bank with a low risk appetite exclusively focused on the Republic of Ireland.

Risk Governance

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

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

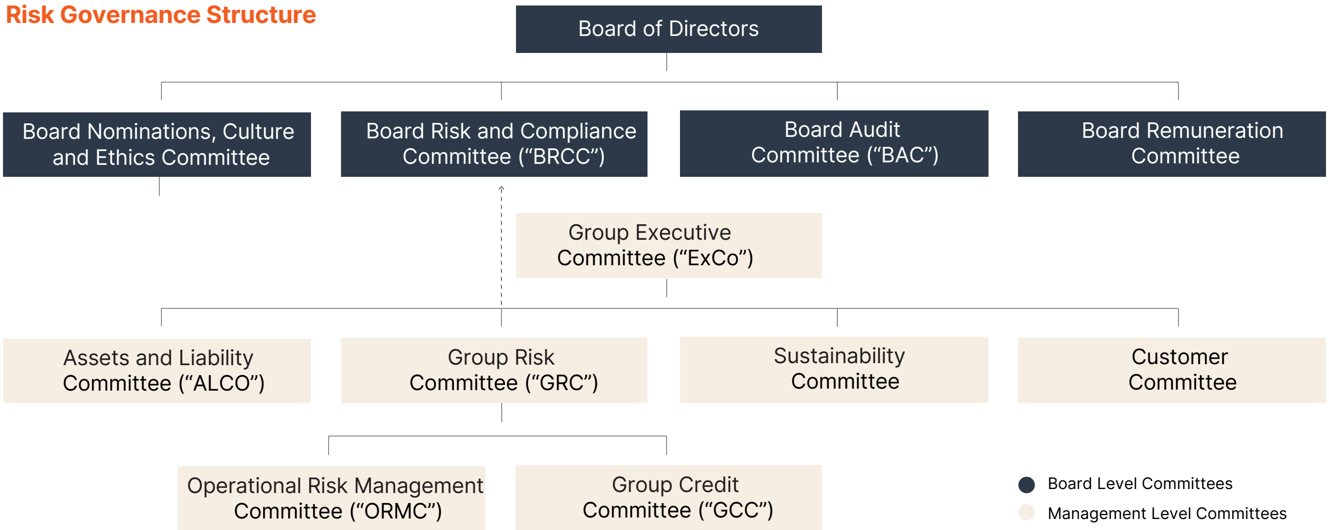
The design of the Bank's risk governance structure is informed by a set of risk governance principles which are based on relevant regulatory guidelines. These principles include:

- **Committee Structure:** The number of committees at Board and Management levels reflects the nature and types of risk faced by the Bank. Criteria for establishing risk sub-committees gives due consideration to the purpose of the committee; duration of the committee; proposed membership; committee reporting line and flight path for outputs from the committee.
- **Board Committees:** Made up of Non-Executive Directors whose role is to support the Board in overseeing risk management and overseeing and challenging Senior Management's decisions.
- **Management Committee:** Bring together senior managers in the Bank who individually and collectively possess the requisite skills, expertise, qualifications, knowledge and experience to exercise sound, objective judgement, commensurate with the risk profile of the Bank.

- **Independence Safeguards:** The risk governance structure features safeguards to protect the independence of key relationships between Senior Executives and the Board. In this respect, the ExCo may not override or modify decisions of the ALCo, GRC or GCC committees, but may appeal decisions to the Board (or relevant Board committee). Additionally, the CRO is assigned the right to refer/appeal planned management action agreed by ExCo risk sub-committees, where the CRO considers such action to be inconsistent with adherence to the Board-approved risk appetite.
- **Flow of Risk Information:** The risk governance structure establishes independent reporting lines which facilitate effective risk oversight by the Board via the BRCC.
- **Communication of Risk Information:** Risk information is "prioritised and presented in a concise, fully contextualised manner[4]" to enable robust challenge and informed decision-making throughout the risk governance structure.
- **Appropriateness:** The number of overall governance committees/fora in the Bank, the length of time per meeting, the number of meetings per year, and the number of meetings each Director/Executive attends are appropriate to the Bank's resources and business model. This should be reviewed on a regular basis and the feedback of the committee members should be sought.

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

Risk Governance Structure



4 Based on Basel Committee Guidance on Corporate Governance for Banks.

Key Risk Governance Roles and Responsibilities

Committee/Role	Key Responsibilities
Board Responsible for the Bank's business model and strategy, financial soundness, key personnel decisions, internal organisation, governance structure and practices, risk management and compliance obligations.	A key role of the Board is to ensure that risk and compliance are properly managed in the business. Key risk responsibilities of the Board include, but are not limited to: • Understanding the risks to which the Bank is exposed and establishing a documented Risk Appetite for the Bank; • Defining the strategy for the ongoing management of material risks; and • Ensuring that there is a robust and effective ICF that includes well-functioning independent internal risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.
Board Risk and Compliance Committee ('BRCC') Oversees and provides guidance to the Board on risk governance and strategy. This guidance includes recommendations to the Board on current and future risk exposure, tolerance and appetite. The committee oversees Management's implementation of risk strategy including capital and liquidity strategy, the setting of risk and compliance policies and the embedding and maintenance throughout the Bank of a supportive culture in relation to the management of risk and compliance.	The Committee supports the Board in carrying out its responsibilities of ensuring that risks are properly identified, assessed, mitigated, monitored and reported, and that the Bank is operating in line with its approved Risk Appetite. Key activities of the BRCC include, but are not limited to: • Reviewing and making recommendations to the Board on the Bank's risk profile, both current and emerging, encompassing all relevant risks categories as described in the Risk Management Framework (ERMF); • Reviewing and making recommendations to the Board in relation to the Bank's ERMF, RAS and the Bank Recovery and Resolution Plan; • Monitoring and escalating positions outside Risk Appetite to the Board, within agreed timeframes and approving and overseeing proposed Remediation Plans aimed at restoring the Bank's risk profile to within the approved Risk Appetite; • Reviewing and approving the key components of the Banks's Risk Management Architecture and relevant supporting documents; • Communicating all issues of material Bank reputational and operational risk directly to the Board; • Reviewing and approving Credit Policy, Credit related strategy and any material amendments to Credit Policy; • Reviewing any changes to the risk strategy resulting from, changes in the business model, market developments or recommendations made by the risk management function; • Reviewing and making recommendations to the Board on the adequacy of capital and liquidity in the context of the Bank's current and planned activities (via reviewing relevant outputs from Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), including in relation to proposed mergers, acquisitions or disposals; • Assess the impact of Climate Risk and Environmental Risk on the Bank's overall Risk Profile; and • Promoting a sound Risk Culture across the Bank.

<table>
<tr><th>Committee/Role</th><th>Key Responsibilities</th></tr>
<tr><td>Executive Committee ('ExCo')
ExCo is the Senior Management Executive Committee of the Bank, and is the custodian of the Bank's collective Strategic Portfolio, Medium Term Plan and Risk Management Architecture as developed through the annual Integrated Planning Process (IPP).

ExCo is the accountable body for the Bank's operations, compliance and performance; defining the Bank's organisational structure; ensuring the adoption, application and maintenance of all standards set by the Board; and a forum for Bank-wide colleagues and other functional issues and ensuring that a robust and resilient operating framework exists within which the Bank's activities are undertaken.

The committee is chaired by the Chief Executive Officer (CEO) who is accountable to the Board.</td><td>In the context of Risk Management, ExCo is primarily responsible for:
Ensuring the Bank operates a sustainable business model with a focus on its Environmental, Social and Governance obligations;
The oversight of strategic risk associated with the development and execution of the Bank's Strategic Portfolio and Financial Plans. The Group Risk Committee (GRC) is a Committee of ExCo with delegated responsibility for Bank-wide risk management issues. The ExCo is the ultimate point of escalation for Bank-wide specific issues saved for those matters reserved for the Board or its Committees; and
Ensuring that the operations, compliance and performance (through delivery of the Strategic Portfolio and Medium Term Plan, as well as policies, practices and decisions of the Bank) are carried out appropriately, are correctly aligned to the Bank Purpose and Ambition and the interests of its stakeholders (customer, colleagues and shareholders) while operating within applicable regulatory and legal requirements.</td></tr>
<tr><td>Assets and Liabilities Committee ('ALCo')
ALCo reviews, and is responsible for overseeing, all activities relating to Asset & Liability Management (ALM), Treasury and Market Risks (including Liquidity Risk, Interest Rate Risk, Treasury Counterparty risk and Foreign Exchange (FX) Risk), and Capital Management. ALCo is the body accountable for the evaluation of other potential drivers of earnings volatility, including, but not limited to, competitive and external market pressures, and for approving optimisation and hedging strategies against those risks. ALCo is a sub-committee of ExCo.</td><td>Key activities of the ALCo include, but are not limited to:
Approve the pricing for new products or material changes to the pricing for existing products which have interest rate or capital implications, as recommended.
Maintaining, monitoring and enforcing adherence to the Bank's Risk Management Frameworks and Policies for all Liquidity, Market, and Capital related risks;
Overseeing and monitoring the ALM, Treasury and Market and Capital risks to which the Bank is exposed and to consider and approve strategies to mitigate such risks;
Maintaining and assessing the ALM, Treasury and Market and Capital Risk profiles against set limits and propose remediation plans to restore Risk Appetite where required;
Monitoring the minimum capital requirements set by the Bank's Regulators, and the Basel III minimum Solvency rules, as implemented by the CRD IV Directive and Regulations;
Approve Funds Transfer Pricing (FTP) methodology, and ensuring such process is economically fair, transparent and incentivises appropriate behaviour in accordance with FTP Policy; and
Responsible for overseeing Resolution Planning activity which includes delivering prescribed templates/annual submissions.</td></tr>
</table>

Committee/Role	Key Responsibilities
Group Risk Committee ('GRC') GRC is an ExCo sub-committee chaired by the CRO, who has unfettered access to the BRCC. It serves as a forum for Bank-wide risk management issues and maintains oversight across all of the Bank's key risk categories, excluding those which fall under the remit of the ALCo.	The GRC monitors and enforces adherence to the Bank's Risk Frameworks, Risk Policies and Risk Limits. It is the guardian of the Bank's Risk Register and Risk Appetite and is responsible for monitoring the total risk position of the Bank. Key activities of GRC include, but are not limited to: • Measuring and monitoring the total risk position of the Bank and maintaining a Risk Register of Top and Emerging risks facing the Bank, together with an assessment of the probability and severity of those risks; • Monitoring and reporting on regulatory developments and upstream/horizon risk in relation to all relevant risk categories and communicating all material issues to the BRCC or the Board as appropriate; • Monitoring and assessing the Bank's risk profile and action trackers against risk appetite and recommending remediation plans to restore risk appetite where required; • Reporting any breaches of approved thresholds in accordance with agreed protocol; • Recommending proposed changes to the Bank's risk appetite for Board approval; and • Maintaining, monitoring and enforcing adherence to the ERMF, for all key risk categories excluding those which fall directly under the remit of the ALCo.
Customer Committee ('CusCo') Customer Committee is a sub-committee of ExCo and is chaired by the Retail Banking Director. The purpose of the Committee is to support commercial growth while ensuring that fair customer outcomes remain at the forefront of decision making, in the context of building customer trust and executing a purpose-led, customer growth strategy.	To ensure that consideration of the customer is a key part of its decision making process, the Committee allocates sufficient time to facilitate meaningful discussions of the customer, with the aim of improving customer experience, delivering better outcomes and enabling relationship growth. It has a number of key remits, namely to: • Prioritise opportunities, resources and capabilities in order to deliver sustainable commercial growth; • Provide guidance to Executive Management (including ExCo and ExCo sub-committees) on business and commercial proposals which may have a material impact on customers and on the endorsement of such proposals; • Review and action, where required, customer performance indicators; • Review relevant significant customer events, issues and complaints, when escalated by relevant sub-committees and forums, in order to provide guidance on significant issues/events, and in order to delegate appropriate action by relevant sub-committees; • Review and action, where required, Conduct Risk indicators that exist within the Bank against the Board-approved Conduct Risk Appetite and Principles; and • Serve as the central oversight body for all significant customer matters ensuring fair treatment of customers.
Sustainability Committee ('SusCo') Led by the Board, and on delegated authority from the ExCo, the Sustainability Committee is in place to provide oversight of all activity relating to the Environmental, Social and Governance (ESG) factors that are core to operating our business in a responsible and sustainable way. SusCo is chaired by the Corporate Development and HR Director and includes representation from Executive Committee members, and Senior Leaders representing business units across the organisation.	The Sustainability Committee is responsible for the delivery of Permanent TSB's Sustainability Strategy by ensuring that there is sufficient governance, oversight, and challenge of activity across the key area of focus of the Bank's Sustainability Programme. Key activities of SusCo include, but are not limited to: • Sponsoring and leading the implementation and embedding of the Bank's Board-approved Sustainability Strategy, ensuring that all activity is embedded in the Bank's Ambition, Purpose, Culture, Corporate Strategy, and Strategic Priorities; • Identifying and assigning business owners to manage and deliver sustainability programming across the key areas of focus set out within the Sustainability Strategy; • Developing sustainability Key Performance Indicators (KPIs) and processes that enable the Bank to effectively measure and manage them; and, • Monitoring and reporting progress to the Board and Executive Committee at regular intervals throughout the year.

Committee/Role	Key Responsibilities
Group Credit Committee ('GCC') GCC oversees and is accountable for the execution and delivery of portfolio credit risk management, encompassing the identification, measurement, monitoring and reporting of Portfolio Credit Risks. GCC ensures that the appropriate operating frameworks governing the portfolio credit risk management activities of the Bank are approved and are enforced. It operates as the forum for Bank-wide portfolio credit risk management issues across the full Credit Risk Management Lifecycle. GCC is a sub-committe of GRC.	The GCC is responsible for developing and implementing portfolio credit policy within the Bank. The policy addresses all material aspects of the full credit lifecycle, including Credit Risk assessment and mitigation, collateral requirements, collections and forbearance and the risk grading of individual credit exposures. Key activities of the GCC include, but are not limited to: Recommending the relevant portfolio credit risk elements of the Bank's RAS for approval by the Board; • Recommending approval following challenge of the proposed impairment charge and approach to higher authorities (BRCC/BAC) for reporting periods; • Monitoring adherence to the Bank's Credit Policy, including discretion limits and structure for underwriting, scoring, collections, recoveries and provisioning within the boundaries of the Bank's RAS (as approved by the Board); • Monitoring the portfolio credit risks to which the Bank is exposed; • Maintaining and assessing the portfolio credit risk profile against set limits and proposing remediation plans to restore risk appetite/limits where required; • Reporting any breaches of approved limits in accordance with agreed protocol; and • Acting as the gateway through which decisions required from higher authorities are reviewed prior to submission (e.g. BRCC/Board) and they are the forum review of Bank-wide credit risk management issues.
Operational Risk Management Committee ('ORMC') ORMC is a sub-committee of the Group Risk Committee (GRC) established with delegated authority to operate and make decisions in accordance with the Terms of Reference approved by GRC. GRC retains overall responsibility for the oversight of Operational and IT risks.	The ORMC supports the GRC in monitoring the Operational and IT risks to which the Bank is exposed and for overseeing risk mitigation performance and prioritisation related to the management and control of these risks. In fulfilling this role, the ORMC reviews and discusses the outputs and results of the Risk and Control Self-Assessment (RCSA) Process, Operational Risk Event Reporting and various other assessments (including New Product Approval (NPAP) and Third Party Risk Management (TPRM) assessments), monitoring and testing activities to create awareness of commonly experienced Operational and IT risk matters, to share learnings and to enhance the control environment across the Bank. The key responsibilities of the ORMC include, but are not limited to: • Oversee the implementation of the Bank's Operational and IT Risk Management Frameworks, including compliance with relevant Operational and IT risk policies and procedures; • Monitor the implementation of policies and ensure ongoing adherence through operational controls; • Review and approve Operational and IT policies, as agreed with the Chair of GRC, (via delegated authority from GRC) and recommend approval of Operational and IT Risk Frameworks to the GRC (and subsequently BRCC); • Appraise Material Operational and IT risk events, identify and report on the underlying root causes of these events, share lessons learned and ensure that measures or controls have been put in place to mitigate the occurrence and severity of any future risk events; • Develop, review and recommend approval of scenarios relating to potential Operational and IT risk events in order to inform the Bank's capital assessment processes (e.g. ICAAP and Stress Testing) and submit these to the GRC for their review and approval; • Review and evaluate Operational and IT risk developments including peer, regulatory, and industry developments, and external incidents that may impact the Bank directly, or relate to potential risks.

Role of the Chief Risk Officer (CRO)

The CRO has overall responsibility for overseeing the development and implementation of the Bank's Risk function, including overseeing development of the Enterprise Risk Management Framework, supporting frameworks, policies, processes, models and reports and ensuring these are sufficiently robust to support delivery of the Bank's strategic objectives and all of its risk-taking activities.

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

The CRO has a direct reporting line to the Board and the Board Risk and Compliance Committee. In line with this reporting mandate, the Chief Risk Officer can refer any decision of ExCo or the ExCo Committees/Sub-Committees to the Board Risk and Compliance Committee (or Board) for review.

The CRO is accountable for the development of the Bank's RAS Framework, which the CRO submits to GRC for recommendation to BRCC, who in turn recommend approval to the Board. The CRO is responsible for translating the approved risk appetite into risk limits which cascade throughout the business. Together with management, the CRO is actively engaged in monitoring the Bank's performance relative to risk limit adherence and reporting this to the Board. The CRO's responsibilities also encompass independent review and participation in the Strategic Planning Process (strategic and financial goal setting), capital and liquidity planning, and the development and approval of new products.

Specifically, the CRO is tasked with:

- Providing second line of defence assurance to the Board across all risk categories;
- Providing independent advice to the Board on all risk issues, including the risk appetite and risk profile of the Bank;
- Monitoring and enforcing Bank-wide adherence to frameworks, policies, and procedures (including methodologies and standards), 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 Bank is, or may become, exposed, and overseeing development of risk mitigating responses as appropriate; and
- Developing and maintaining the Bank's risk management organisation.

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

Three Lines of Defence

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

Line Of Defence	High-Level Roles And Responsibilities
First Line of Defence First line functions and teams incur risks as they undertake frontline commercial and operational activities. They are responsible for identifying, owning, managing, monitoring and mitigating these risks through the effective design and operation of mitigating controls to ensure compliance with internal and external requirements. Critically, the First Line of Defence executes its business and operational activities in a manner consistent with the enterprise-wide appetite and managers take risks appropriately.	• Embedding the Internal Control Framework and its supporting frameworks (e.g. Enterprise Risk Management Framework) and sound risk management practices into standard operationalised practices, including by creating explicit links between maintaining and delivering robust governance and risk and control processes to performance management and ensuring compliance with applicable regulations; • Establishing appropriate governance structures with defined control activities at every business level to support the implementation of the Internal Control Framework and achieve the Bank's strategic, business, operational, risk, compliance and assurance objectives; • Complying in full and within the spirit and letter of relevant regulations and legal obligations applicable to business and operational activities; • Identifying, assessing, measuring, monitoring, mitigating, reporting and owning all risks associated with business and operational activities across the Bank's risk categories in a manner consistent with the Bank's Enterprise Risk Management Framework that could adversely affect the achievement of the Bank's strategic goals; • Cultivating a strong risk culture that encourages prompt identification and escalation of issues and fostering an environment of continuous improvement and open engagement; • Providing operational assurance to relevant governance bodies on the direct management of risks and regulatory obligations within their operational remit and the effective operation and reporting of relevant controls; and • Ensuring fair customer outcomes in all aspects of the Bank's operation and decision-making.

Line Of Defence	High-Level Roles And Responsibilities
Second Line of Defence The Group Risk Function is an independent Risk Management function, under the direction of the CRO, and is the key component of the Group's Second Line of Defence. The Group Risk Function is responsible for ensuring that all risks to which the Bank is, or may become, exposed to are identified, assessed, measured, monitored, mitigated, and reported on by the relevant units in the institution.	**Second Line – Group Risk Function** • Developing and monitoring the implementation of the Enterprise Risk Management Framework, enterprise-wide Risk Appetite Statement and risk policies, systems, processes and procedures; • Assessing First Line Of Defence adherence to the Enterprise Risk Management framework, risk appetite, and risk limits to determine whether First Line of Defence Business Units meet the standards for their risk management roles and responsibilities; • Reviewing, assisting, and, as appropriate, challenging the First Line of Defence risk management activities, and escalating issues if risk management concerns are not adequately addressed by First Line of Defence; • Planning, establishing, maintaining, and delivering a risk-based program of monitoring, testing, and selected validation; • Cultivating a strong risk culture that encourages prompt identification and escalation of issues and fostering an environment of continuous improvement and open engagement; and • Providing comprehensive and understandable information, independent of the First Line of Defence, to relevant governance bodies – through ongoing risk management committee updates – on the state of the Bank's overall risk and control environment and the effectiveness of risk management, including risk issues and risk management deficiencies, and adherence to the Bank's risk appetite, limits, and Enterprise Risk Management Framework.
Third Line of Defence Group Internal Audit (GIA) comprises the Third Line of Defence. It plays a critical role by providing independent assurance to the Board over the adequacy, effectiveness and sustainability of the Bank's internal control, risk management and governance systems and processes, thereby supporting both the Board and Senior Management in promoting effective and sound risk management and governance across the Bank. All activities undertaken within, and on behalf of, the Bank are within the scope of GIA. This includes the activities of risk and control functions established by the Bank. The Head of GIA reports directly to the Chair of the Board Audit committee (BAC), thus establishing and maintaining independence of the function.	**Third Line – Group Internal Audit** • Developing a risk-based annual audit plan: developed in the final quarter of each year, this plan sets out the program of audit reviews to be undertaken in the following year, and is based upon a GIA's own risk assessment. This plan is cognisant of the Bank's strategy and the risks both to this, and within this, strategy, and aims to provide meaningful input to assist in its controlled and well-governed execution. Accordingly, risk-based evaluation of the Bank's risk identification, assessment and evaluation and risk management and mitigation approaches fall within this remit, as do assessments of adherence to policies, standards, guidelines and the suite of procedures, along with the controls in place to ensure regulatory compliance; • Reporting on identified risk management, governance and control weaknesses: GIA reports on all identified issues to both business owners and Senior Management, and to the Board of Directors (via the Board Audit Committee); • Monitoring and reporting on the disposition of agreed remediating actions: As required under professional standards, GIA also monitors the status of all issues and actions previously raised, and reports on the progress being made by business units in implementing agreed action plans; and • Providing insight into risk, governance and control activities which may strengthen the Bank's system of internal control in a carefully structured manner such that GIA's independence is preserved.

2. Principal Risks and Uncertainties

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

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

The following describes the risk factors that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects for the next 12 months and over the medium term. The risk factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant, but which may become significant.

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

The Bank considers three emerging risks. The emerging risks are:

- **Macro-Economic –** The OECD projects steady global GDP growth for 2024 and 2025, with global GDP expected to grow by 3.1% in 2024 and slightly increase to 3.2% in 2025. This growth is driven by several factors, including resilient economic activity, faster-than-expected disinflation, and improved private sector confidence. The OECD highlights that inflation is falling faster than initially projected, aiding in the recovery of real incomes, and boosting consumer confidence. Additionally, supply and demand imbalances in labor markets are easing, and unemployment rates remain low in many advanced economies. Despite these positive signs, the OECD notes that the recovery remains modest and fragile, with continued geopolitical tensions, particularly the war in Ukraine, posing risks to economic stability.

  The IMF expects global growth of 3.0% in 2024 and 3.2% in 2025. The ECB forecasts Euro area GDP growth of 1.1% in 2024, following 0.9% growth in 2023.

  The CSO reported that Ireland entered a technical recession in the first quarter of 2023 as a GDP decline of 0.1% in Q4 2022 was followed by a 2.8% decline in Q1 2023. Despite this, Modified Domestic Demand (MDD), which better reflects activity in the domestic economy, grew by 2.6% in 2023. In Q1 2024, MDD rose by 1.4%.

  Davy reported GDP growth of 5.5% and MDD growth of 3.4% for 2023. Looking ahead, the Central Bank forecasts MDD will grow by 2.5% in both 2024 and 2025.

  Uncertainty in the path of inflation and interest rates has fuelled volatility in asset markets. The evolving expectations around the path of monetary policy will impact the pricing of sovereign debt. If Ireland's growth declines or if there is an asset price collapse, this could lead to a recession. The OECD advises that governments focus on maintaining macroeconomic stability through prudent monetary policies and targeted fiscal measures to support vulnerable populations and stimulate growth.

- **Adverse Technological Advances** – Emerging technologies, such as artificial intelligence (A.I. or AI), industrial robots and machine learning, are advancing at a rapid pace. These developments improve the speed and quality of services and the last two years has shown how businesses can mobilise and innovate quicker than one could have ever thought before. Lessons learned will play an important role when competing against competitors with greater technological advances.

  For the Bank, there is a high cost in implementing and competing with technological advances and customers require face to face interaction for certain products and services; leading to difficult strategic choices between quality and accessibility.

  Continued advances in technology can also give rise to fraud and the ever-evolving privacy compliance environment. With an increased knowledge of technology from consumers and hackers, the risks for cyber fraud are intensified. For example, deep fake technology is an emerging threat in the technology sector. Technology innovations enable deep fakes to look and sound authentic and convincing, leading to abuse and misuse. Areas of concern are on-boarding processes, payment/transfer authorisation, account hijacking, synthetic identities and impersonation among others. Particular attention needs to be paid to brand reputation and the customer experience.

  Further to this, AI technology is increasingly becoming more common. AI has the potential capability to facilitate enhanced capacity to predict economic, financial, and risk events; impact the behaviour of financial markets; improve risk management and compliance; strengthen prudential oversight; and equip central banks with new tools to pursue their monetary and macro prudential mandates. Separate from other recognised AI-related risks (model risk, conduct & compliance etc.), AI and the evolving digital landscape could lead to greater fluidity/reduced stickiness of customer deposits.

- **Global Conflict** - Following the invasion of Ukraine by Russia in 2022, the possibility of further aggression between NATO and non-NATO states has increased. With some commentators suggesting Ukraine's willingness to join NATO as a main reason for Russia's illegal invasion, the World/EU may see retaliation from Russia as more countries (particularly in the EU) have applied for NATO membership. As some countries remain loyal, or sympathetic to Russia, there is an increased risk of conflict in the EU/across the globe. Despite perceived Irish neutrality, a conflict within the EU/EEA or across the globe would have severe negative consequences for the economy and the industry, affecting nearly every risk category.

Business Risk

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

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

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

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

Economist Update

Introduction

At the start of the year, the market expected inflation to decline towards 2% affording central banks the opportunity to reduce interest rates significantly. Likewise, there was much concern that those rate reductions would be necessary to avoid tipping the economy into recession. However, the global economy has proven more resilient than was feared and the expected rate reductions have not been implemented as inflation has not fallen as quickly as had been expected.

Economic Outlook / Growth

The IMF forecasts that the world economy will "continue growing at 3.2% during 2024 and 2025", which is the same pace as in 2023, with advanced economies growing at 1.7% in 2024 and developing economies at 4.2%. It also notes that its "forecast for global growth five years from now at 3.1% is at its lowest in decades." The ECB estimates the annual average real GDP growth rate for the euro area economy will be "0.9% in 2024 and strengthen to 1.4% in 2025 and 1.6% in 2026".

The Central Bank expects the "benign international backdrop, from which Ireland may disproportionately benefit, and broadly favourable domestic conditions to support moderate growth in the Irish economy out to 2026." It sees "rising real incomes for Irish households, an uptick in residential construction, a normalisation of activity in MNE-dominated sectors and a gradual increase in world demand" underpinning its forecast for modified domestic demand "to grow at an annual average rate of 2.2% per annum from 2024-26." However, it warns that "rising geopolitical tensions bring with them the possibility of further negative shocks, posing particular concern in open, globalised economies such as Ireland". It also notes that "growth has been notably subdued among European economies."

It comments: "The Irish economy has rebounded well from the economic effects of the pandemic and Russia's invasion of Ukraine. The tax-and-transfer system has helped real disposable incomes across the entire household income distribution to be back above pre-pandemic levels this year."

Inflation Rates and Interest Rates

The IMF reckons that global inflation will "decline steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies" but notes that "core inflation is generally projected to decline more gradually." The ECB expects "euro area inflation will reach the ECB's target without a deep economic contraction, achieving a 'soft-landing' scenario."

The Central Bank shares this optimism suggesting that "sustained falls in inflation are opening the prospect of falling interest rates in Europe this year" but cautions that "markets may be under-pricing risks around the 'last mile' of the monetary policy response." The Department of Finance notes that "the energy shock is dissipating and the pass-through of lower wholesale prices to retailers has triggered a faster than anticipated decline in headline inflation. Alongside the sharp fall in energy prices, headline inflation for this year is now projected at 2.1%, broadly consistent with price stability."

The Central Statistics Office (CSO) reported that the Consumer Price Index (CPI) "rose by 2.6% between May 2023 and May 2024" which it noted was "the seventh consecutive month where the inflation rate was lower than 5%." It noted that CPI increased by 3.5% if energy and unprocessed food are excluded. The Governor of the Central Bank comments that "both headline and core inflation are expected to hover around 2% over the next two years."

The Central Bank notes that "the anticipated path for inflation in Ireland broadly corresponds with that for the euro area as a whole." It states that the decline in the inflation outlook informed the ECB decision to lower the key monetary policy rates by 25 basis points at its meeting of 6 June. It also comments that the ECB "Governing Council will keep policy rates sufficiently restrictive, with future decisions following a data-dependent and meeting-by-meeting approach."

Government Finances

The National Treasury Management Agency (NTMA) highlights that "the Exchequer fiscal position remains strong" despite the economic challenges of recent years. It emphasises that its "long-established strategy of pre-funding maturities" and "borrowing for long terms at low fixed rates," will keep debt servicing costs "at or close to their current level for the next number of years."

The Central Bank notes that while "Irish government finances are strong", reliance on multinationals "poses risks in an uncertain geopolitical context." The Parliamentary Budget Office emphasises that "policy makers should be aware of the significant concentration risk present in the public finances" noting that "7.7% of top earners are responsible for 54.1% of Income Tax payments" with "the top ten corporate groups accounting for 60% of receipts in 2022 and 56% in 2023." It notes that while "the government is expected to run a surplus of €8.6 billion" in 2024, if 'windfall' corporation tax receipts are excluded, the government would "run an underlying budget deficit of €2.7 billion."

The Department of Finance cites the risk to Government finances arising out of the OECD's two-pillar Base Erosion and Profit Shifting (BEPS) reforms. It notes that one of the key elements of the first pillar "would involve a portion of taxable profits from Irish-based multinationals being reassigned to other jurisdictions (by reference to where consumers are located) and, accordingly, a loss of tax revenue." While the second pillar will impose a minimum effective corporate tax rate of 15% on the profits of large enterprises, "overall, the net effect of the two-pillar solution on Ireland will be a significant loss of corporate tax revenue."

The Irish Fiscal Advisory Council (IFAC) cautions the Government that "pursuing loose budgetary policy would make overheating more likely to occur". It decries that the Government "looks set to repeatedly breach the 5% National Spending Rule". The Central Bank Governor characterises the rule as "an appropriate and credible anchor for fiscal policy" and worries that such breaches could "significantly contribute to overheating risks" leading to "higher inflation in Ireland" and "damage Ireland's competitiveness."

Employment and Wages
The ESRI notes that the seasonally adjusted unemployment rate which "stood at 4.5%" in October 2023 and had "fallen to 4.2% in February 2024." The CSO estimates that "2,704,200 persons were in employment in Q1 2024, up 1.9% (51,500) from 2,652,700 in Q1 2023."

The Department of Finance comments that employment continues to expand while "unemployment remains at exceptionally low levels and consistent with full employment." However, the Parliamentary Budget Office cautions that "there has been no growth in ICT employment numbers in the year to end 2023."

The Department of Finance highlights the improvement in real household income: "As inflation retreats further, the purchasing power of household incomes is set to improve as this year progresses." The Central Bank expects "growth in wage rates averaging 4.9% out to 2026." The Parliamentary Budget Office notes that the "increased participation rates among female workers in the post-Covid era have flattened and Ireland has become increasingly dependent on workers from abroad (almost one in five of those in employment at end 2023 are not of Irish citizenship)."

Banking
The ECB is cautiously optimistic about the state of euro area banks: "So far, household and corporate balance sheets have proven resilient through this interest rate cycle, while euro area banks have withstood shocks well."

The Central Bank notes that "Irish household solvency is being supported by a strong labour market driving nominal income growth, coupled with healthy liquid savings and low debt levels relative to income." It comments that "despite the level of increase in the ECB policy rate since 2022, most mortgage borrowers have seen manageable changes in their monthly repayments" because of "the slow pass-through of monetary policy rates to lending rates." It highlights that "mortgage lending to First Time Buyers has continued to grow" noting that much of this lending is occurring "at or close to the new LTI limit of 4." It judges that the Central Bank's mortgage "measures are fostering sustainable lending standards, limiting the feedback loop between the mortgage and housing markets."

While noting the "large shock to their cost base" that Irish businesses have experienced since 2021, it remarks that "SME profit margins have held up despite significant cost inflation". It concludes: "Businesses have been broadly able to maintain or increase their profit margins, clearly demonstrating the underlying strength of demand in the real economy." It notes that "insolvencies are rising, but only to levels seen in the pre-pandemic period of strong growth."

It comments: "Domestic bank profitability has increased significantly in the higher interest-rate environment, but is expected to moderate this year. Irish banks had extremely strong profitability growth last year, driven by increases in margins on loans, particularly tracker mortgages, and the direct impact of monetary policy on their earnings on reserves." But it cautions: "Any lowering of monetary policy rates would directly reduce profitability through these channels, while lagged effects of higher interest rates may yet emerge through deposit competition increasing funding costs, as well as increases in impairment charges and a moderation of loan volume growth."

It is particularly cognisant of the risks of commercial real estate (CRE) lending: "The domestic CRE market is in the midst of a sharp downturn but the Central Bank's judgement is that the domestic banking sector is well placed to absorb – rather than amplify – this shock." It estimates that the Irish CRE market valuations are down "27% since late 2019." But it also notes the changed exposure over recent years: "Irish domestic banks have a diversified CRE loan book that is now a much smaller share of their total balance sheet. The domestic banking sector has close to €12 billion of loan exposures to the Irish CRE market. CRE lending in total represents 11% of total domestic loans" whereas it "was above 30%" pre-2008. It comments that "Irish banks' CRE loan exposures as a share of total household and NFC lending is around the European average." While acknowledging that "refinancing is a key source of risk", it notes that this risk is "contained by a gradual maturity profile."

The Central Bank reports that "the weighted average interest rate on new Irish mortgage agreements at end-April 2024 was 4.24% an increase of 61 basis points annually" while "the total volume of pure new mortgage agreements" was "€693 million in April a decrease of 13% annually." Interest rates on household overnight deposits remained at 0.13% while "the weighted average interest rate on new household deposits with agreed maturity" was 2.65%.

Banking and Payments Federation Ireland (BPFI) notes a "slowdown in mortgage drawdowns with a drop in both volume and values across all mortgage categories in Q1 2024. This was driven largely by switching which was down by more than half." However, it comments that "despite the overall decline in activity, mortgage demand remains strong" and points to "a shortage of supply of second-hand homes for sale" as the reason for the decline in mortgage drawdowns.

While household deposits stood at €156 billion at end-May, household deposit growth has declined significantly in the last year according to the Central Bank. "Household deposits increased by €4.5 billion, or 3%, in the year to end-May 2024" compared to €7.2bn the previous year. The €4.5 billion was composed of a decrease of €3.3bn in overnight deposits and an increase of €7.8bn in term deposits. Despite this shift, 89% of deposits are still redeemable overnight.

Housing
BPFI reports "over 30,000 housing units commenced in the first four months of 2024 compared with 32,800 units in all of 2023" but reports a "decline of 12.1% in housing completions compared with same period in 2023, mainly driven by fall in apartment completions." It suggests that "increased labour capacity may be required for the sector to be able to deliver output levels in line with commencement activity." It notes that "indications are somewhat positive, with employment in the construction sector having increased from 147,500 in the first quarter of 2020 to 171,700 in the first quarter of 2024."

The Department of Finance notes that "new house completions last year reached their highest levels since pre-2011, while upstream data, such as housing starts, point to a further increase this year." However, it acknowledges "that this remains below levels needed to meet demand." The Housing Commission estimates a "housing deficit of between 212,500 and 256,000 homes" and demand at more than 50,000 units per annum.

House Prices

The CSO reports that the "national Residential Property Price Index (RPPI) increased by 7.9% in the 12 months to April 2024, with prices in Dublin rising by 8.3% and prices outside Dublin up by 7.6%." It comments: "The national index is 9.6% above its highest level at the peak of the property boom in April 2007. Dublin residential property prices are 1.8% lower than their February 2007 peak, while residential property prices in the Rest of Ireland are 10.2% higher than their May 2007 peak." Daft.ie attributes the recent price inflation to the reduction in properties available for sale noting there were over 20,000 homes available for sale in early 2020 but less than 11,000 in February 2024.

Overall Position

The economy is strong at present but, as the Governor of the Central Bank notes, "sustainably addressing infrastructure constraints in housing, water, energy and transport should be priorities over the medium-term" if this is to continue. The Department of Finance highlights the need to prepare for "the inevitable fiscal costs arising from major structural economic changes in the years ahead. Increased longevity, alongside the trend decline in fertility rates, the 'twin transitions' – to a carbon-neutral economy (decarbonisation) and to a more digitised economy (digitalisation, including the role-out of artificial intelligence)" as well as deglobalisation, collectively, the 4Ds.

As the Central Bank notes: "The near-term risk of a deep recession accompanied by rising unemployment – a major source of concern six months ago – is much lower from today's perspective, and disinflation has proceeded in parallel." However, it is concerned that geopolitical tensions pose a risk for financial stability. "In such an environment, the scope for adverse economic and financial surprises is elevated, and the risk outlook for euro area financial stability remains fragile accordingly."

Climate-Related & Environmental Risk

PTSB is committed to the management of Climate-Related & Environmental (CR&E) Risk, aided by regulatory guidance, to play our part as corporate citizens. Understanding of how best to respond to climate change is continually evolving and with this our knowledge of associated risks continues to develop.

Managing CR&E risks and opportunities is a key area of focus under the 'Addressing Climate Change and Supporting the Transition to a Low Carbon Economy' Pillar of the Bank's Sustainability Strategy. Through this Strategy, the Bank is working to manage and mitigate against CR&E Risk, while also finding new and innovative ways to help our stakeholders to navigate the transition to a low carbon economy. This is complemented by "Sustainable Business Growth" as one of the refreshed Strategic Priorities outlining the Bank's commitment to building a sustainable organisation that is fit for the future.

PTSB's has formally defined CR&E Risk, categorising it into two Sub-Risk Categories as follows:

1. **Physical Risks** - The risk of economic cost and financial losses resulting from the increasing severity and frequency of:

- Acute Physical Risk – arises from extreme weather events such as floods, storms, droughts and heatwaves.
- Chronic Physical Risk – arises from longer-term gradual shifts in the climate patterns, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity.

2. **Transition Risk** - The risk of economic cost, financial loss or an adverse outcome related to the process of adjustment towards a low-carbon economy and more environmentally sustainable economy. Transitioning to a low-carbon economy may require substantial policy, legal, technology and market changes. These changes may result in financial loss and reputational risk to organisations, with the severity of this depending on the scope and speed of change required. Transition Risk may include:

- Policy Risks that come with the evolution of policies and regulations that promote the adaptation to a less carbon intensive and more sustainable economy, and those that constrain actions that lead to climate change and harm the environment.
- Legal Risk that relates to litigation claims against institutions and their representatives who fail to mitigate and adapt to climate change, and who fail to disclose material climate and environmental information.
- Market Risks that arise through changing demand and supply for commodities, products and services.
- Reputation Risk that relates to the changing stakeholder perception of institutions' contribution to or detraction from the transition to a lower-carbon economy.

The Bank has established strong governance structures surrounding CR&E Risk. During the first half of 2024, the Bank evolved its Sustainability Programme to include eight underlying workstreams, one of which is focused on CR&E Risk Management. The Sustainability Programme is led by the Sustainability Committee (SusCo). The SusCo acts on delegated authority from the ExCo, to provide oversight in line with supervisory expectations on the execution of the Bank's Sustainability Strategy by ensuring that there is sufficient oversight, alignment, governance and challenge of activity across key areas of focus for the Bank. Supporting the SusCo, a Sustainability Programme Direction Group (PDG) is in place, consisting of members from the Bank's Senior Leadership Team with enterprise-wide representation to ensure a holistic and integrated approach to support execution.

The management of CR&E Risk is aligned to key processes and components set out in the Bank's Enterprise Risk Management Framework (ERMF), which identifies core risk management stages which collectively ensure that the Bank appropriately identifies and manages current and emerging risk the Bank is exposed to. Consideration of the impact of CR&E Risk on each of the risk categories has been considered as part of the Bank's CR&E Risk Materiality Assessment. This assessment served as a foundational exercise to understand and assess CR&E Risk as an impact and driver of traditional Risk Categories and the Bank's exposure to same. As such, the

Bank recognises that CR&E risk is a cross-cutting risk, which may impact or enhance other identified risk.

Over the last number of years, the Bank has made progress integrating CR&E Risk considerations into operational processes and strategic decision-making. PTSB deployed resources to ensure the delivery of the CR&E Risk Implementation Plan, that has been closed and is proactive in and committed to maturing this integration into 2024 and beyond. This work established the Bank's baseline position and enabled the organisation to make progress across a number of areas.

A summary of progress includes:

- Establishing effective governance for the management of CR&E Risk across the Bank;
- Introducing the first enterprise-wide CR&E Risk Management Framework (CR&E RMF);
- Preparing a CR&E Risk Qualitative Materiality Assessment to assess and understand CR&E Risk as an impact and drive of traditional Risk Categories;
- Developing CR&E Key Risk Indicators;
- Sourcing and integrating CR&E Risk data for Bank use to inform CR&E Risk analysis;
- Implementing a CR&E Risk Stress Test aligned closely with the ECB Stress Test Methodology;
- Integrating CR&E Risk into the Bank's ICAAP and ILAAP processes;
- Ensuring CR&E Risk is considered in the Bank's product development through the establishment of Green Product and Proposition Design Principles; and,
- Establishing a Science Based Targets for emissions reductions Programme.

The Bank has mobilised investment toward positive CR&E Risk activity by supporting customers and counterparties in navigating their transition to a low carbon economy. CR&E Risk is considered in the Bank's product development process through establishment of Green Product and Proposition Design Principles.

The Bank has made progress, including:

- c€700m in Green Mortgage Lending in 2023 accounting for 30% of New Mortgage Lending;
- Participation in the SBCI Growth and Sustainability Loan Scheme, offering €70 million in low-cost loans to SMEs;
- €100 million in funding as part of SBCI Home Energy Upgrade Loan Scheme – first lender to launch the Scheme; and,
- €500m Green Senior HoldCo, the first Green Bond issuance under the Bank's Green Bond Framework. The Bond issued on the 3 April with maturity date 10 July 2030 (first call 10 July 2029).

These developments make up the first steps towards an envisioned suite of Sustainable Finance Product offerings, with proposition development continuing on future products.

As CR&E risk continues to evolve, the potential effect of Physical (Acute & Chronic) and Transition Risk on the Bank will be continually reviewed. The assessment of effects as set out in the CR&E Risk Materiality Assessment will develop over time as the Bank sources critical data to incorporate quantitative analysis. This is supported by the Bank's Data Remediation Programme, which has dedicated resources in place to support and further develop CR&E Risk data availability and granularity.

While the Bank is focused on short-term action delivery and stepping up the pace in embedding CR&E risk, it is mindful of creating capacity and building a robust long-term strategic approach to CR&E risk, which aligns to best practice. This will ensure there is a comprehensive integration within Strategy, Data, Risk Management and Product Strategy, supported by enabling activities such as training and disclosures.

Credit Risk

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

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

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

Capital Adequacy Risk

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

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

- Materially worse than expected financial performance;
- Increases in Risk-Weighted Assets;
- Excessive growth in asset volumes;
- Changes in the prescribed regulatory framework; or
- The sales of assets.

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

As outlined in the Group's RAS, the Group undertakes an 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 and Supervisory Review and Evaluation Process (capital requirements). The ICAAP is subject to review and evaluation by the CBI as part of its Supervisory Review and Evaluation Process.

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

Government Control and Intervention

In 2011, the Minister for Finance of Ireland became the owner of 99% of the issued ordinary shares of the Group which reduced to c.75% following the successful capital raise in 2015. The completion of the first phase the Ulster Bank transaction, combined with the recent disposal of an additional 5% tranche, has further reduced the Minister for Finance's stake to c.57%.

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

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

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

Liquidity and Funding Risks

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

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

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

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

The Group's Risk Appetite Statement and the associated Liquidity & Funding Risk Management Framework set out the Group's approach to the management of Liquidity & Funding Risk, including the Group's approach to risk identification, assessment, measurement, monitoring, mitigation and reporting. The Liquidity & Funding Risk Framework is approved by the BRCC on the recommendation of the ALCo.

The management of the Group's liquidity and funding risks are subject to strict internal controls and reporting procedures and are monitored by the ALCo and the BRCC on a regular basis. Group Treasury is responsible for the management of liquidity and funding risk. Group Risk and Group Internal Audit provide further oversight and challenge and ensure compliance to the Group's liquidity and funding risk management framework.

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

Market Risk

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

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

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

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

Model Risk

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

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

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

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

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

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

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

Operational Risk and IT Risk

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

IT Risk is defined as the risk of loss due to a breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology (IT) within a reasonable time and with reasonable costs when the environment or business requirements change (i.e. agility). IT Risk includes risks associated with poor IT governance, oversight and risk management as well as security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security.

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

The Group has a low appetite for Operational Risk and IT Risk and aims to minimise the level of serious disruption or loss caused by Operational or IT issues to its customers, employees, brand and reputation.

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

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

Operational & IT Risk oversee change activity as part of formal engagement on key change initiatives to ensure that sound risk management practices are in place and followed to identify and manage risks and issues throughout the Programme/Project lifecycle and any residual Programme/Project risk is transitioned to the relevant Business Units RCSA as appropriate. Oversight consists of attendance at Project Direction Group (PDG) and Programme Steering as defined in the Bank's Strategic Change Framework. Operational & IT Risk roles are documented in Programme/Project Terms of Reference.

External Fraud remains at a high threat level with many customers targeted/ responding to fraudulent SMS and phone calls in circulation, divulging their credentials to fake websites. There has been a significant increase in this activity since 2020 and PTSB have been recognised as being to the fore in seeking ways to protect our customers and the bank. We continue to work on our own initiative but also collectively with many external stakeholders i.e. other FI's, BPFI, CBI, UCD Cyber Centre, Gardaí, ComReg, Telco's and Fintech to reduce impact. The creation and launch of "PTSB Protect" to our customer base and added to our app as an opt-in solution in October 2023 will inform customers using the service of known fake SMS being received to their Smart phone. PTSB Protect is the first of such technology to be deployed by any bank. We have also enhanced our fraud monitoring capabilities in the card transactions space in November 2023 with the 'Foresight' fraud scoring tool added to our strategies, this is currently proving beneficial from both a fraud prevention and customer impacting perspective. By continuing to innovate and react to the ever changing environment, we can continue to maintain best in class status, whilst maintaining a balance between providing a frictionless customer journey but also managing the risk. The fraud threat landscape is ever changing and as such we continue to explore our options in terms of customer protection enhancements.

The external cyber threat environment continues to evolve and remains a challenge to the Banking industry globally. At PTSB, continuous maturity improvement in our cyber defences is a strategic priority with investment accordingly to meet the evolving threat.

The Bank's Cyber and Information Security Strategy (2022-2024) was approved by the Board Risk and Compliance Committee in February 2022. This is driving further improvements in the Bank's cyber defence, along with associated governance. Promoting information security awareness at all levels of the Bank is also a key feature of our approach. The Bank's CISO will a refreshed Cyber and Digital Resilience Strategy (2025-2027) to Board Risk and Compliance Committee in December 2024.

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

Scenario testing is performed on an annual basis, as outlined in the ERMF, for critical processes including but not limited to: Payments Systems Failure, Information Security, Cyber Security, Internal Fraud, Business Disruption and IT Resilience to ensure existing processes support timely recovery. Monitoring and incident management processes are in place to detect and recover from both cyber-attacks and IT issues which may affect the availability of critical IT systems. Regular disaster recovery testing of critical systems is conducted in order to test IT resilience. Any changes made to the Group's IT systems or applications are governed by a change management process.

From a people perspective, Enterprise Level programmes such as Individual Accountability Framework (IAF), Payment Centralisation, Branch Technology Refresh, Microsoft 365, Service a Need (SAN), Sun etc. are designed to ensure People Risk is an integral consideration. The development and embedding of the Change Risk Second Line Oversight continues to mature with the Material Change Risk Assessment (MCRA) and Initial Impact Assessment (IIA) consistently utilised across the enterprise along with the SLOD quarterly review of the Change Monthly ExCo Update. This is in line with the Strategic Portfolio project "Enterprise Change Enhancements" (ECE) which has been established following a Change Maturity Assessment undertaken in 2021. This project focuses on change governance enhancements and to increase the Bank's change maturity. The project continues to progress and has delivered a number of items, including but not limited to:

- Project Stage Gates with required change artefacts,
- Business & IT Change Readiness Forum (BCRF),
- Prioritisation & Intervention (P&I) Forum, and
- Management Deign Authority (MDA meeting).

The Group's Operational Risk and IT Risk Management Frameworks outline the Group's approach to managing Operational and IT risks and are applicable Group-wide. The framework defines the roles and responsibilities for the oversight of Operational and IT risks, along with the ownership and processes in place for the identification, assessment, mitigation, monitoring, testing and reporting of Operational and IT risks in the Group.

An RCSA methodology is used to:

- Identify, measure and control Operational Risk, Information Technology (IT) Risk, Compliance Risk, Conduct and Reputational Risks across the Group which aids the consistent approach to risk management and aids the business in their decision making process.
- Support the ability to track any control design or operational effectiveness deficiencies that are identified through the process. This ensures that comprehensive remediation plans are created, monitored and tracked through to closure.

We continue to strengthen our processes in this area as risk management and oversight continues to mature across the organisation. The RCSA methodology outlines the actions, procedures, roles and responsibilities relating to the Group's RCSA process. The RCSA should cover all risks that could materialise/exist in the respective business unit in relation to their products, activities, people, processes, systems, suppliers and business objectives, including those detailed within relevant Bank wide policies. Other developments include the prioritisation of operational resilience and enhanced oversight of third-party service providers to drive improved resilience.

The Group acts to mitigate potential risks found in existing procedures, through the use of controls. A control is any process, policy, device, practice or other action that mitigate potential risks found in existing procedures.

Internal controls are tested on a continual basis to provide assurance on the design effectiveness and operating effectiveness of controls captured in the RCSA process. This system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. Effective controls will work to reduce the likelihood of a risk occurring and/or the impact should the risk materialise.

Independent risk based control assurance reviews are also undertaken mainly in relation to key processes to provide an assessment of how effective associated risks are controlled and managed.

Weakness in the Group's internal control system or breaches/alleged breaches of laws or regulations could result in increased regulatory supervision, enforcement actions and other disciplinary action, and could have a material adverse impact on the Group's results, financial condition and prospects. To quantify the potential impact of weaknesses in this regard, and to strengthen the Group's system of internal controls through the consideration of unexpected events, scenario analysis and stress testing are conducted on a regular basis.

Risk culture is a component of the Bank's culture. A sound risk culture drives and supports risk awareness, desired behaviours and judgements about risk-taking. It bolsters effective risk management, promotes prudent risk-taking, and ensures that any emerging risks or risk-taking activities beyond the Bank's risk appetite are identified, assessed, escalated and managed in a timely manner. A key objective of the Group's Risk Management approach is to create a culture of risk awareness where all staff have an understanding of Operational and IT Risk and the role they each play in ensuring that any impacts/losses are minimised.

Third Party Service Providers

The Group may engage the services of Third Parties to support delivery of its objectives or to complement its existing processes. The risk associated with these activities is categorised as 'Outsourcing and Third Party' risk and is defined as the risk of loss or reputational damage connected with the engagement and management of Third Parties contracted internally or externally (for example, for the purposes of customer engagement, data processing, systems development, Cloud services or ICT systems), including lack of third party diversification, inadequate Third Party business continuity plans or insufficient monitoring and oversight of the engagement.

The Group's Third Party Risk Management Policy sets out the minimum requirements and roles and responsibilities necessary to ensure consistent and continuous management of Third Party and Outsourcing risks across the Group, as defined in the Group's ERMF, and Operational and IT Risk Management Framework. The policy outlines the processes and controls required for identifying, assessing, mitigating and managing Third Party risks.

Conduct and Reputational Risk

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

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

- The strategy of the Group and how it is executed;
- The way the Group is run and managed;
- The existence of group think or localised cultures;
- The level of psychological safety for staff in facilitating a robust speak freely process;
- The design and types of products/ services offered, the customers to whom they are offered and the distribution channels used;
- The way sales are made or transactions are executed;
- The post-sales fulfilment process throughout the life of the product;
- The management of different customer cohorts recognising that some customers may require additional assistance at a point in time or on a permanent basis.; and
- Interactions with customers throughout the lifetime of the relationship, including when customers make complaints either directly or through the Financial Services and Pensions Ombudsman or where customer-impacting errors occur. See note 18 and 24 to the financial statements for further information on legacy legal cases.

The Group recognises that the management and mitigation of Conduct Risk is fundamental and intrinsically linked to the achievement of our purpose 'Working together to build trust with our customers and communities'. It recognises that Conduct Risk can occur in every aspect of the Group's activities and is committed to continuing to achieve best practice in this area.

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

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

Reputational Risk is the risk of brand damage and/or financial loss arising from a failure to meet stakeholders' expectations of the Group or the failure of organisational structure and governance arrangements within the Group to embed desired behaviours and culture. The reputation of PTSB is founded on trust from its employees, customers, shareholders, regulators and from the public in general. Isolated events can undermine that trust and negatively impact the Group's reputation. Negative public opinion can result from the actual or perceived manner in which the Group conducts its business activities, from the Group's financial performance, the level of direct and indirect Government support or actual or perceived practices in the banking and financial industry. It is often observed that reputational risk is in fact a consequence of other risks. Negative public opinion may adversely affect the Group's ability to keep and attract customers which in turn may adversely affect the Group's financial condition and operations. The Group cannot be sure that it will be successful in avoiding damage to its business from reputational risk.

Compliance Risk

Compliance risk is the risk of material financial loss or liability, legal or regulatory sanctions, or brand damage arising from the failure to comply with, or adequately plan for, changes to official sector policy, laws, regulations, major industry standards, compliance policies and procedures, or expectations of customers and other stakeholders.

As a financial services firm, the Group is subject to extensive and comprehensive legislation and regulation by a number of regulatory authorities. The Group is classed as a Less Significant Institution (LSI) and is directly supervised by the Central Bank of Ireland, as the National Competent Authority.

The Board is responsible for overseeing the management of compliance risk, with senior management having a primary responsibility to effectively manage compliance with applicable laws and regulations and for ensuring that the Group has and effectively employs the resources, procedures, systems and controls, including monitoring, necessary to ensure compliance with all existing and forthcoming legislation.

The Regulatory Compliance and Conduct Risk function is responsible for second line oversight, including the updating of the Regulatory Compliance Framework. This Framework supports the Group to achieve its strategic priorities while managing regulatory compliance risks within the Board-approved Regulatory Compliance risk appetite. In addition, it sets out how the Group manages current and emerging regulatory compliance risk, details the key principles, objectives, and primary components of the Group's approach to regulatory compliance risk management, and sets out regulatory compliance risk management responsibilities across the three lines of defence model.

The Group is exposed to many forms of risk in connection with compliance with such laws and regulations, including, but not limited to:

- The risk that changes to the laws and regulations under which the Group operates will materially impact on the Group's liquidity, capital, profitability, product range, distribution channels or markets;
- The risk that the Group is unable to respond to the scale of regulatory change and implement all required changes in full or on time, or the challenge of meeting regulatory changes will impact the Group's abilities to undertake other strategic initiatives;
- The level of costs associated with the regulatory overhead including, but not limited to, the industry funding levy, funding the resolution fund established under the Single Resolution Mechanism or levies in respect of applicable compensation schemes (including the Investor Compensation Scheme and the Deposit Guarantee Scheme (DGS));
- Non-compliance with organisational requirements, such as the requirement to have robust governance arrangements, effective processes to identify, manage, monitor and report the risks the Group is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems;
- The possibility of mis-selling financial products or the mishandling of complaints related to the sale of such products by or attributed to an employee of the Group, including as a result of having sales practices, complaints procedures and/or reward structures in place that are determined to have been inappropriate or the risk that previous practices are deemed inappropriate when assessed against current standards;
- Breaching laws and requirements relating to data protection, the detection and prevention of money laundering, terrorist financing, sanctions, bribery, corruption and other financial crime; and
- Non-compliance with legislation relating to unfair or required contractual terms or disclosures.

Regulatory Developments

The level of regulatory change remains high and continues to be an area of focus.

Sustainable Finance continues to be a key priority for Governments and regulators. The EU Action Plan on Sustainable Finance and the EU Green Deal, set out the EU's strategy to integrate ESG considerations into its financial policy framework and mobilise finance for sustainable growth. A key part of the strategy is the EU Sustainable Finance Disclosures Regulation (SFDR) and accompanying RTS, which requires enhanced disclosure in a consistent manner of ESG factors into decision making processes and customer documentation for sustainable investments. The Corporate Sustainability Reporting Directive (CSRD) which introduces more detailed reporting requirements on companies in respect of the impact of their activities on the environment was amended in April 2024 to give companies more time to apply the European Sustainability Reporting Standards (ESRS). The directive postpones the adoption of sector-specific sustainability reporting standards for EU companies to 30th June 2026.

Legislative progress continues on the implementation of the Basel III reforms, the Capital Requirements Regulation 3 (CRR3) and Capital Requirements Directive 6 (CRD6) were adopted by the European Council (EC) in May 2024. CRR3 will apply from January 2025 and member states have 18 months to transpose CRD6 into national legislation. Both are aimed at enhancing prudential regulatory standards, supervision and risk management of banks. The EU payments package, which includes a number of legislative proposals and policy initiatives which seek to improve the payment experience of consumers and businesses, is also progressing through the EU legislative process. The EC has introduced legislation aimed at increasing the availability and use of Instant Credit Transfers in Euro from January 2025. In line with the objectives of the EU Digital Finance Strategy, the Digital Operational Resilience Act (DORA) will apply in full from January 2025.The revised Consumer Credit Directive and the revised Distance Marketing Directive have both been published and they come into effect in 2025 and 2026 respectively. The new EU Artificial Intelligence Act, which was published in June 2024, comes into effect on various dates from late 2024 to mid-2027.

The EC's new legislative package designed to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules was published in the Official Journal in June 2024 and will enter into force into force 20 days from its publication. Key components of the new package include (a) the establishment of a new AML agency (AMLA) which will have direct supervision of a certain number of selected obliged entities in the financial sector along with co-ordination/ oversight powers in relation to member state AML/CFT supervisors and (b) the new AML Regulations which will apply 36 months from their date of entry into force. . From a Sanctions perspective, with the continued conflict in Ukraine and other geo-political developments, it is anticipated that the EU sanctions regime will be kept under review.

The Central Bank (Individual Accountability Framework) Act 2023 (IAF) introduced the Individual Accountability Regime for Banks and other regulated entities, via a Senior Executive Accountability Regime (SEAR). The IAF also includes Conduct Standards for Staff and enhancements to both the Fitness and Probity and the Administrative Sanctions Regimes which came into operation in 2023. Regulations prescribing responsibilities of different roles and requirements on firms to clearly set out allocation of those responsibilities and decision making will apply from July 2024.

In light of the significant changes in the retail banking landscape in Ireland the Irish Government undertook a Retail Banking Review. This Review issued 34 recommendations impacting the Department of Finance, the Central Bank and the sector itself. Following the Review, a new Bill is progressing in relation to Access to Cash and is expected to be presented to Dáil Éireann in July with legislation enacted in September/October for commencement in January 2025.

The Central Bank has commenced a review of the Consumer Protection Code (CPC). A consultation paper, containing draft requirements, was published in March 2024, with the revised CPC expected to be published in early 2025 with a 12-month implementation timeline.

Regulators continue to emphasise the importance of culture, conduct risk, diversity practices, financial literacy, operational and IT resilience, cyber security, financial crime, digitalisation and climate risk.

Group Risks

The Board has overall responsibility for the establishment and oversight of the Group Risk Management Framework (GRMF). The Board has established the BRCC, which is responsible for oversight and advice on risk governance, the current risk exposures of the Group and future risk strategy, including strategy for capital and liquidity management and the embedding and maintenance of a supportive culture in relation to the management of risk throughout the Group. The BRCC, in turn, delegates responsibility for the monitoring and management of specific risks to committees accountable to it such as the GRC, GCC and ALCo.

The BAC, consisting of members of the Board, oversees how Management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Group in consultation with the BRCC. The BAC is assisted in its oversight role by GIA. GIA undertakes both routine and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

In line with IFRS 7, the following risks to which the Group is exposed are discussed in detail below:

- Credit Risk;
- Liquidity Risk; and
- Market Risk (including foreign currency exchange risk, credit spread risk and interest rate risk).

The key financial risks arise in the underlying subsidiary companies of Permanent TSB Group Holdings plc (PTSBGH). All of the Directors of PTSBGH are also Directors of the Board of Permanent TSB plc (PTSB).

3.1 Customer Credit Risk

Definition of Customer Credit Risk

Customer credit risk is defined as the risk of financial loss due to the failure of a customer, guarantor or counterparty, to meet their financial obligations to the Bank as they fall due. A Credit Risk can be of the following types including default risk, concentration risk, migration risk, collateral risk, country / sovereign risk and climate risk.

Default Risk

Credit Default Risk is the risk that a customer will not be able to meet the required payments on their debt obligation to the Bank when they become due. An increase in the risk of default may be as a result of one or a number of factors including, but not limited to:

- Deterioration observed in an individual borrower's capacity to meet payments as they become due;
- Deterioration observed or expected in macroeconomic or general market conditions;
- Regulatory change; and
- Environmental factors that impact on the credit quality of the counterparty.

Concentration Risk

Concentration Risk is the risk of excessive credit concentration to an individual, counterparty, group of connected counterparties, industry sector, geographic area, type of collateral or product type leading to above normal losses.

Migration Risk

Migration Risk is the risk for loss due to a ratings (internal/external) downgrade which indicates a change in the credit quality of an exposure.

Collateral Risk

Collateral Risk is the potential risk of loss arising from a change in security value or enforceability due to errors in nature, quantity or pricing of the collateral.

Country/Sovereign Risk

The risk of having exposure to a foreign country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets related to the country.

Climate Risk

Climate risk is the risk of declines in the value of the Bank's collateral on customer loans, or elevated risk of customer default (due to physical or transition risk), as a result of climate change, and the imposition of increased capital requirements if the Bank's borrowers do not comply with the Stakeholder, Regulatory and Legislative expectations to contribute to the transition to a low carbon economy.

Climate related risk modelling capability is still evolving and in its infancy. However, the Bank's portfolio is heavily weighted towards retail mortgages meaning the risk are well understood. The bank currently has low exposure to SME lending where the direct manifestation of climate risk may be more diverse.

Lending officers consider Climate and Sustainability Risks for each SME lending application, and assessment criteria for new Residential property lending incorporate an evaluation of potential physical risks including flood, subsidence, coastal and environmental risks as part of the valuation process. Retail mortgage lending should not proceed unless the customer's has obtained home insurance which covers the impacts of climate related physical risks.

Governance

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

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

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

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

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

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

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

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

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

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

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

- real estate;
- collateral financed under Asset Finance agreements;
- financial collateral (lien over deposits, shares, etc.); and
- other collateral (guarantees etc.).

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

Residential property valuations are based on the CSO Residential Property Price Index (RPPI) or on a recent valuation from a professional valuer. In respect of residential property securing performing loan exposures of greater than €0.5m, the Group policy is to ensure an independent valuation is updated within the last 3 years. For residential property securing NPL exposures of greater than €0.3m, the Group policy is to ensure an independent valuation is updated within the last year.

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

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

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

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

Residential Mortgage Exposures by Indexed LTV
This table is presented net of Glas III portfolio reclassified to held for sale at 30 June 2024.

30 June 2024	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	**16,400**	**366**	**16,766**
71% to 90%	**2,676**	**70**	**2,746**
91% to 100%	**68**	**30**	**98**
Subtotal	**19,144**	**466**	**19,610**
Greater than 100%	**48**	**40**	**88**
Subtotal	**48**	**40**	**88**
Total Residential Mortgages	**19,192**	**506**	**19,698**
Commercial			**433**
Consumer Finance			**513**
Finance leases and hire purchase receivables			**467**
Total loans and advances to customers			**21,111**
Deferred fees, discount fees and business combination related fair value adjustments			**291**
Gross loans and advances to customers			**21,402**

31 December 2023	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	16,261	422	16,683
71% to 90%	3,105	136	3,241
91% to 100%	86	59	145
Subtotal	19,452	617	20,069
Greater than 100%	105	132	237
Subtotal	105	132	237
Total Residential Mortgages	19,557	749	20,306
Commercial			437
Consumer Finance			499
Finance leases and hire purchase receivables			446
Total loans and advances to customers			21,688
Deferred fees, discount fees and business combination related fair value adjustments			309
Gross loans and advances to customers			21,997

Credit Risk Monitoring

Credit Risk Appetite Metrics and Limits are designed to align with the strategic objectives of the Group to maintain stable earnings growth, stakeholder confidence and capital adequacy. This is achieved through setting concentration limits for higher risk product and business segments, ensuring new business meets pricing hurdle rates and through monitoring default rates and losses. Limits are also set in the context of the peer group and regulatory and economic landscape, to ensure the Group does not become an outlier in the market. Monthly updates are presented to the GCC and the BRCC which include an overview, trends, limit categories and detail on mitigation plans proposed where a particular parameter is close or at its limit.

Credit Risk Appetite is considered an integral part of the Strategic Planning Process and reviewed at various checkpoints in the year to ensure the appetite is being met and is not expected to be breached during the budget time frame.

Arrears Management and Forbearance

Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan ("forbearance measure"), for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred where the concession or agreed change to a loan does not arise from actual or apparent financial distress.

The Group is committed to supporting customers that are experiencing financial difficulty and seeks to work with those customers to find a sustainable solution through proactive arrears management and forbearance. Group credit policy and procedures are designed to comply with the requirements of the CBI Code of Conduct on Mortgage Arrears (CCMA), which sets out the framework that must be used when dealing with borrowers in mortgage arrears or in pre-arrears.

The Group's forbearance strategy is built on two key factors namely affordability and sustainability. The main objectives of this strategy are to ensure that arrears solutions are sustainable in the long-term, that they comply with all regulatory requirements and where possible keep customers in their home.

Types of forbearance treatment currently offered by the Group include short term temporary arrangements (such as a payment moratorium) and term appropriate treatments (such as reduced payment, arrears capitalisation and term extension). Requests for concessions in recent years are arising as a result of temporary cash flow problems and an inability to repay at contractual maturity, whereas during the 2008 financial crisis such requests reflected more in-depth long-term affordability issues. This is further reflected in the change in the volume and nature of forbearance measures availed.

A request for forbearance is a trigger event for the Group to undertake an assessment of the customer's financial circumstances prior to any decision to grant a forbearance treatment. Where a borrower has been granted a forbearance treatment, the loan is considered to have experienced a significant increase in credit risk (SICR) and is classified as Stage 2 for Expected Credit Loss (ECL) assessment purposes under IFRS 9. The customer assessment may also result in the customer being classified as Stage 3, credit impaired as a result of the requirement for a specific impairment provision.

Further deterioration in the individual circumstances of the borrower or where expected improvement in the borrower's circumstances fails to materialise may result in non-compliance with the revised terms and conditions of the forbearance measure. In such circumstances the Group may consider a further forbearance request to secure some level of repayment on the loan.

The effectiveness of forbearance measures over the lifetime of the arrangements are subject to ongoing management and review. A forbearance measure is considered to be effective if the borrower meets the modified terms and conditions over a sustained period of time resulting in an improved outcome for the borrower and the Group.

Credit Risk Measurement

Applications for credit are rated for credit quality as part of the origination and loan approval process. The risk, and consequently the credit grade, is reassessed monthly as part of a continuous assessment of account performance and other customer related factors.

Credit scoring plays a central role in the ratings process. Credit scoring combined with appropriate portfolio risk segmentation is the method used to assign grades, and in turn the PDs to individual exposures under each framework.

The Group, as approved by the Central Bank of Ireland, has adopted the standardised approach for calculation of Risk Weighted exposure amounts for the Buy-to-let non-standard mortgage, Commercial, Corporate and SME portfolios. The standardised approach has been applied to the acquired Ulster Bank portfolios.

The table below illustrates the relationship between the credit risk rating grades and PD percentages.

Credit Risk Rating Grade	PD %
Excellent	0% ≤ PD <1.44%
Satisfactory	1.44% ≤ PD < 4.62%
Fair	4.62% ≤ PD < 100%
Non-performing	100%

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default. The IFRS 9 Stage 1 and Stage 2 classification is also dependant on the perceived significant increase in credit risk (SICR) which is the relative movement in the IFRS 9 probability of default since initial recognition. Therefore, there is no direct relationship between the credit risk rating grades and the IFRS 9 stage classification. However, the following relationship between the credit risk rating grades and the IFRS 9 stage classification can primarily be expected to exist:

- Satisfactory and Excellent risk profiles can primarily be expected to be classified as IFRS 9 Stage 1;
- Fair risk profile can primarily be expected to be classified as IFRS 9 Stage 2; and
- Non-performing will align to IFRS 9 Stage 3 or defaulted accounts.

Credit Exposure

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

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

	Notes	30 June 2024	31 December 2023
		€m	€m
Cash at bank	9	**57**	71
Items in course of collection	9	**33**	40
Loans and advances to banks (including balances held with central banks)		**3,158**	2,051
Other assets		**1**	60
Derivative financial instruments	10	**10**	36
Debt securities	12	**3,894**	3,256
Loans and advances to customers	13,14	**20,988**	21,427
		28,141	26,941
Commitments and contingencies	24	**1,569**	1,380
		29,710	28,321

Further detail on loans and advances to customers (inclusive of assets held for sale) is provided in note 23, Financial Risk Management.

The following tables outline the Group's exposure to credit risk by asset class:

Debt securities
The Group is exposed to the credit risk on third parties where the Group holds debt securities (primarily sovereign debt). These exposures are subject to the limitations contained within the Board approved policies, with sovereign debt restricted to those countries that have an External Credit Assessment Institution (ECAI) rating of investment-grade.

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on the ratings prescribed by Moody's Investor Services Limited and Standard and Poor's for the EU. There are no impaired debt securities as at 30 June 2024 or at 31 December 2023, with the exception of the corporate bond.

Debt securities credit ratings

	30 June 2024	31 December 2023
	€m	€m
Rating		
Aaa	**591**	309
Aa1	**177**	30
Aa2	**407**	356
Aa3	**1,571**	1,578
A3	**448**	448
Baa1	**570**	432
Baa3	**130**	103
Total	**3,894**	3,256

All debt securities at 30 June 2024 are stage 1 apart from the corporate bond which is Purchased or Originated Credit Impaired (POCI).

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

	30 June 2024	31 December 2023
	€m	€m
Country		
Ireland	**1,515**	1,559
Portugal	**448**	448
Spain	**570**	432
France	**407**	356
EU	**591**	309
Italy	**130**	103
Austria	**177**	30
Belgium	**56**	19
Total	**3,894**	3,256

Loans and advances to banks

The Group has a policy to ensure that loans and advances to banks are held with investment grade counterparties, with any exceptions subject to prior approval by the BRCC. The following table gives an indication of the level of creditworthiness of the Group's loans and advances to banks and is based on the internally set rating that is equivalent to the rating prescribed by Moody's Investor Services Limited and Standard & Poors for the CBI.

	30 June 2024	31 December 2023
	€m	€m
Rating		
Aaa	**2,806**	1,687
Aa2	**19**	75
Aa3	**270**	231
A1	**4**	2
A2	**59**	56
Total	**3,158**	2,051

Asset Quality*

The following tables provide detail of asset quality by Product and IFRS 9 stage.
The table for June 2024 is presented net of Glas III portfolio reclassified to held for sale at 30 June 2024.

	Home loan	Buy-to-let	Total Residential Mortgages	Commercial	Consumer finance	Finance leases and hire purchase receivables	Total
30 June 2024	€m	€m	€m	€m	€m	€m	€m
Stage 1							
Excellent	**13,428**	**105**	**13,533**	**26**	**181**	**6**	**13,746**
Satisfactory	**4,317**	**91**	**4,408**	**96**	**263**	**428**	**5,195**
Fair	**-**	**-**	**-**	**-**	**5**	**-**	**5**
	17,745	**196**	**17,941**	**122**	**449**	**434**	**18,946**
Stage 2							
Excellent	**197**	**19**	**216**	**2**	**1**	**-**	**219**
Satisfactory	**724**	**102**	**826**	**103**	**13**	**-**	**942**
Fair	**275**	**115**	**390**	**189**	**33**	**24**	**636**
	1,196	**236**	**1,432**	**294**	**47**	**24**	**1,797**
Stage 3							
Default	**251**	**74**	**325**	**17**	**17**	**9**	**368**
Total measured at amortised cost	**19,192**	**506**	**19,698**	**433**	**513**	**467**	**21,111**

* The information in the shaded box has not been subject to review by the Group's independent auditor.

31 December 2023	Home loan €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Consumer finance €m	Finance leases and hire purchase receivables €m	Total €m
Stage 1							
Excellent	12,283	54	12,337	32	198	9	12,576
Satisfactory	5,578	151	5,729	40	235	409	6,413
Fair	-	3	3	45	5	15	68
	17,861	208	18,069	117	438	433	19,057
Stage 2							
Excellent	187	19	206	-	2	-	208
Satisfactory	793	60	853	73	16	-	942
Fair	313	195	508	227	27	1	763
	1,293	274	1,567	300	45	1	1,913
Stage 3							
Default	403	267	670	20	16	12	718
Total measured at amortised cost	19,557	749	20,306	437	499	446	21,688

* The information in the shaded box has not been subject to review by the Group's independent auditor.

Loan Impairment

Under IFRS 9 an entity is required to track and assess changes in credit risk on financial instruments since origination and determine whether the credit risk on those financial instruments has increased significantly since initial recognition. The change in credit risk should be based on the change in the risk of default and not changes in the amount of ECL which may be expected on a financial instrument.

The standard is a 3-stage model for impairment, based on changes in credit risk quality since initial recognition:

Stage 1
Financial assets that have not had a SICR since initial recognition are classified as Stage 1. For these assets, 12-month ECL is recognised. 12-month ECL is the expected credit losses that result from default events among the Stage 1 population within 12 months of the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Therefore, all financial assets in scope will have an impairment provision equal to at least 12-month ECL.

Stage 2
Financial assets that have had a SICR since initial recognition but that do not have objective evidence of impairment are classified as Stage 2. For these assets, lifetime ECL is recognised, being the expected credit losses that result from default events among the Stage 2 population over the expected life of the financial instrument.

IFRS 9 does not define SICR but incorporates a rebuttable presumption that SICR has occurred when an exposure is greater than 30 days past due. The Group did not rebut this presumption for any portfolio.

At each reporting date, the Group has relied on the following measures to identify a SICR in relation to an exposure since origination, and classification as Stage 2 within the IFRS 9 ECL framework:

- Delinquency – greater than 30 days past due;
- Forbearance – reported as currently forborne in accordance with European Banking Authority (EBA) NPL guidelines;
- Risk Grade – accounts that migrate to a risk grade which the bank has specified as being outside its Risk Appetite for origination;
- Change in remaining lifetime PD – accounts that have a remaining lifetime PD that is in excess of the risk at which the bank seeks to originate risk. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses expected to be incurred;
- Absolute level of 12-month PD – accounts that have a 12 month PD that is in excess of 20% at the reporting date;
- PD at maturity - non-standard mortgage exposures have been identified as presenting an increased risk of default at maturity and are consequently classified as Stage 2; and
- Other Risk indicators identified by management as giving rise to a significant increase in credit risk at the balance sheet date.

The assessment of SICR is performed on a relative basis and is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Transition from Stage 3 to Stage 2
Movements between Stage 2 and Stage 3 are based on whether financial assets meet the definition of default as at the reporting date.

Certain long-term forbearance treatments may transition from Stage 3 to Stage 2 in line with the definition of default but would not be expected to transition from Stage 2 to Stage 1 without an unwind of the forbearance treatment e.g. part capital and interest treatments.

Transition from Stage 2 to Stage 1
Exposures that are no longer 30 days past due do not transition automatically to Stage 1 (i.e. without probation) and, other criteria needs to be met.

Forborne exposures where certain criteria are met transition from Stage 2 to Stage 1 (e.g. no longer classified as EBA forborne).

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

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

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

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

Key indicators of unlikely to pay include:

- Accounts that have, as a result of financial distress, received a concession from the Group with respect to terms or conditions. Such exposures will remain in Stage 3 until certain exit conditions are met and for a minimum probationary period of 12 months before moving to a performing classification;
- Accounts that have, as a result of financial distress, received a concession from the Group with respect to terms or conditions which result in a significant terminal payment. Such exposures must fulfil additional conditions in relation to that terminal payment before moving to a performing classification; and
- Accounts where the customer is assessed as otherwise unlikely to pay, including bankruptcy, personal insolvency, assisted voluntary sale, disposal etc.

Exception to the general three stage impairment model

Purchased or Originated Credit Impaired (POCI) are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted effective interest rate (EIR) basis. ECLs are only recognised or released to the extent that there is a subsequent change in expected credit losses.

Low credit risk exemption

A low risk exemption can be availed for financial instruments under IFRS 9 for which the Group can demonstrate objective evidence that these financial instruments are not subject to a SICR.

The Group considers credit risk on a financial instrument low if it meets the following conditions:

- Strong capacity by the borrower to meet its contractual cash flow obligations in the near term;
- Adverse changes in economic business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations; and
- External rating of investment grade or an internal credit rating equivalent.

Modified financial assets

Where a financial asset is modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the financial asset should be derecognised. If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition. If the terms are not substantially different, the modification does not result in derecognition and the date of origination continues to be used to determine SICR.

ECL Framework

The Group's IFRS 9 models leverage the systems and data that calculate risk weighted assets for IRB purposes. In particular, key concepts such as the definition of default and measurement of credit risk (i.e. ranking of exposures for risk) have been aligned across the Impairment (accounting) and IRB frameworks. IFRS 9 models, however, differ from IRB models in a number of conceptual ways (e.g. the use of 'through the cycle' (TTC) for IRB versus 'point in time' for IFRS 9 inputs, 12-month ECL time horizon for IRB versus lifetime for IFRS 9 Stages 2 and 3) and, as a result, the Group did not leverage the outputs of its IRB models but, instead, developed statistical models that are based on the IRB scorecards but otherwise tailored to the requirements of IFRS 9.

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

IFRS 9 PD
For estimating 12-month and lifetime default, the Group applies a statistical model methodology that allows the Group to estimate the risk that a loan will default at a given point in time by grouping exposures with similar risk characteristics and measuring the historic rate of default for exposures of this type. This technique effectively results in a TTC measure of likelihood of default. To translate this TTC probability to a point-in-time probability and to reflect forward looking information (FLI) at the balance sheet date, the Group calibrates the starting point for the projection to the current Observed Default Rate (ODR). The Group then applies an economic response model to reflect future expected macroeconomic conditions.

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

IFRS 9 LGD
For the Group's key mortgage portfolios, LGD assumes that the Group will have recourse to collateral in the event that an exposure fails to return to a performing state. The LGD model incorporates the probability of each defaulted account returning to performing together with the estimated loss rate should they return to performing and the estimated loss rate should they fail to return to performing. The Group has the same approach for LGD estimation for both 12-month and lifetime.

IFRS 9 EAD
For performing loans, the EAD is calculated for each future period based on the projected loan balance (after expected capital and interest payments) at that future period. A Credit Conversion Factor (CCF) is then applied to calculate the percentage increase in balance from the point of observation to the point of default including accrued missed interest payments and any related charges. The CCF is segmented by the accounts' repayment type.

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

For certain revolving credit facilities that do not have a fixed maturity (e.g. credit cards and overdrafts), the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions. For instruments in Stage 2 or Stage 3, loss allowances will cover expected credit losses over the expected remaining life of the instrument.

Effective Interest Rate
The discount rate applied by the Group in measuring ECL is the EIR (or 'credit-adjusted effective interest rate' for POCI financial assets) or an approximation thereof. For undrawn commitments, the EIR, or an approximation thereof, is applied when recognising the financial assets resulting from the loan commitment.

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

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

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

The GCC is responsible for oversight of changes to credit policies, data or post model adjustments that would affect model outcomes. The Impairment Reporting Review Forum (IRRF), a sub-committee of the GCC, is accountable for the review and recommendation for approval of the monthly and cumulative year-to-date actual impairment charge for the Group.

IFRS 9 ECL methodologies are subject to formal review by IRRF and approval by the GCC on a monthly basis and by the BRCC on a half-yearly basis. The adequacy of ECL allowance is reviewed by the BAC on a half-yearly basis.

Forward looking information (FLI)
IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a SICR since origination.

Measurement of ECLs at each reporting period should reflect reasonable and supportable information.
The requirement to incorporate a range of unbiased future economic scenarios, including macroeconomic factors, is a distinctive feature of the ECL accounting framework, which increases both the level of complexity and judgement in the measurement of allowance for IFRS9 credit losses.

The Group incorporates a number of macroeconomic impacts and scenarios into the ECL models.

The process to determine the FLI applied in the ECL models leverages existing ICAAP processes while recognising that IFRS 9 scenarios are not stress scenarios. The methodology to incorporate multiple economic scenarios into the ECL models considers, amongst other things, the Group's strategic planning process, the views of policy makers on longer term economic prospects and key macroeconomic risks. The Group has referenced publicly available information for key macroeconomic indicators including the Residential Property Price Index (RPPI), unemployment, interest rates, GDP and publicly available external macroeconomic forecasts including from the Department of Finance (DoF), the Central Bank of Ireland, the ESRI, the European Commission and the IMF. The Group employs the services of an independent economist to determine forecast macroeconomic scenarios. The governance and oversight process includes the review and challenge by ALCo of FLI and its onward recommendation to the BRCC for approval.

In general, a review and update of macroeconomic variables takes place at least bi-annually. Macroeconomic scenarios were most recently updated in June 2024. There are two main changes from forward looking indicators in December 2023: an improvement in HPI for 2024 and 2025 and an improvement in unemployment in 2024 to reflect a continued strength in the employment market.

The Group has adopted three macroeconomic scenarios for ECL purposes. The Group's approach applies extreme-but-plausible economic scenarios (i.e. underpinned by historical evidence) to estimate the distribution of ECL to which the Group is exposed. The central scenario is at the 50th percentile of the distribution of scenarios (implying a 50% probability that the actual outcome is worse than the central forecast and a 50% probability that the outcome is better). The Upside scenario is at the 5th percentile and the Downside scenario is at the 95th percentile. IRRF reviews the scenario probabilities and recommends to the BRCC for approval. Applying statistical techniques combined with expert credit judgement, the Group then formulates an unbiased probability weighted estimate of ECL at the reporting date (see note 1, Critical accounting estimates and judgements for further detail).

Expert Credit Judgement
In line with the requirements of the standard, the Group's ECL accounting framework methodology requires the Group to apply its experienced credit judgement in impairment model parameters and to incorporate the estimated effect of factors that are not captured in the Modelled ECL results at all reporting period dates. At 30 June 2024, the impairment provision includes management judgement in respect of impairment model parameters and adjustments to modelled outcomes (see note 1, Critical accounting estimates and judgements for further detail).

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

Liquidity Risk is the risk that the Group has insufficient funds to meet its financial obligations as and when they fall due, resulting in an inability to support normal business activity and/or failing to meet regulatory liquidity requirements. These risks are inherent in banking operations and can be heightened by a number of factors, including over reliance on a particular funding source or product type, changes in credit ratings or market dislocation.

The level of risk is dependent on the composition of the balance sheet, the maturity profile and the quantum and quality of the liquidity buffer. It is likely that these risks would be further exacerbated in times of stress. Given the nature of the Group's retail focus which stems from its business model, liquidity and funding risk will arise naturally due to the maturity transformation of primarily short term deposits (albeit recognising behavioural stickiness) into longer term loans (predominantly mortgage lending). With 88% of the balance sheet being deposit funded at the year end, exposure to a deposit run represents the primary liquidity and funding risk.

(i) Regulatory Compliance
The Group is required to comply with the liquidity requirements of the CBI and the full spectrum of European regulatory requirements including CRR2, CRD V and associated Delegated Acts such as the Liquidity Coverage Ratio (LCR) Delegated Act.

The primary ratios calculated and reported are the LCR and the Net Stable Funding Ratio (NSFR). In addition, supplementary liquidity and funding metrics are measured and monitored on a regular basis.

Under the Bank Recovery and Resolution Directive (BRRD), the Group is required to adhere to a binding Minimum Requirement for Own Funds and Eligible Liabilities (MREL) as determined by the CBI, which represents a quantification of the eligible liabilities required to act as a buffer in the event of a resolution scenario. The Group has a senior unsecured issuance strategy to ensure ongoing compliance with the MREL requirement.

(ii) Risk Management, Measurement and Monitoring

Group Treasury are responsible for the day to day management of the Group's liquidity position and ensuring compliance with the regulatory requirements. In carrying out this responsibility, the principal objective is to ensure that adequate liquid assets are available at all times to meet the operational and strategic liquidity needs of the Group under both normal and stressed conditions. Liquidity management focuses on the overall balance sheet structure together with the control of risks arising from the mismatch in contracted maturities of assets and liabilities, undrawn commitments and other contingent liabilities.

Liquidity risk is measured on a daily basis using a range of metrics against the internally as well as regulatory prescribed limit framework. The Group primarily monitors its liquidity position through the LCR. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It achieves this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash in order to meet the liquidity needs for a 30-calendar day liquidity stress scenario.

NSFR and Liquidity Stress Survivability constitute additional core liquidity and funding metrics within the overarching Liquidity and Funding Risk Management framework that are measured, monitored and reported within the Group.

The Group also actively monitors a comprehensive suite of Key Risk Indicators (KRIs) and Early Warning Indicators (EWIs) covering a range of market wide and Group specific events. The purpose of these metrics is to provide forewarning of any potential liquidity trigger events, ensuring the Group has sufficient time to intervene and mitigate any emerging risk.

The Contingency Funding Plan (CFP) outlines the strategy and action plan to address liquidity crisis events. The CFP identifies processes and actions incremental to the existing daily liquidity risk management and reporting framework to assist in making timely, well-informed decisions.

Stress testing forms a key pillar of the overall liquidity and funding risk framework and is conducted from both an economic and normative perspective (as guided by the EBA). Overall, the Group takes a prudent approach in setting the inflow and outflow parameters at a level which is appropriate for each stress scenario with due consideration of the Group's business model, liquidity and funding risk exposures and the liquidity risk drivers, including those outlined in the EBA SREP Guidelines. The stress testing framework is designed to reflect the liquidity and funding position impact under idiosyncratic, systemic and combined stresses.

The full suite of liquidity metrics and stress test results are regularly reported to the ALCo, the BRCC and the Board.

In addition, the Group Internal Liquidity Adequacy Assessment (ILAAP) provides a holistic view of the Group's liquidity adequacy. The ILAAP examines both the short and long term liquidity position relative to the internal and regulatory limits. Through the ILAAP, the Board attests to the adequacy of the Group's liquidity position and risk management processes on an annual basis.

(iii) Liquidity Risk Management Framework

The exposure to liquidity and funding risk is governed by the Group's Liquidity and Funding Risk Management Framework and underlying policies, RAS and associated limits. The framework and policies are designed to comply with regulatory standards with the objective of ensuring the Group holds sufficient counterbalancing capacity to meet its obligations, including deposit withdrawals and funding commitments, as and when they fall due under both normal and stressed conditions. The process establishes quantitative rules and targets in relation to the measurement and monitoring of liquidity risk. The Liquidity and Funding Risk Management Framework is approved by the BRCC on the recommendation of the ALCo. The effective operation of liquidity policies are delegated to the ALCo, while Group Risk and GIA functions provide further oversight and challenge and ensure compliance with the framework.

The Liquidity and Funding Risk Management Framework outlines the mechanisms by which liquidity and funding risk is managed within the Board approved Risk Appetite and is in line with the overarching liquidity and funding risk principles as follows:

- Liquidity: maintain a prudent liquid asset buffer above the internally determined or regulatory mandated (whichever is greater) liquidity requirement such that the Group can withstand a range of severe yet plausible stress events; and
- Funding: develop a stable, resilient and maturity-appropriate funding structure, with focus on customer deposits augmented by term wholesale funding sources

(iv) Minimum Liquidity Levels

The Group maintains a sufficient liquidity buffer comprising both unencumbered High Quality Liquid Assets (HQLA) and non-HQLA liquidity capacity to meet LCR and stress testing requirements.

The Group measures and monitors the NSFR which is designed to limit over-reliance on short-term funding and promote longer-term stable funding sources.

(v) Liquidity Risk Factors
Over reliance and concentration on any one particular funding source can lead to a heightened liquidity impact during a period of stress. The Group relies on customer deposits to fund its loan portfolio. The ongoing availability of these deposits may be subject to fluctuations due to factors such as the confidence of depositors in the Group, and other certain factors outside the Group's control including, for example, macroeconomic conditions in Ireland, confidence of depositors in the economy in general and the financial services industry, specifically the competition for deposits from other financial institutions.

The availability and extent of deposit guarantees are of particular importance especially for a Retail bank. The Irish Deposit Guarantee Scheme (DGS) protects deposits up to a balance of €100,000. The national DGS together with the establishment of the European Deposit Insurance Fund is designed to maintain depositor confidence and protect against a potential deposit run. A significant change to the operation of the DGS could adversely affect the Group's ability to retain deposits under a severe stress event.

The Group remains active in capital markets, be it secured or unsecured transactions, and any restrictions on the Group's access to capital markets could pose a threat to the overall funding position. The inability to adequately diversify the funding base could lead to over concentration on the remaining funding sources.

The Group maintains a significant liquidity buffer split between HQLA sovereign bonds, deposits placed with the Central Bank and ECB eligible retained securitisations which can be monetised quickly to safeguard against a liquidity event. While the quantum of the buffer is sufficient to provide capacity to withstand a significant liquidity stress event there is a concentration in Irish based assets which could reduce overall capacity in the event of an idiosyncratic Irish stress event.

Significant progress has been made in reducing the encumbrance levels that were reached in the period following the Financial crisis. Following the successful Non-Performing Loan (NPL) deleveraging programme and the execution of the Treasury Funding Plan, encumbrance is now at a low base historically and well within the target level. A clear and defined strategy has been developed to ensure an encumbrance level consistent with its economic plan is maintained by the Group. Disruption to unsecured funding sources and a requirement to revert to an overreliance on secured funding channels could potentially pose a threat to this ratio and unsecured creditors.

A series of liquidity and funding EWIs are in place in order to alert the Group to any potential liquidity trigger event therefore allowing sufficient time for mitigating actions to be taken.

(vi) Credit Ratings
The Group's credit ratings have been subject to change and may change in the future, which could affect its cost or access to sources of financing and liquidity. In particular, any future reductions in long-term or short-term credit ratings could: further increase borrowing costs; adversely affect access to liquidity; require the Group to replace funding lost arising from a downgrade, which may include a loss of customer deposits; limit access to capital and money markets; and trigger additional collateral requirements in secured funding arrangements and derivatives contracts. These issues are factored into the Group's liquidity stress testing.

In February 2024, Fitch upgraded PTSB Plc's and PTSB Group Holdings senior unsecured credit ratings. The upgrade reflects a combination of Fitch's view of the improved operating environment for Irish banks and the Group's stronger credit profile. In reaching its decision Fitch noted that the group's "business and financial profiles have strengthened following the acquisition of assets from an exiting bank that have provided significant scale and benefit". Fitch also stated its expectation that recent structural improvement in asset quality and profitability will be sustained.

The ratings for PTSB plc are as follows:

- Standard & Poor's (S&P): Long-Term Rating "BBB+" with Outlook " Positive";
- Moody's: Long-Term Rating "A2" with Outlook "Positive"; and
- Fitch: Long-Term Rating "BBB" with Outlook "Stable".

The ratings for PTSB Group Holdings plc are as follows:

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

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

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

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

(i) Interest rate risk
Interest rate risk is the risk to earnings or capital arising from a movement in the absolute level of interest rates, the spread between rates, the shape of the yield curve or in any other interest rate relationship. The risk may be subdivided into gap, option and basis risk. In line with regulatory standards, the approved Interest Rate Risk in the Banking Book (IRRBB) methodology determined that

the Group's interest rate risk exposure must be derived from both an earnings (accrual) (Earnings at Risk (EaR)) and economic value perspective (EV).

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

In defining the level of interest rate risk the Group applies the most severe of the six scenarios prescribed by the Basel and EBA Guidelines on the Management of IRRBB, for EVE (economic value of equity perspective) and applies the most negative of a 200bps upwards or downwards shock for EAR models, with both calculations subject to interest rate flooring assumptions. The results are measured and reported against the Board approved risk limits.

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

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

The Bank executed €1.0bn of fair value interest rate swaps in H1 2024, hedging certain issued senior debt. These swaps reduce the Bank's exposure to downward shocks from an EVE and EAR perspective.

The 30 June 2024 interest rate risk level, based on the EAR calculation (more severe than EVE) in the Parallel Down scenario (200bps downward shift in market rates), was calculated as €51m (31 December 2023: €62m). The risk level from an EVE perspective in the Parallel Down scenario was €43m (31 December 2023: €118m). The risk position under the EVE metric has decreased due to the execution of interest rate swaps and the purchase of government bonds with total nominal value of €0.9bn. This lengthened the Bank's asset profile and decreased its exposure to downward shocks from a value perspective.

Based on the internally derived Basis Risk calculation methodology, the 30 June 2024 risk level stands at €25m (31 December 2023: €19m). The following interest rate floors are applied in calculating EAR and Basis Risk: 0% for the ECB Refinance Rate and Retail Deposits; -50bps for the ECB Deposit Rate.

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

Derivatives (FX swaps and forwards) are executed to minimise the FX exposure. Overnight FX positions are monitored against approved notional limits. It is the responsibility of both Group Treasury and Group Risk to measure and monitor exchange rate risk and maintain the exposure within approved limits. The aggregate euro denominated 30 June 2024 FX position was €0.7m (31 December 2023: €0.7m).

(iii) Credit Spread Risk
Credit Spread Risk in the Banking Book (CSRBB) is the risk from market-wide changes to credit and liquidity spreads for a given quality on an institution's banking book. It excludes idiosyncratic credit spread risks.

In line with revised regulatory standards, the CSRBB methodology the Group's credit spread risk exposure is derived on both an earnings (Earnings at Risk (EaR)) and economic value of equity perspective (EVE). This risk is measured on the Group's bond portfolio and own debt issuances.

The Group's CS01 (impact of 0.01% movement in credit spreads) as at 30 June 2024 was €1.7m.

Directors' Responsibility Statement

The Directors are responsible for preparing the interim report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland.

In preparing the condensed set of consolidated financial statements included within the interim report, the Directors are required to

- prepare and present the condensed set of consolidated financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Directive and the Transparency Rules of the Central Bank of Ireland;
- ensure the condensed set of consolidated financial statements has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the condensed set of consolidated financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

1. the condensed set of consolidated financial statements included within the interim report of Permanent TSB Group Holdings plc for the six months ended 30 June 2024 ("the interim financial information") which comprises the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed statement of financial position, consolidated condensed statement of changes in equity, consolidated condensed statement of cash flows and the related explanatory notes, have been presented and prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Directive and Transparency Rules of the Central Bank of Ireland.
2. The interim financial information presented, as required by the Transparency Directive, includes:
   a. an indication of important events that have occurred during the first 6 months of the financial year, and their impact on the condensed set of consolidated financial statements;
   b. a description of the principal risks and uncertainties for the remaining 6 months of the financial year
   c. related parties' transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
   d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first 6 months of the current financial year.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Julie O'Neill
Chairperson

Eamonn Crowley
Chief Executive

Nicola O'Brien
Chief Financial Officer

Conor Ryan
Company Secretary

31 July 2024

Independent Review Report
to Permanent TSB Group Holdings plc

Report on the condensed consolidated interim financial statements

Conclusion

We have been engaged by Permanent TSB Group Holdings plc ("the Group") to review the Group's condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2024 which comprises a condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows, a summary of material accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2024 is not prepared, in all material respects in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Central Bank (Investment Market Conduct) Rules 2019 ("Transparency Rules of the Central Bank of Ireland").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (Ireland) 2410") issued for use in Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the interim financial report to identify material inconsistencies with the information in the condensed set of consolidated 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 review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the 'Basis for conclusion' section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Transparency Directive and the Transparency Rules of the Central Bank of Ireland.

The Directors are responsible for preparing the condensed set of consolidated financial statements included in the interim financial report in accordance with IAS 34 as adopted by the EU.

As disclosed in note 1, the condensed consolidated financial statements of the Group for the period ended 30 June 2024 are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In preparing the condensed set of consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of consolidated financial statements in the interim financial report based on our review.

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the 'Basis for conclusion' section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Group in accordance with the terms of our engagement to assist the Group in meeting the requirements of the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group for our review work, for this report, or for the conclusions we have reached.

kpmg

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

31 July 2024

Condensed Consolidated Income Statement (Unaudited)

For the half year ended 30 June 2024

	Notes	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Interest income calculated using effective interest method	3	**434**	348
Other interest income	3	**16**	-
Interest income	3	**450**	348
Interest expense	3	**(139)**	(50)
Net interest income		**311**	298
Fees and commission income		**44**	43
Fees and commission expense		**(21)**	(20)
Net trading income		**1**	2
Net other operating income		**1**	-
Total operating income		**336**	323
Administrative, staff and other expenses (excluding exceptional items)	4	**(209)**	(173)
Bank Levy and other regulatory charges	5	**(29)**	(24)
Depreciation of property and equipment		**(14)**	(13)
Amortisation of intangible assets		**(25)**	(19)
Exceptional items			
Restructuring and other charges	6	**-**	(2)
Costs incurred in relation to the Ulster Bank transaction	6	**-**	(29)
Total operating expenses		**(277)**	(260)
Operating profit before charge for credit impairment and taxation		**59**	63
Credit impairment			
Loans and advances to customers	13	**14**	(39)
Exceptional impairment write-back arising from deleveraging of loans	6	**2**	2
Total credit impairment write-back / (charges)		**16**	(37)
Operating profit before taxation		**75**	26
Taxation	7	**(12)**	(1)
Profit for the period		**63**	25
Attributable to:			
Equity holders of the parent*		**42**	4
Other equity holders		**21**	21
Profit per ordinary share		€ Cent	€ Cent
Basic Profit per share of €0.5 ordinary shares	8	**7.6**	0.7
Diluted Profit per share of €0.5 ordinary shares	8	**7.6**	0.7

* 2023 Profit attributable to equity holders has been re-presented to reflect the allocation of profits to other equity holders.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the half year ended 30 June 2024

	Notes	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Profit for the period		**63**	25
Items that will not be reclassified to the income statement in subsequent periods			
Fair value reserve (equity instruments)			
Change in fair value of equity instruments	20	**-**	4
Tax relating to items that will not be reclassified to the income statement	7	**-**	(1)
Other comprehensive income for the period, net of tax		**-**	3
Total comprehensive income for the period, net of tax		**63**	28
Attributable to:			
Equity holders of the parent*		**42**	7
Other equity holders		**21**	21

* 2023 Total comprehensive income attributable to equity holders has been re-presented to reflect the allocation of profits to other equity holders

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2024

	Notes	30 June 2024	31 December 2023
		€m	€m
Assets			
Cash at bank	9	**57**	71
Items in the course of collection	9	**33**	40
Loans and advances to banks	9	**3,158**	2,051
Derivative financial instruments	10	**10**	36
Other assets		**1**	60
Current tax asset		**2**	-
Assets classified as held for sale	11	**222**	12
Debt securities	12	**3,894**	3,256
Equity securities		**5**	5
Prepayments and accrued income		**65**	80
Loans and advances to customers	13	**20,988**	21,427
Interests in associated undertakings		**16**	16
Property and equipment		**197**	205
Intangible assets		**201**	187
Deferred taxation	15	**298**	309
Total assets		**29,147**	27,755
Liabilities			
Deposits by banks		**611**	398
Customer accounts	16	**23,606**	22,966
Derivative financial instrument	10	**11**	1
Debt securities in issue	17	**1,997**	1,512
Other liabilities		**148**	148
Accruals		**12**	13
Current tax liability		**-**	1
Provisions	18	**44**	40
Subordinated liabilities	19	**257**	257
Total liabilities		**26,686**	25,336
Equity			
Share capital	20	**273**	273
Share premium	20	**804**	804
Other reserves	20	**(810)**	(810)
Retained earnings	20	**1,826**	1,784
Shareholders' equity		**2,093**	2,051
Other equity instruments	20	**368**	368
Total equity		**2,461**	2,419
Total liabilities and equity		**29,147**	27,755

On behalf of the Board:

Julie O'Neill
Chairperson

Eamonn Crowley
Chief Executive

Nicola O'Brien
Chief Financial Officer

Conor Ryan
Company Secretary

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the half year ended 30 June 2024

	Share capital	Share premium	Revaluation reserve*	Fair value reserve*	Other capital reserve*	Retained earnings	Attributable to equity holders of the parent	Other equity instruments	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 01 January 2024	**273**	**804**	**42**	**4**	**(856)**	**1,784**	**2,051**	**368**	**2,419**
Profit for the half year ended 30 June 2024	-	-	-	-	-	42	42	21	63
Other comprehensive income, net of tax (note 21)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	42	42	21	63
Transactions with owners, recorded directly in equity:									
Contributions by and distributions to owners									
AT1 coupon paid (note 20)	-	-	-	-	-	-	-	(21)	(21)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	(21)	(21)
Balance as at 30 June 2024	**273**	**804**	**42**	**4**	**(856)**	**1,826**	**2,093**	**368**	**2,461**

* All are included in other reserves in the statement of financial position.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the half year ended 30 June 2023

	Share capital	Share premium	Revaluation reserve*	Fair value reserve*	Other capital reserve*	Retained earnings	Attributable to equity holders of the parent	Other equity instruments	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 1 January 2023	273	804	49	16	(856)	1,744	2,030	368	2,398
Profit for the half year ended 30 June 2023**	-	-	-	-	-	4	4	21	25
Other comprehensive income, net of tax (note 21)	-	-	-	3	-	-	3	-	3
Total comprehensive income for the period	-	-	-	3	-	4	7	21	28
Transactions with owners, recorded directly in equity:						-			
Contributions by and distributions to owners									
AT1 coupon paid (note 20)	-	-	-	-	-	-	-	(21)	(21)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	(21)	(21)
Balance as at 30 June 2023	273	804	49	19	(856)	1,748	2,037	368	2,405

* All are included in other reserves in the statement of financial position.
** Profit for the half year 2023 has been re-presented to reflect the allocation of profits to other equity holders.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the year ended December 2023

	Share capital	Share premium	Revaluation reserve*	Fair value reserve*	Other capital reserve*	Retained earnings	Attributable to equity holders of the parent	Other equity instrument	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 1 January 2023	273	804	49	16	(856)	1,744	2,030	368	2,398
Profit for the year	-	-	-	-	-	25	25	43	68
Other comprehensive income, net of tax (note 21)	-	-	(7)	3	-	-	(4)	-	(4)
Total comprehensive income for the period	-	-	(7)	3	-	25	21	43	64
Transactions with owners, recorded directly in equity:									
Contributions by and distributions to owners									
AT1 coupon paid (note 20)	-	-	-	-	-	-	-	(43)	(43)
Reclassifcation of cumulative gain (net of tax) of equity instruments on disposal	-	-	-	(15)	-	15	-	-	-
Total contributions by and distributions to owners	-	-	-	(15)	-	15	-	(43)	(43)
Balance as at 31 December 2023	273	804	42	4	(856)	1,784	2,051	368	2,419

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

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the period ended 30 June 2024

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Cash flows from operating activities:		
Operating profit/(loss) before taxation	**75**	26
Adjusted for non-cash items and other adjustments:		
Depreciation, amortisation and impairment of property, equipment and intangibles	**40**	32
Impairment charge/(write-back) in period:		
- Loans and advances to customers	**(16)**	37
Unrealised (gains)/losses on financial assets	**1**	(1)
Other income	**(1)**	-
Other mortgage related adjustments	**36**	31
Other provisions	**10**	6
Other non-cash items	**87**	20
	232	151
(Increase)/decrease in operating assets:		
Derivative financial instruments	**10**	3
Other assets	**64**	3
Debt securities	**15**	35
Prepayments and accrued income	**17**	133
Loans and advances to customers	**209**	(271)
Increase/(decrease) in operating liabilities:		
Deposits by banks	**198**	469
Customer accounts	**579**	850
Debt securities in issue	**453**	1,126
Derivative liabilities	**2**	(1)
Other liabilities and accruals	**(7)**	15
Provisions	**(4)**	(9)
	1,536	2,353
Net cash inflow from operating activities before tax	**1,768**	2,504
Tax paid	**(4)**	(1)
Net cash inflow from operating activities	**1,764**	2,503
Maturities of debt securities - HTC	**170**	534
Purchase of debt securities - HTC	**(796)**	(649)
Purchase of property and equipment	**(8)**	(11)
Purchase of intangible assets	**(14)**	(16)
Cash transferred for Business Combinations	**-**	(1,129)
Investment in associated undertakings	**-**	(1)
Net cash flows from investing activities	**(648)**	(1,272)
Payment of lease liabilities	**(4)**	(3)
AT1 coupon payment	**(21)**	(21)
Interest paid on T2 hedging derivative	**(5)**	-
Net cash flows from financing activities	**(30)**	(24)
Increase in cash and cash equivalents	**1,086**	1,207
Cash and cash equivalents as at 1 January	**2,162**	2,221
Increase in cash and cash equivalents	**1,086**	1,207
Cash and cash equivalents as at 30 June	**3,248**	3,428

Net cash flows from operating activities includes interest received of €471m (30 June 2023: €396m) and interest/dividends paid of €105m (30 June 2023: €59m).

Reconciliation of liabilities arising from financing activities

	Subordinated Liabilities €m	Lease Liabilities €m	Tier 2 hedging derivatives €m	Total €m
1 January 2024	**257**	**35**	**(6)**	**286**
Financing Cashflows:				
Lease Liability	**-**	**(3)**	**-**	**(3)**
Interest paid on Tier 2 captial notes	**-**	**-**	**-**	**-**
Interest paid on Tier 2 hedging derivatives	**-**	**-**	**(5)**	**(5)**
Non-cash movements:				
Additions to lease liabilities	**-**	**1**	**-**	**1**
Interest accrued on Tier 2 capital notes	**4**	**-**	**-**	**4**
Hedge adjustment on Tier 2 capital notes	**(4)**	**-**	**4**	**-**
30 June 2024	**257**	**33**	**(7)**	**283**
1 January 2023	252	38	-	290
Financing Cashflows:				
Lease Liability	-	(3)	-	(3)
Interest paid on Tier 2 captial notes	-	-	-	-
Interest paid on Tier 2 hedging derivatives	-	-	-	-
Non-cash movements:				
Additions to lease liabilities	-	3	-	3
Interest accrued on Tier 2 capital notes	3	-	-	3
Hedge adjustment on Tier 2 capital notes	-	-	-	-
30 June 2023	255	38	-	293

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

1. Corporate information, basis of preparation, material accounting policies, estimates and judgements

1.1 Corporate information

Permanent TSB Group Holdings plc (the Company) is a holding company domiciled in Ireland (registration number 474438). Its registered office is situated at 56 - 59, St. Stephen's Green, Dublin 2, Ireland. The Company's shares are listed on the main market of the Irish and London Stock Exchanges.

The Group's condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries (together referred to as 'the Group') and are prepared for the period up to the end of the half year, 30 June 2024. The condensed consolidated interim financial statements for the half year ended 30 June 2024 are unaudited, but have been reviewed by the independent auditor whose report is set out earlier in this interim report.

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 condensed consolidated interim financial statements were approved by the Board and authorised for issue by the Directors on 31 July 2024.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements for the half year ended 30 June 2024 are set out below.

1.2 Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related notes have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019, as issued under the 2014 Act (the "IMC Rules").

This report should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2023 which was prepared in accordance with International Financial Reporting Standards (IFRS) and the IFR Interpretations Committee (IFRIC) interpretations as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and EU (Credit Institutions: Financial Statements) Regulations 2015.

The consolidated financial statements of the Group for the year ended 31 December 2023 are available at www.permanenttsbgroup.ie.

Basis of measurement

The condensed consolidated and Company financial statements have been prepared on the historical cost basis as modified to include the fair valuation of certain financial instruments classified as HTC&S, equity securities classified as FVOCI, derivative financial instruments, assets classified as held for sale, financial assets and liabilities designated as hedged items in qualifying fair value hedge relationships, and land and buildings accounted for using the revaluation model.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements for the half year ended 30 June 2024 are consistent with those used by the Group as described in note 1 of the Group's consolidated financial statements for the year ended 31 December 2023. Management has considered the impact of the new accounting standards and pronouncements, please see details on page 69.

Since the condensed consolidated interim financial statements do not include all of the annual financial statement disclosures required under IFRS, this report should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended 31 December 2023.

Statutory accounts

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of the Companies Act 2014. The statutory accounts for the year ended 31 December 2023 were approved by the Directors on 06 March 2024, contained an unqualified audit report and will be filed with the Companies Registration Office on or before 30 September 2024.

Functional and presentation currency

These condensed consolidated interim 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).

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

1. Corporate information, basis of preparation, material accounting policies, estimates and judgements (continued)

Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements, in conformity with IFRS, requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

The significant judgements made by Management in applying the Group's accounting policies and key sources of uncertainty remain relevant to those applied to the Group's consolidated financial statements for the year ended 31 December 2023.

While the actual results may differ from the estimates made, the Directors believe that they are reasonable in the current circumstances based on the best available information at the date of the approval of these condensed consolidated financial statements.

The critical accounting estimates are consistent with those described in the 2023 Annual Report.

Allowance for credit losses under IFRS 9

IFRS 9 requires an impairment allowance to be recorded for ECL on financial assets regardless of whether there has been an actual loss event. There is a requirement to track and assess changes in credit risk on financial instruments since origination and determine whether the credit risk on those financial instruments has increased significantly since initial recognition.

The following concepts introduce significant judgement within impairment accounting policy and have a tangible impact on the level of ECL allowances.

Determination of significant increase in credit risk (SICR)

The determination of whether a loan has experienced a significant increase in credit risk may have a material impact on the level of ECL impairment allowance, as a 12-month ECL is recognised for Stage 1 loans whereas a lifetime ECL is recognised for Stage 2 loans.

The Group's criteria for assessing if there has been a significant increase in credit risk can cause come volatility in the amount of the recognised ECL allowances and the provision for expected credit losses in any accounting period. Criteria to determine whether a significant increase in credit risk has occurred at the reporting date are set out in section 3.1, Risk management.

Forward-looking information (FLI)

The Group has adopted an ECL framework that reflects a component approach using PD, EAD and LGD components calibrated for IFRS 9 purposes. To adequately capture lifetime ECL, the Group also modelled early redemptions as a separate component within the ECL calculation.

Judgement is combined with statistical evidence in determining which forward-looking variables are relevant for the Group's loan portfolios and in determining the extent by which through-the-cycle parameters should be adjusted for FLI to determine point-in-time parameters.

Changes in FLI variables applied to convert through-the-cycle PD and LGD into point-in-time parameters can either increase or decrease ECL impairment allowances in a particular accounting period. On update, increases in the level of optimism in the FLI variables will cause a decrease in ECL, while increases in the level of pessimism in the FLI variables will cause an increase in ECL. These movements could be significant in the accounting period of update.

The estimation and application of FLI requires significant judgement. In its calculation of ECL, the Group considers multiple scenarios and outcomes together with their probability of occurrence. Scenarios are designed to capture a range of outcomes. Each macroeconomic scenario in the Group's ECL calculation includes a projection of all relevant macroeconomic variables applied in the models for a five-year period (where the relevant period extends to five years), subsequently reverting to long-run averages.

The Group's approach applies extreme-but-plausible economic scenarios (i.e. underpinned by historical evidence) to estimate the distribution of ECL to which the Group is exposed. Using statistical techniques combined with expert credit judgement the Group then formulates an unbiased probability weighted estimate of ECL at the reporting date.

1. Corporate information, basis of preparation, material accounting policies, estimates and judgements (continued)

Three scenarios are considered in the Group's calculation of ECL at the reporting date. The base scenario is used for financial planning purposes. The Group considers one scenario that represents a macroeconomic environment that is more favourable to the central scenario and one scenario that represents a macroeconomic environment that is less favourable to the central scenario.

The following table details the key macroeconomic variables applied to model credit losses together with the associated percentiles and probability weightings at 30 June 2024. Macroeconomic scenarios were last updated in June 2024.

The updated Base Case scenario reflects higher HPI growth as interest rate reductions increase affordability, and a reduction in the unemployment, due to strength in the global economy and the lower rate environment.

The Upside and Downside scenarios are updated to present extreme '1-in-20' scenarios relative to the updated Base scenario. Given the severity of these scenarios (5th Percentile upside and 95th Percentile downside), their combination captures the macroeconomic uncertainty arising from the current economic environment.

	30 June 2024				31 December 2023			
	Central (Base Case) Scenario		Upside Scenario	Downside Scenario	Central (Base Case) Scenario		Upside Scenario	Downside Scenario
	Average value over year 1	Average value over the forecast period	Average value over the forecast period	Average value over the forecast period	Average value over year 1	Average value over the forecast period	Average value over the forecast period	Average value over the forecast period
Percentile		**50th**	**5th**	**95th**		50th	5th	95th
Scenario Probability Weighting		**54%**	**23%**	**23%**		54%	23%	23%
Irish Residential House Prices	**5%**	**3%**	**12%**	**-10%**	2%	2%	12%	-10%
Irish Unemployment	**5%**	**4%**	**4%**	**11%**	6%	5%	4%	11%
Irish GDP	**3%**	**3%**	**5%**	**-2%**	3%	3%	6%	-2%
Consumer Price Index	**2%**	**2%**	**2%**	**4%**	3%	2%	2%	4%
ECB Base Rate	**3%**	**3%**	**1%**	**4%**	4%	3%	1%	4%

The Base, Upside and Downside scenarios are described as follows:

Base scenario

The global economy is exiting the peak interest rate phase in 2024, as inflationary forces continue to ease from the combination of the post COVID demand recovery/ Russian-Ukraine invasion to a lower global inflationary and interest rate outlook. A soft landing in the major global economies, with unemployment and default rates remaining subdued compared to previous cycles, with a steady recovery in growth and falling rates, provides a more attractive backdrop for the global economy than at any stage since before COVID.

Baseline Residential Property Price (HPI) is expected to increase by 5% the current year as interest rate reductions increase affordability. Increasing lack of affordability and high property price levels, led to a softening of demand in 2023, albeit at the higher end of the market. House prices passed the peak last seen in April 2007, while wages are significantly ahead of that period in 2024, and the number of households in the economy has grown by c400,000. Underlying driving forces, such as a) decade of under supply of housing (2024 will see a sharp increase in supply), b) strong population growth through inward migration and population dynamics, c) record rental values, d) an influx of Ukrainian war refugees and e) exceptionally strong construction price increases, are expected to support property prices in the medium term.

On unemployment, the Baseline model reflects no major change in the outlook on unemployment numbers.

1. Corporate information, basis of preparation, material accounting policies, estimates and judgements (continued)

Upside scenario

This is an extreme positive scenario developed to reflect a much stronger outcome for the Irish economy than in the base scenario. There is both historical context and statistical backing to the key forecasts, but at a positive extremity.

Average GDP growth over the forecast period is 5%, which is higher than the average of 3.9% for the Irish economy since 1950. The outlook reflects an extreme positive of effective full employment.

Consistent with the longer-term nominal house price average gain of 9.3% since 1970 (Irish property prices are 50X higher than in 1970 in nominal terms) and 6.4% globally during that period, the HPI forecast for the extreme positive scenario, puts average HPI increases during the scenario under review, at 12% per annum.

Substantially below trend CPI growth returns in the Irish economy over the forecast horizon, with inflation trends remaining highly supportive of economic growth.

Downside scenario

The Downside scenario is an extreme scenario backed by Irish historical context and international comparatives. The scenario captures a statistical extreme in unemployment, GDP and HPI, while maintaining credibility as a single scenario. A prolonged period of mid teen unemployment, extends quickly, reaching a peak of 15% in the second year.

Five years of sub normal growth across the forecast horizon in 2024 to 2028, shows a sharp reversal from current expected growth levels and is significantly below the 3.9% average GDP growth seen in the Irish economy since 1950. GDP falls to a low point of minus 5% over the forecast period.

The threat of CPI moving ahead at a much faster pace than expected, is a key feature of this 1 in 20 scenario for this period, acknowledging the weakness in the global supply chain, and the impact of the Ukraine /Russian conflict which has pushed inflationary forces to 40-year highs in 2022.

Given the relative sizes of the portfolios, the key judgemental area for the Group is in relation to the level of ECL calculated for the residential mortgage portfolio.

Determining probability weightings of the scenarios and forecasting FLI in respect of those scenarios requires a significant degree of Management judgement. The reported ECL allowance is impacted by the probability weighting attributed to each macroeconomic scenario.

If the Group were to only use its Base Case Scenario for the measurement of ECL for the secured mortgage portfolio, excluding Management's adjustment to modelled outcomes, the ECL impairment allowance would be €140m less than reported at 30 June 2024.

Similarly, excluding Management's adjustment to modelled outcomes, if the Group were to only use its Upside Scenario for the measurement of ECL for the secured mortgage portfolio, the ECL impairment allowance would be €156m less than reported at 30 June 2024. Whereas if the Group were to only use its Downside Scenario the ECL impairment allowance would be €449m greater than reported at 30 June 2024.

The BAC review the adequacy of ECL allowance on a half-yearly basis.

Management's adjustment to modelled outcomes

Management judgement has been incorporated into the Group's impairment measurement process for the period and includes:

- Criteria applied to determine significant increase in credit risk;
- Management judgement in impairment model parameters; and
- Post Model adjustments (PMA) to modelled outcomes and staging classification.

Criteria applied to determine significant increase in credit risk is outlined in Section 3.1, Risk Management.

Management judgement in impairment model parameters impact modelled ECL and at June 2024 include:

- Application of an ODR floor in the home loan PD model to reflect revised engagement approach in respect of a cohort of performing legacy loans (+€35m); and
- An updated approach to how house price growth is recognised within the residential models (+€25m).

1. Corporate information, basis of preparation, material accounting policies, estimates and judgements (continued)

The total impairment provision includes post model adjustments to modelled outcomes of €83m (31 December 2023: €135m) which primarily comprises the following:

- ECL adjustment of €28m in respect of Stage 3 residential mortgage loans that are in default for a prolonged period and for which Management consider the modelled impairment to be insufficient to cover resolution (31 December 2023: €50m). The PMA is based on the Group's assumptions around collateral realisation on defaulted assets in respect of coverage levels on non-performing loans based on years in default. Given the nature of this PMA, there is no impact on the Group's SICR assessment and assessment is determined by level of non-performing loans within loans and advances at June 2024. Reduction in the PMA held is due to a portfolio of non-performing loans (Glas III) that were classified as held for sale from loans and advances to customers as at 30 June 2024.
- Construction of the Group's IFRS9 models was based on a single economic cycle covering a period of low and stable inflation rates. Management is of the view that the modelled impairment allowance may not fully reflect expected credit losses for certain cohorts of borrowers. At the reporting date, a €26m management overlay is held for this risk (31 December 2023: €29m), allocated across Stages 1 and 2, proportionate to the exposure and model based ECL.
- A €14m overlay has been applied in respect of acquired portfolios (31 December 2023: €13m). This overlay has been applied to performing accounts (Stages 1 and 2) to incorporate minimum provision coverage floors, based on pre-determined benchmarks, until such time as models are in place which adequately address limitations with the current models utilised; and
- A €16m overlay to reflect the uncertainty associated with the current economic headwinds (31 December 2023: €44m) which comprises:
  - €9m in respect of specific commercial sectors where management consider heighted default risk associated with input cost challenges (31 December 2023: €17m) with impacted obligations and associated PMA reported as Stage 2. At June 2024, a degree of uncertainty risk observed at the end of 2023 has been captured within modelled results; and
  - €7m in respect of performing consumer accounts to reflect recent default and recovery experience not yet captured within modelled ECL (31 December 2023: €10m).
  - At December 2023, an overlay on the residential mortgage portfolio was held to reflect uncertainty associated with increased interest rate environment (€17m). Based on observed performance and current point in the interest rate cycle, management have determined that this PMA is no longer required.

A Provision Models Programme is scheduled to begin in H2 2024 and expected to run for 24 months which will review all aspects of the current IFRS 9 model suite. One of the objectives of this review is to remove, where possible, the requirement for the application of management judgement.

1.3 Going Concern

In considering Management's assessment of the Group's ability to continue as a going concern, Management considered the principal risks and uncertainties as they might pertain to the going concern assumption, particularly the liquidity, profitability, and capital position. Management considered these items over the course of the year to date and into 2025, their current status, and future projections.

In doing so, Management considered each risk in turn, and the likelihood of the risk precipitating in the going concern assumptions becoming invalid over the period of assessment, being twelve months from the date of the approval of the financial statements for the period ended 30 June 2024. Management considered realistic alternatives, including downside scenarios applied by the Group to test assumptions and potential outcomes.

Assessment Basis

The time that the Directors and Management have considered in evaluating the appropriateness of the going concern basis in preparing the consolidated financial statements for the twelve months ended 30 June 2024 is a period of twelve months from the date of approval of these financial statements (31 July 2025).

In making this assessment, the Directors and Management have considered the Group's 2024-2028 MTP, profitability forecasts, funding and capital resource projections. These projections include both base and stress scenarios applied by the Group, together with a number of factors such the Irish Economy, Government fiscal policies, the availability of collateral to access funding through third parties and the euro-system, and on-going changes in the regulatory environment.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

1. Corporate information, basis of preparation, material accounting policies, estimates and judgements (continued)

Economic and political environment

Although economic conditions in Ireland had not been as strong in 2023 compared to prior years, growth is continued to be forecast albeit at a more nominalised and moderate rate supported by an improvement in global trade, falling inflation and a strong labour market. Consumer price inflation has reduced in the first quarter of 2024 as a result of the ECB's monetary tightening. The ECB begun to cut interest rates in the second quarter of 2024 as inflation began to fall and it is expected to continue easing in the medium term.

Further to this, the Group continues to be materially reliant on Government and EU policy, and impacted by geopolitical events; such as ongoing global conflicts, uncertainty around the future trading relationship between Ireland/Eurozone and the UK and US and the introduction of the global minimum corporation tax rate to a sector of the Irish market.

The Group reassessed the financial impacts of the economic and political environment through the Group's integrated planning process and believes it is reasonably well positioned to withstand any volatility from economic events, particularly given the Group's acquisition of certain elements of the Ulster Bank business in 2022 and the settlement of derivatives in 2023 and continued management of its financial position through NPL reduction and capital management.

Funding & Liquidity

The Group continued to have sufficient liquidity throughout the first half of 2024, and continues to undertake initiatives to improve its liquidity position in the areas of deposits, collateral optimisation and wholesale markets activity. The Directors and Management have also considered forecasts of the liquidity position over the going concern period, under a range of stress scenarios.

The Group continues to hold a significant liquidity buffer at 30 June 2024 that can be easily and readily monetised in a period of stress. The Directors and Management are aware that the Group's ability to effectively utilise its contingent counterbalancing capacity is dependent on the underlying collateral remaining eligible. However, the Directors and Management are satisfied, based on a review of funding plans, interaction with wholesale markets and deposit trends that the required liquidity and funding will be available to the Group during the period of assessment.

There are no material uncertainties, which would cast significant doubt on the ability of the Group to continue as a going concern basis over the period of assessment.

Profitability and Capital Adequacy

The Group made a profit for the period ended 30 June 2024 expects continued profitability in the medium term. Directors and Management have reviewed the MTP and based on this, the near-term macro-economic conditions of the country and the resolution of legacy issues, the Directors and Management are satisfied that the Group is well positioned to deliver profits in future years.

The Directors and Management have also considered the Group's forecast capital position, including the potential impact of a deterioration in economic conditions as might arise from an uncertainty from the Bank's principal risks. Based on the above considerations, the Directors and Management have assessed and concluded that this does not give rise to a material uncertainty, which would cast significant doubt on the ability of the Group to continue on a going concern basis for the period of assessment.

Conclusion

As required by IFRS as adopted by the EU, the Directors and Management have considered the principal risks and uncertainties facing the Group as outlined above. Based on the latest and projected financial performance and position, and the options available to the Group, the Directors have concluded that the Group has no material uncertainties, which would cast significant doubt on the going concern assumption and have considered it appropriate to prepare the financial statements on a going concern basis.

1.4 Comparative information

The comparative information for 2023 has been prepared on a consistent basis with 2024.

1.5 Changes in material accounting policies

The condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements for 2023. The material accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's consolidated financial statements for 2023 (note 1).

1. Corporate information, basis of preparation, material accounting policies, estimates and judgements (continued)

1.6 Impact of other accounting standards effective periods beginning on or after 1 January 2024

Accounting Standard Update	Description of Change	Key impacts for PTSB	Effective Date
IAS 1 – Classification of Liabilities as Current or Non-current	Clarifies that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period.	This amendment has no material impact on current or future reporting.	Annual periods beginning on or after 1 January 2024.
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	Clarifies how to measure sales in a sale and lease back agreement. The aim is to ensure it meets the requirements of IFRS 15 revenue recognition.	This amendment has no material impact on current or future reporting.	Annual periods beginning on or after 1 January 2024.
Non-current Liabilities with Covenants (Amendments to IAS 1)	Clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	This amendment has no material impact on current or future reporting.	Annual periods beginning on or after 1 January 2024.
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	Provides disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	This amendment has no material impact on current or future reporting.	Annual periods beginning on or after 1 January 2024.

2. Operating segments

The Group reports one operating segment which is in accordance with IFRS 8 'Operating segments'.

In line with IFRS 8, the Group also reports revenue from external customers for each major group of products and services. The amount of revenue reported is based on the financial information used to produce the Group's financial statements.

The ExCo as the Chief Operating Decision Maker (CODM) is responsible for implementing the strategic management of the Group as guided by the Board. The ExCo reviews key performance indicators and internal management reports on a monthly basis.

The Group has assessed its operating segments and continues to be satisfied that there is only one operating segment based on reporting to the CODM, in accordance with IFRS 8.5. The requirements of IFRS 8 will continue to be assessed on an ongoing basis as the Group's business develops.

2. Operating segments (continued)

2.1 Revenue from external customers split by products and services

The sources from which the Group earns external revenue are: interest income, fee and commission income, net trading income, and other operating income. Total revenue from external customers was €496m (30 June 2023: €393m). The main products from which the Group earns external revenue include: mortgages; consumer finance; and treasury assets. The interest income from these products is set out in the table below. Net interest income from external customers split by product.

	30 June 2024	30 June 2023
	€m	€m
Mortgages	**339**	278
Consumer finance*	**36**	21
Treasury assets	**27**	16
Wholesale funding	**48**	33
Total	**450**	348

* Consumer finance comprises income from term loans, credit cards and overdrafts and asset financing.

2.2 Profit for the year based on geographical location

During the half years ended 30 June 2024 and 30 June 2023, the majority of the Group's profit was incurred in Ireland. Immaterial losses (less than €1m) were incurred outside of Ireland in the Group's IOM subsidiary PBI Ltd during the half year ended 30 June 2023. PBI entered liquidation on 20 December 2023.

2.3 Assets and liabilities based on geographical location

All assets and liabilities were held in Ireland at 30 June 2024 and 31 December 2023.

3. Net Interest Income

	Half year ended 30 June 2024	Half year ended 30 June 2023
	€m	€m
Interest income		
Loans and advances to customers	**359**	299
Loans and advances to banks	**48**	34
Debt securities and other fixed-income securities	**27**	15
Interest income calculated using the effective interest rate method	**434**	348
Other interest income*	**16**	-
Interest income	**450**	348
Interest expense		
Deposits from banks	**(16)**	(15)
Due to customers	**(60)**	(12)
Debt securities in issue	**(59)**	(19)
Subordinated liabilities	**(4)**	(4)
Lease liabilities	**-**	-
Interest expense	**(139)**	(50)
Net interest income	**311**	298

* Other interest income consists of interest income on lease receivables

Net interest income includes a charge of €16m (30 June 2023: €14m) in respect of deferred acquisition costs and €12m (30 June 2023: €12m) amortisation on the business combination related fair value adjustments.

Debt securities in issue contains €7m net interest expense on derivatives in hedge relationships (30 June 2023: €1m).

4. Administrative, staff and other expenses (excluding exceptional items)

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Staff costs (as detailed below)	**116**	96
Other general and administrative expenses	**93**	77
Administrative, staff and other expenses (excluding exceptional items)	**209**	173

Administrative, staff and other expenses (excluding exceptional items) include costs of €3m relating to legacy legal cases (31 June 2023: €1m).

Staff costs

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Wages and salaries (including commission payable to sales staff)	**95**	79
Social insurance	**11**	9
Pension costs (payments to defined contribution pension schemes)	**10**	8
Total staff costs	**116**	96

Staff numbers
Closing and average number of staff (including Executive Directors) employed during the period are as follows:

	Closing staff numbers*		Average staff numbers	
	Half year ended 30 June 2024	Half year ended 30 June 2023	Half year ended 30 June 2024	Half year ended 30 June 2023
Ireland	**3,240**	3,077	**3,243**	2,853
Total number of staff	**3,240**	3,077	**3,243**	2,853

* Closing staff numbers are calculated on a FTE basis.

5. Bank levy and other regulatory charges

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Single Resolution Fund (SRF) fees	**-**	4
Deposit Guarantee Scheme (DGS)	**3**	19
Bank levy	**24**	-
Other regulatory charges	**2**	1
Bank levy and other regulatory charges	**29**	24

Other regulatory charges include payments to the Financial Services and Pensions Ombudsman, the Competition and Consumer Protection Commission and the Irish Banking Culture Board.

6. Exceptional items

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Costs incurred in relation to the Ulster Bank transaction (a)	**-**	29
Restructuring and other costs (b)	**-**	2
Impairment arising from deleveraging of loans (c)	**(2)**	(2)
Total exceptional (release)/cost	**(2)**	29

(a) During 2024, no costs have been incurred in relation to the Ulster Bank transaction (30 June 2023: €29m) as migration completed in 2023.

(b) Other costs of €nil (2023: €2m) relate to additional costs arising in respect of a previous disposal of a business.

(c) The definition of exceptional items was refined to exclude profit or loss on material loan deleveraging post 31 December 2021 (including any increase in impairment arising solely as a result of the sale of loans) due to the sale of loans becoming part of the Group's normal recovery strategy.

During 2024, warranty provisions of €2m (30 June 2023: €2m) were released in relation to loan transactions that the Group executed in prior years.

The Group considers the expired warranty release as exceptional as the warranties were previously recorded through exceptional impairment.

7. Taxation

(a) Analysis of taxation charge

	Half year ended 30 June 2024 €m	Half year ended 30 June 2023 €m
Current taxation		
Charge for current period	**1**	-
Deferred taxation		
Origination and reversal of temporary differences	**11**	1
Taxation charged to income statement	**12**	1
Effective tax rate	**16%**	3%

Income tax expense is recognised based on Management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The Group taxation charge for the half year ended 30 June 2024 is €12m (30 June 2023: €1m). This charge arises primarily due to:

1. A charge of €12m in relation to deferred tax on utilisation of tax losses carried forward;
2. A charge of €1m in relation to current tax; and
3. A credit of €1m in relation to timing differences on fixed assets.

7. Taxation (continued)

(b) Tax effects of each component of other comprehensive income

Half year ended 30 June 2024	Gross €m	Tax €m	Net €m
Fair value reserve:			
- Change in fair value reserve	-	-	-
Balance as at 30 June 2024	-	-	-

Half year ended 30 June 2023	Gross €m	Tax €m	Net €m
Fair value reserve:			
- Change in fair value reserve	4	(1)	3
Balance as at 30 June 2023	4	(1)	3

8. Earnings per share

(a) Basic earnings per ordinary share

	Half year ended 30 June 2024	Half year ended 30 June 2023
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares	**545,584,539**	545,584,539
Profit for the period attributable to equity holders	**€63m**	€25m
Less AT1 coupon paid (see note 20)	**(€21m)**	(€21m)
Profit for the period attributable to equity holders less AT1 coupon paid	**€42m**	€4m
Basic earnings per ordinary share (€ cent)	**7.6**	0.7

(b) Diluted earnings per ordinary share

	Half year ended 30 June 2024	Half year ended 30 June 2023
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of diluted earnings per share	**545,584,539**	545,584,539
Diluted earnings per ordinary share (€ cent)	**7.6**	0.7

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

No adjustment to the weighted average number of ordinary shares for the effects of dilutive potential ordinary shares was required for the period end 30 June 2024 or 30 June 2023 as the AT1 securities issued in 2020 and 2022 have no conversion features.

Weighted average number of ordinary shares*

	30 June 2024	30 June 2023
Number of ordinary shares in issue at 1 January (note 20)	**545,589,119**	545,589,119
Treasury shares held (note 20)	**(4,580)**	(4,580)
Weighted average number of ordinary shares at 30 June	**545,584,539**	545,584,539

* When calculating the profit 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.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
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9. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2024 €m	31 December 2023 €m
Cash at bank	**57**	71
Items in the course of collection	**33**	40
Loans and advances to banks repayable on demand (maturity of less than 3 months)	**3,158**	2,051
Cash and cash equivalents per statement of cash flows	**3,248**	2,162

As at 30 June 2024, within loans and receivables to banks repayable on demand restricted cash of €200m (31 December 2023: €217m) comprised cash of €171m (31 December 2023: €217m) held by the Group's securitisation entities and €29m (31 December 2023: €nil) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

The following contractual restrictions apply to our securitisation vehicles cash balances:
Each vehicle must hold an amount equal to a percentage of the outstanding notes in a reserve account on demand as part of the credit enhancement and liquidity support rules. These funds can only be used to fund any revenue shortfall for contractual payments and must be replenished as soon as additional funds are available. When the notes are fully repaid these reserve funds can be used to pay outstanding principal on the subordinated loan.

Loans and advances to banks amounting to €3,158m (31 December 2023: €2,051m) have a maturity of less than three months and therefore have been treated as cash and cash equivalents.

10. Derivative financial instruments

Derivative instruments are used by the Group, for risk management purposes, to hedge against interest rate risk and foreign currency risk.

Certain derivative instruments, while being economic hedges, do not fulfil the hedge accounting criteria under IFRS 9 and are consequently classified as held for trading (HFT). All derivatives are carried at fair value.

The derivative instruments used by the Group include:

- Currency forward rate contracts, which are commitments to purchase and sell currencies, including undelivered spot transactions; and
- Interest rate swaps which involve the exchange of fixed and variable rate interest payments between two parties at specified times based on a common nominal amount and maturity date.

Further details on the Group's risk management policies in connection with Derivatives and the policy surrounding Hedge Accounting are set out in section 3.2 of the Risk Management Report.

The notional amounts and fair values of derivative instruments held by the Group are set out in the table below:

	30 June 2024			31 December 2023		
	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m
Derivatives held for hedging						
Interest rate swaps	**1,900**	**10**	**11**	1,200	36	-
	1,900	**10**	**11**	1,200	36	-
Derivatives held for trading						
Forwards	**61**	**-**	**-**	57	-	1
	61	**-**	**-**	57	-	1
Derivative financial instruments as per the statement of financial position	**1,961**	**10**	**11**	1,257	36	1

10. Derivative financial instruments (continued)

Fair value hedges of interest rate risk

The Group uses fair value hedge accounting for hedge relationships to protect against changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The Group uses interest rate swaps to hedge interest rate risk. The financial instruments that are currently hedged for interest rate risk are fixed rate debt securities in issue. All hedging instruments are included within derivative financial instruments on the balance sheet and hedge ineffectiveness is included within net trading income on the income statement (30 June 2024 €nil, 31 December 2023 €nil).

The Group held the following interest rate swaps as hedging instruments in fair value hedges of interest rate risk at 30 June 2024 and 31 December 2023.

Fair value hedges - Interest rate swaps

30 June 2024	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years +
Liabilities:					
Hedges of debt securities in issue					
Nominal principal amount (€m)	**-**	**-**	**-**	**1,150**	**500**
Average interest rate (%)*	**-**	**-**	**-**	**2.94%**	**2.67%**
Hedges of subordinated debt					
Nominal principal amount (€m)	**-**	**-**	**-**	**250**	**-**
Average interest rate (%)*	**-**	**-**	**-**	**3.48%**	**-**

31 December 2023	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years +
Liabilities:					
Hedges of debt securities in issue					
Nominal principal amount (€m)	-	-	300	650	-
Average interest rate (%)*	-	-	3.89%	3.17%	-
Hedges of subordinated debt					
Nominal principal amount (€m)	-	-	-	250	-
Average interest rate (%)*	-	-	-	3.48%	-

* The fixed rate on the interest rate swaps detailed above are swapped out for variable 3 month Euribor. The swaps pay 3 month EURIBOR on a quarterly basis and receive fixed on an annual basis.

The tables below set out the amounts relating to items designated as (a) hedging instruments and (b) hedged items in fair value hedges of interest rate risk together with the related hedge ineffectiveness at 30 June 2024 and 31 December 2023:

(a) Hedging Instruments

30 June 2024	Nominal	Assets	Liabilities	Line item in SOFP where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that included hedge ineffectiveness
	€m	€m	€m		€m	€m	
Interest rate swaps hedging:							
Debt Securities in issue	**1,650**	**3**	**(11)**	**Derivative Assets and Derivative Liabilities**	**(19)**	**-**	**Net trading income**
Subordinated debt	**250**	**7**	**-**	**Derivative Assets**	**(4)**	**-**	**Net trading income**

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

10. Derivative financial instruments (continued)

31 December 2023	Nominal	Assets	Liabilities	Line item in SOFP where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for the year	Hedge ineffectiveness recognised in the income statement	Line item in the income statement that included hedge ineffectiveness
	€m	€m	€m		€m	€m	
Interest rate swaps hedging:							
Debt Securities in issue	950	30	-	Derivative Assets	14	-	Net trading income
Subordinated debt	250	6	-	Derivative Assets	5	-	Net trading income

(b)Hedged Items

30 June 2024	Carrying amount of hedged items recognized in the SOFP		Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged item		Line item in the SOFP where hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging
	Assets	Liabilities	Assets	Liabilities			
	€m	€m	€m	€m		€m	€m
Debt securities in issue	**-**	**(1,681)**	**8**	**(3)**	**Debt securities in issue**	**19**	**-**
Subordinated debt	**-**	**(257)**	**-**	**(1)**	**Subordinated liabilities**	**4**	**-**

31 December 2023	Carrying amount of hedged items recognized in the SOFP		Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged item		Line item in the SOFP where hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging
	Assets	Liabilities	Assets	Liabilities			
	€m	€m	€m	€m		€m	€m
Debt securities in issue	-	(997)	-	(14)	Debt securities in issue	(14)	-
Subordinated debt	-	(257)	-	(5)	Subordinated liabilities	(5)	-

11. Assets classified as held for sale

At 30 June 2024, assets classified as held for sale amounted to €222m (31 December 2023: €12m). This consists of the following:

- €9m (31 December 2023: €11m) relates to collateral in possession, these properties are expected to be sold within the next 12 months.
- €nil (31 December 2023: €1m) relates to one branch properties (31 December 2023: two branch properties) which is no longer occupied by the Group, the sale of this property is expected to be completed within the next 12 months.
- €213m (31 December 2023: €nil) relates to a portfolio of non-performing loans ("Glas III") that were classified as held for sale from Loans and advances to customers as at 30 June 2024. The loans are measured at amortised cost in accordance with IFRS 9, with an ECL which is reflective of the probable future outcome in relation to the sale of the portfolio. The carrying value includes €5m of cashflows collected on this portfolio to be included as part of the sale. A legally binding sale agreement was signed in July 2024 and the mortgages (and the related ECL) were derecognised at this time.

12. Debt securities

	30 June 2024	31 December 2023
	Total HTC	Total HTC
	€m	€m
Government bonds	**3,894**	3,256
Gross debt securities	**3,894**	3,256

As at 30 June 2024, all unpledged debt securities are available to be used and are eligible as collateral (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements.

Debt securities that are managed on a Hold to Collect (HTC) business model basis are accounted for at amortised cost.

Government bonds of €3.9bn (31 December 2023: €3.3bn) comprise Irish, Spanish, Portuguese, French, Italian, Belgian, Austrian and EU government bonds which are classified as HTC. Corporate bonds which comprised of Residential Mortgage Backed Securities and were designated as HTC matured during 2023.

At 30 June 2024, debt securities at amortised cost with a fair value of €607m (31 December 2023: €529m) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the statement of financial position.

All debt securities at 30 June 2024 are stage 1 for ECL purposes.

(A) HTC

The movement in HTC securities is classified as follows:

	30 June 2024	31 December 2023
	HTC	HTC
	€m	€m
As at 1 January	**3,256**	3,177
Additions	**796**	828
Maturities/disposals	**(170)**	(728)
Interest net of cash receipts	**4**	(14)
Amortisation of premium/(discount)	**8**	(7)
Total	**3,894**	3,256

(B) Amounts arising from impairment provisioning on debt securities:

Held at amortised cost

As at 30 June 2024, the amount arising from ECL on debt securities measured at amortised cost is €0.6m (31 December 2023: €0.6m). The ECL on debt instruments measured at amortised cost is offset against the carrying amount of the assets in the statement of financial position.

13. Loans and advances to customers

Loans and advances by category are set out below:

	30 June 2024 €m	31 December 2023 €m
Residential mortgages		
- Held through special purpose entities	**5,854**	5,664
- Held directly	**13,844**	14,642
	19,698	20,306
Commercial	**433**	437
Consumer finance	**513**	499
Finance leases and hire purchase receivables	**467**	446
Gross loans and advances to customers	**21,111**	21,688
Less: provision for impairment (note 14)	**(414)**	(570)
	20,697	21,118
Deferred fees, discount fees and business combination related fair value adjustments	**291**	309
Net loans and advances to customers	**20,988**	21,427

The Group's portfolios of loans and advances to customers at 30 June 2024 are classified as follows:

	Gross carrying amount €m	Impairment loss allowance €m	Deferred fees, discount fees and business combination related fair value adjustments €m	Total loans and advances to customers €m
Loans and advances to customers	**21,111**	**(414)**	**291**	**20,988**
Loans and advances to customer classified as held for sale (Note 11)	**341**	**(133)**	**-**	**208**
Total	**21,452**	**(547)**	**291**	**21,196**

Loans and advances can be analysed into tracker, fixed and variable rate loans as follows:

	Gross loans and advances to customers		Net loans and advances to customers	
	30 June 2024 €m	31 December 2023 €m	30 June 2024 €m	31 December 2023 €m
Tracker rate	**2,911**	3,453	**2,770**	3,186
Variable rate	**4,370**	3,788	**4,238**	3,632
Fixed rate	**13,830**	14,447	**13,689**	14,300
	21,111	21,688	**20,697**	21,118
Deferred fees, discount and business combination related fair value adjustments	**291**	309	**291**	309
Total	**21,402**	21,997	**20,988**	21,427

The Group has established a number of securitisation entities. This involved transferring the Group's interest in pools of residential mortgages to a number of special purpose entities which issued mortgage-backed floating-rate notes to fund the purchase of the interest in the mortgage pools. The notes are secured by a first fixed charge over the residential mortgages in each pool and may be sold to investors or held by the Group and used as collateral for borrowings.

13. Loans and advances to customers (continued)

Details of the residential mortgage pools sold to special purpose entities and the notes issued by the special purpose entities are included below:

	30 June 2024 €m	31 December 2023 €m
Residential mortgages held through special purpose entities	**5,854**	5,664
Notes issued by special purpose entities		
- rated	**5,654**	4,911
- unrated	**262**	806

The notes issued by these special purpose entities comprise the following:

	30 June 2024 €m	31 December 2023 €m
Held by other banks and institutions as part of collateralised lending or sale and repurchase agreements	**-**	287
Available collateral*	**4,755**	3,725
Rated notes, unavailable for collateral	**899**	899
Unrated notes	**262**	806
	5,916	5,717

* The eligibility of available collateral will depend on the criteria of the counterparty.

Loans and advances balance movement for the half year ended 30 June 2024 and the year ended 31 December 2023 is set out in the following tables:

	Non-credit impaired		Credit impaired		
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m
Balance as at 1 January 2024	**19,057**	**1,913**	**718**	**-**	**21,688**
					-
New assets originated*	**825**	**50**	**1**	**-**	**876**
Loans Acquired	**-**	**-**	**-**	**-**	**-**
Stage Transfers:					
Transfer from Stage 1 to Stage 2	**(453)**	**453**	**-**	**-**	**-**
Transfer to Stage 3	**(10)**	**(65)**	**75**	**-**	**-**
Transfer from Stage 2 to Stage 1	**454**	**(454)**	**-**	**-**	**-**
Transfer from Stage 3	**2**	**30**	**(32)**	**-**	**-**
Net movement arising from transfer of stage	**(7)**	**(36)**	**43**	**-**	**-**
Redemptions and repayments	**(929)**	**(129)**	**(40)**	**-**	**(1,098)**
Decrease due to write offs	**-**	**(1)**	**(13)**	**-**	**(14)**
Assets classified as held for sale	**-**	**-**	**(341)**	**-**	**(341)**
Balance as at 30 June 2024	**18,946**	**1,797**	**368**	**-**	**21,111**

* Loan originations are net of repayments in the period

13. Loans and advances to customers (continued)

	Non-credit impaired		Credit impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
Balance as at 1 January 2023	17,455	1,699	649	1	19,804
New assets originated*	2,205	122	10	-	2,337
Loans acquired**	1,308	127	55	-	1,490
Stage Transfers:					
Transfer from Stage 1 to Stage 2	(432)	432	-	-	-
Transfer to Stage 3	(43)	(136)	179	-	-
Transfer from Stage 2 to Stage 1	195	(195)	-	-	-
Transfer from Stage 3	-	95	(95)	-	-
Net movement arising from transfer of stage	(280)	196	84	-	-
Redemptions and repayments	(1,631)	(230)	(62)	-	(1,923)
Decrease due to write offs	-	(1)	(18)	-	(19)
Disposals	-	-	-	-	-
Other movements	-	-	-	(1)	(1)
Balance as at 31 December 2023	19,057	1,913	718	-	21,688

* Loan originations are net of repayments in the period
** Net of repayments

14. Impairment provisions

Loans and advances to customers

The following table reflects non-performing loans for which ECL provisions are held and an analysis of Stage 1, Stage 2 and Stage 3 ECL provisions across the loans and advances to customer's portfolio.

The non-performing loan balance as at 30 June 2024 was €368m (31 December 2023: €718m). Refer to note 23 for further details.

30 June 2024	Loans and advances to customers	of which NPLs	NPL % of total loans	ECL provisions				Total ECL provisions as % of total loans
				Stage 1	Stage 2	Stage 3	Total	
	€m	€m	%	€m	€m	€m	€m	%
Residential:								
- Home loans	**19,192**	**251**	**1.3%**	**134**	**46**	**56**	**236**	**1.2%**
- Buy-to-let	**506**	**74**	**14.6%**	**2**	**48**	**29**	**79**	**15.6%**
Commercial	**433**	**17**	**3.9%**	**6**	**31**	**8**	**45**	**10.4%**
Consumer finance:								
- Term loans / other	**513**	**17**	**3.3%**	**10**	**8**	**14**	**32**	**6.2%**
Finance leases and hire purchase receivables	**467**	**9**	**1.9%**	**13**	**3**	**6**	**22**	**4.7%**
Total gross loans	**21,111**	**368**	**1.7%**	**165**	**136**	**113**	**414**	**2.0%**
Impairment provision	**(414)**							
	20,697							
Deferred fees, discount fees and business combination related fair value adjustments	**291**							
Balance as at 30 June 2024	**20,988**							

14. Impairment provisions (continued)

31 December 2023	Loans and advances to customers	of which NPLs	NPL % of total loans	ECL provisions Stage 1	Stage 2	Stage 3	Total	Total ECL provisions as % of total loans
	€m	€m	%	€m	€m	€m	€m	%
Residential:								
- Home loans	19,557	403	2.1%	131	51	110	292	1.5%
- Buy-to-let	749	267	35.6%	2	58	99	159	21.2%
Commercial	437	20	4.6%	8	47	11	66	15.1%
Consumer finance:								
- Term loans / other	499	16	3.2%	12	8	13	33	6.6%
Finance leases and hire purchase receivables	446	12	2.7%	12	-	8	20	4.5%
Total gross loans	21,688	718	3.3%	165	164	241	570	2.6%
Impairment provision	(570)							
	21,118							
Deferred fees, discount fees and business combination related fair value adjustments	309							
Balance as at 31 December 2023	21,427							

A reconciliation of the provision for impairment losses for loans and advances is as follows:

30 June 2024	Residential mortgages	Commercial	Consumer finance	Finance leases and hire purchase receivables	Total
	€m	€m	€m	€m	€m
Total by portfolio					
ECL as at 1 January 2024	**451**	**66**	**33**	**20**	**570**
Redemptions and repayments	**(19)**	**(7)**	**-**	**-**	**(26)**
Net remeasurement of loss allowance	**-**	**(8)**	**(1)**	**(2)**	**(11)**
Loan originations	**12**	**5**	**2**	**4**	**23**
Loans acquired	**-**	**-**	**-**	**-**	**-**
Net movement excluding derecognition	**(7)**	**(10)**	**1**	**2**	**(14)**
Assets classified as held for sale	**(124)**	**(9)**	**-**	**-**	**(133)**
Derecognition-repossessions	**-**	**-**	**-**	**-**	**-**
Derecognition-write offs*	**(5)**	**(2)**	**(2)**	**-**	**(9)**
Derecognition	**(129)**	**(11)**	**(2)**	**-**	**(142)**
ECL as at 30 June 2024**	**315**	**45**	**32**	**22**	**414**
Net movement excluding derecognition (from above)					**(14)**
Interest income booked but not recognised					**(5)**
Other Movements***					**6**
Write offs net of recoveries					**(1)**
Impairment release on customer loans and advances for the half year ended 30 June 2024					**(14)**

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write offs may be earlier than collateral realisation.
** Closing ECL incorporates ECL of €9m on loan commitments.
*** Impairment charge on deleveraging.

14. Impairment provisions (continued)

31 December 2023 Total by portfolio	Residential mortgages €m	Commercial €m	Consumer finance €m	Finance leases and hire purchase receivables €m	Total €m
ECL as at 1 January 2023	447	40	34	-	521
Redemptions and repayments	(22)	(1)	-	-	(23)
Net remeasurement of loss allowance	(8)	2	(5)	-	(11)
Loan originations	29	16	3	-	48
Loans acquired	12	10	4	20	46
Net movement excluding derecognition	11	27	2	20	60
Derecognition-disposals	-	-	-	-	-
Derecognition-repossessions	-	-	-	-	-
Derecognition-write offs*	(7)	(1)	(3)	-	(11)
Derecognition	(7)	(1)	(3)	-	(11)
ECL as at 31 December 2023**	451	66	33	20	570
Net movement excluding derecognition (from above)					60
Income booked but not recognised.					(12)
Other Movements***					6
Write offs net of recoveries					2
Impairment charge on loans and advances to customers for the year ended 31 December 2023.					56

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier than collateral realisation.
** Closing ECL incorporates ECL of €8m on loan commitments.
*** Includes costs in respect of deleveraging and impairment of interest in associated undertakings

14. Impairment provisions (continued)

Total by Stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2024	**165**	**164**	**241**	**570**
Transfer to Stage 1	21	(21)	-	-
Transfer to Stage 2	(10)	15	(5)	-
Transfer to Stage 3	-	(6)	6	-
Stage Transfers	**11**	**(12)**	**1**	**-**
Redemptions and repayments	(2)	(10)	(14)	(26)
Net remeasurement of loss allowance	(26)	(12)	27	(11)
Loan originations	17	6	-	23
Loans Acquired	-	-	-	-
Net movement excluding derecognition	**(11)**	**(16)**	**13**	**(14)**
Assets classified as held for sale	-	-	(133)	(133)
Derecognition-repossessions	-	-	-	-
Derecognition-write offs*	-	-	(9)	(9)
Derecognition	**-**	**-**	**(142)**	**(142)**
ECL as at 30 June 2024**	**165**	**136**	**113**	**414**
Net movement excluding derecognition (from above)				**(14)**
Interest income booked but not recognised				(5)
Other Movements***				6
Write offs net of recoveries				(1)
Impairment release on customer loans and advances for the half year ended 30 June 2024				(14)

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier than collateral realisation.
** Closing ECL incorporates ECL of €9m on loan commitments.
*** Impairment charge on deleveraging.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

14. Impairment provisions (continued)

Total by Stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2023	136	163	222	521
Transfer to Stage 1	31	(30)	(1)	-
Transfer to Stage 2	(6)	21	(15)	-
Transfer to Stage 3	-	(21)	21	-
Stage transfers	25	(30)	5	-
Redemptions and repayments	(5)	(11)	(7)	(23)
Net remeasurement of loss allowance	(38)	12	15	(11)
Loan originations	18	27	3	48
Loan acquired	29	3	14	46
Net movement excluding derecognition	4	31	25	60
Derecognition-disposals	-	-	-	-
Derecognition-repossessions	-	-	-	-
Derecognition-write offs*	-	-	(11)	(11)
Derecognition	-	-	(11)	(11)
ECL as at 31 December 2023**	165	164	241	570
Net movement excluding derecognition (from above)				60
Income booked but not recognised.				(12)
Other Movements***				6
Write offs net of recoveries				2
Impairment charge on customer loans and advances for the year ended 31 December 2023				56

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier than collateral realisation.
** Closing ECL incorporates ECL of €8m on loan commitments.
*** Includes costs in respect of deleveraging and impairment of interest in associated undertakings.

Modified Financial Assets
There have been no significant modified financial assets for which the loss allowance has changed from lifetime to 12-month ECL at 30 June 2024 and 31 December 2023.

15. Deferred taxation

	30 June 2024 €m	31 December 2023 €m
Deferred tax liabilities	**(18)**	(18)
Deferred tax assets	**316**	327
Net deferred tax assets	**298**	309

	30 June 2024 €m	31 December 2023 €m
At 1 January	**309**	309
Recognised through Income statement (note 7)	**(11)**	(10)
Recognised in other comprehensive income	**-**	10
30 June/31 December	**298**	309

At 30 June 2024, the Group had a net deferred tax asset of €298m.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The recognition of a deferred tax asset relies on Management's judgements surrounding the probability and adequacy of future taxable profits and the reversals of existing taxable temporary differences.

The most important judgement relates to Management's assessment of the recoverability of the deferred tax asset relating to carried forward tax losses, being €311m at 30 June 2024. It should be noted that the full deferred tax asset on tax losses relates to tax losses generated in the PTSB legal entity (i.e. no deferred tax asset is being recognised on tax losses carried forward in any other Group company).

The assessment of recoverability of this asset requires significant judgements to be made about the projection of long-term profitability because of the period over which recovery extends. In addition, given PTSB's history of losses, in accordance with IAS 12, there must be convincing other evidence to underpin this assessment.

In making the assessment, the Board considered the following factors:

- The current macroeconomic environment and external forecasts for the Irish economy particularly in light of the geopolitical environment, the forecast interest rate rises and inflationary risks;
- The current expected trajectory of the Group's financial performance;
- The impairment performance;
- The Group's projected liquidity and capital position;
- The absolute level of deferred tax assets on tax losses compared to the Group's equity;
- The quantum of profits required to be generated to utilise the tax losses and the extended period of time over which these profits are projected to be generated;
- The challenge of forecasting over an extended period and in particular taking account of external factors such as global political uncertainty, the level of competition and disruptors to the market and market size;
- Consideration of the assumptions underpinning the Group's financial projections (on which analysis of the recoverability of the deferred tax asset on tax losses are based). The key relevant assumptions considered being:
  - No material change to the Group's business activities in the medium term;
  - Further progress in addressing the Group's non-performing assets;
  - NIM is also expected to be positively impacted by the evolution of the Group's lending book as new lending volumes are added and lower yielding tracker mortgages pay down; however, further material reductions in cost of funds are considered unlikely; Continued focus on cost management; and
  - The cost of risk will continue its return to normalised levels reflecting the Group's assessment of the medium to long term average; and
- Consideration of forecasting risks, including sensitivity analysis on the financial projections, such sensitivity analysis including the effect of higher than expected impairments, cost of funds or operating expenditure, and lower than expected asset yields, new lending or ECB rates.

15. Deferred taxation (continued)

Taking the above factors into account, and in the absence of any expiry date for the utilisation of carried forward tax losses in Ireland, the Board have concluded that it is more likely than not that there will be sufficient taxable profits against which the losses can be utilised and on the basis of the assessment above, continue to recognise €311m of a deferred tax asset on tax losses on the statement of financial position as at 30 June 2024.

In this regard, the Group has carried out an exercise to determine the likely number of years required to utilise the deferred tax asset arising on tax losses carried forward. Based on the Group's latest forecast plans to 2028 and assuming a level of profitability growth consistent with GDP growth of approximately 2.5%, it will take c. 9 years for the deferred tax asset on tax losses of €311 to be utilised. A level of profitability consistent with GDP growth continues to be considered by Management to be appropriate given the Group's primarily domestic retail focus and the expectation arising therefrom that, over the long-term, the Group's performance would be expected to broadly track the performance of the Irish economy, with modest GDP growth expected over the medium term. Management are of the view that a long-term assumed growth rate of 2.5% is not unreasonable in this context.

IFRS does not allow for the deferred tax asset recognised to be discounted notwithstanding that it is likely to take a number of years for it to be recovered.

The expected period of time to full utilisation of the deferred tax asset is broadly in line with that at 31 December 2023 where the DTA was expected to be utilised by 2033. Assumptions underpinning the deferred tax asset recoverability analysis are broadly in line with prior periods.

It should be further noted that the analysis of the estimated utilisation of the deferred tax asset arising on tax losses carried forward in PTSB is based on the current business model of the Group.

The recognition of this asset is dependent on the Group earning sufficient profits to utilise the tax losses. The quantum of and timing of these profits is a source of significant estimation uncertainty. However, as a principle, the Group is expecting to be profitable in the medium term. Consequently, the key uncertainty relates principally to the time period over which these profits will be earned. Whilst the Group may be more or less profitable in certain periods owing to various factors such as the interest rate environment, loan loss provisions, operating costs and the regulatory environment, Management expect that, notwithstanding these, the Group will be profitable over the long term. Consequently, any change to these factors which would ultimately impact on profitability, are highly subjective, but will only impact on the time period over which this asset is recovered.

Pillar Two – minimum effective tax rate

In 2021 the Economic Co-operation and Development (OECD) released the 15% minimum effective tax rate ("Pillar Two") Model Rules. In December 2023, Pillar Two legislation has been enacted in Ireland, effective for the Group's financial year beginning 1 January 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. Based on the assessment performed, the Group is not currently in scope of the Pillar Two legislation. The Group will continue to assess the application of Pillar Two legislation for future reporting periods. The Group has applied the IAS 12 temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two rules.

16. Customer accounts

	30 June 2024 €m	31 December 2023 €m
Term deposits	**4,065**	3,028
Demand deposits	**7,926**	8,451
Current accounts	**9,354**	9,329
Notice and other accounts	**2,261**	2,158
Customer accounts	**23,606**	22,966

At 30 June 2024, the Group held corporate deposits of €1,361m (31 December 2023: €1,316m).
An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 23 of the 2024 Interim report.

17. Debt securities in issue

	30 June 2024 €m	31 December 2023 €m
At amortised cost		
Bonds and medium-term notes	**1,997**	1,512
Total debt securities in issue	**1,997**	1,512

	30 June 2024	31 December 2023
Maturity analysis		
Repayable in less than 1 year	**361**	54
Repayable in greater than 1 year but less than 5 years	**1,143**	960
Repayable in greater than 5 years	**493**	498
Total debt securities in issue	**1,997**	1,512

Bonds and medium-term notes
In the first half of 2024, PTSBGH issued €500m of Senior Unsecured Medium Term Notes at a fixed rate of 4.25% per annum, maturing on 10 July 2030. Interest is payable on the nominal amount annually in arrears on the coupon date.

€1,650m of Senior Unsecured Medium Term Notes are currently hedged for interest rate risk (31 December 2023: €950m). At 30 June 2024, debt securities in issue contains a €5m hedge adjustment (31 December 2023: €14m). Further details are included in note 10 of the financial statements.

18. Provisions

	2024				2023			
	Restructuring costs €m	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m	Restructuring costs €m	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m
As at 1 January	**2**	**13**	**25**	**40**	4	23	53	80
Provisions made during the period	**-**	**8**	**-**	**8**	-	2	6	8
Write-back of provisions during the period	**-**	**-**	**-**	**-**	-	(1)	(6)	(7)
Provisions used during the period	**-**	**(4)**	**-**	**(4)**	(2)	(11)	(28)	(41)
As at 30 June/31 December	**2**	**17**	**25**	**44**	2	13	25	40

The provision at 30 June 2024 is €44m (31 December 2023: €40m) which comprises the following:

Restructuring costs
At 31 December 2020 a provision for restructuring of €27m was recognised relating to an Enterprise Transformation programme that had been announced during that year. The remaining provision of €2m is based on an estimate of the remaining costs to bring the programme to a conclusion. This programme is expected to conclude in 2024.

18. Provisions (continued)

Provision for legacy, legal and compliance liabilities

As at 30 June 2024, the Group has provisions of €17m relating to legal, compliance and other costs of on-going disputes in relation to legacy business issues (31 December 2023: €13m).

Management has exercised judgment in arriving at the estimated provision in respect of the potential liabilities.

Other

As at 30 June 2024, the provision of €25m (31 December 2023: €25m) primarily relates to indemnities and guarantees provided by the Group, together with further costs, relating to the purchasing and deleveraging of various asset portfolios.

19. Subordinated liabilities

	30 June 2024 €m	31 December 2023 €m
At amortised cost:		
€250m Tier 2 capital notes due August 2031, Callable 2026	**257**	257
	257	257

	30 June 2024 €m	31 December 2023 €m
Maturity date		
Repayable in less than 1 year	**6**	3
Repayable in greater than 1 year but less than 5 years	**-**	-
Repayable in greater than 5 years	**251**	254
	257	257

Tier 2 capital notes – PTSBGH

In May 2021, PTSBGH issued €250m of Tier 2 capital notes at a fixed rate of 3% per annum. The notes mature on 19 August 2031 with a call date of any date from and including 19 May 2026 to and including 19 August 2026. The call is subject to approval by the regulatory authorities, with approval conditional on meeting the requirements of the Capital Requirements Regulation.

The interest rate will be reset, in the event that the securities are not called on 19 August 2026 to Euro 5 year Mid Swap rate plus a margin of 3.221% per annum. The loan is subordinated and ranks as Tier 2 capital with interest paid annually in arrears on 19 August (short first coupon period). The loan may be subject to the exercise of Irish Statutory loss absorption powers by the relevant resolution authority.

The Tier 2 capital notes are currently hedged for interest rate risk. At 30 June 2024, subordinated liabilities contain a €1m hedge adjustment (31 December 2023: €5m). Further details on hedging are included in note 10 of the financial statements.

In the event of winding up of PTSBGH, the Tier 2 capital notes will be:

- junior in right of payment to all Senior Claims;
- pari passu with all other subordinated claims against PTSBGH which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 capital notes or that rank or are expressed to rank pari passu with the obligations of PTSBGH under Tier 2 capital notes; and
- in priority to PTSBGH ordinary shares, preference shares, additional Tier 1 capital notes and junior subordinated obligations or other securities of PTSBGH which by law rank, or by their terms are expressed to rank, junior to the Tier 2 capital notes.

The Group did not have any defaults of principal and interest or other breaches with respect to its subordinated liabilities during the year ended 31 December 2023 or during the period ending 30 June 2024.

20. Share capital, reserves and other equity instruments

Share capital
Share capital is the funds raised as a result of a share issue and comprises the ordinary shares of the holding company Permanent TSB Group Holdings plc.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank.

All ordinary shares rank equally with regard to the Bank's residual assets.

Authorised share capital

30 June 2024	Number of shares	30 June 2024 €m
Ordinary shares of €0.50 each	**1,550,000,000**	**775**

31 December 2023	Number of shares	31 December 2023 €m
Ordinary shares of €0.50 each	1,550,000,000	775

Issued share capital
The movement in the number of paid up ordinary shares is as follows:

Balance as at 30 June 2024	€0.50 Ordinary shares	Total €m
As at 1 January 2024	**545,589,119**	
Movement	**-**	
As at 30 June 2024	**545,589,119**	
Issued share capital (€m)	**273**	**273**
Shares held under employee benefit trust	**4,580**	
% of Authorised capital issued		**35%**

Balance as at 31 December 2023	€0.50 Ordinary shares	Total €m
As at 1 January 2023	545,589,119	
Movement	-	
As at 31 December 2023	545,589,119	
Issued share capital (€m)	273	273
Shares held under employee benefit trust	4,580	
% of Authorised capital issued		35%

Share premium
The share premium reserve represents the excess of amounts received for share issues over the par value of those shares of the Company.

Other reserves
Revaluation reserve (Non-distributable)
The revaluation reserve is a non-distributable reserve comprising of unrealised gains or losses, net of tax, on the revaluation of owner-occupied properties.

20. Share capital, reserves and other equity instruments (continued)

Fair value reserve (Non-distributable)

The fair value reserve comprises:

• the cumulative net change in the fair value of equity securities measured at FVOCI; and

• the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

Other capital reserves (Non-distributable)

Other capital reserves includes €1,087m capital issued by the Company net of €7m capital redemption reserve arising from the repurchase and cancellation of shares and €224m incurred in the cancellation of the share capital and share premium of PTSB on the incorporation of the Company.

Retained earnings

Retained earnings include distributable and non-distributable earnings. This reserve represents the retained earnings of the holding company and subsidiaries after consolidation adjustments.

€21m as on 30 June 2024 (31 December 2023: €43m) coupon interest on the AT1 securities was paid from this reserve during 2024.

Other equity instruments - Non-distributable

	30 June 2024 €m	31 December 2023 €m
As at 1 January	**368**	368
Issued during the period		
Profit	**21**	43
AT1 Coupon Paid	**(21)**	(43)
Additional Tier 1 securities	**368**	368

On 25 November 2020, the Permanent tsb Group holdings plc ('Company') issued €125,000,000 AT1 securities as part of a capital raise. The first reset date for the fixed rate is 25 May 2026.

The AT1 securities are perpetual and redeemable financial instruments with a semi-annual coupon of 13.25% paid in arrears on 26 April and 26 October of each year, commencing on 26 April 2023. On the first reset date on 26 April 2028, in the event the securities are not redeemed, interest will be reset to Euro 5 year Mid Swap rate plus a margin of 10.546% (converted from an annual to a semi-annual rate). The Company may elect at its full discretion at any time to cancel permanently (in whole or in part) the interest amount otherwise scheduled to be paid on an interest payment date.

On 25 November 2020, PTSBGH issued €125m nominal value of AT1 Perpetual Temporary Write Down Securities as part of capital raise. The transaction costs incurred were €2m. The first reset date for the fixed rate is 25 May 2026.

The AT1 securities are perpetual and redeemable financial instruments with a semi-annual coupon of 7.875% paid in arrears on 25 May and 25 November. On the first reset date on 25 May 2026, in the event the securities are not redeemed, interest will be reset to Euro 5 year Mid Swap rate plus a margin of 8.468% (converted from an annual to a semi-annual rate). The Company may elect at its full discretion at any time to cancel permanently (in whole or in part) the interest amount otherwise scheduled to be paid on an interest payment date.

The Company may use such cancelled payments without restriction, including to make distributions or any other payments to the holders of its shares or any other securities issued by the Company. Any cancellation of interest payments will be permanent and on a non-cumulative basis and such cancellation will not give rise to or impose any restriction on the Company.

Although the AT1 securities are perpetual, the Company may, in its sole discretion, redeem the AT1 securities in full on any day falling in the period commencing 25 November 2025 and the first reset date above and on every interest payment date thereafter (subject to the approval of the Supervisory Authority) at the prevailing principal amount together with accrued but unpaid interest. In addition, the securities are redeemable at the option of the Company for certain regulatory or tax reasons, subject to regulatory approval. Under the EU (Bank Recovery and Resolution) Regulations 2015, these securities are loss absorbing at the point of non-viability. On the occurrence of a trigger event, at any time, any accrued and unpaid interest up to (but excluding) the write down date shall be automatically and irrevocably cancelled, and the then Prevailing Principal Amount of each Security shall be automatically and irrevocably reduced by the write down amount. This will occur if the CET1 Capital Ratio of PTSB or the Group at any time falls below 7%. Subsequent to any write-down event the Company may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and the securities rank behind the claims against the Group of all other subordinated and unsubordinated creditors.

21. Analysis of other comprehensive income

The analysis of OCI below provides additional analysis to the information provided in the primary statements and should be read in conjunction with the condensed consolidated statement of changes of equity.

Six months to 30 June 2024	Revaluation reserve €m	Fair value reserve €m	Retained earnings €m	Total €m
Other comprehensive income (net of tax)				
Revaluation of property	-	-	-	-
Fair value reserve (equity instruments):				
Change in fair value of equity instruments	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**

Twelve months to 31 December 2023	Revaluation reserve €m	Fair value reserve €m	Retained earnings €m	Total €m
Other comprehensive income (net of tax)				
Revaluation of property	(7)	-	-	(7)
Fair value reserve (equity instruments):				
Change in fair value of equity instruments	-	3	-	3
Total other comprehensive income/(expense)	(7)	3	-	(4)

Six months to 30 June 2023	Revaluation reserve €m	Fair value reserve €m	Retained earnings €m	Total €m
Other comprehensive income (net of tax)	-	-	-	-
Revaluation of property	-	-	-	-
Fair value reserve (equity instruments):				
Change in fair value of equity instruments	-	3	-	3
Total other comprehensive expense, net of tax	-	3	-	3

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

22. Measurement basis and fair values of financial instruments

The table below sets out an overview of financial instruments held by the Group and their fair values. The Group classifies its financial instruments into the following categories, determined at initial recognition for each individual instrument.

(a) Measurement basis and fair value of financial instruments

30 June 2024	Notes	Held at amortised cost	At fair value through OCI	At fair value through profit or loss	Designated as fair value hedges	Total carrying value	Fair value
		€m	€m	€m	€m	€m	€m
Financial assets							
Cash at bank	**9**	**57**	**-**	**-**	**-**	**57**	**57**
Items in course of collection	**9**	**33**	**-**	**-**	**-**	**33**	**33**
Loans and advances to banks		**3,158**	**-**	**-**	**-**	**3,158**	**3,158**
Derivative financial instruments	**10**	**-**	**-**	**-**	**10**	**10**	**10**
Debt securities	**12**	**3,894**	**-**	**-**	**-**	**3,894**	**3,722**
Equity securities		**-**	**5**	**-**	**-**	**5**	**5**
Loans and advances to customers	**13,14**	**21,196**	**-**	**-**	**-**	**21,196**	**20,968**
Financial liabilities							
Deposits by banks		**611**	**-**	**-**	**-**	**611**	**611**
Customer accounts	**16**	**23,606**	**-**	**-**	**-**	**23,606**	**23,550**
Derivative financial instruments	**10**	**-**	**-**	**11**	**-**	**11**	**11**
Debt securities in issue	**17**	**1,997**	**-**	**-**	**-**	**1,997**	**2,042**
Subordinated liabilities	**19**	**251**	**-**	**-**	**6**	**257**	**247**
Other financial liabilities		**148**	**-**	**-**	**-**	**148**	**148**

31 December 2023	Notes	Held at amortised cost	At fair value through OCI	At fair value through profit or loss	Designated as fair value hedges	Total carrying value	Fair value
		€m	€m	€m	€m	€m	€m
Financial assets:							
Cash at bank	9	71	-	-	-	71	71
Items in course of collection	9	40	-	-	-	40	40
Loans and advances to banks		2,051	-	-	-	2,051	2,051
Derivative financial instruments	10	-	-	-	36	36	36
Debt securities	12	3,256	-	-	-	3,256	3,137
Equity securities		-	5	-	-	5	5
Loans and advances to customers	13,14	21,427	-	-	-	21,427	21,343
Financial liabilities:							
Deposits by banks		398	-	-	-	398	398
Customer accounts	16	22,966	-	-	-	22,966	22,907
Derivative financial instruments	10	-	-	1	-	1	1
Debt securities in issue	17	1,498	-	-	14	1,512	1,593
Subordinated liabilities	19	252	-	-	5	257	240
Other financial liabilities		148	-	-	-	148	148

The fair values of financial instruments are measured according to the following fair value hierarchy:

- Level 1 – financial assets and liabilities measured using quoted market prices (unadjusted).
- Level 2 – financial assets and liabilities measured using valuation techniques which use observable inputs including quoted prices of financial instruments themselves or quoted prices of similar instruments in either active or inactive markets.
- Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market data inputs.

22. Measurement basis and fair values of financial instruments (continued)

The following table sets out the fair value of financial instruments that the Group holds at 30 June 2024. It categorises these financial instruments into the relevant level on the fair value hierarchy.

Basis and fair value of financial instruments

30 June 2024	Notes	Total carrying value	Level 1	Level 2	Level 3	Total fair value
		€m	€m	€m	€m	€m
Financial assets:						
Cash at bank	**9**	**57**	**57**	**-**	**-**	**57**
Items in the course of collection	**9**	**33**	**-**	**33**	**-**	**33**
Loans and advances to banks		**3,158**	**-**	**3,158**	**-**	**3,158**
Derivative financial instruments	**10**	**10**	**-**	**10**	**-**	**10**
Debt securities	**12**	**3,894**	**3,722**	**-**	**-**	**3,722**
Equity securities		**5**	**-**	**-**	**5**	**5**
Loans and advances to customers	**13,14**	**21,196**	**-**	**-**	**20,968**	**20,968**
Financial liabilities:						
Deposits by banks		**611**	**-**	**611**	**-**	**611**
Customer accounts	**16**	**23,606**	**-**	**23,550**	**-**	**23,550**
Derivative financial instruments	**10**	**11**	**-**	**11**	**-**	**11**
Debt securities in issue	**17**	**1,997**	**-**	**2,042**	**-**	**2,042**
Subordinated liabilities	**19**	**257**	**-**	**247**	**-**	**247**
Other financial liabilities		**148**	**-**	**148**	**-**	**148**

31 December 2023	Notes	Total carrying value	Level 1	Level 2	Level 3	Total fair value
		€m	€m	€m	€m	€m
Financial assets:						
Cash at bank	9	71	71	-	-	71
Items in course of collection	9	40	-	40	-	40
Loans and advances to banks		2,051	-	2,051	-	2,051
Derivative financial instruments	10	36	-	36	-	36
Debt securities	12	3,256	3,137	-	-	3,137
Equity securities		5	-	-	5	5
Loans and advances to customers	13,14	21,427	-	-	21,343	21,343
Financial liabilities:						
Deposits by banks		398	-	398	-	398
Customer accounts	16	22,966	-	22,907	-	22,907
Derivative financial instruments	10	1	-	1	-	1
Debt securities in issue	17	1,512	-	1,593	-	1,593
Subordinated liabilities	19	257	-	240	-	240
Other financial liabilities		148	-	148	-	148

22. 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 of the consolidated financial statements for 2023 and contains details on the critical accounting estimates and judgements made by management in relation to the fair value measurement of financial instruments. The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices in an active market. Where market prices are not available, fair values are determined using valuation techniques. These techniques are subjective in nature and may involve assumptions which are based upon management's view of market conditions at year end, which may not necessarily be indicative of any subsequent fair value. Any minor changes in the assumptions used could have a significant impact on the resulting estimated fair values and, as a result, it may be difficult for the users to make a reasonable comparison of the fair value information disclosed in this note, against that disclosed by other financial institutions or to evaluate the Group's financial position and, therefore, are advised to exercise caution in interpreting these fair values. Also the fair values disclosed above do not represent, nor should it be interpreted to represent, the underlying value of the Group as a going concern at the reporting date.

Financial assets and financial liabilities not subsequently measured at fair value

Other than the HTC&S debt securities, derivative financial instruments and equity securities, all other financial assets and liabilities are not measured at fair value at the reporting date. A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

Cash at bank

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature in an active market.

Items in course of collection

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature.

Loans and advances to banks

For the purposes of fair value valuation, loans and advances to banks have been treated as cash and cash equivalents. These loans and advances are repayable on demand and short-term in nature; hence, the fair value of each financial instrument is equal to their carrying value.

Loans and advances to customers

Loans and advances to customers are carried net of impairments. The Group uses a discounted cash flow valuation model to estimate the fair value for the ROI residential and commercial mortgages. Cash flows are discounted using the current weighted average interest rate based on the specific portfolio. The fair value calculation also takes into account loan impairment provisions at the balance sheet date. The carrying value of the consumer finance portfolio is considered equal to its fair value due to its short duration.

Debt securities (HTC securities)

Debt securities at 30 June 2024 are €3,894m (31 December 2023 €3,256m) and consist of HTC securities. HTC securities are derived from observable inputs through independent pricing sources such as Bloomberg. A weighted average method is used to apply the prices to the Group's retained holding in the securitisation.

Deposits by banks/customer accounts

The estimated fair value of deposit liabilities and current accounts with no stated maturity which are repayable on demand (including non-interest bearing deposits), approximates to their book value. The estimated fair value of fixed-interest bearing deposits and other borrowings is based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

Debt securities in issue/subordinated liabilities

'The fair values of debt securities in issue/subordinated liabilities are estimated using market prices of instruments that are substantially the same as those issued by the Group. Where a readily available market price is unavailable in relation to the instrument, an estimated price is calculated using observable market data for similar instruments. If observable market data is not available, an appropriate credit spread linked to similar instruments, is used within the valuation technique. The fair values of debt securities in issue and subordinated liabilities include the fair value hedge adjustment in relation to interest rate swaps. Further details on hedging are included in note 10 of the financial statements. During 2023, due to changes in market conditions, quoted prices in active markets were no longer available for these instruments. However, there was sufficient information available to measure the fair value of these instruments based on observable market inputs. Debt securities in issue with a carrying amount of €1,997m (31 December 2023: €1,512m) and subordinated liabilities with a carrying amount of €257m (31 December 2023: €257m) are recognised at Level 2 of the fair value hierarchy.

22. Measurement basis and fair values of financial instruments (continued)

Financial assets and financial liabilities subsequently measured at fair value

On initial recognition, all financial instruments are measured at fair value. Following this, the Group measures HTC&S financial assets at fair value through other comprehensive income. Derivative financial instruments are held for trading and fair valued through the income statement.

Derivative financial instruments

The fair values of derivatives are determined using valuation techniques such as discounted cash flow and pricing models which are commonly used by market participants. These valuations are provided by third party brokers and the models used incorporate observable market inputs such as current interest rate, time to maturity, forward foreign exchange rates, yield curves and volatility measures.

Equity securities

PTSB Group holds Series B preferred stock in Visa Inc. at 30 June 2024. These were fair valued at €5m at 30 June 2024 (31 December 2023: €5m) and are recognised in the statement of financial position at FVOCI.

The fair values of the Series A preferred stock in Visa Inc. is classified as Level 1 and the fair value of the Series B preferred stock is classified as Level 3, as the valuation of these preferred stock includes inputs that are based on unobservable data.

Fair value measurements recognised in the statement of financial position

30 June 2024	Note	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Derivative financial instrument	**10**	**-**	**10**	**-**	**10**
Equity instruments		**-**	**-**	**5**	**5**
Financial liabilities measured at fair value					
Derivative financial instrument	**10**	**-**	**11**	**-**	**11**

31 December 2023	Note	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Derivative financial instrument	10	-	36	-	36
Equity instruments		-	-	5	5
Financial liabilities measured at fair value					
Derivative financial instrument	10	-	1	-	1

Reconciliation of level 3 fair value measurements of financial assets

	30 June 2024 €m	31 December 2023 €m
Equity instruments		
As at 1 January	**5**	4
Revaluation movement in OCI – Fair value reserve (equity instruments)	**-**	1
Conversion of Series B preferred stock to Series A preferred stock	**-**	-
As at 30 June/31 December	**5**	5

There were no transfers between level 1, level 2 or level 3 of the fair value hierarchy during 2024 or 2023 for financial assets.

22. Measurement basis and fair values of financial instruments (continued)

Level 3 fair value measurements of financial liabilities

There were no transfers between level 1, level 2 or level 3 of the fair value hierarchy during 2024 or 2023 for financial liabilities.

Level 3 sensitivity analysis

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

30 June 2024	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Fair Value	Ranges of estimates Changes in the fair value
Visa Inc. Series B Preferred Stock	**Quoted market price (Discounted)***	**Final share conversion rate**	**0 - 90%**	**5**	**0 - 90%**

* Discount has been applied for illiquidity and the conversion rate variability of the Visa Inc. Series B Preferred stock.

31 December 2023	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Fair Value	Ranges of estimates Changes in the fair value
Visa Inc. Series B Preferred Stock	Quoted market price (Discounted)*	Final share conversion rate	0-90%	5	0-90%

* Discount has been applied for illiquidity and the conversion rate variability of the Visa Inc. Series B Preferred stock.

Significant unobservable inputs

Visa Inc. Series A and Series B preferred stock

PTSB Group holds Series B preferred stock in Visa Inc. at 30 June 2024 with a value of €5m. These were fair valued at €5m at 30 June 2024 (31 December 2023: €5m) and are recognised in the statement of financial position at FVOCI. During 2023 PTSB disposed of its holding of Visa A shares for €30m. The Series A preferred stock was initially acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc. (the last conversion occurred in July 2022).

Valuation Methodology: The Visa Inc. Class A Common stock price and conversion ratios were applied to the PTSB shareholding of Visa Inc. Series A and Series B preferred shares at 30 June 2024 and 31 December 2023. Future conversions are calculated using discounted cash follows. The stock was revalued at the year-end exchange rate.

Unobservable input: The unobservable inputs are the discount factor used to discount the future conversions of Series B preferred stock.

The Visa Inc. Series B preferred stock is denominated in US dollars and is exposed to FX risk.

23. Financial risk management

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

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

	Notes	30 June 2024	31 December 2023
		€m	€m
Cash at bank	9	**57**	71
Items in course of collection	9	**33**	40
Loans and advances to banks (iii)		**3,158**	2,051
Derivative financial instruments (ii)	10	**10**	36
Other assets		**1**	60
Debt securities (i)	12	**3,894**	3,256
Loans and advances to customers (iv)	13	**21,196**	21,427
		28,349	26,941
Commitments and contingencies	24	**1,569**	1,380
		29,918	28,321

The following tables outline the Group's exposure to credit risk by asset class.

(i) Debt securities

The Group is exposed to the credit risk on third parties where the Group holds debt securities (primarily sovereign debt). These exposures are subject to the limitations contained within Board approved policies, with sovereign debt restricted to those countries that have an External Credit Assessment Institution (ECAI) rating of investment grade.

The following table gives an indication of the level of the credit worthiness of the Group's debt securities and is based on the Group's internal rating policy which was approved by the CBI. The inputs to the ratings used in the table are those prescribed by Moody's Investor Services Limited.

	30 June 2024	31 December 2023
	€m	€m
Rating		
Aaa	**591**	309
Aa1	**177**	30
Aa2	**407**	356
Aa3	**1,571**	1,578
A3	**448**	448
Baa1	**570**	432
Baa3	**130**	103
Total	**3,894**	3,256

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

23. Financial risk management (continued)

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

	30 June 2024 €m	31 December 2023 €m
Country		
Ireland	**1,515**	1,559
Portugal	**448**	448
Spain	**570**	432
France	**407**	356
EU	**591**	309
Italy	**130**	103
Austria	**177**	30
Belgium	**56**	19
Total	**3,894**	3,256

(ii) Derivative financial instruments

The Group has executed standard ISDA agreements with all of its counterparties. The Group has also executed CSAs with all of its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements, the Group exchanges collateral in line with movements in the market values of derivative positions daily. FX forward derivatives are settled gross. The Group manages its collateral derivative positions with counterparties on a net basis. The uncollateralised derivative positions are held with investment grade counterparties. At the 30 June 2024, the cumulative market value of derivative assets was €10m (31 December 2023: €36m) and the cumulative market value of derivative liabilities was €11m (31 December 2023: €nil) which both relate to fair value hedge interest rate swaps used to hedge interest rate risk on fixed rate debt securities in issue. See note 10 for further detail.

(iii) Loans and advances to banks

The Group has a policy to ensure that, where possible, loans and advances to banks are held with investment grade counterparties with any exceptions subject to prior approval by the BRCC. The following table gives an indication of the level of creditworthiness of the Group's loans and advances to banks and is based on the ratings prescribed by Moody's Investor Services Limited and Standard and Poor's for the CBI.

	30 June 2024 €m	31 December 2023 €m
Rating		
AAA	**2,806**	1,687
Aa2	**19**	75
Aa3	**270**	231
A1	**4**	2
A2	**59**	56
Total	**3,158**	2,051

The following sections detail additional disclosures on Asset Quality.

23. Financial risk management (continued)

(iv) Loans and advances to customers

The tables in this section include loans and advances classified as held for sale at June 2024 unless otherwise stated (refer to Note 13)

The tables below outline total loans and advances to customers for the Group analysed by home loan, buy-to-let, commercial, consumer finance and finance leases and hire purchase receivables.

	30 June 2024 €m	31 December 2023 €m
Measured at amortised cost		
Residential mortgages:		
Home loan	**19,344**	19,557
Buy-to-let	**694**	749
Total residential mortgages	**20,038**	20,306
Commercial	**434**	437
Consumer finance	**513**	499
Finance leases and hire purchase receivables	**467**	446
Total measured at amortised cost	**21,452**	21,688
Analysed by ECL staging:		
Stage 1	**18,947**	19,057
Stage 2	**1,797**	1,913
Stage 3*	**708**	718
POCI	**-**	-
Total measured at amortised cost	**21,452**	21,688
Of which at the reporting date:		
Neither past due nor Stage 3	**20,680**	20,909
Past due but not Stage 3	**64**	61
Stage 3*	**708**	718
Total measured at amortised cost	**21,452**	21,688
Of which are reported as non-performing loans	**708**	718
Deferred fees, discount fees and business combination related fair value adjustments	**291**	309

* includes loans and advances held for sale at 30 June 2024.

Past due but not Stage 3

The following tables provide an aged analysis of home loan, buy-to-let and commercial mortgages which are past due but not Stage 3.

30 June 2024	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**27**	**2**	**1**	**30**
31-60 days	**10**	**-**	**-**	**10**
61-90 days	**6**	**-**	**-**	**6**
Total past due not Stage 3	**43**	**2**	**1**	**46**
Fair value of collateral held	**43**	**2**	**1**	**46**

23. Financial risk management (continued)

Fair value of collateral held	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**27**	**2**	**1**	**30**
31-60 days	**10**	**-**	**-**	**10**
61-90 days	**6**	**-**	**-**	**6**
Total past due not Stage 3	**43**	**2**	**1**	**46**

31 December 2023	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	29	3	1	33
31-60 days	7	3	1	11
61-90 days	6	-	-	6
Total past due not Stage 3	42	6	2	50
Fair value of collateral held	42	6	2	50

Fair value of collateral held	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	29	3	1	33
31-60 days	7	3	1	11
61-90 days	6	-	-	6
Total past due not Stage 3	42	6	2	50

Collateral held against residential mortgages is principally comprised of residential properties; their fair value has been estimated based upon the last actual valuation, adjusted to take into account subsequent movement in house prices and is capped at the lower of the loan balance or the valuation amount.

Non-performing loans
Non-performing loans (NPLs) are loans which are credit impaired or loans which are classified as defaulted in accordance with the Group's definition of default. The Group's definition of default considers objective indicators of default including the 90 days past due criterion, evidence of exercise of concessions or modifications to terms and conditions is designed to be consistent with European Banking Authority (EBA) guidance on the definition of forbearance.

Foreclosed assets are assets held on the balance sheet which are obtained by taking possession of collateral or by calling on similar credit enhancements.

Non-performing assets are defined as NPLs plus foreclosed assets.

23. Financial risk management (continued)

30 June 2024	Stage 3					
	Home loans	Buy-to-let	Commercial	Consumer finance	Finance leases and hire purchase receivables	Total
	€m	€m	€m	€m	€m	€m
NPL is < 90 days	**156**	**74**	**9**	**4**	**5**	**248**
NPL is > 90 days and < 1 year past due	**68**	**34**	**2**	**3**	**2**	**109**
NPL is 1-2 years past due	**59**	**38**	**1**	**2**	**1**	**101**
NPL is 2-5 years past due	**63**	**85**	**1**	**3**	**1**	**153**
NPL is > 5 years past due	**57**	**31**	**4**	**5**	**-**	**97**
Non-performing loans	**403**	**262**	**17**	**17**	**9**	**708**
Foreclosed assets	**2**	**7**	**-**	**-**	**-**	**9**
Non-performing assets	**405**	**269**	**17**	**17**	**9**	**717**
NPLs as % of gross loans	**2.1%**	**37.8%**	**3.9%**	**3.3%**	**1.9%**	**3.3%**
Non-performing loans (excluding assets classified as held for sale)	251	74	17	17	9	368
NPLs as % of gross loans (excluding assets classified as held for sale)	1.3%	14.6%	3.9%	3.3%	1.9%	1.7%

31 December 2023	Stage 3					
	Home loans	Buy-to-let	Commercial	Consumer finance	Finance leases and hire purchase receivables	Total
	€m	€m	€m	€m	€m	€m
NPL is < 90 days	167	86	11	4	6	274
NPL is > 90 days and < 1 year past due	77	51	2	4	4	138
NPL is 1-2 years past due	44	16	1	2	1	64
NPL is 2-5 years past due	60	86	1	2	1	150
NPL is > 5 years past due	55	28	5	4	-	92
Non-performing loans	403	267	20	16	12	718
Foreclosed assets	2	9	-	-	-	11
Non-performing assets	405	276	20	16	12	729
NPLs as % of gross loans	2.1%	35.6%	4.6%	3.2%	2.7%	3.3%

Non-performing loans as a percentage of total loans and advances was 3.3% at 30 June 2024 (1.7% excluding Glas III) (31 December 2023: 3.3%)

Total portfolio loss allowance: statement of financial position
The tables below outline the ECL loss allowance total at 30 June 2024 and 31 December 2023 in respect of total customer loans and advances.

The impairment release in respect of the total loans and advances for half year ended 30 June 2024 was €14m, compared to a charge of €56m for the year ended 31 December 2023.

	30 June 2024	31 December 2023
	€m	€m
Loss allowance - statement of financial position		
Stage 1	**165**	165
Stage 2	**136**	164
Stage 3	**246**	241
Total loss allowance	**547**	570
Total loss allowance (excluding assets classified as held for sale)	**414**	

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

23. Financial risk management (continued)

	30 June 2024	31 December 2023
	%	%
Provision coverage ratio*		
Stage 1	**0.9%**	0.9%
Stage 2	**7.5%**	8.6%
Stage 3	**34.8%**	33.5%
Total provisions/total loans	**2.6%**	2.6%
Total provisions/total loans (excluding assets classified as held for sale)	**2.0%**	

* Provision coverage ratio is calculated as loss allowance/impairment provision as a percentage of gross loan balance.

Loan-to-value profile

Loan-to-value (LTV) of mortgage lending (index linked):

The LTV ratio is calculated at a property level and is the average of indexed property values in proportion to the outstanding loan balance. LTV is a key input to the impairment provisioning process. The tables below outline the composition of this ratio for the residential loan portfolio.

Actual and average LTVs across principal mortgage portfolios:

The tables below outline the weighted average LTVs for the total residential mortgage portfolios analysed across home loan and buy-to-let facilities by value. The weighted average LTV on the existing residential mortgage portfolios is 50% at 30 June 2024 compared to 52% at 31 December 2023.

30 June 2024	Home loans	Buy-to-let	Total
	%	%	%
Less than 50%	**49%**	**36%**	**49%**
50% to 70%	**36%**	**21%**	**35%**
71% to 90%	**14%**	**19%**	**14%**
91% to 100%	**1%**	**7%**	**1%**
Subtotal	**100%**	**83%**	**99%**
101% to 110%	**-**	**5%**	**1%**
111% to 120%	**-**	**3%**	**-**
121% to 130%	**-**	**3%**	**-**
131% to 140%	**-**	**2%**	**-**
141% to 150%	**-**	**1%**	**-**
151% to 160%	**-**	**1%**	**-**
161% to 170%	**-**	**-**	**-**
171% to 180%	**-**	**1%**	**-**
Greater than 180%	**-**	**1%**	**-**
Subtotal	**-**	**17%**	**1%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of existing residential mortgages	**50%**	**68%**	**50%**
Residential mortgages originated in the year	**74%**	**52%**	**74%**
Stage 3 mortgages	**66%**	**98%**	**79%**

23. Financial risk management (continued)

31 December 2023	Home loans %	Buy-to-let %	Total %
Less than 50%	45%	33%	45%
50% to 70%	38%	23%	37%
71% to 90%	16%	18%	16%
91% to 100%	-	8%	1%
Subtotal	99%	82%	99%
101% to 110%	1%	6%	1%
111% to 120%	-	2%	-
121% to 130%	-	3%	-
131% to 140%	-	2%	-
141% to 150%	-	1%	-
151% to 160%	-	1%	-
161% to 170%	-	1%	-
171% to 180%	-	-	-
Greater than 180%	-	2%	-
Subtotal	1%	18%	1%
Total	100%	100%	100%
Weighted average LTV:			
Stock of existing residential mortgages	52%	70%	52%
Residential mortgages originated in the year	69%	55%	69%
Acquired residential mortgages	47%	41%	47%
Stage 3 mortgages	68%	100%	81%

Forbearance arrangements
The Group has provided information in respect of its key forborne portfolios at the statement of financial position date.

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in accordance with existing CCMA. These are set out in the table below.

Residential mortgages
The tables below set out the volume of loans for which the Group has entered formal temporary and permanent forbearance arrangements with customers as at 30 June 2024 and 31 December 2023.

23. Financial risk management (continued)

(i) Residential home loan mortgages:

The incidence of the main type of forbearance arrangements for owner occupied residential mortgages are analysed below:

30 June 2024	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**24**	**5**	**22**	**4**
Reduced payment (less than interest only)	**47**	**8**	**39**	**7**
Reduced payment (greater than interest only)	**1,241**	**176**	**583**	**93**
Payment moratorium	**76**	**11**	**59**	**8**
Arrears capitalisation	**716**	**78**	**417**	**48**
Term extension	**462**	**33**	**230**	**18**
Hybrid*	**243**	**33**	**198**	**26**
Split mortgages**	**158**	**26**	**158**	**26**
Total	**2,967**	**370**	**1,706**	**230**

* Hybrid is a combination of two or more forbearance arrangements.
** Split mortgage is where a portion of outstanding debt is deferred until financial ability or circumstances improve.

31 December 2023	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	19	4	17	3
Reduced payment (less than interest only)	47	8	32	6
Reduced payment (greater than interest only)	1,362	193	672	105
Payment moratorium	48	7	33	4
Arrears capitalisation	821	88	419	49
Term extension	481	34	232	19
Hybrid*	238	33	178	24
Split mortgages**	158	26	158	26
Total	3,174	393	1,741	236

* Hybrid is a combination of two or more forbearance arrangements.
** Split mortgage is where a portion of outstanding debt is deferred until financial ability or circumstances improve.

The tables above reflect a decrease of 207 cases in the half year to 30 June 2024 for the Group in the number of residential home loan mortgages in forbearance arrangements, a decrease of €23m. The average balance of forborne loans is €0.125m at 30 June 2024 (31 December 2023: €0.124m).

23. Financial risk management (continued)

(ii) Residential buy-to-let mortgages:

The incidence of the main type of forbearance arrangements for residential buy-to-let mortgages only is analysed below:

30 June 2024	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**12**	**4**	**11**	**4**
Reduced payment (less than interest only)	**2**	**1**	**2**	**1**
Reduced payment (greater than interest only)	**81**	**24**	**61**	**21**
Payment moratorium	**5**	**1**	**3**	**-**
Arrears capitalisation	**18**	**6**	**10**	**4**
Term extension	**17**	**4**	**10**	**2**
Hybrid*	**57**	**27**	**43**	**21**
Split mortgages**	**22**	**8**	**22**	**8**
Total	**214**	**75**	**162**	**61**

* Hybrid is a combination of two or more forbearance arrangements.
** Split mortgage is where a portion of outstanding debt is deferred until financial ability or circumstances improve.

31 December 2023	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	16	6	14	6
Reduced payment (less than interest only)	2	2	2	2
Reduced payment (greater than interest only)	82	25	61	21
Payment moratorium	3	1	1	-
Arrears capitalisation	24	6	10	3
Term extension	16	4	12	3
Hybrid*	61	28	46	19
Split mortgages**	22	7	22	7
Total	226	79	168	61

* Hybrid is a combination of two or more forbearance arrangements.
** Split mortgage is where a portion of outstanding debt is deferred until financial ability or circumstances improve.

The tables above reflect an decrease of 12 cases in the half year to 30 June 2024 for the Group in the number of residential buy-to-let in forbearance arrangements, a decrease of €4m in balances. The average balance of forborne loans is €0.35m at 30 June 2024 (31 December 2023: €0.35m).

iii) Commercial mortgages

The incidence of the main type of forbearance arrangements for commercial mortgages are analysed below:

Commercial mortgages	30 June 2024		31 December 2023	
	Number	Balances €m	Number	Balances €m
Reduced payment (greater than interest only)	**5**	**1**	7	3
Arrears capitalisation	**19**	**1**	24	2
Term extension	**6**	**1**	7	1
Hybrid*	**3**	**1**	4	1
Total	**33**	**4**	42	7

* Hybrid is a combination of two or more forbearance arrangements.

The table above reflects a decrease of 9 cases in the half year to 30 June 2024 for the Group in the number of commercial mortgages in forbearance arrangements, a decrease of €3m in balances.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(continued)

23. Financial risk management (continued)

Reconciliation of movement in forborne loans for all classes

The tables below provide an analysis of the movement of total forborne loans and Stage 3 forborne loans during the year. It outlines the number and balances of forbearance treatments offered, expired and loans paid down during the year.

(i) Reconciliation of movement of total forborne loans

30 June 2024	Residential mortgages							
	Home loans cases	Home loans balances	Buy -to-let cases	Buy-to-let balances	Commercial cases	Commercial balances	Total cases	Total balances
		€m		€m		€m		€m
Opening balance 1 January 2024	**3,174**	**393**	**226**	**79**	**42**	**7**	**3,442**	**479**
New forbearance extended during the period*	**202**	**25**	**16**	**4**	**-**	**-**	**218**	**29**
Deleveraged loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exited forbearance								
- re-classified to Stage 3 non-forborne	**(3)**	**-**	**(1)**	**-**	**-**	**-**	**(4)**	**-**
- expired forbearance treatment	**(306)**	**(30)**	**(4)**	**-**	**(6)**	**-**	**(316)**	**(30)**
- expired loan paid down	**(100)**	**(12)**	**(23)**	**(6)**	**(3)**	**(2)**	**(126)**	**(20)**
Balance shift**	**-**	**(6)**	**-**	**(2)**	**-**	**(1)**	**-**	**(9)**
Closing balance of loans in forbearance for half year ended 30 June 2024	**2,967**	**370**	**214**	**75**	**33**	**4**	**3,214**	**449**

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2023	Residential mortgages							
	Home loans cases	Home loans balances	Buy -to-let cases	Buy-to-let balances	Commercial cases	Commercial balances	Total cases	Total balances
		€m		€m		€m		€m
Opening balance 1 January 2023	2,747	358	256	99	25	8	3,028	465
New forbearance extended during the period*	1,133	118	35	7	23	1	1,191	126
Deleveraged loans	-	-	-	-	-	-	-	-
Exited forbearance								
- re-classified to Stage 3 non-forborne	(24)	(3)	(4)	(3)	(1)	-	(29)	(6)
- expired forbearance treatment	(450)	(52)	(30)	(15)	(2)	(1)	(482)	(68)
- expired loan paid down	(232)	(18)	(31)	(6)	(3)	-	(266)	(24)
Balance shift**	-	(10)	-	(3)	-	(1)	-	(14)
Closing balance of loans in forbearance as at 31 December 2023	3,174	393	226	79	42	7	3,442	479

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

23. Financial risk management (continued)

(ii) Reconciliation of movement in forborne loans Stage 3

30 June 2024	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2024	**1,741**	**236**	**168**	**61**	**27**	**6**	**1,936**	**303**
New Stage 3 forborne extended during the period*	**202**	**25**	**16**	**9**	**1**	**-**	**219**	**34**
Deleveraged loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exited forborne Stage 3, now performing forborne	**(169)**	**(19)**	**(4)**	**(1)**	**(2)**	**-**	**(175)**	**(20)**
Exited forbearance								
- exited forborne Stage 3, now Stage 3 non-forborne	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**
- expired forbearance treatment	**(2)**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**
- expired loan paid down	**(63)**	**(10)**	**(18)**	**(6)**	**(3)**	**(2)**	**(84)**	**(18)**
Balance shift**	**-**	**(2)**	**-**	**(2)**	**-**	**-**	**-**	**(4)**
Closing balance loans in forbearance for half year ended 30 June 2024	**1,706**	**230**	**162**	**61**	**23**	**4**	**1,891**	**295**

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2023	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2023	1,634	228	188	68	19	6	1,841	302
New Stage 3 forborne extended during the year*	615	69	30	11	12	-	657	80
Deleveraged loans	-	-	-	-	-	-	-	-
Exited forborne Stage 3, now performing forborne	(352)	(43)	(21)	(11)	-	-	(373)	(54)
Exited forbearance								
- exited forborne Stage 3, now Stage 3 non-forborne	(12)	(1)	-	-	(1)	-	(13)	(1)
- expired forbearance treatment	(13)	(3)	(4)	(2)	(1)	-	(18)	(5)
- expired loan paid down	(131)	(12)	(25)	(5)	(2)	-	(158)	(17)
Balance shift**	-	(2)	-	-	-	-	-	(2)
Closing balance of loans in forbearance as at 31 December 2023	1,741	236	168	61	27	6	1,936	303

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

23. Financial risk management (continued)

(iii) Group Portfolios: Collateral in possession

Collateral in possession occurs where the obligor either (i) voluntarily surrenders the property or (ii) the Group takes legal ownership due to the non-repayment of the loan facility. The following tables outline the main movements in this category during the year.

Stock of collateral in possession

	30 June 2024		31 December 2023	
	Number	Balance outstanding at transfer of ownership €m	Number	Balance outstanding at transfer of ownership €m
Residential collateral in possession				
Home loans	**10**	**6**	10	6
Buy-to-let	**38**	**10**	52	13
Total	**48**	**16**	62	19

Collateral in possession assets are sold as soon as practicable. These assets which total €9m as at 30 June 2024 (31 December 2023: €11m) are included in assets held for sale (see note 11 for further details).

During the year no property was transferred to the Group.

During the year 14 properties were disposed. The details of the disposals are provided in the tables below:

30 June 2024	Number of disposals	Balance outstanding at transfer of ownership €m	Gross sales proceeds €m	Costs to sell €m	Pre provisioning loss on sale* €m
Collateral in possession					
Home loans	-	-	-	-	-
Buy-to-let	**14**	**3**	**2**	-	**1**
Period ended 30 June 2024	**14**	**3**	**2**	-	**1**

* Calculated as gross sales proceeds less balance outstanding at transfer of ownership less costs to sell. These losses are provided for as part of the impairment provisioning process.

31 December 2023	Number of disposals	Balance outstanding at transfer of ownership €m	Gross sales proceeds €m	Costs to sell €m	Pre provisioning loss on sale* €m
Collateral in possession					
Home loans	4	1	2	1	-
Buy-to-let	57	16	10	-	6
Year ended 31 December 2023	61	17	12	1	6

* Calculated as gross sales proceeds less balance outstanding at transfer of ownership less costs to sell. These losses are provided for as part of the impairment provisioning process.

23. Financial risk management (continued)

Funding profile

The below amounts for non-derivative financial liabilities is calculated using undiscounted cash flows which include an estimate of future interest payments. Derivative liabilities include contractual undiscounted cash flows on a gross basis if the instrument is settled gross and on a net basis if settled net.

The ALCo monitors sources of funding and their respective maturities with a focus on establishing a stable and cost effective funding profile. Excluding equity, the Group's funding profile as at 30 June 2024 can be broken down into the below component parts:

	30 June 2024 %	31 December 2023 %
Customer accounts	**89**	91
Long-term debt	**7**	7
Short-term debt	**4**	2
	100	100

Long-term debt refers to debt with a maturity greater than 12 months from the period-end and short-term debt is that which has a maturity of less than 12 months from the period-end.

In accordance with IFRS 7, Financial Instruments: Disclosures, the following tables present the maturity analysis of financial liabilities on an undiscounted basis, by remaining contractual maturity at the statement of financial position date. These will not agree directly with the balances on the consolidated statement of financial position due to the inclusion of future interest payments.

30 June 2024	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	**611**	**-**	**-**	**-**	**-**	**-**	**611**
Customer accounts	**19,174**	**804**	**609**	**1,324**	**733**	**1,057**	**23,701**
Debt securities in issue	**324**	**16**	**24**	**49**	**97**	**1,913**	**2,423**
Derivative financial instruments	**2**	**-**	**-**	**-**	**-**	**9**	**11**
Subordinated liabilities	**1**	**1**	**2**	**4**	**7**	**289**	**304**
Other financial liabilities	**117**	**-**	**2**	**3**	**6**	**23**	**151**
Total liabilities	**20,229**	**821**	**637**	**1,380**	**843**	**3,291**	**27,201**

31 December 2023	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	398	-	-	-	-	-	398
Customer accounts	19,640	664	415	864	671	764	23,018
Debt securities in issue	8	15	23	46	384	1,366	1,842
Derivative financial instruments	1	-	-	-	-	-	1
Subordinated liabilities	1	1	2	4	7	292	307
Other financial liabilities	115	-	2	3	5	25	150
Total liabilities	20,163	680	442	917	1,067	2,447	25,716

24. Commitments and contingencies

The table below gives the contractual amounts of irrevocable credit commitments. Even though these obligations are not recognised in the statement of financial position, they do involve credit risk. The maximum exposure to credit loss under commitments is the contractual amount of the instrument in the event of non-performance by the other party, where all counter claims, collateral or security prove worthless. The transfer of economic resources is uncertain and cannot be reasonably measured to be recognised on the SOFP.

Credit commitments

	30 June 2024	31 December 2023
	€m	€m
Guarantees and irrevocable letters of credit	**2**	2
Commitments to extend credit		
- less than 1 year	**1,521**	1,333
- 1 year and over	**46**	45
Total commitments to extend credit	**1,567**	1,378
Total credit commitments	**1,569**	1,380

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 18, the Group does not believe that any such litigation will have a material effect on its income statement or SOFP.

A number of different statutory and regulatory bodies, including the CBI, commenced investigations into a series of transactions involving deposits placed by Irish Life Assurance plc with Irish Bank Resolution Corporation (formerly Anglo Irish Bank) (on 31 March 2008, 26 September 2008, 29 September 2008 and 30 September 2008). While these investigations commenced a number of years ago, they were put on hold pending the determination of criminal proceedings against a number of individuals in respect of the same transactions. The Bank understands that those criminal proceedings have concluded and so the Bank is waiting to see if the investigations, which, from the Bank's perspective, have been dormant for some time will now be re-commenced.

As part of the agreement in August 2011 to dispose of Irish Life International Limited, the Group provided certain indemnities and warranties to the purchaser under a number of identified scenarios. If the Bank is required to make any reimbursements under these identified scenarios, the impact on the financial statements could be material. Based on the facts currently known, it is not practicable at this time to predict the final outcome this could have, nor the timing and possible impact on the Bank.

Like other banks, in the normal course of business, customers bring complaints to the Financial Services and Pensions Ombudsman (FSPO) in relation to a variety of issues. The Bank considers the applicability of FSPO decisions and findings to other customers in similar circumstances. The Bank provides for these cases, where based on legal advice, the directors believe that it is more likely than not that an outflow of resources embodying economic benefits, will be required to settle a present obligation arising from a past event. The Bank is involved in appeals against two FSPO decisions in tracker mortgage related complaints to the High Court and, while the timing and outcome of these appeals is uncertain, based on legal advice received, no provision has been made for these cases. However, if the Bank is unsuccessful in these appeals processes, the impact on the financial statements could be material. Based on the facts currently known and the current stages that the legal process is at, it is not practicable at this time to predict the final outcome of this litigation/FSPO complaints, nor the timing and impact on the Bank. The Bank is aware that there are other legal proceedings on-going in which decisions of the FSPO, upholding customers' claims to a tracker interest rate on their mortgage, are being challenged. While the facts of each case differ, the Bank is keeping other cases under review to see whether any issues raised in these other proceedings could have implications for the Bank's on-going appeals and its position in respect of whether there could be a liability to customers who are in similar circumstances to the customers who are the subject of the Bank's appeals.

ECL held against commitments and contingencies are reported under loans and advances to customers.

On 1 July 2022, The Group entered into a joint venture with First Home Scheme Ireland DAC, along with the State, AIB and Bank of Ireland. The Group committed €54m in funding to the Joint venture. €16m was recognised in the Statement of Financial Position in respect of the scheme as at 30 June 2024 (31 December 2023: €15m).

25. Related parties

Related parties include individuals and entities that can exercise significant influence on operational and financial policies of the Group.

The Group has a related party relationship with its Directors; Senior Executives; the Group's pension schemes; the Minister for Finance and with the Irish Government and Irish Government related entities on the basis that the Irish Government is deemed to have control over the Group.

(a) 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 set out in pages 130 to 131 and note 44 of the 2023 Annual Report.

Number of key management personnel as at period end is as follows:

	30 June 2024	31 December 2023
Non-Executive Directors	**10**	10
Executive Directors and Senior Management	**8**	8
	18	18

Balances and transactions with key management personnel

During the period, a loan of €0.2m was issued to a connected person of Ronan O'Neill, in accordance with section 307(3) of the Companies Act 2014.

(b) Irish Government and Government related entities

The Minister for Finance continues to be the majority shareholder of the Group (and the ultimate controlling party per IAS 24). The Irish Government is recognised as a related party, as the Government is deemed to have control over the Group as defined by IAS 24. The Group has applied the amended IAS 24 which exempts an entity from the related party disclosure requirements in respect of the Government and Government related entities unless transactions are individually or collectively significant. In the normal course of business, the Group has entered into transactions with the Government and Government related entities involving deposits and senior debt.

The following are transactions and balances between the Group and the Government and Government related entities that are collectively significant:

- The Group holds securities issued by the Government and Government related entities of €1,515m (31 December 2023: €1,559m).
- In May 2021, PTSB plc borrowed €250m from the Group at a fixed rate of 3% per annum plus a margin of 0.181% per annum which mature on 19 August 2031. The loan is subordinated and ranks as Tier 2 capital notes with interest paid annually in arrears on 19 August.
- The Group had an investment in associated undertakings of €16m as at 30 June 2024 (31 December 2023: €15m) involving participants that are deemed related parties due to the common ownership by the Government.
- 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 revised bank levy was announced for 2024 by the Minister for Finance on 10 October 2023. A bank levy payable to the Government, is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy. The Group incurred a bank levy of €24m for 2024, which was recognised in H1.
- During 2023, the Group also paid €28m DGS fees to the CBI as part of the Deposit Guarantee Scheme. The Group expects to recognise a DGS payment in the second half of 2024.
- During 2013, following the Transfer Order requested by the CBI and issued by the High Court dated 10 November 2013, the Group acquired certain assets; liabilities; books and records of NCU and all its employees transferred to the Group. As part of this transaction, along with the assets and liabilities of NCU, a cash financial incentive of €23m was paid from the Credit Institutions Resolution Fund, which forms part of the Financial Incentives Agreement (FIA), signed between the CBI and the Group dated 10 November 2013. It was also agreed in the FIA that the CBI 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 30 June 2024, the Group had recorded a payable of €2.8m due under the FIA (31 December 2023: €2.4m). There are no remaining balances with former NCU customers in loans and advances at 30 June 2024.

25. Related parties (continued)

(c) Other related party transactions

- At 30 June 2024 the Company had an intercompany balance of €2,002m (31 December 2023: €1,512m) with its principal subsidiary PTSB plc relating to the MREL issuance.
- In November 2020, the Company made an additional investment of €123m in PTSB. This investment was through the issuance of AT1 securities by the Company. In October 2022, the Company made an additional investment of €245m in PTSB through the issuance of AT1 securities by the Company.

26. Reporting currency and exchange rates

The condensed consolidated financial statements are presented in millions of Euro.
The following tables show the average and closing rates used by the Group:

	30 June 2024	31 December 2023	30 June 2023
€ / £ exchange rate			
Closing	**0.8464**	0.8691	0.8583
Average	**0.8535**	0.8688	0.8733
€ / US$ exchange rate			
Closing	**1.0705**	1.1050	1.0866
Average	**1.0792**	1.0830	1.0810

27. Events after the reporting period

€213m of the Assets Held for Sale balance (Note 11) relates to a portfolio of non-performing loans that were classified as held for sale from Loans and advances to customers as at 30 June 2024. A legally binding sale agreement was signed in July 2024 and the mortgages (and the related ECL) were derecognised at this time. There was no additional gain or loss recognised in the Income Statement as a result of the derecognition.

No other items, transactions or events that would materially impact the consolidated financial statements and require adjustment or disclosure to these condensed consolidated financial statements have occurred between the reporting date of 30 June 2024 and the date of the approval of these financial statements by the Board of Directors on 31 July 2024.

Abbreviations

This information has not been subject to review by the Group's Independent Auditor.

ALCo Asset and Liability Committee
ALM Asset Liability Management
AML Anti Money Laundering
ARR Alternative Reference Rates
AT1 Additional Tier 1
BAC Board Audit Committee
BFSI Bibby Financial Services Ireland
BPFI Banking and Payments Federation of Ireland
BRCC Board Risk and Compliance Committee
BRRD Banking Recovery and Resolution Directive
BTL Buy to Let
CAC Capital Adequacy Committee
CBI Central Bank of Ireland
CCB Capital Conservation Buffer
CCF Credit Conversion Factor
CCMA Code of Conduct on Mortgage Arrears
CCyB Counter Cyclical Buffer
CEO Chief Executive Officer
CET1 Common Equity Tier 1
CFP Contingency Funding Plan
CIE Customer Impacting Errors
CPC Consumer Protection Code
CPI Consumer Price Index
CRD IV Capital Requirements Directive IV
CRO Chief Risk Officer
CRR Capital Requirements Regulation
CSO Central Statistics Office
CSRD Corporate Sustainability Reporting Directive
CVA Credit Valuation Adjustment
D&I Diversity and inclusion
DGS Deposit Guarantee Scheme
DIRT Deposit Interest Retention Tax
DoF Department of Finance
EAD Exposure at Default
EAR Earnings at Risk
EBA European Banking Authority
EC European Commission
ECAI External Credit Assessment Institution
ECB European Central Bank
ECL Expected Credit Loss
EIR Effective Interest Rate
ERMF Enterprise Risk Management Framework
ERSI Economic and Research Statistical Institution
ESG Environmental, Social and Governance
EU European Union
EURIBOR Euro Interbank Offered Rate
EV Economic Valuation
EWI Early Warning Indicator
ExCo Executive Committee
FIA Financial Incentives Agreement
FLI Forward looking information
FSPO Financial Services and Pensions Ombudsman
FTE Full Time Equivalent
FTP Funds Transfer Pricing
FVOCI Fair value through other comprehensive income
FX Foreign Exchange
GCC Group Credit Committee
GDP Gross Domestic Product
GIA Group Internal Audit
GPPC Global Public Policy Committee
GRC Group Risk Committee
GNI Gross National Income
GRMF Group Risk Management Framework
HFT Held for Trading
HPI House Price Index
HQLA High Quality Liquid Assets
HTC Hold to Collect
HTC&S Hold to Collect and Sell
IAS International Accounting Standards
IASB International Accounting Standards Board
IBCB Irish Banking Culture Board
ICAAP Internal Capital Adequacy Assessment Process
ICF Internal Control Framework
ICT Information & Communication Technology
IFRIC International Financial Reporting Standards Interpretations Committee
IFRS International Financial Reporting Standards
ILAAP Internal Liquidity Adequacy Assessment Process
IPP Integrated Planning Process
IRB Internal rating based approach
IRRBB Interest Rate Risk in the Banking Book
IRRF Impairment Reporting Review Forum
IT Information Technology
KRI Key Risk Indicators
LCR Liquidity Coverage Ratio
LDR Loan to Deposit Ratio
LGD Loss Given Default
LIBOR London Interbank Offered Rate
LSI Less Significant Institution
LTV Loan to value
MDD Modified Domestic Demand
MGC Model Governance Committee
MREL Minimum Requirement for own funds and Eligible Liabilities
MTM Mark to Market
MTP Medium Term Plan
NCU Newbridge Credit Union
NED Non-Executive Directors
NII Net Interest Income
NIM Net Interest Margin
NPA Non Performing Asset
NPL Non Performing Loan
NSFR Net Stable Funding Ratio
OCI Other Comprehensive Income
OCED Organisation for Economic Co-operation and Development
ODR Observed Default Rate
ORMC Operations Risk Management Committee
P2G Pillar 2 Guidance
P2R Pillar 2 Requirement
PD Probability of Default
PDH Private Dwelling Home
POCI Purchased or Originated Credit Impaired
PTSB Permanent TSB plc.
PTSBGH Permanent TSB Group Holding plc.
RAS Risk Appetite Statement
RCSA Risk and Control Self-Assessment
RNPS Relationship Net Promoter Score
RPPI Residential Property Price Index
RWA Risk Weighted Assets
S&P Standard & Poor's
SBCI Strategic Banking Corporation of Ireland
SEAR Senior Executive Accountability Regime
SES Summer Economic Statement
SFDR Sustainable Finance Disclosure Regulation
SICR Significant increase in Credit Risk
SME Small and medium sized enterprises
SREP Supervisory Review & Evaluation Process
SusCo Sustainability Committee
TRIM Targeted Review of Internal Models
TSCR Total SREP Capital Requirements
TTC Through the cycle
UK United Kingdom
VIU Value in Use