Interim Report

For the six months ended 30 June 2022

We are a community serving the community.

permanent tsb
Group Holdings plc

Forward Looking Statements

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 Loss €m [a]

June 2022	€(2)m
June 2021	€(4)m
June 2020	€(56)m

June 2022: €(2)m

Underlying loss decreased due to higher operating income offset by higher operating expenses

Net Interest Margin (NIM) % [b]

June 2022	1.41%
June 2021	1.50%
June 2020	1.75%

June 2022: 1.41%

9bps lower primarily as a result of the higher costs from holding excess liquidity

Return on Equity % [c]

June 2022	(0.06)%
June 2021	0.04%
June 2020	(2.8)%

June 2022: (0.06)%

Decreased due to higher operating costs

Transformation and simplification

Headline Cost to Income Ratio [d]

June 2022	106%
June 2021	101%
June 2020	90%

June 2022: 106%

Increased due to higher deposit balances as a result of the pandemic, resulting in an increase in the Deposit Guarantee Scheme and Single Resolution Fund fees

Adjusted Cost to Income Ratio [e]

June 2022	92%
June 2021	88%
June 2020	79%

June 2022: 92%

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

Sustainability

CET1 Ratio (Transitional Basis) [f]

June 2022	16.1%
December 2021	16.9%
June 2021	17.4%

June 2022: 16.1%

Reduction reflects the phasing of transitional prudential filters offset by the impact of investment in software intangibles

NPL Ratio [g]

June 2022	5.2%
December 2021	5.5%
June 2021	7.0%

June 2022: 5.2%

Decrease reflects the stability of the performing loan book with cures offsetting new defaults

RWA [h]

June 2022	€8,245m
December 2021	€8,600m
June 2021	€8,486m

June 2022: €8,245m

RWA's have decreased which is primarily driven by the derecognition of the deleveraged assets

(a) See table on page 12 for a reconciliation of underlying loss to operating loss on an IFRS basis.
(b) Defined as NII divided by average interest-earning assets.
(c) Defined as (loss)/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 and other non-recurring items) divided by total operating income.
(e) Defined as total operating expenses (excluding exceptional, other non-recurring items, and regulatory charges) divided by total operating income.
(f) Total Common Equity Tier 1 (CET1) capital on a transitional basis divided by total risk weighted assets (RWAs).
(g) Defined as non-performing loans (NPLs) expressed as a percentage of the total gross loans of the bank.
(h) RWAs are the Group's assets or off balance sheet exposures, weighted according to risk.

Non-Financial Highlights

- **An increased focus on Sustainability and Climate Risk, with the introduction of a Sustainability Strategy for the Bank and the development of a Climate Risk Action Plan**
- **Signature to the 'Low Carbon Pledge', committing to setting science-based carbon emission reduction targets (SBTs) by 2024**
- **1% reduction in carbon emission intensity last year (a cumulative reduction of 56% since 2009)**
- **More than €500,000 invested in Irish community organisations in H1'22, supporting local communities across the country**
- **36% of the Senior Leadership population are Women**
- **Launch of the Bank's first Green Mortgage, a 5-Year Fixed Product available to all new and existing home loan customers where their homes have a confirmed or proposed Building Energy Rating of A1 to B3**
- **71% Culture Index Score**
- **87% of employees feel comfortable to be themselves at work regardless of background or life experiences**
- **New hybrid ways of working**
- **€250,000 donated to UNICEF Ireland and the Irish Red Cross to support the Ukrainian relief efforts**
- **+11 Relationship Net Promotor Score (RNPS)*, placing Permanent TSB in second position among the retail banks in Ireland**

Our Commitment To Building A Sustainable Business

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

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

Awards And Recognitions In H1 2022

- Winner – Best Community or Charity Engagement for the Permanent TSB Community Fund, Bonkers National Consumer Awards, 2022
- Winner – Best Current Account, Bonkers National Consumer Awards, 2022
- Winner – Best Mortgage for First-Time Buyers, Bonkers National Consumer Awards, 2022
- Winner – Financial Services Loyalty Programme of the Year, Irish Loyalty Awards, 2022
- Winner – #1 for Social Media for a Financial Organisation, Sockie Social Media Awards, 2022
- Winner – Best Hybrid and Flexible Workplace, CIPD Awards, 2022
- Awarded the Investors in Diversity Silver Accreditation
- Shortlisted in the CX Impact in Financial Services Category for Blackbelt - our coaching, training and education programme for frontline colleagues, European CX Impact Awards, 2022
- Shortlisted in the Sustainable Change Category for our 'Living As Leaders' Programme, CIPD Awards, 2022
- Shortlisted in the Best Organisational Change Initiative Category, Irish Institute of Training & Development Awards, 2022
- Shortlisted in the Best Community Programme Category for the Permanent TSB Community Fund, Chambers Sustainable Business Impact Awards, 2022

Ambitions For H2 2022 And Onwards

- Embedding our Sustainability Strategy
- Increasing our focus on climate risk management
- Engaging a rating agency to produce an ESG Risk Rating for the Bank
- Introducing a Sustainable Procurement Framework and Sustainable Supplier Charter
- Elevating our social impact through partnerships and continuing to support local communities through the Permanent TSB Community Fund
- Partnering with small businesses through our Business Banking Strategy
- Ensuring strong corporate governance, compliance and fair business conduct

* A Relationship Net Promoter Score (RNPS) is a measure of customer advocacy towards a brand and indicates the willingness of a customer to recommend a company's products or services to others. The question asks customers how likely they are to recommend their bank to friends or family on the basis of their own experience. The range for the scoring is -100 to +100. The customer brand tracking survey was carried out in June 2022 and indicated an RNPS of +11, placing Permanent TSB in second position among the retail banks in Ireland.

Chief Executive Review

Introduction

The first half of 2022 saw us emerge from Covid restrictions into a new world of flexible working, inflation and an uncertain geo-political landscape. The Retail Banking industry in Ireland is also undergoing immense change with the departure of two banks from the market. Throughout this time, Permanent TSB has remained focused on serving and supporting our customers to deliver on our Purpose of building trust with customers. And there has never been a more important time to put that purpose into action.

I will address the Bank's H1 2022 financial performance in more detail, but at the outset I would like to talk about our priorities and the progress we are making to deliver on our purpose and achieve our ambition of becoming Ireland's best personal and small business bank.

At Permanent TSB, we have five key priority areas of focus to ensure we can support customers, colleagues and communities through this seismic change within the retail banking sector of Ireland. These priorities are as follows:

- Safely integrating c.€7.6 billion of mortgage home loans, business loans and credit facilities from Ulster Bank into our business over the coming months
- Supporting customers in transferring their banking relationship to Permanent TSB in as smooth and straightforward a manner as possible
- Preserving jobs and welcoming c.450 new Ulster Bank colleagues to the Permanent TSB later this year
- Maintaining our support for local communities by enhancing our branch presence in 25 communities throughout the country, increasing our presence in close to 100 locations nationwide; and
- Continuing to serve and support hundreds of thousands of our existing customers and the provision of home loan mortgages and small business finance into the Irish economy.

There is no more important priorities for Permanent TSB this year and over the last twelve months we have deployed hundreds of colleagues across the Bank to ensure we meet these objectives and deliver for our customers, colleagues and communities.

We have reached another significant milestone on our transformation journey with the approval of the Competition & Consumer Protection Commission (CCPC) together with the Bank's shareholders to complete the acquisition of approximately €7.6bn of the Ulster Bank Retail, SME and Asset Finance business in the Republic of Ireland. While subject to regulatory approval, we are progressing well with work to complete the transaction, which will begin in Q4 this year and complete no later than 30 June 2023.

We are also continuing to attract tens of thousands of new customers to Permanent TSB and have welcomed c.70,000 new deposit and current account customers throughout the first half of the year, an increase of 131% when compared to the same period last year.

We have also had some significant achievements across key pillars of our Strategy, including; Business Banking, Digital Transformation and Sustainability.

In January of this year we announced a new €1 billion SME lending fund for businesses throughout Ireland, a significant expansion of our SME lending programme to support thousands of businesses and bring greater competition to the SME lending market. We also announced our participation in the SBCI Brexit-impact loan scheme, offering €32m in low-cost loans for Brexit-impacted businesses.

We have seen further progress on our digital transformation journey, including further enhancements to our digital current account, which allows customers open a personal current account online in less than 10 minutes. This is proving to be extremely popular with customers, with 69% of new current accounts opened in June via the Permanent TSB app.

Sustainability also continues to be a critical area of focus, and in April of this year we launched our first Green mortgage product which offers discounts of 0.2% on five year fixed rates for both new and existing mortgages on homes with a Building Energy Rating of A1 to B3. We will continue to invest further in green product development for both personal and business customers, ensuring that we can play our part in supporting the transition to a low-carbon economy.

This progress is underpinned by investment in our brand and community partnerships, and earlier this year we announced our title sponsorship of both the Irish Olympic and Paralympic teams for the Paris 2024 Games and in doing so, becoming the first ever title sponsor to partner with both organisations in an Olympic cycle. We see our community ethos as a key differentiator for Permanent TSB and like us the Olympic and Paralympics are grounded in communities across the country, so this is a perfect partnership.

Business Performance Review

The Bank delivered a strong performance in the first half of the year with significant growth across all three of our core lending product lines of mortgages, SME and term lending. Mortgage market share remains at c.17% with a very strong pipeline of activity following the introduction of our Green mortgage product and 20bps rate reduction on our four year fixed rate. Our continued expansion in the business banking market and partnership with the SBCI resulted in €70m SME lending in the first half of the year; a 66% increase on this time last year. The Bank also surpassed €1billion in new lending, showing significant progress for the first half of the year.

Funding

Current Accounts

Current Account balances were €8 billion, an increase of 13% from 31 December 2021. Balances have increased reflecting expected inflows from exiting banks.

Retail Deposits

Retail Deposit balances of €11bn have increased by 3% from 31 December 2021.

The Bank remains strongly funded by Current Accounts and Retail Deposits, making up 86% of the total funding profile and reflecting a strong liquidity and lending position.

Corporate and Institutional Deposits

Corporate and Institutional Deposits were €1.1 billion at 30 June 2022 and continue to decrease in line with the Bank's strategy to manage excess liquidity. The Bank's funding profile is carefully managed to meet the funding requirements through other efficient sources of funding.

Lending

Total new lending at 30 June 2022 amounted to €1,043m, up 22% from €853m at 30 June 2021. New mortgage lending, which represented 89% of total new lending, increased by 28% compared to H1 2021.

The increase in overall lending reflects the improved customer sentiment in the market and conversion of the strong mortgage pipeline that was built up in H2 2021. Mortgage applications and mortgage approvals continue to grow in H1 2022 due to the high volume of demand.

The Irish mortgage market activity in H1 2022 has improved driven by lending to first-time buyers and switchers. The BPFI has reported that Re-Mortgage/switching Drawdown activity has grown by c.28% year on year in Q1 2022 in the market. Housing supply continues to grow with the most recent data showing there were 32,456 units commenced in the twelve months to April 2022, this is a healthy sign of the pipeline for completions.

The Bank recorded gross new Term Lending of €50 million in the first half of 2022. This is an increase of 7% compared to 30 June 2021. SME Lending in the first half of 2022, €70 million, reflected an increase of 66% compared to 30 June 2021.

Financial Performance Review

The Bank recorded an underlying loss before tax of €2 million[1], which is an improvement of €2 million from the same period in 2021.

Impairment

The total impairment write-back for the period was €9 million. This compares to a €3 million charge for the same period in 2021. The impairment write-back for the period reflects strong macroeconomic and portfolio performance whilst maintaining a cautious outlook in light of high levels of inflation and the impact interest rate increases may have on asset quality.

Operating Income

Net interest income (NII) increased by €3 million to €155 million as a result of income from loan book growth outweighing the higher cost of excess liquidity. Net interest margin (NIM) decreased by 9bps to 1.41% primarily due to higher cost of excess liquidity offset by higher yield on lending assets and lower cost of deposits.

Net Fees and Commission income increased by €5m (36%) from the same period in 2021 primarily driven by increased transactional spending during 2022.

Operating Expenses

Operating expenses excluding exceptionals, other non-recurring items and regulatory charges of €164 million are higher than the same period last year. This is primarily due to the acceleration of investment in the Banks digital transformation programme, higher amortisation arising from the significant expenditure on technology over the last number of years and the effect of costs inflation pressures.

Exceptional and Other Non-Recurring Costs

The total exceptional and other non-recurring costs for the period are €34 million which consist of €35 million of costs incurred in relation to the Ulster Bank transaction, €4 million in relation to legacy legal cases, €2 million restructuring costs, offset by €7 million relating to a release of expired provisions on loan sales that the Group executed in prior periods.

Non-Performing Loans (NPLs)

NPLs as a % of gross loans are 5.2% as at 30 June 2022, a decrease of 0.3% from 31 December 2021, with cures/resolutions offsetting any new defaults.

Capital

The CET1 capital ratio was 14.7% and 16.1%, on a Fully Loaded and Transitional basis respectively. This compares to the Bank's reported CET 1 ratio of 14.7% and 16.9% at 31 December 2021, on a Fully Loaded and Transitional basis respectively.

The reduction in the Transitional CET1 ratio of (0.8%) is primarily due to the transitional phasing of the Group's Deferred Tax Asset balance and the prudential phase-in of IFRS9 which was partially offset by an increased capital add-back related to intangible software assets in use, reflecting the investment in the Bank's Digital Banking Programme.

Customer Switching Supports

The imminent exit of two competitors from the Irish market is resulting in a significant increase in new customers moving their banking relationship to Permanent TSB. As referenced earlier, Permanent TSB opened c.70,000 new current and deposit account in the first half of the year, an increase of 131% compared to the same period in 2021.

This growth has been enabled by a range of initiatives the Bank has put in place to support customer switching, including the launch last year of our Digital Current Account which facilitates new and existing customers to open a new current account through the app in less than ten minutes. An enhanced version of the app will go live later this year while customers will also have the ability to open a Joint Current Account through the app.

We have also launched a dedicated online hub to support customers who need to switch from another financial institution; www.permanenttsb.ie/movingbankhub. The hub allows customers to identify what product combinations are relevant to their individual needs and circumstances. Once identified, customers are then provided with step by step guidance to support them in navigating their switching journey. We have also introduced a number of mobile and pop-up branches in various parts of the country and special facilities in Permanent TSB branches as part of our outreach to customers of the departing banks. The various initiatives are set up to support customers in opening an account with Permanent TSB and to begin their switching journey.

Permanent TSB is currently undergoing a significant recruitment drive to ensure the Bank has adequate capacity and capability to manage the increase in demand from new current and deposit account customers, as well as to safely integrate c. €7.6 billion of mortgage home loans, business loans and credit facilities into our business over the coming months, while continuing to serve and support our existing customers. Permanent TSB now has over 700 branch customer advisors and 230 colleagues in our customer contact centre. We have also recently recruited over c.550 new colleagues across our branch, contact centre, operations, fraud, AML and digital teams to support the increase in customer demand.

Staff from Permanent TSB are also now present in over half of Ulster Bank branches with more to come in the second half of the year. The role of the Permanent TSB staff is to facilitate Ulster Bank customers who want to switch their banking services to a new bank ahead of the planned departure of Ulster Bank from the Irish market.

1. See table 6 on page 12 for a reconciliation of underlying loss to operating loss on an IFRS basis

Chief Executive Review
(continued)

Sustainable Business Growth
We have continued to match our words with actions during the first half of 2022, with the introduction of new products and services for both personal and business customers, as well as continued investment in our digital, contact centre and branch channels.

The Bank made two notable adjustments to its mortgage product offering in the first half of the year. Firstly, the Bank launched its inaugural Green mortgage product which offers discounts of 0.2% on five year fixed rates for both new and existing mortgages on homes with a Building Energy Rating of A1 to B3. Secondly, the Bank reduced the interest rate for new customers on its four year fixed rate products by 20bps. These changes will ensure the Bank continues to offer a competitive and attractive mortgage product offering to customers.

We have continued to build on our SME offering through a new €1 billlion SME fund, along with participation in the SBCI Brexit Impact Scheme. This builds on a number of partnership which were introduced last year, including; participation in the SBCI Future Growth Loan Scheme and, a partnership with Bibby Financial Services Ireland to offer invoice finance services for business banking customers, and a partnership with Digital Business Ireland supporting SME's to transition their businesses online.

The Bank is also a founding participant of the First Home Scheme, a joint venture between the Irish State and the Irish retail banking sector, which will see the Bank invest into the scheme. The scheme is designed to help qualifying first time buyers purchase their own home by bridging the affordability gap between their deposit and mortgage, and the price of their first home.

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

In March of this year, the Bank also donated €250,000 to the Irish Red Cross and UNICEF to support these organisation with their vital work in Ukraine, while our Community Fund donated over €200,000 to local charity organisations.

Cultural Evolution
Evolving our culture for the better of our customers and communities continues to be a key area of focus and a key Strategic Priority for the Bank.

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

In February this year, we launched our refreshed Culture Charter as part of the evolution of our culture journey. It brings together the core elements which make up our culture, what we want our culture to be, as well as the culture enablers which will support our journey. Our Culture Charter, supported by Senior Management and the Board is our guiding compass, our PTSB Way and puts our Purpose at the heart of our business.

A key component of our cultural evolution is evolving the way we work, taking account of the profound impact Covid-19 has had on the traditional world of work. Last year, we announced the introduction of new flexible working arrangements for employees, with over 1,200 Permanent TSB colleagues, representing c.50% of the Bank's total workforce, having applied for permanent flexible working arrangements that the Bank put in place following the COVID-19 pandemic. Colleagues right across the business are now availing of these flexible arrangements resulting in a better work-life balance for our people and better service for our customers.

In recognition of the progress we are making on our Culture journey, Permanent TSB has recently been the recipient of two CIPD Awards - Trust and Empowerment in 2021 and Flexible & Hybrid Working in 2022.

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

Outlook
As we look to the second half of the year, we are in a unique position to fundamentally transform our business and further build trust with our customers. We will maintain our focus on completing the acquisition of certain elements of Ulster Bank's business in the Republic of Ireland and we look forward to welcoming Ulster Bank customers and colleagues to Permanent TSB.

We are an Irish bank with a strong community and customer service ethos that has evolved over its 200-year history; one that is investing in branch and digital banking services; one that is building trust with customers; and one that is committed to sustainable business growth.

We will keep an unrelenting focus on achieving our ambition of becoming Ireland's best personal and small business bank.

Eamonn Crowley
Chief Executive
26 July 2022

Financial Review

Performance Summary

During the first half of 2022, the Group recorded an underlying loss of €2m which is an improvement of €2 million from the same period in 2021.

While the Group has continued to benefit from the flow of new lending and new deposits as a result of the exit of Ulster Bank and KBC, the latter has placed further downward pressure on the Group's net interest margin through negative interest charges on the resulting excess liquidity position.

The Bank's asset quality has remained stable with strong provisioning across the Bank's loan books, resulting in a moderate release in the first half of 2022. This reflects continued strong macroeconomic and portfolio performance whilst maintaining a cautious outlook in light of current high levels of inflation.

There have been significant changes in the global economy in the first half of 2022. While the performance of the Irish economy has remained robust with the lifting of all Covid -19 restrictions at the start of the year; strong demand, a lack of available goods and increasing energy costs have resulted in the return of inflation across Ireland and the developed world. Central Banks including the EU have reacted by increasing interest rates to combat inflation

Ulster Bank Transaction

On 17 December 2021, the Bank entered into a legally binding agreement with NatWest Group Plc to acquire approximately €7.6 billion of the Ulster Bank Retail, SME and Asset Finance business in the Republic of Ireland. The transaction is due to complete and control will transfer in the second half of 2022, with SME, Asset Finance business and branches transferring in early 2023 subject to necessary regulatory approval. Approval was received from Shareholders on 24 June 2022 and from the Competition and Consumer Protection Commission on 22 July 2022. As such, the business and assets have not been recognised in the Group's statement of financial position as at 30 June 2022. The Bank incurred costs of c.€35m on the transaction to date in 2022, these costs have been recognised as exceptional costs in the income statement.

Basis of preparation

The financial review is prepared using International Financial Reporting Standards (IFRS) and Non-IFRS measures to analyse the Group's financial performance for the half year ended 30 June 2022.

Non-IFRS measures are used by Management to assess the financial performance of the Group and to provide insights into financial and operational performance on a consistent basis across various financial 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;
- 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 acquisitions).

However, from time to time certain material non-recurring items occur which do not meet the definition of exceptional items as set out in the accounting policy. To assist the users of the financial statements and to ensure consistency in reporting with other financial institutions, these items are disclosed separately from underlying profit in the financial review. These items are clearly identified as non-IFRS items and reconciled back to the IFRS income statement, when applicable. A reconciliation between the underlying profit and operating profit on an IFRS basis is set out on page 12.

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 2022 €m	Half year ended 30 June 2021 €m
Net interest income	1	**155**	152
Net fees and commissions income		**19**	14
Net other income		**4**	1
Total operating income		**178**	167
Total operating expenses (excl. exceptional items, other non-recurring items and regulatory charges)	3	**(164)**	(147)
Regulatory charges		**(25)**	(21)
Underlying loss before impairment		**(11)**	(1)
Impairment write-back/charge on loans and advances to customers	4	**9**	(3)
Underlying loss before tax*		**(2)**	(4)
Exceptional and other non-recurring items comprises:	5	**(34)**	(5)
Restructuring and other costs		**(2)**	(6)
Costs incurred in relation to Ulster Bank transaction		**(35)**	(3)
Impairment arising from deleveraging of loans		**7**	4
Charges in relation to legacy legal cases		**(4)**	-
Loss before taxation		**(36)**	(9)
Taxation		**1**	4
Loss for the year		**(35)**	(5)

* See table 6 on page 12 for a reconciliation of underlying loss to operating loss on an IFRS basis

Financial Performance Headlines

- **Net Interest income** increased by €3m (2%) when compared to the prior period as higher interest income from loan book growth was offset by higher costs of holding excess liquidity.
- **Total operating expenses (excl. exceptional items, other non-recurring items and regulatory charges)** increased by €17m due to the acceleration of investment in the digital transformation programme, higher amortisation and cost inflation pressures.
- **Regulatory charges** have increased due to higher deposit balances as a result of the pandemic, resulting in an increase in the Deposit Guarantee Scheme and Single Resolution Fund fees.
- **Impairment write-back** is €9m for the period ended 30 June 2022, compared to an impairment charge of €3m in the prior period. The impairment write-back for the period reflects continued strong macroeconomic and portfolio performance whilst maintaining a cautious outlook in light of high levels of inflation and the impact interest rate increases may have on asset quality.
- **Exceptional and other non-recurring items** of €34m is driven mainly by costs incurred in relation to the Ulster Bank transaction, together with provisions for non-core items, offset by a release of provisions held for legacy deleveraging transactions.
- **Loss before tax** of €36m for the period ended 30 June 2022, compared to a loss of €9m in the prior period. This is primarily due to the significant year on year increase in exceptional costs associated with the Ulster Bank transaction.

Net interest income	Net interest margin
€155m	1.41%

Table 1: Net Interest Income

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Interest income	**177**	171
Interest expense	**(22)**	(19)
Net interest income	**155**	152
Net interest margin (NIM)	**1.41%**	1.50%

Net interest income

Net interest income increased by €3m, primarily as a result of the following:

- organic growth of the performing loan book with new lending higher than repayments and redemptions,
- lower cost of funding in the deposit and wholesale funding,
- partially offset by lower income from NPLs, the cost of subordinated liabilities and the cost of excess liquidity.

Table 2: Average Balance Sheet

	Half year ended 30 June 2022			Half year ended 30 June 2021		
	Average Balance €m	Interest €m	Average Yield/ Rate %	Average Balance €m	Interest €m	Average Yield/ Rate %
Interest-earning assets						
Loans and advances to customers	**14,318**	**170**	**2.39%**	14,062	168	2.40%
Debt securities and derivative assets	**2,744**	**4**	**0.29%**	2,530	3	0.24%
Total average interest-earning assets	**17,062**	**174**	**2.06%**	16,592	171	1.69%
Negative interest earning assets						
Loans and advances to banks	**5,158**	**(9)**	**(0.35%)**	3,683	(6)	(0.33%)
Total average negative interest earning assets	**5,158**	**(9)**	**(0.35%)**	3,683	(6)	(0.33%)
Interest earning assets	**22,220**	**165**	**1.50%**	20,275	165	1.63%
Interest-bearing liabilities						
Customer accounts	**19,545**	**5**	**0.05%**	18,373	8	0.09%
Debt securities in issue	**549**	**4**	**1.47%**	768	4	1.04%
Lease liabilities	**29**	**-**	**1.16%**	32	-	0.99%
Subordinated Liabilities	**254**	**4**	**3.18%**	249	1	0.80%
Total average interest-bearing liabilities	**20,377**	**13**	**0.13%**	19,422	13	0.13%
Negative interest earning liabilities						
Deposits by banks	**829**	**(3)**	**(0.73%)**	-	-	-
Total average negative interest earning liabilities	**829**	**(3)**	**(0.73%)**	-	-	-
Interest -bearing liabilities	**21,206**	**10**	**0.09%**	19,422	13	0.13%
Total average equity attributable to owners	**1,777**			1,882		
Net Interest Margin		**155**	**1.41%**		152	1.50%

Net interest margin (NIM)

NIM decreased by 9bps to 1.41% for the half year ended 30 June 2022 compared to 1.50% for the prior period. This is primarily due to the higher cost of excess liquidity offset by higher yield on lending assets and lower cost of deposits.

Interest income/Average interest-earning assets

- Interest income on loans and advances to customers increased by €2m due to higher volume of balances. The yield on loans and advances to customers decreased slightly in the half year due to rate reductions on certain mortgage products.
- The average balance of loans and advances to customers increased by €256m due to new originations offsetting contractual repayments and redemptions and deleveraging activity.
- The average balance of loans and advances to banks increased by €1,475m. This balance consists of excess cash reserves with the CBI, its movement is driven primarily by increases in customer deposits along with proceeds from deleveraging activity.
- Interest income on debt securities and derivative assets increased by €1m and, the average balance has increased by €214m. The increase in treasury income reflects the impact of increased volume.

Interest expense/Average interest-bearing liabilities

- The yield on customer accounts decreased despite the average balance increasing by €1,172m to €19,545m. The reduction in yield is due to rate cuts on customer deposits implemented during the reporting period.
- Interest expense on debt securities in issue remained in line with the prior period. Average balances reduced to €549m at 30 June 2022 from €768m at 30 June 2021. This is due to the accelerated redemption of a securitisation during H2 2021.
- The average balance of deposits by banks increased due to a change in funding mix resulting in high volumes of repurchase agreements.

Total operating expenses *	Adjusted cost income ratio
€164m	**92%**

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

Table 3: Operating expenses

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Staff costs		
Wages and salaries including commission paid to sales staff	**61**	60
Social insurance	**7**	7
Pension costs	**6**	6
Total staff costs	**74**	73
General and administrative expenses	**65**	51
Administrative, staff and other expenses	**139**	124
Depreciation and impairment of property and equipment	**10**	11
Amortisation of intangible assets	**15**	12
Total operating expenses (excluding exceptional, other non-recurring items and regulatory charges)	**164**	147
Regulatory charges	**25**	21
Total operating expenses (excluding exceptional and other non-recurring items items)	**189**	168
Headline cost to income ratio*	**106%**	101%
Adjusted cost to income ratio**	**92%**	88%
Closing staff numbers***	**2,483**	2,255
Average staff numbers	**2,348**	2,356

* 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 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 €1m (1%) to €74m primarily due to increases in average salaries as a result of as a new pay deal with staff in 2022.

General and administrative expenses

General and administrative expenses have increased due to the acceleration of investment in the digital transformation programme and the effect of cost inflation pressures.

Adjusted cost income ratio

Operating costs (excluding exceptional, other non-recurring items and regulatory charges) of €164m and operating income of €178m for the half year ended 30 June 2022 led to an adjusted cost income ratio of 92% for 2022, compared to the prior period adjusted cost income ratio of 88%.

The increase in adjusted cost income ratio was due to an increase in the Group's cost base, partially offset by an increase in operating income.

Impairment write-back

€9m

Table 4: Impairment

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Total impairment write-back/(charge) on loans and advances to customers	**9**	(3)

The impairment write-back is €9m on loans and advances to customers for the half year ended 30 June 2022, compared to a charge of €3m in the prior period. The impairment write-back for the period reflects continued strong macroeconomic and portfolio performance whilst maintaining a cautious outlook in light of high levels of inflation and the impact interest rate increases may have on asset quality.

Exceptional and other non-recurring items

€34m

Table 5: Exceptional and other non-recurring items

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Costs incurred in relation to the Ulster Bank transaction	**35**	3
Restructuring and other costs	**2**	6
Impairment arising from deleveraging of loans	**(7)**	(4)
Charges in relation to legacy legal cases*	**4**	-
Exceptional and other non-recurring items	**34**	5

* Included in IFRS administrative, staff and other expenses

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(continued)

Exceptional and other non-recurring items as viewed by Management for the period ended 30 June 2022 of €34m comprise:

- Costs of €35m in relation to the Ulster Bank transaction.
- Restructuring and other costs of €2m (30 June 2021: €6m) relate to additional costs incurred as a result of phase 2 of the Group's Enterprise Transformation Programme which was originally announced in 2020 and costs arising in respect of a previous disposal of a business.
- €7m was released in relation to loan transactions that the Group executed in prior years primarily comprising of a release of warranty provisions.

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

Table 6: Reconciliation of underlying loss to operating loss on an IFRS basis

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Operating loss per IFRS income statement	**(36)**	(9)
Other exceptional items in IFRS total operating expenses	**37**	9
Exceptional impairment in IFRS credit impairment loss	**(7)**	(4)
Non-IFRS adjustments		
Charges in relation to legacy legal cases*	**4**	-
Underlying loss per management income statement	**(2)**	(4)

* Included in IFRS administrative, staff and other expenses

Summary consolidated statement of financial position

	Table	**30 June 2022 €m**	31 December 2021 €m
Assets			
Home loans		**12,707**	12,456
Buy-to-let		**1,235**	1,325
Total residential mortgages		**13,942**	13,781
Commercial mortgages		**159**	143
Consumer finance		**342**	332
Total loans and advances to customers (net of provisions)	7	**14,443**	14,256
Debt securities	9	**2,967**	2,494
Remaining asset balance	10	**6,490**	5,485
Total assets		**23,900**	22,235
Liabilities and equity			
Current accounts		**8,013**	7,104
Retail deposits		**10,948**	10,637
Corporate & institutional deposits		**1,108**	1,348
Total customer accounts	11	**20,069**	19,089
Debt securities in issue	12	**794**	524
Remaining liability balances	13	**1,289**	833
Total liabilities		**22,152**	20,446
Total equity		**1,748**	1,789
Total equity and liabilities		**23,900**	22,235
Liquidity coverage ratio (1)		**315%**	274%
Loan to deposit ratio (2)		**72%**	75%
Net stable funding ratio (3)		**183%**	170%
Return on equity (4)		**(0.06%)**	0.97%

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

Summary consolidated statement of financial position - key highlights

The Group maintains a strong capital, liquidity and funding position and continues to strengthen its financial position to withstand economic shocks and financial instability in its operating environment.

Total new lending was up 22% from 30 June 2021. New mortgage lending was strong, representing 89% of total new lending and increased by 28% compared to H1 2021.

The performing loan book remained broadly in line with 31 December 2021.

The Group NPLs have reduced by €46m in the half year ended 30 June 2022 with cures/resolutions outstripping default flow.

Customer accounts were €20,069m for the half year ended 30 June 2022, an increase of €980m from 31 December 2021 reflecting elevated levels of liquidity, consistent with overall market trends.

Table 7 (a): Summary of movement in loans and advances to customers

	30 June 2022 €m	31 December 2021 €m
Gross loans and advances to customers 1 January	**14,745**	14,855
New term lending*	**967**	1,956
Redemptions and repayments of existing loans	**(816)**	(1,607)
Write-offs and restructures	**(19)**	(65)
Net movement from non-performing and other	**(1)**	(394)
Gross loans and advances to customers	**14,876**	14,745

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

Table 7 (b): Composition of loans and advances to customers

	30 June 2022 €m	31 December 2021 €m
Residential mortgages:		
Home loans	**12,770**	12,568
Buy-to-let	**1,520**	1,623
Total residential mortgages	**14,290**	14,191
Commercial	**211**	196
Consumer finance	**375**	358
Total measured at amortised cost	**14,876**	14,745
Of which are reported as non-performing loans	**771**	817
Deferred fees, discounts and fair value adjustments	**153**	115
Provision for impairment losses	**(586)**	(604)
Total loans and advances to customers	**14,443**	14,256

Total new lending

€1,043m

Total new lending at 30 June 2022 amounted to €1,043m, up 22% from €853m at 30 June 2021. New mortgage lending, which represented 89% of total new lending, increased by 21% compared to H1 2021. The increase in overall lending reflects the improved customer sentiment in the market and conversion of the strong mortgage pipeline that was built up in H2 2021. Mortgage applications and mortgage approvals continue to grow in H1 2022 due to the high volume of demand.

The Irish mortgage market activity in H1 2022 has improved driven by lending to first-time buyers and switchers. The BPFI has reported that Re-Mortgage/switching drawdown activity has grown by 27.7% year on year in Q1 2022 in the market. Housing supply continues to grow with the most recent data showing there were 32,456 units commenced in the twelve months to April 2022, this is a healthy sign of the pipeline for completions.

SME Lending at 30 June 2022 is €70m, which is a 66% increase compared to SME Lending at 30 June 2021. The increase is largely driven by lending an increase in Secured SME Lending which has more than doubled.

NPLs	NPLs as a % of gross loans
€771m	5.2%

Table 8: NPLs

	30 June 2022 Total €m	31 December 2021 Total €m
Home Loans	**392**	420
Buy-to-let	**317**	339
Commercial	**43**	44
Consumer finance	**19**	14
Non-performing loans	**771**	817
NPLs as % of gross loans	**5.2%**	5.5%
Foreclosed assets*	**20**	28
Non-performing assets (NPAs)**	**791**	845
NPAs as % of gross loans	**5.3%**	5.7%

* 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.

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

NPLs have reduced by €46m in the half year ended 30 June 2022 with cures/resolutions outstripping default flow.

Debt securities
€2,967m

Table 9: Debt securities

	30 June 2022 €m	31 December 2021 €m
Government bonds	**2,911**	2,434
Corporate bonds	**56**	60
Total debt securities	**2,967**	2,494

Debt securities of €2,967m for half year ended 30 June 2022 increased by €473m when compared to the year ended 31 December 2021 primarily due to the purchase of new Irish, French and Italian bonds.

Remaining asset balances

Table 10: Remaining assets balances

	30 June 2022 €m	31 December 2021 €m
Remaining asset balances		
Loans and advances to banks	**5,629**	4,174
Assets classified as held for sale	**20**	28
Other assets	**841**	1,283
Total	**6,490**	5,485

The remaining assets balances for the period ended 30 June 2022 increased by €1b from €5,485m at year ended 31 December 2021 mainly due to an increase in balances held with the CBI as a result of increased customer accounts.

Liabilities

The Group continues to optimise its funding profile through capitalising on cost efficient sources of funding while ensuring appropriate diversification in its funding base.

Customer accounts

€20,069m

Table 11: Customer accounts

	30 June 2022 €m	31 December 2021 €m
Current accounts	**8,013**	7,104
Retail deposits	**10,948**	10,637
Total retail deposits (including current accounts)	**18,961**	17,741
Corporate deposits	**1,108**	1,348
Total customer deposits	**20,069**	19,089
Loan to deposit ratio*	**72%**	75%

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

Customer account balances for the half year ended 30 June 2022 increased by €981m from €19,089m at year ended 31 December 2021 mainly due to an increase in balances held in current accounts reflecting expected inflows from exiting banks offset by a decrease in corporate deposits.

Debt securities in issue

€794m

Table 12: Debt securities in issue

	30 June 2022 €m	31 December 2021 €m
Bonds and medium-term notes	**653**	352
Non-recourse funding	**141**	172
Debt securities in issue	**794**	524

Debt securities in issue increased by €270m for the half year ended 30 June 2022 from €524m at 31 December 2021 as the Group issued €300 of Senior Unsecured Medium Term Notes in June 2022 which is offset by the amortisation of residential mortgage backed securities.

The Group continues to hold sufficient liquidity resulting in a decreased requirement of secured financing.

Remaining liabilities

Table 13: Remaining liability balances

	30 June 2022 €m	31 December 2021 €m
Deposits by banks	**822**	347
Accruals	**19**	8
Current tax liability	**1**	1
Provisions	**48**	55
Other liabilities	**144**	170
Subordinated liabilities	**255**	252
Total	**1,289**	833

Remaining liabilities increased by €456m for the half year ended 30 June 2022 from €833m at 31 December 2021 due to additional repos which are reported in Deposits by banks.

Funding Profile

The Group's funding profile for the half year ended 30 June 2022 is broadly in line with the position at year end 31 December 2021. The Group is predominantly funded by retail deposits, which the Group considers a stable source of the funding. Refer to note 28 for further details on funding profile.

Capital Management

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

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

Implementation of the CRD IV legislation commenced on a phased basis from 1st January 2014. The CRD IV transition rules resulted in a number of deductions from Common Equity Tier 1 capital (CET 1) being introduced on a phased basis, all of which are now fully implemented, with the exception of the DTA (dependent on future profitability) deduction which, in the case of the Group, is phased to 2024. The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27th June 2013 and subsequent clarifications, including ECB regulation 2016/445 on the exercise of options and discretions.

Regulatory capital developments
In October 2021, the European Commission published the long awaited legislative proposal, in the form of amendments to the CRR and CRD, to implement the final revisions to the Basel Framework which, amongst other things, will see changes to the Credit Risk and Operational Risk frameworks. The Commission expects that the new rules will ensure that EU banks become more resilient to potential future economic shocks while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. The final legislation is expected to be agreed in early 2023 with an expected application date of 1st January 2025.

The Central Bank of Ireland announced the reintroduction of the Countercyclical Buffer ("CCyB") in June 2022. The CCyB will increase from zero to 0.5% from 15 June 2023. The decision to increase the CCyB rate comes on the back of previous guidance that the Central Bank expected to begin gradually rebuilding the CCyB in 2022. The move to 0.5% is seen as a first step in moving to a rate of 1.5%, which the Central Bank judges is an appropriate level for the CCyB rate when the risk conditions are neither elevated nor subdued.

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

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

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

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

Capital ratios at 30 June 2022
At 30 June 2022, the regulatory transitional CET1 was 16.1% (31 December 2021: 16.9%) and Total Capital ratio 21.2% (31 December 2021: 21.8%), exceeding the Group's 2022 minimum requirements of 8.94% and 13.95% respectively.

The reduction in the transitional CET1 ratio (-0.8%) in the year is primarily due to the transitional phasing of the Groups Deferred Tax Assets, prudential phase-in of IFRS9, and exceptional costs incurred year to date relating to the Ulster Bank transaction. This was partially offset by the de-recognition of risk weighted assets relating to a non-performing loan disposal executed in Q4 2021.

On a fully loaded basis, the CET1 ratio was 14.7% (31 December 2021: 14.7%) and the Total Capital ratio was 19.7% (31 December 2021: 19.5%).

The June 2022 leverage ratio on a fully loaded and transitional basis was 5.6% and 6.1% respectively (31 December 2021: 6.3% and 7.1%). The movement in the leverage ratio was primarily due to a reduction in Tier 1 capital and higher exposures.

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

Table 14: Regulatory capital

	30 June 2022		31 December 2021	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
Capital Resources:				
Common Equity Tier 1	**1,331**	**1,212**	1,457	1,265
Additional Tier 1	**123**	**123**	123	123
Tier 1 Capital	**1,454**	**1,335**	1,580	1,388
Tier 2 Capital*	**291**	**291**	290	290
Total Capital	**1,745**	**1,626**	1,870	1,678
Risk Weighted Assets	**8,245**	**8,244**	8,600	8,603
Capital Ratios:				
Common Equity Tier 1 Capital	**16.1%**	**14.7%**	16.9%	14.7%
Tier 1 Capital	**17.6%**	**16.2%**	18.4%	16.1%
Total Capital	**21.2%**	**19.7%**	21.8%	19.5%
Leverage Ratio**	**6.1%**	**5.6%**	7.1%	6.3%

* The amount of Additional Tier 1 Capital and Tier 2 instruments included within the consolidated capital of the holding company is restricted within the limits laid down under the CRR. Effective 1 January 2018, these restrictions are now fully phased in.

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

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

Table 15: CET1 Capital

	30 June 2022		31 December 2021	
	Transitional	Fully Loaded	Transitional	Fully Loaded
	€m	€m	€m	€m
Total Equity	**1,748**	**1,748**	1,788	1,788
Less: AT1 Capital	**(123)**	**(123)**	(123)	(123)
Adjusted Capital	**1,625**	**1,625**	1,665	1,665
Prudential Filters:				
Intangibles	**(61)**	**(61)**	(53)	(53)
Deferred Tax	**(286)**	**(351)**	(249)	(347)
IFRS 9 (Transitional adjustment)*	**54**	**-**	94	-
Others	**(1)**	**(1)**	-	(1)
Common Equity Tier 1	**1,331**	**1,212**	1,457	1,264

* 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

The June 2022 transitional CET1 capital reduced by (-€126m) to €1,331m (31 December 2021: €1,457m). This reduction was primarily due to the phasing of the prudential filters (-€78m), loss in the year (-€40m) (incl. AT1 Distributions) and increased investment in intangible software assets (-€8m).

Fully loaded capital

The June 2022 fully loaded CET1 capital reduced by (€52m) to €1,212m (31 December 2021: €1,264m). This reduction was primarily due to loss incurred in the year (-€40m) (incl. AT1 Distributions), increased deferred tax (-€4m) and increased investment in intangible software assets (-€8m) and AT1 Coupon accrual (-€1m).

Risk weighted assets (RWAs)

The following table sets out the Group's risk weighted assets (RWAs) at 30 June 2022 and 31 December 2021.

Table 16: RWAs

	30 June 2022		31 December 2021	
	Transitional	**Fully Loaded**	Transitional	Fully Loaded
	€m	**€m**	€m	€m
RWAs				
Credit risk	**6,917**	**6,917**	6,823	6,823
Counterparty credit risk*	**145**	**145**	380	380
Securitisation	**11**	**11**	12	12
Operational risk	**573**	**573**	639	639
Other**	**599**	**598**	746	749
Total RWAs	**8,245**	**8,244**	8,600	8,603

* Counterparty credit risk includes Glenbeigh III receivable (RWAs €246m at Dec 2021 only) Treasury, Repo & CVA RWAs
** Other consists primarily of Property and Equipment and Prepayments

The June 2022 RWAs decreased by €355m (on a transitional basis) to €8,245m (31 December 2021: €8,600m). This was primarily driven by the derecognition of the underlying Glenbeigh III risk weighted assets (-€246m), prepayment balance (-€145m) and Operational Risk RWAs (-€66m) partially offset by an increase in Credit Risk RWAs (+€94m) due to new lending volumes.

Risk Management

1. Risk Management and Governance

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

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

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

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

Enterprise Risk Management Framework

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

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

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

Risk Appetite and Strategy

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

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

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

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

Risk Governance

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

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

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

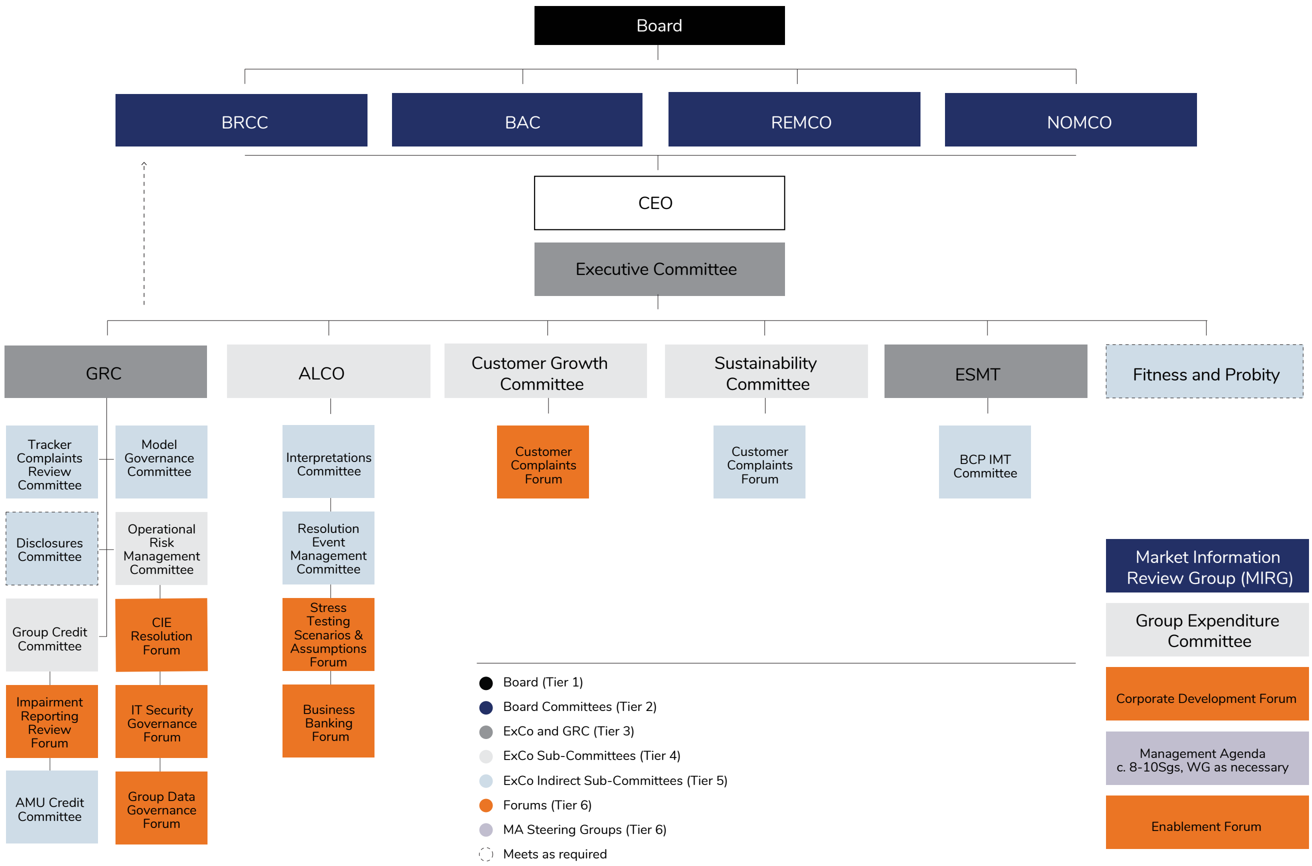
These principles include:

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

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

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

Risk Governance Structure



Key Risk Governance Roles and Responsibilities

Committee/Role	Key Responsibilities
Board Responsible for the Group's business model and strategy, financial soundness, key personnel decisions, internal organisation, governance structure and practices, risk management and compliance obligations.	A key role of the Board is to ensure that risk and compliance are properly managed in the business. Key risk responsibilities of the Board include, but are not limited to: · Understanding the risks to which the Group is exposed and establishing a documented Risk Appetite for the Group; · Defining the strategy for the ongoing management of material risks; and · Ensuring that there is a robust and effective Internal Control Framework (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 Group of a supportive culture in relation to the management of risk and compliance.	The Committee supports the Board in carrying out its responsibilities of ensuring that risks are properly identified, assessed, mitigated, monitored and reported, and that the Group is operating in line with its approved Risk Appetite. Key activities of the BRCC include, but are not limited to: · Reviewing and making recommendations to the Board on the Group's risk profile, both current and emerging, encompassing all relevant risks categories as described in the Risk Management Framework (ERMF); · Reviewing and making recommendations to the Board in relation to the Group's ERMF, RAS and the Group Recovery and Resolution Plan; · Monitoring and escalating positions outside Risk Appetite to the Board, within agreed timeframes and approving and overseeing proposed Remediation Plans aimed at restoring the Group's risk profile to within the approved Risk Appetite; · Reviewing and approving the key components of the Group's Risk Management Architecture and relevant supporting documents; · Communicating all issues of material Group reputational and operational risk directly to the Board; · Reviewing and approving Credit Policy, Credit related strategy and any material amendments to Credit Policy; · Reviewing and making recommendations to the Board on the adequacy of capital and liquidity in the context of the Group's current and planned activities (via reviewing relevant outputs from Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), including in relation to proposed mergers, acquisitions or disposals; · Assess the impact of Climate Risk on the Bank's overall Risk Profile; and · Promoting a sound Risk Culture across the Group.

Committee/Role	Key Responsibilities
Executive Committee (ExCo) ExCo is the Senior Management Executive Committee for the Group, and is the custodian of the Group's collective Strategic Portfolio, Medium Term Plan and Risk Management Architecture as developed through the annual Integrated Planning Process (IPP). ExCo is the accountable body for the Group's operations, compliance and performance; defining the Group's organisational structure; ensuring the adoption, application and maintenance of all standards set by the Board; and a forum for Group-wide colleagues and other functional issues and ensuring that a robust and resilient operating framework exists within which the Group's activities are undertaken. The committee is chaired by the Chief Executive Officer (CEO) who is accountable to the Board.	In the context of Risk Management, ExCo is primarily responsible for: · The oversight of strategic risk associated with the development and execution of the Group's Management Agenda and Financial Plans. The GRC is a Committee of ExCo with delegated responsibility for Group-wide risk management issues. The ExCo is the ultimate point of escalation for Group-wide specific issues saved for those matters reserved for the Board or its Committees; and · Ensuring that the operations, compliance and performance (through delivery of the Strategic Portfolio and Medium Term Plan, as well as policies, practices and decisions of the Group) are carried out appropriately, are correctly aligned to the Bank Purpose and Ambition and the interests of its stakeholders (customer, colleagues and shareholders) while operating within applicable regulatory and legal requirements.
Assets and Liabilities Committee (ALCO) ALCO reviews, and is responsible for overseeing, all activities relating to Asset & Liability Management (ALM), Treasury and Market Risks (including Liquidity Risk, Interest Rate Risk, Treasury Counterparty risk and Foreign Exchange (FX) Risk), and Capital Management. ALCO is the body accountable for the evaluation of other potential drivers of earnings volatility, including, but not limited to, competitive and external market pressures, and for approving optimisation and hedging strategies against those risks. ALCO is a sub-committee of ExCo.	Key activities of the ALCO include, but are not limited to: · Maintaining, monitoring and enforcing adherence to the Group's Risk Management Frameworks and Policies for all Liquidity, Market, and Capital related risks; · Overseeing and monitoring the ALM, Treasury and Market and Capital risks to which the Group is exposed and to consider and approve strategies to mitigate such risks; · Maintaining and assessing the ALM, Treasury and Market and Capital Risk profiles against set limits and propose remediation plans to restore Risk Appetite where required; · Monitoring the minimum capital requirements set by the Group's Regulators, and the Basel III minimum Solvency rules, as implemented by the CRD IV Directive and Regulations; · Approve Funds Transfer Pricing (FTP) methodology, and ensuring such process is economically fair, transparent and incentivises appropriate behaviour in accordance with FTP Policy; and · Responsible for overseeing Resolution Planning activity which includes delivering prescribed templates/annual submissions.

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 Group-wide risk management issues and maintains oversight across all of the Bank's key risk categories, excluding those which fall under the remit of the ALCO.	The GRC monitors and enforces adherence to the Group's Risk Frameworks, Risk Policies and Risk Limits. It is the guardian of the Group's Risk Register and Risk Appetite and is responsible for monitoring the total risk position of the Group. Key activities of GRC include, but are not limited to: · Measuring and monitoring the total risk position of the Group and maintaining a Risk Register of Top and Emerging risks facing the Group, together with an assessment of the probability and severity of those risks; · Monitoring and reporting on regulatory developments and upstream/horizon risk in relation to all relevant risk categories and communicating all material issues to the BRCC or the Board as appropriate; · Monitoring and assessing the Group's risk profile and action trackers against risk appetite and recommending remediation plans to restore risk appetite where required; · Reporting any breaches of approved thresholds in accordance with agreed protocol; · Recommending proposed changes to the Group's risk appetite for Board approval; and · Maintaining, monitoring and enforcing adherence to the ERMF, for all key risk categories excluding those which fall directly under the remit of the ALCO.
Customer Growth Committee Customer Growth Committee is a sub-committee of ExCo and is chaired by the Retail Banking Director. The purpose of the Committee is to support commercial growth while ensuring that fair customer outcomes remain at the forefront of decision making, in the context of building customer trust and executing a purpose-led, customer growth strategy.	To ensure that consideration of the customer is a key part of its decision making process, the Committee allocates sufficient time to facilitate meaningful discussions of the customer, with the aim of improving customer experience, delivering better outcomes and enabling relationship growth. It has a number of key remits, namely to: · Prioritise opportunities, resources and capabilities in order to deliver sustainable commercial growth; · Provide guidance to Executive Management (including ExCo and ExCo sub-committees) on business and commercial proposals which may have a material impact on customers and on the endorsement of such proposals; · Review and action, where required, customer performance indicators; · Review relevant significant customer events, issues and complaints, when escalated by relevant sub-committees and forums, in order to provide guidance on significant issues/events, and in order to delegate appropriate action by relevant sub-committees; · Review and action, where required, Conduct Risk indicators that exist within the Bank against the Board-approved Conduct Risk Appetite and Principles; and · Serve as the central oversight body for all significant customer matters ensuring fair treatment of customers.

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

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

Role of the CRO

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

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

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

Specifically, the CRO is tasked with:

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

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

Three Lines of Defence

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

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

2. Principal Risks and Uncertainties

Risk registers, containing details of current and emerging risks, from each of the Group Risk functions utilise the "top down" 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 quarterly, and is used to ensure identification, measurement, management and monitoring of all material risks.

The risk factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. These risk factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects for the next six months and over the financial year. There may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant, but which may become significant. As a result of the challenging conditions in global markets due to COVID-19, the growing threat from cyber-attack and unknown risks, the precise nature of all risks and uncertainties that the Group faces cannot be predicted as many of these risks are outside of the Group's control.

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

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

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

- Business Model Risk is defined as the risk that the Bank does not generate a short-term (<1 year) financial return to meet resolution tests ('viability') and/or is unable to deliver minimum acceptable returns to its shareholders ('sustainability').
- Strategic Risk 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 or regulatory changes).

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

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

COVID-19

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

As the recovery continues to gather pace, geo-political events, inflation and rising interest rates are now considered to be the most pertinent threats to the continued pace of the recovery.

Economic Outlook

The outlook for the global economy deteriorated markedly over the first half of the year. Russia's invasion of Ukraine, lockdowns in China and supply-chain issues have disrupted trade and caused energy prices, in particular, to increase dramatically. Other than the impact on the economy, the Russian invasion of Ukraine has had no direct or indirect impact on the business of the Group. The IMF in its World Economic Outlook, April 2022, is projecting "global growth … to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023" which it notes is "0.8 and 0.2 percentage points lower for 2022 and 2023 than projected in January."

Earlier in the year, it was hoped that inflation might be short-lived as pandemic-induced supply-demand imbalances abated. However, as war-related supply shortages exacerbated commodity price increases, inflation became embedded throughout the economy prompting central banks to raise interest rates. The inflation rate in the Euro area reached 8.6% in June, its highest level since the currency was formed. More worryingly for the authorities, core inflation – excluding energy and food – was 3.7% in June, well-ahead of the ECB's 2% target. Inflationary pressures have prompted the Federal Reserve to raise US interest rates by 2% in the first half of the year. The ECB is expected to follow suit in the second half of the year. Central banks have the difficult task of trying to bring inflation under control without triggering a recession.

The Irish economy continues to perform strongly for now. The Department of Finance in its Summer Economic Statement (SES) comments that the "economic recovery from the pandemic has been rapid, with activity now 5.6% above pre-pandemic levels." It further notes "the evidence points to limited, if any, permanent damage ('scarring') to the economy from the pandemic." However, the deteriorating outlook has prompted the Central Bank to revise its growth and inflation projections: "Projections for growth in modified domestic demand remain firmly positive, but have been revised down to 4.3% in 2022, 4.2% in 2023 and 3.8% in 2024. … Despite clear headwinds, the economy is still expected to grow … but downside risks have increased. … Consumer price inflation has been revised up to 7.8% in 2022 due to further increases in energy prices along with evidence of more generalised upward price pressures for other goods and services." It cautions that "a more intense and protracted Russia-Ukraine war leading to higher energy prices and reduced supply would result in lower growth and higher inflation than outlined."

Employment

According to the Central Statistics Office (CSO), the number of people in employment in Ireland in Q1 2022 was over 2.5 million, the highest on record. This represents an increase of 12.3% (275,200) on the same quarter in 2021. It reports the unemployment rate as 4.8% which suggests the economy is close to full employment. Concern has moved from unemployment to labour shortages.

The Central Bank comments: "Increased employment and labour force participation, particularly for females and younger people, has been a striking feature of the labour market since the pandemic. While the unemployment rate is expected to tick up slightly in the second half of the year compared with its current level, the removal of pandemic supports has not coincided with a significant pick-up in unemployment so far. By contrast, measures of labour market tightness continue to be high, with staff shortages evident in many sectors."

Davy notes that the removal of pandemic supports had little effect on unemployment: "The unemployment data are also encouraging because the Irish government withdrew both the Pandemic Unemployment Payment (PUP) and Emergency Wage Subsidy Scheme (EWSS) through April and May. The pay of 259,000 employees, or 10% of aggregate employment, was still supported in April via the EWSS. … Unemployment rate data suggest that there has been little detrimental impact on the Irish labour market as the EWSS scheme has been withdrawn."

Government Finances

The Summer Economic Statement (SES) as published by the Government paints a positive picture of Government finances. It notes the "economy has proven to be very resilient and this should help us to navigate our way through the testing times that appear to be ahead of us." It comments that "the public finances have weathered the pandemic relatively well" but acknowledges that this outcome "in no small part, reflects the resilience of corporation tax receipts, which amounted to €15.3 billion" in 2021 compared with just €3.5 billion a decade earlier. It further notes that "these receipts now account for nearly €1 in every €4 collected" and emphasises that "around half of these receipts are sourced from just ten large firms". It worries "that €1 in every €8 collected by the State comes from an exceptionally small number of firms, a concentration risk which represents a clear vulnerability for the public finances."

The SES notes that "taxation receipts were up almost €7½ billion (25%) on an annual basis, driven by strong growth in income tax, corporate tax and VAT receipts" and suggests "the strong annual growth reflects the ongoing recovery in the Irish economy." While projecting a "modest fiscal surplus" this year and next, it notes "the elevated stocks of public debt built up during the financial crisis period" which result in a projected level of public debt of "over €230bn by the end of this year" and debt per capita of "around €47,000, a figure which is amongst the highest debt burdens in the world." The NTMA also notes that Ireland's general government (GG) debt to GG revenue, at 243%, is higher than the Euro area average of 217% and GG interest to GG revenue, at 3.4%, is higher than the 3.0% figure for the Euro area.

Of further concern is the change in the monetary policy landscape. The ECB, which holds over €42bn of Irish Government debt, has announced that from 1 July, it will undertake "no net purchases, only reinvestments of redemptions." The NTMA notes the mitigating effects of recent rating upgrades from three ratings agencies, the long weighted average maturity of the country's debt and the positive 'snowball' effect whereby the growth rate of Gross National Income (GNI) exceeds the interest rate on the debt.

Housing

The CSO notes 5,669 dwellings were completed in Q1 2022, a 44.5% increase on the number a year earlier and comments that "this is the most completions seen in any first quarter since the series began in 2011." Apartments now represent 30.7% of the total, up from 17.9% a year earlier.

The CSO also reports that house prices grew by 14.2% in the year to April, marginally less than the 15.1% recorded in March, but significantly ahead of the 4.5% recorded at the same time a year earlier. "Overall, the national index is 2.1% lower than its highest level in 2007. Dublin residential property prices are 10.2% lower than their February 2007 peak, while residential property prices in the Rest of Ireland are 3.2% lower than their May 2007 peak." It also notes that "Property prices nationally have increased by 118.3% from their trough in early 2013."

Davy forecasts house price inflation of 7% for 2022 as they expect inflation to moderate in the second half of the year. It notes that "housing market conditions are also overcoming the disruption from the COVID-19 pandemic, with vendors returning to the market and transactions in 2022 now 6% above pre-pandemic 2019 levels."

In its Housing Market Monitor Q1 2022, BPFI suggests that "while an increase in supply in housing may be easing the growth in property prices, this could be offset by the cost pressures building up in relation to construction input prices which could have a knock-on effect on housing price inflation." It notes: "Annual inflation for building and construction materials was running at 18.2% in April 2022, where annual inflation for some materials such as metal and wood ranged between 50% and 60%."

Daft notes that "it is not only market rental levels that are increasing but also the inflation rate in market rents, which hit 11.7% in the first quarter of 2022, up from just 1.2% a year earlier and only just below the all-time high of 11.8% experienced in late 2016." It also highlights the reduction in availability: "Availability of new rental homes has collapsed ... On May 1st this year, there were just 851 homes available to rent nationwide – down 77% year-on year and a frankly unprecedented number in a series extending back to the start of 2006. The average number of homes available to rent nationwide at any point in time over the fifteen-year period 2006-2021 was nearly 9,200 – over ten times the supply available currently."

While the RTB Q4 2021 Rent Index for new tenancies showed "a 9% annual growth rate nationally", Daft comments: "While market rents have risen by 38% since the start of 2017 – and more than doubled in a decade – rents for those who have stayed put are, on average, just 10% higher now than in early 2017 and about 40% higher than a decade ago." It concludes: "As ever, in a rental market dogged by chronic and worsening shortage of homes, the only real solution is to increase the number of homes. With more pressure from certain quarters to stop new rental homes being built, policymakers must hold their nerve."

Banking

The European Commission in its Spring 2022 Post-Programme Surveillance Report concludes that "Irish banks have come out of the pandemic without major setbacks" but cautions that "the Russian war of aggression against Ukraine poses new risks to the global economic environment that may feed through to the domestic financial system." It comments that "the withdrawal of two foreign-owned banks from the Irish market has triggered a sectoral restructuring which creates opportunities for the incumbent banks and other financial institutions" but notes that the "increasing presence of non-bank lenders is further changing the banking landscape in Ireland, as is the presence of fintechs."

The Central Bank notes in May 2022 the continued increase in Irish resident household deposits: "In annual terms, net household deposits increased by €7.4 billion or 5.4%. Despite the fact that annual growth remains positive, it has slowed from a peak of 13.8% recorded in February 2021, and is now growing at levels similar to those recorded in mid-2019." Meanwhile, growth in net lending to households remains anaemic: "The annual growth rate in loans for house purchase remained at 0.9% at end-May 2022, continuing the positive growth recorded since late 2017."

The European Commission notes the ongoing profitability challenge the sector has faced: "Given weak demand for loans, most of this liquidity is held as cash or central bank deposits. However, due to the prevailing negative-interest rate environment, these large stocks of cash and other liquid assets represent a cost for banks." It further emphasises that "the limited enforceability of collateral, especially important for mortgage loans, remains a weakness for retail banks, leading to high loss-given-default estimates, high risk-weights on loans, and lower recovery rates."

But the European Commission also highlights how market developments are likely to improve this position: "Irish banks are likely to benefit from a rising interest rate environment, notwithstanding the risk of slowdowns in economic activity created by these higher rates. Irish banks hold a large share of variable or tracker mortgages that generate higher income when rates rise. Meanwhile, their deposit base is sticky, with more stable interest rates, making it unlikely that deposit rates will rise proportionally. This creates an opportunity to widen net interest rate margins. The withdrawal of two foreign-owned banks provides some consolidation opportunities, which should allow the incumbent banks to realise economies of scale, improving their cost-income ratio in the medium term."

Mortgages

According to the BPFI, the total of mortgage drawdowns (excluding re-mortgages) was €9.1bn in the twelve months to Q1 2022, the highest value since Q2 2009. First-time buyers (FTB) and mover-purchasers accounted for 63% and 33%, respectively, of this total. BPFI further noted that "62.1% of homebuyer ... mortgage drawdowns were originated directly by lenders in Q1 2022 while the remainder applied through brokers. This was the lowest proportion since Q3 2010 and compares with an average of 79.3% in the decade ending 2020."

In its Mortgage Market Profile Report based on H2 2021 data, BPFI noted how the composition of the mortgage market had changed. It commented: "By 2021, the volume of FTB loans on existing properties had not only surpassed its 2008 level but had neared the 2005 peak of about 17,200. By contrast, FTB loans on new properties and home mover loans were below their 2008 level. The average drawdown reached record levels in the FTB new and mover existing segments in 2021, while the average mover loan on new properties was only about €4,000 lower than in 2008."

BPFI added: "It's worth noting that while investors (residential investment letting) played a key market role in the past (accounting for a quarter of property purchase drawdowns between 2006 and 2008), and took out larger than average loans, their share of drawdowns had fallen to 2.8% by 2021."

Overall Position

It is clear that the economy is facing into a difficult period. Inflation will continue to erode purchasing power and discourage investment. The Central Bank forecasts "that inflation will start to decline during the second half of this year, falling to just above 2% in 2024." It expects this will lead to a "fall in overall household real disposable income in 2022, before recovering over the following years." It also expects corporate insolvencies "to rise from currently unusually low levels, as government support ceases and payment demands resume."

However, household net worth has risen to a new high. The household and SME sectors have accumulated large deposits during the pandemic which should provide a buffer against declines in real income in the short-term. As the Central Bank noted in its most recent Financial Stability Review: "Compared to the average level in 2019, household deposits have increased by €44 billion, to a series high of €131 billion in January 2022." Furthermore, most mortgages granted in recent years are on fixed rates and will not be immediately impacted by rising interest rates.

Likewise, the capital position of the domestic retail banking "sector remains robust with ample headroom above minimum requirements" as the Central Bank notes. It also acknowledges the likely upside from rising rates: "Potential interest rate increases, while potentially leading to repayment challenges for some borrowers, are on net expected to be beneficial for bank profitability, primarily through lending margins."

Household and SME balance sheets are now the strongest they've been in over 20 years. Household and SME debt are 63% and 16% of GNI, respectively, compared to their 2008 values of 135% and 110%. While public debt is now 106% of GNI compared to 51% in 2008, it has a much longer maturity and carries a much lower interest rate.

Climate Related and Environmental Risk

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

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

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

- The identification of climate risk factors relevant to the Bank and their high-level potential impacts
- The introduction of a suite of Climate Risk metrics
- Development of an approach to measure the impact Assessment of climate risk (including data requirements and identification of data proxies from external sources) on the business model.
- Consideration of a Sustainability exclusion category for our Credit Policy, which will limit exposures to entities which we believe cause irreversible environmental and/or social harm to our local communities and wider society; and,
- Monitoring the regulatory landscape and ensuring full alignment with it.

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

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

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

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

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

You can read more about our commitment to Climate Risk on page 37.

The Task Force on Climate-Related Financial Disclosures

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

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

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

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 this review.

Capital Adequacy Risk

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

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

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

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

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

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

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

Government Control and Intervention

In 2011, the Minister for Finance of Ireland became the owner of 99% of the issued ordinary shares of the Group which reduced to c.75% following the successful capital raise in 2015. Completion of the transaction with Ulster Bank/NatWest, which remains subject to regulatory approval, is expected to reduce the Minister for Finance's stake.

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

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

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

Liquidity and Funding Risks

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

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

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

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

The levels of Liquidity and Funding risk within the Group have been positively impacted by the increase in Retail Deposit balances (which were boosted during the Pandemic), and the execution of the NPL deleveraging strategy. The planned acquisition of Ulster Bank assets is expected to reduce the Bank's growing excess liquidity position to normal levels, with excess liquidity notably a common feature of the Banking sector in Ireland in recent times. The Bank has also taken steps to significantly increase its contingent liquidity capacity over the past 18 months with the restructure and expansion of its retained Fastnet securitisation programme.

Market Risk

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

From the Group's perspective, Market Risk consists of three components being Interest Rate Risk, Credit Spread Risk and FX Risk.

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

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

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

The potential impact of these benchmark reforms was considered, and the outcome of Management's internal processes concluded that the impact was minimal given the low level of exposure. All relevant changes have been successfully implemented in advance of regulatory guidance.

Model Risk

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

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

- 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 (particularly the current pandemic) will mirror the last is uncertain. The degree of risk increases with the speed and volatility of economic change;
- Regulatory change – the pace of evolution of regulation and guidance increases the burden of maintaining the Group's regulatory models;
- Competition for skills – significant competition exists within the Irish market for those with the experience and expertise to build, implement and interpret models; and
- Data – encouraging customers to share their data, particularly in the area of environment and sustainability is a strategic area of focus for the Group in enhancing model risk management.

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

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

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

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

Operational Risk and IT Risk

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

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

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

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

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

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.

External Fraud is elevated with customers of Financial Institutions being targeted through fraudulent SMS messages, phone calls and accessing fake websites. Since 2021, there has been significant increase in fake Permanent TSB websites shut down. Also, PTSB along with other Irish Issuers and as part of a Banking & Payments Federation Ireland (BPFI) initiative continue to contribute to the Mobile Ecosystem Forum designed to reduce the impact of Smishing on customers.

While the PTSB cyber defences have proven robust to-date, the external threat environment is challenging and for this reason cyber risk is considered to be elevated. Continuous improvement in our cyber defences is a strategic priority with investment accordingly to enhance the control environment.

A number of measures were implemented throughout 2020, including targeted reduction in open vulnerabilities as well as additional monitoring and more advanced email hygiene.

In response to external events we are focussed on;

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

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

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

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

From a people perspective, Enterprise Level programmes such as Hybrid Workplace, Individual Accountability Framework (IAF)/ Senior Executive Accountability Regime (SEAR), Service a Need (SAN), Sun etc. are designed to ensure People Risk is an integral consideration.

An enhanced Change Risk oversight Framework is under development in line with formal Strategic Portfolio project "Enterprise Change Enhancements" which has been established following a Change Maturity Assessment undertaken in 2021. This project will focus on change governance enhancements, e.g. mobilising Prioritisation & Intervention Forum, Management Deign Authority, Dependencies Forum, build-out of Change MI on supply, demand and utilisation

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

An RCSA methodology is used to identify, measure and control Operational Risk, IT Risk, Compliance Risk, Conduct and Reputational Risks across the Group which aids the consistent approach to risk management and aids the business in their decision making process. It also supports tracking of deficiencies related to control design and control effectiveness and any associated remediation plans. The RCSA methodology outlines the actions, procedures, roles and responsibilities relating to the Group's RCSA process. We have enhanced our processes in this area as we progress plans and have implemented a new Governance Risk & Compliance (GRC) system for the management of Operational and IT risk. The RCSA methodology outlines the actions, procedures, roles and responsibilities relating to the Group's RCSA process.

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

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

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

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

A key objective of the Group's Risk Management approach is to create a culture of risk awareness where all staff have an understanding of Operational and IT risk and the role they each play in ensuring that any impacts/losses are minimised.

Third Party Service Providers

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

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

Conduct and Reputational Risk

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

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

- The strategy of the Group and how it is executed;
- The way the Group is run and managed;
- The existence of group think or localised cultures;
- The lack of psychological safety for staff in facilitating a robust speak freely process;
- The design type and pricing of products/services offered, the customers to whom they are offered and the distribution channels used;
- The way sales are made or transactions are executed;
- The post-sales fulfilment process throughout the life of the product; 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 23 and note 29 to the financial statements for further information on legacy legal cases.

The Group recognises that the management and mitigation of Conduct Risk is fundamental and intrinsically linked to the achievement of our purpose 'To work hard every day to build trust with our customers - we are a community serving the community'. It recognises that Conduct Risk can occur in every aspect of the Group's activities and is committed to continuing to achieve best practice in this area.

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

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

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

Compliance Risk

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

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

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

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

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

The risk that changes to the laws and regulations under which the Group operates will materially impact on the Group's liquidity, capital, profitability, product range, distribution channels or markets;

The risk that the Group is unable to respond to the scale of regulatory change and implement all required changes in full or on time, or the challenge of meeting regulatory changes will impact the Group's abilities to undertake other strategic initiatives;

- The level of costs associated with the regulatory overhead including, but not limited to, the industry funding levy, funding the resolution fund established under the Single Resolution Mechanism or levies in respect of applicable compensation schemes (including the Investor Compensation Scheme and the Deposit Guarantee Scheme (DGS));

- Non-compliance with organisational requirements, such as the requirement to have robust governance arrangements, effective processes to identify, manage, monitor and report the risks the Group is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems;
- The possibility of mis-selling financial products or the mishandling of complaints related to the sale of such products by or attributed to an employee of the Group, including as a result of having sales practices, complaints procedures and/or reward structures in place that are determined to have been inappropriate or the risk that previous practices are deemed inappropriate when assessed against current standards;
- Breaching laws and requirements relating to data protection, the detection and prevention of money laundering, terrorist financing, sanctions, bribery, corruption and other financial crime; and
- Non-compliance with legislation relating to unfair or required contractual terms or disclosures.

Regulatory Developments

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

Sustainable Finance continues to be a key priority for Governments and regulators. The EU Action Plan on Sustainable Finance and the EU Green Deal, set out the EU's strategy to integrate ESG considerations into its financial policy framework and mobilise finance for sustainable growth. A key part of the strategy is the EU Sustainable Finance Disclosures Regulation (SFDR) and accompanying RTS, which requires enhanced disclosure in a consistent manner of ESG factors into decision making processes and customer documentation for sustainable investments.

The European Commission has introduced draft legislation on Operational Resilience, recognising increased reliance on third parties and outsourcing. In addition, in late 2021 the Central Bank issued cross industry guidelines on both Operational Resilience and Outsourcing. The European Commission also presented a package of legislative proposals designed to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules.

The Irish Government has published legislation, to introduce an Individual Accountability Regime for Banks and other regulated entities, via a Senior Executive Accountability Regime (SEAR). This regime will also include Conduct Standards for Staff and enhancements to both the Fitness and Probity and the Administrative Sanctions Regimes. Following the enactment of the legislation the Central Bank will undertake a consultation process. In light of the changing retail banking landscape in Ireland the Irish Government has commenced a review of the sector.

The Central Bank has commenced a review of the Consumer Protection Code (CPC) and is expected to instigate a consultation process during 2022.

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

3. Group Risks

The Board has overall responsibility for the establishment and oversight of the Group Risk Management Framework (GRMF). The Board has established the BRCC, which is responsible for oversight and advice on risk governance, the current risk exposures of the Group and future risk strategy, including strategy for capital and liquidity management and the embedding and maintenance of a supportive culture in relation to the management of risk throughout the Group. The BRCC, in turn, delegates responsibility for the monitoring and management of specific risks to committees accountable to it such as the GRC, GCC 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 PTSBGH. All of the Directors of PTSBGH are also Directors of the Board of 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. This risk includes but is not limited to default risk, concentration risk, migration risk, collateral risk and climate risk.

Default Risk

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

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

Concentration Risk

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

Migration Risk

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

Collateral Risk

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

Climate Risk
Climate Risk is the risk of declines in the value of the Bank's collateral on customer loans due to the impacts from climate change, and the imposition of increased capital requirements if the Bank's borrowers do not comply with the Stakeholder, Regulatory and Legislative expectations to contribute to the transition to a low carbon economy.

Climate related risk modelling capabilities are still evolving and in their infancy. However, the Bank currently has low exposure to SME lending when considering high risk sector exposure to Climate Risk, with the majority of the Bank's portfolio comprising Residential mortgages.

Lending officers do consider Climate and Sustainability Risks on each SME lending application, and assessment criteria for new Residential property lending incorporate an evaluation of potential physical risks including flood, subsidence, coastal and environmental risks as part of the valuation process. Lending should not proceed where the Valuer identifies risks at individual property level which might potentially restrict the customer's ability to obtain home insurance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Residential Mortgage Exposures by Indexed LTV

30 June 2022

	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	**9,778**	**756**	**10,534**
71% to 90%	**2,702**	**342**	**3,044**
91% to 100%	**115**	**152**	**267**
Subtotal	**12,595**	**1,250**	**13,845**
Greater than 100%	**175**	**270**	**445**
Subtotal	**175**	**270**	**445**
Total Residential Mortgages	**12,770**	**1,520**	**14,290**
Commercial			**211**
Consumer Finance			**375**
Total loans and advances to customers			**14,876**
Deferred fees, discount fees and fair value adjustments			**153**
Gross loans and advances to customers			**15,029**

31 December 2021

	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	9,048	778	9,826
71% to 90%	3,146	333	3,479
91% to 100%	157	182	339
Subtotal	12,351	1,293	13,644
Greater than 100%	217	330	547
Subtotal	217	330	547
Total Residential Mortgages	12,568	1,623	14,191
Commercial			196
Consumer Finance			358
Total loans and advances to customers			14,745
Deferred fees, discount fees and fair value adjustments			115
Gross loans and advances to customers			14,860

Credit Risk Monitoring

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

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

Arrears Management and Forbearance

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

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

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

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

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

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

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

During 2020, in response to the COVID-19 pandemic, in accordance with the European Banking Authority (EBA) guidelines, the Bank implemented a number of measures for customers financially impacted by the crisis. Subject to certain criteria, impacted residential mortgage, personal loan, personal current account, SME and Commercial customers were eligible to apply for a COVID-19 payment break for up to six months. All COVID-19 payment breaks had expired by 30 June 2021.

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.

Internal Ratings Based Models

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

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

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

The Group's material scorecards and models used for risk origination and ongoing measurement purposes are subject to annual review by an independent MVT to ensure that they remain fit for purpose.

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

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

Fair can primarily be expected to be classified as Stage 2

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

Non-performing will align to Stage 3

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

Credit Exposure

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

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

	Notes	30 June 2022 €m	31 December 2021 €m
Cash and balances with central banks	8	**54**	57
Items in course of collection	8	**22**	20
Loans and advances to banks	9	**5,629**	4,174
Debt securities	13	**2,967**	2,494
Derivative assets	10	**0**	1
Loans and advances to customers	15,16	**14,443**	14,256
		23,115	21,002
Commitments and contingencies	29	**1,285**	1,181
		24,400	22,183

Further detail on loans and advances to customers is provided in note 28, 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.

Debt securities credit ratings

	30 June 2022 €m	31 December 2021 €m
Rating		
Aaa	**56**	60
Aa2	**249**	-
A1	**1,609**	-
A2	**-**	1,463
Baa1	**508**	506
Baa2	**465**	465
Baa3	**80**	-
Total	**2,967**	2,494

All debt securities at 30 June 2022 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 2022 €m	31 December 2021 €m
Country		
Ireland	**1,665**	1,523
Spain	**508**	506
Portugal	**465**	465
France	**249**	-
Italy	**80**	-
Total	**2,967**	2,494

Loans and advances to banks

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

	30 June 2022 €m	31 December 2021 €m
Rating		
Aaa	**4,961**	3,709
Aa2	**183**	199
Aa3	**476**	258
A1	**8**	2
A2	**1**	6
Total	**5,629**	4,174

Loan Impairment

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

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

Stage 1

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

Stage 2

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

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

1. Delinquency – greater than 30 days past due;
2. Forbearance – reported as currently forborne in accordance with EBA NPL guidelines;
3. Risk Grade – accounts that migrate to a risk grade which the bank has specified as being outside its Risk Appetite for origination;
4. Change in remaining lifetime PD – accounts that have a remaining lifetime PD that is in excess of the risk at which the bank seeks to originate risk. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses expected to be incurred; and
5. PD at maturity - For interest only exposures, all home-loan and commercial exposures together with those buy-to-let exposures in excess of 70% LTV have been assessed as presenting an increased risk of default at maturity and are consequently classified as Stage 2.

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

Transition from Stage 3 to Stage 2

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

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

Transition from Stage 2 to Stage 1

No longer 30 days past due – transition automatically (i.e. without probation), where other criteria are met. Forborne exposures where certain criteria are met (e.g. no longer classified as EBA forborne).

Stage 3

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

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

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

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

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

Exception to the general three stage impairment model

POCI are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted EIR basis. ECLs are only recognised or released to the extent that there is a subsequent change in expected credit losses. The Group purchased the credit impaired Newbridge Credit Union (NCU) portfolio in 2013, the NCU portfolio is accounted for on a POCI basis under IFRS 9.

Low credit risk exemption

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

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

Strong capacity by the borrower to meet its contractual cash flow obligations in the near term;

Adverse changes in economic business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations; and

External rating of investment grade or an internal credit rating equivalent.

Modified financial assets

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

ECL Framework

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

Measurement

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

IFRS 9 PD

For estimating 12 month and lifetime default, the Group uses a statistical model methodology that allows the Group to estimate the risk that a loan will default at a given point in time, through grouping exposures with similar risk characteristics and measuring the historic rate of default for exposures of this type. This technique effectively provides a TTC measure of likelihood of default. To translate this TTC probability to a Point in Time probability and to reflect Forward Looking Information (FLI) at the balance sheet date, the Group calibrates the starting point for the projection to the current Observed Default Rate (ODR). The Group then uses an economic response model to reflect future expected macroeconomic conditions. Behavioural scorecards, containing key loan performance indicators for each customer are used for the purpose of grouping exposures with similar risk characteristics as described above. A PD is calculated for each group (internally referred to as risk grades) which drives the PD used for the ECL process. All components of PD, risk grade, ODR and economic response model are independently monitored by the Group's MVT to confirm ongoing fitness for purpose.

IFRS 9 LGD

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

IFRS 9 EAD

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

Expected life

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

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

Effective Interest Rate

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

Write-off policy

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

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

Governance

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

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

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

Forward looking information (FLI)

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

Measurement of ECLs at each reporting period should reflect reasonable and supportable information.

The requirement to incorporate a range of unbiased future economic scenarios, including macroeconomic factors, is a distinctive feature of the ECL accounting framework, which increases both the level of complexity and judgement in the measurement of allowance for credit losses under IFRS 9.

The Group has developed the capability to incorporate a number of macroeconomic impacts and scenarios into the ECL models.

The process to determine the FLI applied in the ECL models leverages existing ICAAP processes while recognising that IFRS 9 scenarios are not stress scenarios. The methodology to incorporate multiple economic scenarios into the ECL models considers, amongst other things, the Group's IPP and the views of policy makers on longer term economic prospects and key risks. In developing the methodology, the Group has referenced publically available information for key economic indicators including the RPPI, unemployment, interest rates and publically available external macroeconomic forecasts including from the DoF, the CBI and ESRI. The Group employs the services of an independent economist to determine forecast macroeconomic scenarios. The governance and oversight process includes the review and challenge by ALCO of FLI and its onward recommendation to the BRCC for approval.

In general, a review and update of macroeconomic variables takes place at least bi-annually. Macroeconomic scenarios were most recently updated in June 2022, with outlook broadly similar to that utilised at December 2021 with the exception of Consumer Price Inflation and ECB base rate which have been revised upwards in all scenarios.

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

Expert Credit Judgement

The Group's ECL accounting framework methodology, in line with the requirements of the standard, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting period dates (see note 1, Corporate information, basis of preparation, significant accounting policies, estimates and judgements for further detail).

At 30 June 2022, the impairment provision included €101m of Management's adjustments to modelled outcomes.

3.2 Funding and Liquidity Risk

Funding Risk is the risk that the Group is not able to achieve its target funding mix or is over-reliant on System Funding/Wholesale Markets. Funding Risk can also occur if the Group fails to meet regulatory requirements and, in extremis, is not able to access funding markets or can do so only at excessive cost.

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

The level of risk is dependent on the composition of the balance sheet, the maturity profile and the quantum and quality of the liquidity buffer. It is likely that these risks would be further exacerbated in times of stress. Given the nature of the Group's retail focus which stems from its business model, Liquidity and Funding risk will arise naturally due to the maturity transformation of primarily short term contractual deposits (albeit recognising behavioural stickiness) into longer term loans (predominantly mortgage lending). With 94% of the balance sheet being deposit funded, exposure to a potential deposit run represents the primary liquidity and funding risk.

(i) Regulatory Compliance

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

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

Under the Bank Recovery and Resolution Directive (BRRD), the Group is required to adhere to an MREL target. The Group has proactively engaged with the CBI to determine the Group's MREL requirement, which represents a quantification of the eligible liabilities required to act as a buffer in the event of a resolution scenario. MREL targets have been formally communicated and compliance became binding in January 2022. The Group has a senior unsecured issuance strategy to ensure ongoing compliance with the MREL requirement.

(ii) Risk Management, Measurement and Monitoring

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

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

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

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

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

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

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

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

(iii) Liquidity Risk Management Framework

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

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

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

(iv) Minimum Liquidity Levels

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

The Group measures and monitors the NSFR which is designed to limit over-reliance on short-term funding and promote longer-term stable funding sources. The NSFR became binding from a regulatory perspective in June 2021.

(v) Liquidity Risk Factors

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

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

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

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

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

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

(vi) Credit Ratings

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

During 2020, Standard & Poor's (S&P) and DBRS downgraded PTSB plc's senior unsecured credit ratings outlook to negative reflecting the view that the economic contraction will make the operating environment in Ireland more challenging, leading to weaker business and profitability prospects for PTSB Group and PTSB.

The ratings for PTSB plc are as follows:
- S&P: Long-Term Rating "BBB-" with Outlook "Negative";
- Moody's: Long-Term Rating "Baa2" with rating under review for an upgrade; and
- DBRS: Long-Term Rating "BBBL" with Outlook "Negative".

The ratings for PTSB Group Holdings are as follows:
- S&P: Long-Term Rating "BB-" with Outlook "Negative";
- Moody's: Long-Term Rating "Ba1" with rating under review for an upgrade; and
- DBRS: Long-Term Rating "BBH" with Outlook "Negative".

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 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, and 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 valuation perspective (EV).

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

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

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

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

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

The 30 June 2022 interest rate risk level, based on the EV calculation (more severe than EaR), was calculated as €40m (31 December 2021: €40m). The risk position has reduced as the Bank has reduced its net liability position for terms greater than 1 year.

Based on the internally derived Basis Risk calculation methodology, the 30 June 2022 risk level stands at €14m. A floor of ECB Refi minus 25bps is applied for the ECB refinance rate and -100bps for Euribor positions.

(ii) Foreign Exchange Risk

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

Derivatives (FX swaps and forwards) are executed to minimise the FX exposure. Overnight FX positions are monitored against approved notional limits. It is the responsibility of both Group Treasury and Group Risk to measure and monitor exchange rate risk and maintain the exposure within approved limits. The aggregate euro denominated 30 June 2022 FX position was €0.8m (31 December 2021 €0.8m).

(iii) Credit Spread Risk

Credit Spread Risk is defined as the risk of a decline in the value of an asset due to changes in the market perception of its creditworthiness over its life to maturity. This risk applies to the portion of the Group's bond portfolio which is classified as Hold to Collect and Sell (HTC&S) under IFRS9 classifications.

The Group's strategy is to hedge, as much as is practical, the interest rate risk element of the HTC&S bond volatility. The remaining Mark-to-Market (MTM) volatility represents the Group's Credit Spread Risk exposure.

The Group held no HTC&S bonds as at 30 June 2022 (31 December 2021 €0.0m) and as such had no exposure to credit spread risk.

For further details on market risk see note 34 of the consolidated financial statements of the Group for the year ended 31 December 2021.

Directors' Responsibility Statement

The Directors are responsible for preparing the Interim Report in accordance with International Accounting Standard (IAS) 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") and the Transparency Rules of the CBI.

Each of the Directors, whose names and functions are listed in the Board of Directors section, pages 107, 108, 109, 110, 111, and 112 of the 2021 Annual Report, confirms that to the best of each person's knowledge and belief:

- the condensed consolidated interim financial statements, prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and cashflows of the Group at 30 June 2022, and its loss for the period then ended; and
- that as required by the Transparency (Directive 2004/109/EC) Regulations 2007, the Interim Report includes a fair review of:
  - important events that have occurred during the first six months of the year, and their impact on the condensed consolidated interim financial statements;
  - a description of the principal risks and uncertainties for the next six months of the financial year;
  - details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2022, and material changes to related party transactions described in the Annual Report for the year ended 31 December 2021; and
  - 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 six 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 www.permanenttsb.ie. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

On behalf of the Board

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Ronan O'Neil
Board Audit Committee Chair

Conor Ryan
Company Secretary

26 July 2022

Independent Review Report to Permanent TSB Group Holdings plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Permanent TSB Group Holdings plc's condensed consolidated interim financial statements (the "interim financial statements") in the "Interim Report" of Permanent TSB Group Holdings plc for the six month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, 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 and the Central Bank (Investment Market Conduct) Rules 2019.

The interim financial statements, comprise:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report 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 and the Central Bank (Investment Market Conduct) Rules 2019.

As disclosed in note 1.2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

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 to suggest 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 are not 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.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019.

In preparing the Interim Report including the interim 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 is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019 and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers
Chartered Accountants
Dublin
26 July 2022

Condensed Consolidated Income Statement (Unaudited)
For the half year ended 30 June 2022

	Note	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Interest income	2	**177**	171
Interest expense	2	**(22)**	(19)
Net interest income		**155**	152
Fees and commission income		**34**	28
Fees and commission expense		**(15)**	(14)
Net fees and commission income		**19**	14
Net trading income		**1**	1
Net other operating income		**3**	-
Total operating income		**178**	167
Administrative, staff and other expenses (excluding exceptional items)	3	**(143)**	(124)
Regulatory charges	4	**(25)**	(21)
Depreciation of property and equipment		**(10)**	(11)
Amortisation of intangible assets		**(15)**	(12)
Exceptional items			
Restructuring and other costs	5	**(2)**	(6)
Costs incurred in relation to the Ulster Bank transaction	5	**(35)**	(3)
Total operating expenses		**(230)**	(177)
Operating loss before credit impairment and taxation		**(52)**	(10)
Credit impairment			
Loans and advances to customers	16	**9**	(3)
Exceptional impairment arising from deleveraging of loans	5	**7**	4
Total credit impairment write-back		**16**	1
Operating loss/loss before taxation		**(36)**	(9)
Taxation	6	**1**	4
Loss/loss for the period		**(35)**	(5)
Attributable to:			
Equity holders of the parent		**(35)**	(5)
Loss per ordinary share		**€ Cent**	**€ Cent**
Basic loss per share of €0.5 ordinary shares	7	**(8.8)**	(5.3)
Diluted loss per share of €0.5 ordinary shares	7	**(8.8)**	(5.3)

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the half year ended 30 June 2022

	Note	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Loss/Loss for the period		**(35)**	(5)
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	26	**(1)**	3
Tax relating to items that will not be reclassified to income statement	6	**-**	(1)
Items that may be reclassified to the income statement in subsequent periods			
Fair value reserve (debt instruments)			
Change in fair value of debt instruments	26	**-**	-
Tax relating to items that will not be reclassified to income statement	6	**-**	-
Other comprehensive (expense)/income for the period, net of tax		**(1)**	2
Total comprehensive expense for the period, net of tax		**(36)**	(3)
Attributable to:			
Equity holders of the parent		**(36)**	(3)
		(36)	(3)

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2022

	Notes	30 June 2022 €m	31 December 2021 €m
Assets			
Cash at bank	8	**54**	57
Items in the course of collection	8	**22**	20
Loans and advances to banks	9	**5,629**	4,174
Derivative financial instruments	10	**-**	1
Other assets	11	**1**	310
Assets classified as held for sale	12	**20**	28
Debt securities	13	**2,967**	2,494
Equity securities	14	**25**	26
Prepayments and accrued income		**60**	205
Loans and advances to customers	15,16	**14,443**	14,256
Interests in associated undertakings	17	**2**	2
Property and equipment		**190**	190
Intangible assets		**134**	122
Deferred taxation	18	**353**	350
Total assets		**23,900**	22,235
Liabilities			
Deposits by banks	19	**822**	347
Customer accounts	20	**20,069**	19,089
Debt securities in issue	21	**794**	524
Other liabilities	22	**144**	170
Accruals		**19**	8
Current tax liability		**1**	1
Provisions	23	**48**	55
Subordinated liabilities	24	**255**	252
Total liabilities		**22,152**	20,446
Equity			
Share capital	25	**227**	227
Share premium	25	**333**	333
Other reserves	25	**(788)**	(787)
Retained earnings	25	**1,853**	1,893
Shareholders' equity		**1,625**	1,666
Other equity instruments	25	**123**	123
Total equity		**1,748**	1,789
Total liabilities and equity		**23,900**	22,235

On behalf of the Board:

Robert Elliott
Chairman

Eamonn Crowley
Chief Executive

Ronan O'Neill
Board Audit Committee Chair

Conor Ryan
Company Secretary

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the half year ended 30 June 2022

	Attributable to equity holders of the parent							
	Share capital	Share premium	Revaluation reserve*	Fair value reserve*	Other capital reserve*	Retained earnings	Other equity instruments	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 1 January 2022	**227**	**333**	**55**	**14**	**(856)**	**1,893**	**123**	**1,789**
Loss for the half year ended 30 June 2022	**-**	**-**	**-**	**-**	**-**	**(35)**	**-**	**(35)**
Other comprehensive expense, net of tax (note 25)	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**(1)**
Total comprehensive expense for the period	**-**	**-**	**-**	**(1)**	**-**	**(35)**	**-**	**(36)**
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
Redemption of other equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AT1 coupon paid (note 25)	**-**	**-**	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(5)**	**-**	**(5)**
								-
Balance as at 30 June 2022	**227**	**333**	**55**	**13**	**(856)**	**1,853**	**123**	**1,748**

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

Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the year ended 31 December 2021

	Attributable to owners of the holding company							
	Share capital	Share premium	Revaluation reserve*	Fair value reserve*	Other capital reserve*	Retained earnings	Other equity instrument	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 1 January 2021	227	333	53	12	(856)	1,937	245	1,951
Loss for the year	-	-	-	-	-	(20)	-	(20)
Other comprehensive income, net of tax (note 25)	-	-	2	2	-	-	-	4
Total comprehensive income/(expense) for the period	-	-	2	2	-	(20)	-	(16)
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
Redemption of other equity instruments	-	-	-	-	-	-	(122)	(122)
AT1 coupon paid/redemptions (note 25)	-	-	-	-	-	(21)	-	(21)
Loss on redemption of AT1 securities	-	-	-	-	-	(3)	-	(3)
Total contributions by and distributions to owners	-	-	-	-	-	(24)	(122)	(146)
Balance as at 31 December 2021	227	333	55	14	(856)	1,893	123	1,789

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

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For half year ended 30 June 2021

	Attributable to owners of the holding company							
	Share capital	Share premium	Revaluation reserve*	Fair value reserve*	Other capital reserve*	Retained earnings	Other equity instruments	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 1 January 2021	227	333	53	12	(856)	1,937	245	1,951
Loss for the half year ended 30 June 2021	-	-	-	-	-	(5)	-	(5)
Other comprehensive expense, net of tax (note 25)	-	-	-	2	-	-	-	2
Total comprehensive income/(expense) for the period	-	-	-	2	-	(5)	-	(3)
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners								
AT1 coupon paid/redemptions	-	-	-	-	-	(16)	(122)	(138)
Loss on redemption of AT1 securities	-	-	-	-	-	(3)	-	(3)
Total contributions by and distributions to owners	-	-	-	-	-	(19)	(122)	(141)
Balance as at 30 June 2021	227	333	53	14	(856)	1,913	123	1,807

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

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the half year ended 30 June 2022

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Cash flows from operating activities		
Operating loss/loss before taxation	**(36)**	(9)
Adjusted for non-cash items and other adjustments:		
Depreciation, amortisation and impairment of property, equipment and intangibles	**25**	23
Impairment (write-back)/charge in period		
- Loans and advances to customers	**(16)**	(1)
Unrealised (gains)/losses on financial assets	**(1)**	(1)
Other mortgage related adjustments	**13**	10
Other provisions	**1**	6
Visa equity share	**1**	-
Other non-cash items	**4**	7
	(9)	35
(Increase)/decrease in operating assets		
Derivative assets	**2**	(1)
Other assets	**316**	10
Debt securities	**8**	29
Prepayments and accrued income	**147**	38
Loans and advances to customers	**(173)**	(42)
Increase/(decrease) in operating liabilities		
Deposits by banks	**475**	-
Customer accounts	**983**	463
Debt securities in issue	**274**	(56)
Derivative liabilities	**(3)**	-
Other liabilities and accruals	**(12)**	21
Provisions	**(8)**	(29)
	2,009	433
Net cash inflow from operating activities before tax	**2,000**	468
Tax paid	**1**	-
Net cash inflow from operating activities	**2,001**	468

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the half year ended 30 June 2022 **(continued)**

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Cash flows from investing activities		
Maturities of debt securities - HTC	**99**	5
Purchase of debt securities - HTC	**(598)**	-
Movement in restricted cash holdings	**-**	132
Purchase of property and equipment	**(26)**	(12)
Purchase of intangible assets	**(14)**	(9)
Investment in associated undertakings	**-**	(1)
Net cash flows from investing activities	**(539)**	115
Cash flows from financing activities		
Issuance of Tier 2 capital notes	**-**	250
Redemption of AT1 securities	**-**	(125)
Payment of lease liabilities	**(3)**	(4)
AT1 coupon payment	**(5)**	(16)
Net cash flows from financing activities	**(8)**	105
Increase in cash and cash equivalents	**1,454**	688
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**3,921**	3,047
Increase in cash and cash equivalents	**1,454**	688
Cash and cash equivalents as at 30 June*	**5,375**	3,735

* The cash and cash equivalents exclude restricted cash as per note 8.

Reconciliation of liabilities arising from financing activities

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
1 January 2022	**283**	34
Lease liability	**(3)**	(4)
Issuance of Tier 2 capital notes	**-**	250
Non-cash movements	**3**	-
At end of period	**283**	280

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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

1.1 Corporate information

PTSBGH 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 holding 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 subsidiary undertakings, (together referred to as 'the Group' or 'PTSBGH' where appropriate), and are prepared for the period up to the end of the half year, 30 June 2022. The condensed consolidated interim financial statements for the half year ended 30 June 2022 are unaudited, but have been reviewed by the independent auditor whose report is set out earlier in this report.

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 26 July 2022.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements for the half year ended 30 June 2022 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 2021 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 2021 are available at www.permanenttsbgroup.ie.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis as modified to include fair valuation of certain financial instruments and certain land and buildings.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements for the half year ended 30 June 2022 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 2021.

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 2021.

Statutory accounts

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of the Companies Act 2014. The statutory accounts for the year ended 31 December 2021 were approved by the Directors on 01 March 2022, contained an unqualified audit report and will be filed with the Companies Registration Office on or before 30 September 2022.

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).

1. Corporate information, basis of preparation, significant 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 2021.

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 estimates and assumptions are reviewed on an on-going basis and where necessary are revised to reflect current conditions and updated information.

The critical accounting estimates are consistent with those described in the 2021 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 SICR may have a material impact on the level of ECL impairment allowance as a 12-month ECL is recognised for Stage 1 loans whereas a lifetime ECL is recognised for Stage 2 loans.

Migration of loans between Stage 1 and Stage 2 can cause some volatility in the amount of the recognised ECL allowances and the provision for ECL in any accounting period.

The Group has relied on a number of measures including delinquency, forborne status, risk grade, change in remaining lifetime Probability of Default (PD) and PD at maturity to determine SICR.

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 used 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. The Group considers in its calculation of ECL multiple scenarios and possible outcomes together with their probability of occurrence. Scenarios are designed to capture a range of possible outcomes. Each macroeconomic scenario used in the Group's ECL calculation includes a projection of all relevant macroeconomic variables used in the models for a five-year period, subsequently reverting to long-run averages.

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

The central scenario is consistent with the Group's IPP. The Group considers at least one scenario which considers a macroeconomic environment that is more favourable to the central scenario and at least one scenario which considers a macroeconomic environment that is less favourable to the central scenario. Three scenarios are currently considered in the Group's calculation of ECL.

The Group's approach uses 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.

The following tables detail the key macroeconomic variables used in modelling the allowance for credit losses together with the associated percentiles and probability weightings for Stage 1 and 2 at 30 June 2022 following an update to the macroeconomic variables in use at 31 December 2021. The Base Case Scenario remains broadly similar to the outlook for the Irish economy at December 2021, the key update being an increase to CPI and ECB rates across the forecast period.

In addition to the increased CPI and ECB rate, HPI in the IFRS 9 Downside scenario has been downgraded in 2023 and 2024 from the year-end position. The refreshed upside scenario remains similar to the year-end position. Given the severity of these scenarios (5th Percentile upside and 95% Percentile downside), their combination captures the macroeconomic uncertainty arising from COVID-19.

	30 June 2022				31 December 2021			
	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%	22%
Irish Residential House Prices	**4%**	**2%**	**12%**	**(8%)**	4%	3%	13%	-8%
Irish Unemployment	**6%**	**5%**	**4%**	**11%**	7%	6%	4%	12%
Irish GDP	**6%**	**4%**	**5%**	**(1%)**	6%	4%	6%	-1%
Consumer Price Index	**7%**	**3%**	**2%**	**4%**	3%	2%	2%	3%
ECB Base Rate	**1%**	**2%**	**1%**	**2%**	0%	0%	0%	2%

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.

Forecasting FLI for multiple scenarios and determination of probability weighting of the scenarios involves 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 €89m lower than the result reported at 30 June 2022.

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 €164m lower than the result reported at 30 June 2022, whereas if the Group were to only use its Downside Scenario the ECL impairment allowance would be €361m higher than the result reported at 30 June 2022.

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

Management's adjustment to modelled outcomes

The adequacy of ECL allowance is reviewed by the BAC on a half-yearly basis. At 30 June 2022, the total impairment provision included €101m of management's adjustments to modelled outcomes (31 December 2021: €118m) which primarily comprises the following:

- €62m of Management's adjustment in respect of Stage 3 residential mortgage loans that are in default for greater than seven years and for which Management consider the modelled impairment to be insufficient to cover resolution;
- Arising from heightened inflation the current uncertainty observed in the economic environment, management are of the view that the modelled impairment allowance may not fully reflect expected credit losses for certain cohorts of borrowers. At the reporting date, a €20m management overlay is applied in respect of loans for which ECL is maintained until the future performance is established comprising €2m in respect of the consumer portfolio, €3m in respect of the commercial portfolio and €15m in respect of the residential mortgage portfolio and associated model risk; and
- A €19m overlay to reflect the uncertainty associated with the economic effects of Covid-19, accelerated inflation and imminent increase in interest rates. CPI has accelerated to 9.5% at June 2022 with the ECB announcing an increase in interest rates in July with further increases expected in H2 2022. In addition, while Covid-19 supports have largely ceased, a lag is generally observed between causal economic drivers and their effect on mortgage defaults. A Management adjustment is applied to Stage 2 residential mortgage loans to reflect these risks.

1.3 Going Concern

In considering Management's assessment of the Group's ability to continue as a going concern, Management considered principal risks and uncertainties as they might pertain to the going concern assumption, particularly the liquidity, profitability and capital position. Management considered these items over the course of the year to date and into 2023, their current status and future projections.

In doing so, Management considered each risk in turn, and the likelihood of the risk precipitating in the going concern assumptions becoming invalid over the period of assessment, being 12 months from the date of the approval of the condensed consolidated interim financial statements for the half year ended 30 June 2022. Management considered realistic alternatives, including downside scenarios applied by the Group to test assumptions and potential outcomes.

Assessment Basis

The time period that the Directors and Management have considered in evaluating the appropriateness of the going concern basis in preparing the condensed consolidated interim financial statements for the half year ended 30 June 2022 is a period of twelve months from the date of approval of these condensed consolidated interim financial statements (26 July 2022).

In making this assessment, the Directors and Management have considered the Group's 2022-2026 Medium Term Plan (MTP), profitability forecasts, funding and capital resource projections under base and stress scenarios applied by the Group, together with a number of factors such as the Irish Economy, Government fiscal policies, the availability of collateral to access funding through third parties and the euro-system and on-going changes in the regulatory environment.

Economic and political environment

The Irish economy continues to perform strongly with a rapid recovery after the pandemic. Growth is continued to be forecast albeit at a lower rate. Consumer price inflation has risen due to increases in energy prices along with price pressures for other goods and services. To manage inflation, the ECB increased interest rates in July with further increases anticipated following global trends.

Further to this, the Group continues to be materially reliant on Government and EU policy, and materially impacted by geopolitical events; such as the on-going war in Ukraine, the continuing uncertainty around the Northern Irish Protocol and the introduction of the global minimum corporation tax rate to a sector of the Irish market.

The Group reassessed the financial impacts of the economic and political environment through the Group's integrated planning process and believes it is reasonably well placed to withstand any volatility from economic events particularly given the Group's continued management of its financial position through NPL and capital management

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

Funding and Liquidity

The Group continued to have sufficient liquidity throughout the first half of 2022, and continues to undertake initiatives to improve its liquidity position in the areas of deposits, collateral optimisation and wholesale markets activity. The Directors and Management have also considered forecasts of the liquidity position over the going concern period, under a range of stress scenarios.

The Group continues to hold a significant liquidity buffer at 30 June 2022 that can be easily and readily monetised in a period of stress. The Directors and Management are aware that the Group's ability to effectively utilise its contingent counterbalancing capacity is dependent on the underlying collateral remaining eligible. However, the Directors and Management are satisfied, based on a review of funding plans, interaction with wholesale markets and deposit trends that the required liquidity and funding will be available to the Group during the period of assessment.

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

Profitability and Capital Adequacy

The Group made a loss for the period ended 30 June 2022 however, it does expect to return to profitability in the near term. Directors and Management have reviewed the MTP and based on this, the near-term macroeconomic conditions of the country and the resolution of legacy issues, the Directors and Management are satisfied that the Group is well positioned to deliver profits in future years.

The Directors and Management have also considered the Group's forecast capital position, including the potential impact of further deleveraging and a deterioration in economic conditions as might arise from an uncertainty from the 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 condensed consolidated interim financial statements on a going concern basis.

1.4 Impairment testing of non-financial assets

The market capitalisation is below the net asset value. The depressed share price is a result of the overall subdued banking environment currently in which the entity operates along with various entity specific factors including, significant control premium as a result of majority shareholding by the Irish Government that affects the liquidity of the shares.

Following from the impairment testing of non-financial assets at 31 December 2021, the Group has considered the market capitalisation and the head room available by comparing Value in Use (VIU) based on updated MTP projections with the carrying value of those non-financial assets. The VIU is greater than the carrying value and as a result no impairment has been recognised. The headroom has improved since 31 December 2021.

1.5 Comparative information

The comparative information for 2021 has been prepared on a consistent basis.

1.6 Changes in significant accounting policies

The condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements for 2021. The significant 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 2021 (note 1). 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.

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

1.7 Impact of other accounting standards effective periods beginning on or after 1 January 2022

Accounting Standard Update	Description of Change	Key impacts for PTSB	Effective Date
Amendments to IFRS 3 – Reference to the Conceptual Framework	Updates certain references to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	This amendment is expected to have no significant impact on current or future reporting.	Annual periods beginning on or after 1 January 2022.
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	Requires amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset.	This amendment is expected to have no significant impact on current or future reporting.	Annual periods beginning on or after 1 January 2022.
Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	Specifies which costs to include when assessing whether a contract will be loss-making.	This amendment is expected to have no significant impact on current or future reporting.	Annual periods beginning on or after 1 January 2022.
Annual Improvements to IFRS Standards 2018-2020 Cycle	Minor amendments to IFRS 1, IFRS 16, IFRS 9 and IAS 41.	This amendment is expected to have no significant impact on current or future reporting.	Annual periods beginning on or after 1 January 2022.

2. Net interest income

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Interest income		
Loans and advances to customers	**170**	168
Debt securities and other fixed-income securities	**4**	3
Deposits from banks	**3**	-
	177	171
Interest expense		
Due to customers	**(5)**	(8)
Interest on debt securities in issue	**(4)**	(4)
Loans and advances to banks	**(9)**	(6)
Interest on subordinated liabilities	**(4)**	(1)
	(22)	(19)
Net interest income	**155**	152

Net interest income includes a charge in respect of deferred acquisition costs on loans and advances to customers of €13m (30 June 2021: €10m).

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

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Staff costs (as detailed below)	**74**	73
Other general and administrative expenses	**69**	51
Administrative, staff and other expenses (excluding exceptional items)	**143**	124

Administrative, staff and other expenses (excluding exceptional items) include costs of €4m relating to legacy legal cases.

Staff costs

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Wages and salaries (including commission payable to sales staff)	**61**	60
Social insurance	**7**	7
Pension costs (payments to defined contribution pension schemes)	**6**	6
Total staff costs	**74**	73

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 2022	Half year ended 30 June 2021	**Half year ended 30 June 2022**	Half year ended 30 June 2021
Ireland	**2,483**	2,255	**2,348**	2,356
Total number of staff	**2,483**	2,255	**2,348**	2,356

* Closing staff numbers are calculated on a FTE basis.

4. Regulatory charges

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Single Resolution Fund (SRF) fees	**5**	4
Deposit Guarantee Scheme (DGS)	**19**	16
Other regulatory charges	**1**	1
Regulatory charges	**25**	21

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

5. Exceptional items

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Costs in relation to the Ulster Bank transaction (a)	**35**	3
Restructuring and other costs (b)	**2**	6
Impairment arising from deleveraging of loans (c)	**(7)**	(4)
Exceptional items	**30**	5

(a) On 17 December 2021, the Bank entered into a legally binding agreement with NatWest Group Plc to acquire approximately €7.6 billion of the Ulster Bank Retail, SME and Asset Finance business in the Republic of Ireland. The transaction is due to complete and control will transfer in the second half of 2022, with SME, Asset Finance business and branches transferring in early 2023, subject to necessary regulatory approval. As such, the business and assets have not been recognised in the Group's statement of financial position as at 30 June 2022. The Bank incurred costs of c.€35m on the transaction up to 30 June 2022 (30 June 2021: €3m), these costs have been recognised as exceptional costs in the income statement.

5. Exceptional items (continued)

(b) Restructuring and other costs of €2m (30 June 2021: €6m) relate to additional costs incurred as a result of phase 2 of the Group's Enterprise Transformation Programme which was originally announced in 2020 and costs arising in respect of a previous disposal of a business.

(c) During 2022, warranty provisions and accruals of €7m were released in relation to loan transactions that the Group executed in prior years.

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

6. Taxation

(a) Analysis of taxation charge

	Half year ended 30 June 2022 €m	Half year ended 30 June 2021 €m
Current taxation		
Charge for current period	**2**	-
	2	-
Deferred taxation		
Origination and reversal of temporary differences	**(3)**	(4)
Taxation credited to income statement	**(1)**	(4)
Effective tax rate	**3%**	48%

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 credit for the half year ended 30 June 2022 was €1m; (30 June 21: €4m credit). The main drivers of this credit include:
(i) a current tax charge of €2m arising on non-trading income;
(ii) a current year deferred tax credit of €3m which arises due to an increase in tax losses carried forward; and
(iii) the partial release of a DTA of €1m created on the introduction of IFRS 9.

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

Half year ended 30 June 2022

	Gross €m	**Tax €m**	**Net €m**
Fair value reserve:			
- Change in fair value reserve	**(1)**	**-**	**(1)**
Balance as at 30 June 2022	**(1)**	**-**	**(1)**

Half year ended 30 June 2021

	Gross €m	Tax €m	Net €m
Fair value reserve:			
- Change in fair value reserve	3	(1)	2
Balance as at 30 June 2021	3	(1)	2

7. Loss per ordinary share

(a) Basic loss per ordinary share

	Half year ended 30 June 2022	Half year ended 30 June 2021
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares	**454,690,912**	454,690,912
Loss for the period attributable to equity holders	**(€35m)**	(€5m)
Less AT1 coupon paid (see note 25)	**(€5m)**	(€19m)
Loss for the period attributable to equity holders less AT1 coupon paid	**(€40m)**	(€24m)
Basic loss per ordinary share (€ cent)	**(8.8)**	(5.3)

(b) Diluted loss per ordinary share

	Half year ended 30 June 2022	Half year ended 30 June 2021
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of diluted loss per share	**454,690,912**	454,690,912
Diluted loss per ordinary share (€ cent)	**(8.8)**	(5.3)

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

No adjustment to the weighted average number of ordinary shares for the effects of dilutive potential ordinary shares was required for the period ended 30 June 2022 or 30 June 2021, as the AT1 securities were assessed due to the conversion feature within the security and were found to have an anti-dilutive effect.

There are no instruments with a potential to be converted to ordinary shares at 30 June 2022 as the AT1 security issued in 2015 was redeemed on the first call of 1 April 2021 (see note 25 for further detail).

Weighted average number of ordinary shares*

	2022	2021
Number of ordinary shares in issue at 1 January (note 25)	**454,695,492**	454,695,492
Treasury shares held (note 25)	**(4,580)**	(4,580)
Weighted average number of ordinary shares at 30 June	**454,690,912**	454,690,912

* When calculating the loss per share the weighted average number of ordinary shares outstanding during the period and all periods presented shall be adjusted for events other than the conversion of potential ordinary shares that have changed the number of ordinary shares without a corresponding change in reserves.

8. Cash and cash equivalents

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

	30 June 2022 €m	31 December 2021 €m
Cash at bank	**54**	57
Items in the course of collection	**22**	20
Loans and advances to banks repayable on demand (maturity of less than 3 months) (note 9)	**5,629**	4,174
	5,705	4,251
Restricted cash included in loans and advances to banks repayable on demand	**(330)**	(330)
Cash and cash equivalents per statement of cash flows	**5,375**	3,921

As at 30 June 2022, restricted cash of €330m (31 December 2021: €330m) comprised cash of €329m (31 December 2021: €329m) held by the Group's securitisation entities and €1m (31 December 2021: €1m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

9. Loans and advances to banks

	30 June 2022 €m	31 December 2021 €m
Held at amortised cost		
Placed with central banks	**4,961**	3,709
Placed with other banks	**668**	465
Loans and advances to banks	**5,629**	4,174

Placements with other banks includes restricted cash of €330m (31 December 2021: €330m) of which €329m (31 December 2021: €329m) is held by the Group's securitisation entities and €1m (31 December 2021: €1m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements. The fair value of collateral pledged by counterparties in relation to reverse repurchase agreements at 30 June 2022 is €555m (31 December 2021: €433m).

Loans and advances to banks amounting to €5,629m (31 December 2021: €4,174m) have a maturity of less than three months and therefore have been treated as cash and cash equivalents, with the exception of restricted cash as noted above.

10. Derivative financial instruments

Derivative instruments are used by the Group to hedge against foreign currency risk.

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

The derivative instruments used by the Group include currency forward rate contracts, which are commitments to purchase and sell currencies, including undelivered spot transactions.

Further details on the Group's risk management policies are set out in the Risk Management Report.

Derivatives held by the Group are analysed as follows:

	30 June 2022			31 December 2021		
	Contract/ notional amount €m	**Fair value asset €m**	**Fair value liability €m**	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m
Held for trading						
Forwards	**83**	**-**	**-**	84	1	-
	83	**-**	**-**	84	1	-
Derivative financial instruments as per the statement of financial position	**83**	**-**	**-**	84	1	-

11. Other assets

	30 June 2022 €m	31 December 2021 €m
Loan sale receivable	**-**	310
Other	**1**	-
	1	310

Loan sale receivable at 31 December 2021 relates to the amount due from the purchaser of the Glenbeigh III portfolio, which was received on 21 February 2022.

Other assets includes accruals for miscellaneous debtors of €1m at 30 June 2022 (€nil at 31 December 2021).

12. Assets classified as held for sale

At 30 June 2022, assets classified as held for sale amounted to €20m (31 December 2021: €28m). This relates to collateral in possession. These properties are expected to be sold within the next 12 months.

13. Debt securities

	30 June 2022 Total HTC €m	31 December 2021 Total HTC €m
Government bonds	**2,911**	2,434
Corporate bonds	**56**	60
Gross debt securities	**2,967**	2,494

As at 30 June 2022, all unpledged debt securities are available to be used and are eligible as collateral (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements.

Debt securities that are managed on a HTC business model basis are accounted for at amortised cost. Debt securities that are managed on a HTC&S basis are accounted for at FVOCI.

Government bonds of €2.9bn (31 December 2021: €2.4bn) comprise of Irish, Spanish, Portuguese, French and Italian government bonds which are designated as HTC. Corporate bonds of €56m (31 December 2021: €60m) comprise of Residential Mortgage Backed Securities and are designated as HTC. The HTC securities represent a portfolio of securities purchased for the purpose of collecting contractual cashflows to maturity. The Group has no HTC&S securities as at 30 June 2022.

At 30 June 2022, debt securities at amortised cost with a fair value of €1,107m (31 December 2021: €732m) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the statement of financial position.

All debt securities at 30 June 2022 are stage 1.

(A) HTC

The movement in HTC securities is classified as follows:

	30 June 2022 HTC €m	31 December 2021 HTC €m
As at 1 January	**2,494**	2,583
Additions	**598**	-
Maturities	**(99)**	(46)
Interest net of cash receipts	**(4)**	-
Amortisation of premium/(discount)	**(22)**	(43)
Total	**2,967**	2,494

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

Held at amortised cost

As at 30 June 2022, the amount arising from ECL on debt securities measured at amortised cost is €0.8m (31 December 2021: €0.7m). The ECL on debt instruments measured at amortised cost is offset against the carrying amount of the assets in the statement of financial position.

14. Equity securities

	30 June 2022 €m	31 December 2021 €m
As at 1 January	**26**	24
Revaluation	**(1)**	2
Total equity investments	**25**	26

The carrying value of equity securities can be analysed as follows:

	30 June 2022 €m	31 December 2021 €m
Unlisted	**25**	26
Total equity investments	**25**	26

PTSB Group holds Series A and Series B preferred stock in Visa Inc. at 30 June 2022 with a value of €25m. The Series A preferred stock was acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc. These were fair valued at €17m and €8m respectively at 30 June 2022 (31 December 2021: €17m and €9m) and are recognised in the statement of financial position at FVOCI.

The fair value of the preferred stock Series A is classified as Level 1 and the fair value of the preferred stock Series B is classified as Level 3, as the valuation of these preferred stock includes inputs that are based on unobservable data (refer to note 27 for further details).

15. Loans and advances to customers

Loans and advances by category are set out below:

	30 June 2022 €m	31 December 2021 €m
Residential mortgages		
Held through special purpose entities	**9,684**	7,337
Held directly	**4,606**	6,854
	14,290	14,191
Commercial mortgage loans	**211**	196
Consumer finance (term loans/other)	**375**	358
Gross loans and advances to customers	**14,876**	14,745
Less: provision for impairment (note 16)	**(586)**	(604)
Deferred fees, discount fees and other adjustments	**153**	115
Net loans and advances to customers	**14,443**	14,256

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 2022 €m	31 December 2021 €m	30 June 2022 €m	31 December 2021 €m
Tracker rate	**5,685**	6,027	**5,293**	5,605
Variable rate	**2,521**	2,820	**2,388**	2,688
Fixed rate	**6,670**	5,898	**6,609**	5,848
	14,876	14,745	**14,290**	14,141
Deferred fees, discounts and fair value adjustments	**153**	115	**153**	115
Total	**15,029**	14,860	**14,443**	14,256

15. Loans and advances to customers (continued)

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

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

	30 June 2022 €bn	31 December 2021 €bn
Residential mortgages held through special purpose entities	**9.7**	7.3
Notes issued by special purpose entities		
- rated	**8.5**	6.1
- unrated	**1.2**	1.2

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

	30 June 2022 €bn	31 December 2021 €bn
Sold to third parties and included within debt securities in issue (non-recourse) on the statement of financial position (note 21)	**0.2**	0.2
Available collateral*	**4.8**	5.3
Rated notes, awaiting Eurosystem eligibility	**2.6**	-
Rated notes, unavailable for collateral	**0.9**	0.6
Unrated notes	**1.2**	1.2
	9.7	7.3

*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 2022 and the year ended 31 December 2021 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 2022	**11,689**	**2,239**	**815**	**2**	**14,745**
New assets originated*	**908**	**59**	**-**	**-**	**967**
Stage Transfers:					
Transfer from Stage 1 to Stage 2	**(339)**	**339**	**-**	**-**	**-**
Transfer to Stage 3	**(10)**	**(57)**	**67**	**-**	**-**
Transfer from Stage 2 to Stage 1	**324**	**(324)**	**-**	**-**	**-**
Transfer from Stage 3	**3**	**56**	**(59)**	**-**	**-**
Net movement arising from transfer of stage	**(22)**	**14**	**8**	**-**	**-**
Redemptions and repayments	**(664)**	**(117)**	**(35)**	**-**	**(816)**
Decrease due to write offs	**-**	**(1)**	**(18)**	**-**	**(19)**
Disposals	**-**	**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**(1)**	**(1)**
Balance as at 30 June 2022	**11,911**	**2,194**	**770**	**1**	**14,876**

* Loan originations are net of repayments in the period

15. Loans and advances to customers (continued)

During the first half of 2022, Stage 1 balances increased by €222m. The increase is driven by the origination of new assets and offset by redemptions, repayment and a net migration from Stage 1 to Stage 2 (€15m).

Stage 2 balances reduced by €45 million. The reduction is primarily attributable to redemptions and repayments. The net migration from Stage 1 to Stage 2 (€15m) is driven by a deterioration in risk grade composition.

	Non-credit impaired		Credit impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
Balance as at 1 January 2021	10,575	3,152	1,127	1	14,855
New assets originated*	1,843	111	2	-	1,956
Stage Transfers:					
Transfer from Stage 1 to Stage 2	(311)	311	-	-	-
Transfer to Stage 3	(23)	(257)	280	-	-
Transfer from Stage 2 to Stage 1	875	(875)	-	-	-
Transfer from Stage 3	5	185	(190)	-	-
Net movement arising from transfer of stage	546	(636)	90	-	-
Redemptions and repayments	(1,270)	(259)	(78)	-	(1,607)
Decrease due to write offs	-	(5)	(60)	-	(65)
Disposals	(5)	(124)	(266)	-	(395)
Other movements	-	-	-	1	1
Balance as at 31 December 2021	11,689	2,239	815	2	14,745

* Loan originations are net of repayments in the period

16. Impairment provisions

Loans and advances to customers

The following table reflects NPLs for which ECL provisions are held and an analysis of Stage 1, Stage 2 and Stage 3 ECL provisions across the loans and advances to customers' portfolio.

The non-performing loan balance as at 30 June 2022 was €771m (31 December 2021: €817m). Refer to note 28 for further details.

30 June 2022

	Loans and advances to customers	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	**12,770**	**392**	**3.1%**	**62**	**42**	**112**	**216**	**1.7%**
- Buy-to-let	**1,520**	**317**	**20.9%**	**2**	**149**	**134**	**285**	**18.8%**
Commercial	**211**	**43**	**20.4%**	**-**	**31**	**21**	**52**	**24.6%**
Consumer finance:								
- Term loans / other	**375**	**19**	**5.1%**	**6**	**12**	**15**	**33**	**8.8%**
Total gross loans	**14,876**	**771**	**5.2%**	**70**	**234**	**282**	**586**	**3.9%**
Impairment provision	**(586)**							
Deferred fees, discounts and fair value adjustments	**153**							
Balance as at 30 June 2022	**14,443**							

16. Impairment provisions (continued)

31 December 2021

	Loans and advances to customers	NPLs	NPL % of total loans	ECL provisions Stage 1	Stage 2	Stage 3	Total	Total ECL provisions as % of total loans
	€m	€m	%	€m	€m	€m	€m	%
Residential:								
- Home loans	12,568	420	3.3%	55	45	127	227	1.8%
- Buy-to-let	1,623	339	20.9%	1	152	145	298	18.4%
Commercial	196	44	22.5%	-	30	23	53	27.0%
Consumer finance:								
- Term loans / other	358	14	3.9%	5	11	10	26	7.3%
Total gross loans	14,745	817	5.5%	61	238	305	604	4.1%
Impairment provision	(604)							
Deferred fees, discounts and fair value adjustments	115							
Balance as at 31 December 2021	14,256							

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

30 June 2022
Total by portfolio

	Residential mortgages	Commercial	Consumer finance	Total
	€m	€m	€m	€m
ECL as at 1 January 2022	**525**	**53**	**26**	**604**
Redemptions and repayments	**(9)**	**(5)**	**-**	**(14)**
Net remeasurement of loss allowance	**(17)**	**(4)**	**7**	**(14)**
Loan originations	**12**	**8**	**3**	**23**
Net movement excluding derecognition	**(14)**	**(1)**	**10**	**(5)**
Derecognition-disposals	**-**	**-**	**-**	**-**
Derecognition-repossessions	**-**	**-**	**-**	**-**
Derecognition-write offs*	**(10)**	**-**	**(3)**	**(13)**
Derecognition	**(10)**	**-**	**(3)**	**(13)**
ECL as at 30 June 2022	**501**	**52**	**33**	**586**
Net movement excluding derecognition (from above)				**(5)**
Interest income booked but not recognised				**(3)**
Write offs net of recoveries				**(1)**
Impairment write-back on customer loans and advances for the half year ended 30 June 2022				**(9)**

* 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.

16. Impairment provisions (continued)

31 December 2021

Total by portfolio

	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
ECL as at 1 January 2021	639	53	36	728
Redemptions and repayments	(45)	(4)	(3)	(52)
Net remeasurement of loss allowance	35	(4)	(8)	23
Loan originations	16	13	5	34
Net movement excluding derecognition	6	5	(6)	5
Derecognition-disposals	(84)	(2)	-	(86)
Derecognition-repossessions	(1)	-	-	(1)
Derecognition-write offs*	(35)	(3)	(4)	(42)
Derecognition	(120)	(5)	(4)	(129)
ECL as at 31 December 2021	525	53	26	604
Net movement excluding derecognition (from above)				5
Interest income booked but not recognised				(8)
Write offs net of recoveries				2
Impairment write-back on customer loans and advances for the year ended 31 December 2021.				(1)

* The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. 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.

16. Impairment provisions (continued)

Total by Stage

	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2022	61	238	305	604
Transfer to Stage 1	8	(8)	-	-
Transfer to Stage 2	(3)	16	(13)	-
Transfer to Stage 3	-	(5)	5	-
Stage Transfers	5	3	(8)	-
Redemptions and repayments	(2)	(7)	(5)	(14)
Net remeasurement of loss allowance	(6)	(11)	3	(14)
Loan originations	12	11	-	23
Net movement excluding derecognition	4	(7)	(2)	(5)
Derecognition-disposals	-	-	-	-
Derecognition-repossessions	-	-	-	-
Derecognition-write offs*	-	-	(13)	(13)
Derecognition	-	-	(13)	(13)
ECL as at 30 June 2022	70	234	282	586
Net movement excluding derecognition (from above)				(5)
Interest income booked but not recognised				(3)
Write offs net of recoveries				(1)
Impairment write-back on customer loans and advances for the half year ended 30 June 2022				(9)

* 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.

16. Impairment provisions (continued)

Total by Stage

	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2021	55	286	387	728
Transfer to Stage 1	23	(23)	-	-
Transfer to Stage 2	(4)	42	(38)	-
Transfer to Stage 3	-	(44)	44	-
Stage transfers	19	(25)	6	-
Redemptions and repayments	(4)	(27)	(21)	(52)
Net remeasurement of loss allowance	(26)	(9)	58	23
Loan originations	17	17	-	34
Net movement excluding derecognition	(13)	(19)	37	5
Derecognition-disposals	-	(2)	(84)	(86)
Derecognition-repossessions	-	-	(1)	(1)
Derecognition-write offs*	-	(2)	(40)	(42)
Derecognition	-	(4)	(125)	(129)
ECL as at 31 December 2021	61	238	305	604
Net movement excluding derecognition (from above)				5
Interest income booked but not recognised				(8)
Write offs net of recoveries				2
Impairment write-back on customer loans and advances for the year ended 31 December 2021				(1)

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

Modified Financial Assets

There have been no significant modified financial assets for which the loss allowance has changed from lifetime to 12-month ECL at 30 June 2022 and 31 December 2021.

17. Interest in associated undertakings and joint ventures

	30 June 2022 €m	31 December 2021 €m
Synch Payments and Clearpay	**2**	2
	2	2

The Group owns a non-controlling interest in Synch Payments DAC (25%) and Clearpay DAC (33%). These investments are accounted for under the equity method in the consolidated financial statements and have a carrying value of €2m (31 December 2021: €2m). These investments will be increased or decreased by the Group's share of the profit or loss which will be assessed annually.

18. Deferred taxation

	30 June 2022 €m	31 December 2021 €m
Deferred tax liabilities	**(25)**	(26)
Deferred tax assets	**378**	376
Net deferred tax assets	**353**	350

	30 June 2022 €m	31 December 2021 €m
At 1 January	**350**	349
Recognised through Income statement (note 6)	**3**	2
Recognised in equity	**-**	(1)
30 June/31 December	**353**	350

At 30 June 2022, the Group had a net deferred tax asset of €353m.

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 €377m at 30 June 2022. It should be noted that with the exception of an amount of €54k relating to PTSBGH, the full deferred tax asset on tax losses relates to tax losses generated in the PTSB legal entity (i.e. no deferred tax asset is being recognised on tax losses carried forward in any other Group company).

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

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

- The current macroeconomic environment and external forecasts for the Irish economy particularly in light of the Covid-19 pandemic, the geopolitical environment, the forecast interest rate rises and inflationary risks;
- The significant progress made on the Group's NPL strategy and the deleveraging of the Group's Non-Core portfolios in recent years;
- The current expected trajectory of the Group's financial performance;
- The impairment performance;
- The Group's projected liquidity and capital position;
- The absolute level of deferred tax assets on tax losses compared to the Group's equity;
- The quantum of profits required to be generated to utilise the tax losses and the extended period of time over which these profits are projected to be generated;
- The challenge of forecasting over an extended period and in particular taking account of external factors such as the Covid-19 pandemic, global political uncertainty, inflation, the level of competition and disruptors to the market and market size;
- Consideration of the assumptions underpinning the Group's financial projections (on which analysis of the recoverability of the deferred tax asset on tax losses are based). The key relevant assumptions considered being:
  - No material change to the Group's business activities in the medium term;
  - Further progress in addressing the Group's legacy, non-performing assets;
  - NIM is expected to be positively impacted by the evolution of the Group's lending book as new lending volumes are added and lower yielding tracker mortgages pay down; however, further material reductions in cost of funds are considered unlikely;
  - An expectation that mortgage market size will continue to return to normalised levels of activities;
  - 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;
- Consideration of forecasting risks including a sensitivity analysis on the financial projections. This sensitivity considered the effect of higher than expected impairments, the cost of funds or operating expenditure, as well as lower than expected asset yields, new lending or ECB rates.

18. 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 €377m of a deferred tax asset on tax losses on the statement of financial position as at 30 June 2022.

In this regard, the Group has carried out an exercise to determine the likely number of years required to utilise the deferred tax asset arising on tax losses carried forward. Based on the Group's latest forecast plans to 2026 and assuming a level of profitability growth consistent with GDP growth of approximately 2.5%, it will take c.17 years for the deferred tax asset on tax losses of €377m to be utilised. A level of profitability consistent with GDP growth continues to be considered by Management to be appropriate given the Group's primarily domestic retail focus and the expectation arising therefrom that, over the long-term, the Group's performance would be expected to broadly track the performance of the Irish economy. While the COVID-19 pandemic and geopolitical uncertainty has significantly impacted GDP in the short-term it is expected that, over the medium-term, GDP will recover and Management are of the view that a long-term assumed growth rate of 2.5% is not unreasonable in this context.

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

The expected period of time to full utilisation of the deferred tax asset has decreased since 31 December 2021 from 22 years to 17 years. This is mainly due to forecast interest rate rises. These revised profitability figures also impact the assumed long-term projections for the Group with the result that the expected utilisation period has decreased. Assumptions underpinning the deferred tax asset recoverability analysis are broadly in line with prior periods.

It should be further noted that the analysis of the estimated utilisation of the deferred tax asset arising on tax losses carried forward in PTSB is based on the current business model of the Group. The Ulster Bank transaction is expected to be profit generative and if completed, would reduce the deferred tax asset utilisation period.

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

19. Deposits by banks (including central banks)

	30 June 2022	31 December 2021
	€m	€m
Placed by other banks and institutions on repurchase agreements	**821**	347
Other deposits	**1**	-
Deposits by banks	**822**	347

Securities which are sold under agreements to repurchase are secured by Irish and other eligible Government bonds. These agreements are completed under market standard Global Master Repurchase Agreements. The fair value of the financial assets pledged under existing agreement to repurchase is €1,107m at 30 June 2022 (31 December 2021: €732m).

Other deposits include €1m (31 December 2021: €nil) of cash collateral placed in relation to derivative positions and repurchase agreements.

20. Customer accounts

	30 June 2022 €m	31 December 2021 €m
Term deposits	**1,851**	2,226
Demand deposits	**8,092**	7,657
Current accounts	**8,013**	7,104
Notice and other accounts	**2,113**	2,102
Customer accounts	**20,069**	19,089

At 30 June 2022, the Group held corporate deposits of €1.1bn (31 December 2021: €1.4bn).

An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 28.

21. Debt securities in issue

	30 June 2022 €m	31 December 2021 €m
At amortised cost		
Bonds and medium-term notes	**653**	352
Non-recourse funding	**141**	172
	794	524

Maturity analysis

	30 June 2022	31 December 2021
Repayable in less than 1 year	**6**	2
Repayable in greater than 1 year but less than 5 years	**647**	350
Repayable in greater than 5 years	**141**	172
	794	524

Bonds and medium-term notes
In June 2022, PTSBGH issued a €300m of Senior Unsecured Medium Term Note priced at Euro 5 year mid-swaps + 375bps, which equates to a yield of 5.238%. This note has maturity date of June 2025. Interest is payable on the nominal amount annually in arrears on the coupon date.

Non-recourse funding
As at 30 June 2022 the Group had advances of €141m (31 December 2021: €172m) collateralised on residential property loans of €130m (31 December 2021: €153m) subject to non-recourse funding by way of residential mortgage securitisations. Residential mortgage securitisations involve transferring the interest in pools of mortgages to special purpose entities which issue mortgage-backed floating rate notes to fund the purchase of the interest in mortgage pools. These loans, which have not been de-recognised, are shown within loans and advances to customers while the non-recourse funding is shown as a separate liability.

Non-recourse funding reduced by €31m between 31 December 2021 and 30 June 2022, primarily due to pay down of non-recourse funding during the year. The Group did not have any defaults of principal or interest or other breaches with respect to non-recourse funding during 2022.

21. Debt securities in issue (continued)

Under the terms of these securitisations, the rights of the providers of the related funds are limited to the mortgage loans in the securitised portfolios, together with any related income generated by the portfolios and the subordinated loans provided by the Group, without further recourse to the Group. During the term of the transactions, any amounts realised from the portfolios in excess of that due to the providers of the funding, less any related administrative costs, will be paid to the Group. The providers of this funding have agreed in writing (subject to the customary warranties and covenants) that they will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the mortgages and related security and any subordinated loans provided by the Group, and that they will not seek recourse in any other form.

22. Other liabilities

	30 June 2022 €m	31 December 2021 €m
Amounts falling due within one year		
PAYE and social insurance	**-**	4
Creditor accruals	**107**	79
Other*	**9**	56
Lease liability	**5**	5
Total amounts falling due within one year	**121**	144
Amounts falling due greater than one year		
Lease liability	**23**	26
Total amounts falling due greater than one year	**23**	26
Total other liabilities	**144**	170

* €48m deposit with respect to Glenbeigh III was paid during the period on the realisation of the sale.

23. Provisions

	2022				2021			
	Restructuring costs €m	**Provision for legacy, legal and compliance liabilities €m**	**Other €m**	**Total €m**	Restructuring costs €m	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m
As at 1 January	**6**	**28**	**21**	**55**	28	29	20	77
Provisions made during the period	**1**	**5**	**1**	**7**	7	21	9	37
Write-back of provisions during the period	**-**	**-**	**(6)**	**(6)**	-	(3)	(7)	(10)
Provisions used during the period	**(2)**	**(5)**	**(1)**	**(8)**	(29)	(19)	(1)	(49)
As at 30 June/31 December	**5**	**28**	**15**	**48**	6	28	21	55

The provision at 30 June 2022 is €48m (31 December 2021: €55m) which is comprised of the following:

Restructuring costs

During 2020, the Group announced an Enterprise Transformation Programme. At 31 December 2020, a provision for restructuring of €27m was recognised based on the estimate of the costs of this programme. During 2021 an additional provision of €7m was made and an amount of €29m was utilised as part of this programme. During 2022 an additional provision of €1m was made and an amount of €2m was utilised as part of this programme. The remaining provision of €4m is based on an estimate of the remaining costs to bring the programme to a conclusion. This programme is expected to conclude within the next 12 months.

The Group remains a lessee on a number of non-cancellable leases over properties that it no longer occupies following a restructure in 2013. The remaining provision of €1m relates to dilapidation costs associated with the remaining properties.

23. Provisions (continued)

Provision for legacy, legal and compliance liabilities

As at 30 June 2022, the Group has provisions of €28m relating to legal, compliance and other costs of on-going disputes in relation to legacy business issues (31 December 2021: €28m).

A provision of €5m was made during 2022 relating to legal, compliance and other costs of on-going disputes in relation to legacy business issues.

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

Other

As at 30 June 2022, the provision of €15m (31 December 2021: €21m) primarily relates to indemnities and guarantees provided by the Group, together with further costs, relating to deleveraging of various asset portfolios.

24. Subordinated liabilities

	30 June 2022 €m	31 December 2021 €m
At amortised cost:		
€250m Tier 2 capital notes due August 2031, Callable 2026	**255**	252
	255	252

Maturity date

	30 June 2022 €m	31 December 2021 €m
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	**249**	249
	255	252

Tier 2 capital notes – PTSBGH

In May 2021, PTSBGH issued €250m of Tier 2 capital notes at a fixed rate of 3% per annum. The notes mature on 19 August 2031 with a call date of any date from and including 19 May 2026 to and including 19 August 2026. 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.

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

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

25. 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 2022

	Number of shares	30 June 2022 €m
Ordinary shares of €0.50 each	**1,550,000,000**	**775**

31 December 2021

	Number of shares	31 December 2021 €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 2022

	€0.50 Ordinary shares	Total €m
As at 1 January 2022	**454,695,492**	
Movement	**-**	
As at 30 June 2022	**454,695,492**	
Issued share capital (€m)	**227**	**227**
Shares held under employee benefit trust	**4,580**	
% of Authorised capital issued		**29%**

Balance as at 31 December 2021

	€0.50 Ordinary shares	Total €m
As at 1 January 2021	454,695,492	
Movement	-	
As at 31 December 2021	454,695,492	
Issued share capital (€m)	227	227
Shares held under employee benefit trust	4,580	
% of Authorised capital issued		29%

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

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.

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.

€5m (2021: €21m) coupon interest on the AT1 securities was paid from this reserve during 2022.

Other equity instruments - Non-distributable

	30 June 2022 €m	31 December 2021 €m
As at 1 January	**123**	245
Issued during the period	**-**	-
Redemption during the period	**-**	-
Additional Tier 1 securities (issued 2015)	**-**	(122)
Additional Tier 1 securities	**123**	123

On 25 November 2020, the PTSBGH plc ('Company') issued €125m nominal value of AT1 Perpetual Temporary Write Down securities as part of a 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.

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

Although the AT1 securities are perpetual, the Company may, in its sole discretion, redeem the AT1 securities in full on any day falling in the period commencing 25 November 2025 and the first reset date above and on every interest payment date thereafter (subject to the approval of the Supervisory Authority) at the prevailing principal amount together with accrued but unpaid interest. In addition, the securities are redeemable at the option of the Company for certain regulatory or tax reasons, subject to regulatory approval.

The securities, which do not carry voting rights, rank pari passu with holders of other tier 1 instruments (excluding the Company's ordinary shares). They rank ahead of the holders of ordinary share capital of the Company but junior to the claims of senior creditors and to Tier 2 capital of the Company.

Under the EU (Bank Recovery and Resolution) Regulations 2015, these securities are loss absorbing at the point of non-viability. On the occurrence of a trigger event, at any time, any accrued and unpaid interest up to (but excluding) the write down date shall be automatically and irrevocably cancelled, and the then Prevailing Principal Amount of each Security shall be automatically and irrevocably reduced by the write down amount. This will occur if the CET1 Capital Ratio of PTSB or the Group at any time falls below 7%. Subsequent to any write-down event the Company may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

On 6 May 2015, PTSB issued €125m fixed rate resettable 'AT1 securities' as part of a capital raise. The AT1 securities were redeemed in full on the first reset date for the fixed rate being 1 April 2021, following the attainment of the required approval of the Supervisory Authority.

26. 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 2022

	Revaluation reserve €m	Fair value reserve €m	Retained earnings €m	Total €m
Other comprehensive expense (net of tax)				
Revaluation of property	**-**	**-**	**-**	**-**
Fair value reserve (equity instruments):				
Change in value of equity instruments	**-**	**(1)**	**-**	**(1)**
Fair value reserve (debt instruments):				
Change in fair value of debt instruments	**-**	**-**	**-**	**-**
Total other comprehensive expense, net of tax	**-**	**(1)**	**-**	**(1)**

* Fair value reserve: previously classified as 'available for sale' reserve under IAS 39.

Twelve months to 31 December 2021

	Revaluation reserve €m	Fair value reserve €m	Retained earnings €m	Total €m
Other comprehensive income (net of tax)				
Revaluation of property	2	-	-	2
Fair value reserve (equity instruments):				
Change in value of equity instruments	-	2	-	2
Fair value reserve (debt instruments):				
Change in fair value of debt instruments	-	-	-	-
Total other comprehensive income, net of tax	2	2	-	4

* Fair value reserve: previously classified as 'available for sale' reserve under IAS 39.

26. Analysis of other comprehensive income (continued)

Six months to 30 June 2021

	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 value of equity instruments	-	2	-	2
Fair value reserve (debt instruments):				
Change in fair value of debt instruments	-	-	-	-
Total other comprehensive income, net of tax	-	2	-	2

27. 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 2022

	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair value €m
Financial assets							
Cash at bank	8	**54**	**-**	**-**	**-**	**54**	**54**
Items in the course of collection	8	**22**	**-**	**-**	**-**	**22**	**22**
Loans and advances to banks	9	**5,629**	**-**	**-**	**-**	**5,629**	**5,629**
Derivative assets	10	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities	13	**2,967**	**-**	**-**	**-**	**2,967**	**2,827**
Equity securities	14	**-**	**25**	**-**	**-**	**25**	**25**
Loans and advances to customers	15,16	**14,443**	**-**	**-**	**-**	**14,443**	**13,910**
Financial liabilities							
Deposits by banks	19	**822**	**-**	**-**	**-**	**822**	**822**
Customer accounts	20	**20,069**	**-**	**-**	**-**	**20,069**	**20,072**
Debt securities in issue	21	**794**	**-**	**-**	**-**	**794**	**787**
Subordinated liabilities	24	**255**	**-**	**-**	**-**	**255**	**215**

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

31 December 2021

	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair value €m
Financial assets:							
Cash at bank	8	57	-	-	-	57	57
Items in the course of collection	8	20	-	-	-	20	20
Loans and advances to banks	9	4,174	-	-	-	4,174	4,174
Derivative assets	10	-	-	1	-	1	1
Debt securities	13	2,494	-	-	-	2,494	2,526
Equity securities	14	-	26	-	-	26	26
Loans and advances to customers	15,16	14,256	-	-	-	14,256	13,982
Financial liabilities:							
Deposits by banks	19	347	-	-	-	347	347
Customer accounts	20	19,089	-	-	-	19,089	19,092
Debt securities in issue	21	524	-	-	-	524	530
Subordinated liabilities	24	252	-	-	-	252	256

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.

The following table sets out the fair value of financial instruments that the Group holds at 30 June 2022. It categorises these financial instruments into the relevant level on the fair value hierarchy.

Basis and fair value of financial instruments
30 June 2022

	Note	Total carrying value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets:						
Cash at bank	8	**54**	**54**	**-**	**-**	**54**
Items in the course of collection	8	**22**	**-**	**22**	**-**	**22**
Loans and advances to banks	9	**5,629**	**-**	**5,629**	**-**	**5,629**
Derivative assets	10	**-**	**-**	**-**	**-**	**-**
Debt securities	13	**2,967**	**2,827**	**-**	**-**	**2,827**
Equity securities	14	**25**	**17**	**-**	**8**	**25**
Loans and advances to customers	15,16	**14,443**	**-**	**-**	**13,910**	**13,910**
Financial liabilities:						
Deposits by banks	19	**822**	**-**	**822**	**-**	**822**
Customer accounts	20	**20,069**	**-**	**20,072**	**-**	**20,072**
Debt securities in issue	21	**794**	**647**	**140**	**-**	**787**
Subordinated liabilities	24	**252**	**215**	**-**	**-**	**215**

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

31 December 2021

		Total carrying value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets:						
Cash at bank	8	57	57	-	-	57
Items in the course of collection	8	20	-	20	-	20
Loans and advances to banks	9	4,174	-	4,174	-	4,174
Derivative assets	10	1	-	1	-	1
Debt securities	13	2,494	2,526	-	-	2,526
Equity securities	14	26	17	-	9	26
Loans and advances to customers	15,16	14,256	-	-	13,982	13,982
Financial liabilities:						
Deposits by banks	19	347	-	347	-	347
Customer accounts	20	19,089	-	19,092	-	19,092
Debt securities in issue	21	524	357	173	-	530
Subordinated liabilities	24	252	256	-	-	256

(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 2021 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 reporting period, which may not necessarily be indicative of any subsequent fair value. Any changes in the assumptions used could have a significant impact on the resulting estimated fair values and, as a result, it may be difficult for the users to make a reasonable comparison of the fair value information disclosed in this note, against that disclosed by other financial institutions or to evaluate the Group's financial position and, therefore, are advised to exercise caution in interpreting these fair values. Also, the fair values disclosed above do not represent, nor should it be interpreted to represent, the underlying value of the Group as a going concern at the reporting date.

Financial assets and financial liabilities not subsequently measured at fair value

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

Cash at bank

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

Items in course of collection

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

Loans and advances to banks

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

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

Loans and advances to customers

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

Debt securities (HTC securities)

Debt securities as at 30 June 2022 are €2,967m (31 December 2021: €2,494m) and consists of HTC securities. HTC securities are derived from observable inputs through independent pricing sources such as Bloomberg.

Deposits by banks/customer accounts

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

Debt securities in issue/subordinated liabilities

The fair values of debt securities in issue/subordinated liabilities are estimated using market prices of instruments that are substantially the same as those issued by the Group. Where a readily available market price is unavailable in relation to the instrument, an estimated price is calculated using observable inputs for similar instruments. If observable inputs are not available, an appropriate credit spread linked to similar instruments, is used within the valuation technique.

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 FVOCI. Derivative assets and liabilities are HFT and fair valued through the income statement.

Derivative assets and liabilities

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

Equity securities

PTSB Group holds Series A and Series B preferred stock in Visa Inc. at 30 June 2022. The Series A preferred stock was acquired during 2020 upon the conversion of Series B preferred stock by Visa Inc. These were fair valued at €25m at 30 June 2022 (31 December 2021: €26m) and are recognised in the statement of financial position at FVOCI.

The fair values of the preferred stock in Visa Inc. is classified as Level 1 and the fair value of the preferred stock series B is classified as Level 3, as the valuation of these preferred stock includes inputs that are based on unobservable data.

Fair value measurements recognised in the statement of financial position
30 June 2022

	Note	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets matured at fair value					
Derivative assets	10	**-**	**-**	**-**	**-**
Equity instruments	14	**17**	**-**	**8**	**25**

31 December 2021

	Note	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets matured at fair value					
Derivative assets	10	-	1	-	1
Equity instruments	14	17	-	9	26

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

Reconciliation of level 3 fair value measurements of financial assets

	30 June 2022	31 December 2021
	€m	€m
Equity instruments		
As at 1 January	**9**	8
Revaluation movement in OCI – Fair value reserve (equity instruments)	**(1)**	1
Transfer to Level 1	**-**	-
As at 30 June/31 December	**8**	9

There has been no transfers in/out of level 3 per the fair value hierarchy in the period ended 30 June 2022 or 31 December 2021.

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 2022

	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%**	**8**	**0 - 90%**

* Discount has been applied for illiquidity and the conversion rate of the Visa Inc. Series A and Series B preferred stock

31 December 2021

	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%	9	0-90%

* Discount has been applied for illiquidity and the conversion rate of the Visa Inc. Series A and Series B preferred stock

Significant unobservable inputs

Visa Inc. Series A and Series B preferred stock

Series A preferred stock held by PTSB was acquired during 2020 upon the partial conversion of Series B preferred stock by Visa Inc. These Series A and B preferred stock were fair valued at €17m and €8m respectively at 30 June 2022 (31 December 2021: €17m and €9m) and are recognised in the statement of financial position at FVOCI.

Valuation Methodology: The Visa Inc. Class A Common stock price and conversion ratios were applied to the PTSB shareholding of Visa Inc. Series A and Series B preferred shares at 30 June 2022 and 31 December 2021. Future conversions are calculated using discounted cash follows. The stock was revalued at the year-end exchange rate.

Unobservable input: The unobservable inputs are the discount factor used to discount the future conversions of Series B preferred stock.

The Visa Inc. Series B preferred stock is denominated in US dollars.

The Visa Inc. Series A and Series B preferred stock is denominated in US dollars and is exposed to FX risk.

28. Financial risk management

The Group's risk management framework, risk identification and assessment process are disclosed in detail in the Risk Management section of the Interim Report.

Credit risk

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions.

The Group manages credit risk through detailed credit policies for each business unit which outline relevant conditions under which a loan can be made covering collateral credit assessment risk grading and compliance. Credit policies establish coherent limit systems for credit risk. There are various limit structures which are in place to manage credit default risk, concentration risk, settlement risk and counterparty risk.

The GCC, as created by the Board of Directors, oversees the overall exposure to credit risk and the arrangements put in place to minimise credit risk in line with regulatory and statutory requirements.

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 2022	31 December 2021
		€m	€m
Cash at bank	8	**54**	57
Items in the course of collection	8	**22**	20
Loans and advances to banks (iii)	9	**5,629**	4,174
Derivative assets (ii)	10	**-**	1
Debt securities (i)	13	**2,967**	2,494
Loans and advances to customers (iv)	15	**14,443**	14,256
		23,115	21,002
Commitments and contingencies	29	**1,285**	1,181
		24,400	22,183

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

(i) Debt securities

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

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on the Group's internal rating policy which was approved by the CBI. The inputs to the ratings used in the table below are those prescribed by Moody's Investor Services Limited.

	30 June 2022	31 December 2021
	€m	€m
Rating		
Aaa	**56**	60
Aa2	**249**	-
A1	**1,609**	-
A2	**-**	1,463
Baa1	**508**	506
Baa2	**465**	465
Baa3	**80**	-
Total	**2,967**	2,494

28. Financial risk management (continued)

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

	30 June 2022	31 December 2021
	€m	€m
Country		
Ireland	**1,665**	1,523
Portugal	**465**	465
Spain	**508**	506
France	**249**	-
Italy	**80**	-
Total	**2,967**	2,494

(ii) Derivative assets

The Group has executed standard ISDA agreements with all of its counterparties. The Group has also executed CSAs with all of its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements, the Group exchanges collateral in line with movements in the market values of derivative positions daily. FX forward derivatives are settled gross. The cumulative positive market value of derivative assets at 30 June 2022 was €nil (31 December 2021: €1m). The Group manages its collateral derivative positions with counterparties on a net basis. The uncollateralised derivative positions are all held with investment grade counterparties.

(iii) Loans and advances to banks

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

	30 June 2022	31 December 2021
	€m	€m
Rating		
Aaa	**4,961**	3,709
Aa2	**183**	199
Aa3	**476**	258
A1	**8**	2
A2	**1**	6
Total	**5,629**	4,174

The following sections detail additional disclosures on Asset Quality.

(iv) Loans and advances to customers

Gross customer loans and advances

The tables below outline total loans and advances to customers for the Group analysed by home loan, buy-to-let, commercial and consumer finance.

28. Financial risk management (continued)

Measured at amortised cost

	30 June 2022 €m	31 December 2021 €m
Residential mortgages:		
Home loan	**12,770**	12,568
Buy-to-let	**1,520**	1,623
Total residential mortgages	**14,290**	14,191
Commercial	**211**	196
Consumer finance	**375**	358
Total measured at amortised cost	**14,876**	14,745
Analysed by ECL staging:		
Stage 1	**11,911**	11,689
Stage 2	**2,194**	2,239
Stage 3	**770**	815
POCI	**1**	2
Total measured at amortised cost	**14,876**	14,745
Of which at the reporting date:		
Neither past due nor Stage 3	**14,074**	13,885
Past due but not Stage 3	**31**	43
Stage 3	**771**	817
Total measured at amortised cost	**14,876**	14,745
Of which are reported as non-performing loans	**771**	817
Deferred fees, discounts and fair value adjustments	**153**	115

Asset Quality: 30 June 2022*

	Home loan €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Consumer €m	Total €m
Stage 1						
Excellent	7,306	166	7,472	1	139	7,612
Satisfactory	3,862	270	4,132	1	62	4,195
Fair	20	-	20	-	21	41
Standardised	-	-	-	-	63	63
	11,188	436	11,624	2	285	11,911
Stage 2						
Excellent	157	169	326	14	5	345
Satisfactory	349	358	707	72	21	800
Fair	684	240	924	80	27	1,031
Standardised	-	-	-	-	18	18
	1,190	767	1,957	166	71	2,194
Stage 3						
Default	392	317	709	43	19	771
Total measured at amortised cost	12,770	1,520	14,290	211	375	14,876

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

28. Financial risk management (continued)

Asset Quality: 31 December 2021*

	Home loan €m	Buy-to-let €m	Total Residential Mortgages €m	Commercial €m	Consumer €m	Total €m
Stage 1						
Excellent	7,096	184	7,280	1	160	7,441
Satisfactory	3,807	289	4,096	10	65	4,171
Fair	20	1	21	-	6	27
Standardised	-	-	-	-	50	50
	10,923	474	11,397	11	281	11,689
Stage 2						
Excellent	146	209	355	7	2	364
Satisfactory	344	334	678	58	17	753
Fair	735	267	1,002	76	29	1,107
Standardised	-	-	-	-	15	15
	1,225	810	2,035	141	63	2,239
Stage 3						
Default	420	339	759	44	14	817
Total measured at amortised cost	12,568	1,623	14,191	196	358	14,745

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

Past due but not Stage 3

The following tables provide an aged analysis of secured customer loans and advances which are past due but not Stage 3.

30 June 2022

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**17**	**2**	**-**	**19**
31-60 days	**3**	**1**	**-**	**4**
61-90 days	**2**	**2**	**-**	**4**
Total past due not Stage 3	**22**	**5**	**-**	**27**
Fair value of collateral held	**22**	**5**	**-**	**27**

Fair value of collateral held

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**17**	**2**	**-**	**19**
31-60 days	**3**	**1**	**-**	**4**
61-90 days	**2**	**2**	**-**	**4**
Total past due not Stage 3	**22**	**5**	**-**	**27**

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.

28. Financial risk management (continued)

31 December 2021

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	18	3	-	21
31-60 days	4	1	-	5
61-90 days	2	2	-	4
Total past due not Stage 3	24	6	-	30
Fair value of collateral held	24	6	-	30

Fair value of collateral held

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	18	3	-	21
31-60 days	4	1	-	5
61-90 days	2	2	-	4
Total past due not Stage 3	24	6	-	30

Collateral held against residential mortgages is principally comprised of residential properties; their fair value has been estimated based upon the last actual valuation, adjusted to take into account subsequent movement in house prices and is capped at the lower of the loan balance or the valuation amount.

Non-performing loans

Non-performing loans (NPLs) are loans which are credit impaired or loans which are classified as defaulted in accordance with the Group's definition of default. The Group's definition of default considers objective indicators of default including the 90 days past due criterion, evidence of exercise of concessions or modifications to terms and conditions is designed to be consistent with European Banking Authority (EBA) guidance on the definition of forbearance.

Foreclosed assets are assets held on the balance sheet which are obtained by taking possession of collateral or by calling on similar credit enhancements.

Non-performing assets are defined as NPLs plus foreclosed assets.

30 June 2022

	Stage 3				
	Home loans €m	**Buy-to-let €m**	**Commercial €m**	**Consumer finance €m**	**Total €m**
NPL is < 90 days	**220**	**151**	**36**	**7**	**414**
NPL is > 90 days and < 1 year past due	**39**	**52**	**-**	**3**	**94**
NPL is 1-2 years past due	**33**	**62**	**-**	**1**	**96**
NPL is 2-5 years past due	**42**	**16**	**-**	**2**	**60**
NPL is > 5 years past due	**58**	**36**	**7**	**5**	**106**
POCI	-	**-**	**-**	**1**	**1**
Non-performing loans	**392**	**317**	**43**	**19**	**771**
Foreclosed assets	**4**	**16**	**-**	**-**	**20**
Non-performing assets	**396**	**333**	**43**	**19**	**791**
NPLs as % of gross loans	**3.1%**	**20.9%**	**20.4%**	**5.1%**	**5.2%**

28. Financial risk management (continued)

31 December 2021

	Stage 3				
	Home loans €m	Buy-to-let €m	Commercial €m	Consumer finance €m	Total €m
NPL is < 90 days	251	177	40	1	469
NPL is > 90 days and < 1 year past due	32	89	1	6	128
NPL is 1-2 years past due	39	25	-	2	66
NPL is 2-5 years past due	36	10	-	1	47
NPL is > 5 years past due	62	38	3	2	105
POCI	-	-	-	2	2
Non-performing loans	420	339	44	14	817
Foreclosed assets	4	24	-	-	28
Non-performing assets	424	363	44	14	845
NPLs as % of gross loans	3.3%	20.9%	22.5%	3.9%	5.5%

Non-performing loans as a percentage of total loans and advances were 5.2% at 30 June 2022, a reduction from 5.5% at 31 December 2021.

Total portfolio loss allowance: statement of financial position

The tables below outline the ECL loss allowance total at 30 June 2022 and 31 December 2021 in respect of total customer loans and advances.

The impairment write-back in respect of the total loans and advances for half year ended 30 June 2022 was €9m, compared to a write-back of €1m for the year ended 31 December 2021.

	30 June 2022 €m	31 December 2021 €m
Loss allowance - statement of financial position		
Stage 1	**70**	61
Stage 2	**234**	238
Stage 3	**282**	305
Total loss allowance	**586**	604

	30 June 2022 %	31 December 2021 %
Provision coverage ratio*		
Stage 1	**0.6%**	0.5%
Stage 2	**10.7%**	10.6%
Stage 3	**36.6%**	37.3%
Total provisions/total loans	**3.9%**	4.1%

* 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 residential mortgage portfolios is 56% at 30 June 2022 compared to 58% at 31 December 2021.

28. Financial risk management (continued)

The Group's residential mortgage lending LTVs at 30 June 2022 reflects updated valuations obtained on high-exposure NPLs (largely impacting on high-exposure buy-to-let properties).

30 June 2022

	Home loans %	Buy-to-let %	Total %
Less than 50%	**41%**	**33%**	**40%**
50% to 70%	**37%**	**16%**	**35%**
71% to 90%	**21%**	**23%**	**21%**
91% to 100%	**1%**	**9%**	**2%**
Subtotal	**100%**	**81%**	**98%**
101% to 110%	**-**	**5%**	**1%**
111% to 120%	**-**	**4%**	**1%**
121% to 130%	**-**	**3%**	**-**
131% to 140%	**-**	**2%**	**-**
141% to 150%	**-**	**1%**	**-**
151% to 160%	**-**	**1%**	**-**
161% to 170%	**-**	**1%**	**-**
171% to 180%	**-**	**1%**	**-**
Greater than 180%	**-**	**1%**	**-**
Subtotal	**-**	**19%**	**2%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of residential mortgages	**54%**	**71%**	**56%**
New residential mortgages	**73%**	**59%**	**72%**
Stage 3 mortgages	**76%**	**104%**	**88%**

31 December 2021

	Home loans %	Buy-to-let %	Total %
Less than 50%	38%	32%	37%
50% to 70%	34%	16%	32%
71% to 90%	25%	21%	25%
91% to 100%	1%	11%	2%
Subtotal	98%	80%	96%
101% to 110%	1%	6%	1%
111% to 120%	-	4%	1%
121% to 130%	-	3%	1%
131% to 140%	1%	2%	1%
141% to 150%	-	1%	-
151% to 160%	-	1%	-
161% to 170%	-	1%	-
171% to 180%	-	-	-
Greater than 180%	-	2%	-
Subtotal	2%	20%	4%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	56%	74%	58%
New residential mortgages	69%	54%	69%
Stage 3 mortgages	78%	105%	90%

28. Financial risk management (continued)

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 2022 and 31 December 2021.

(i) Residential home loan mortgages:

The incidence of the main type of forbearance arrangements for owner occupied residential mortgages are analysed below:

30 June 2022

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**29**	**7**	**25**	**4**
Reduced payment (less than interest only)	**13**	**1**	**11**	**1**
Reduced payment (greater than interest only)	**1,643**	**235**	**954**	**148**
Payment moratorium	**41**	**5**	**32**	**5**
Arrears capitalisation	**462**	**59**	**266**	**34**
Term extension	**463**	**34**	**265**	**21**
Hybrid*	**359**	**53**	**205**	**31**
Split mortgages	**159**	**26**	**159**	**26**
Total	**3,169**	**420**	**1,917**	**270**

* Hybrid is a combination of two or more forbearance arrangements.

31 December 2021

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	61	12	52	8
Reduced payment (less than interest only)	35	5	33	5
Reduced payment (greater than interest only)	1,815	255	1,015	157
Payment moratorium	64	8	47	6
Arrears capitalisation	524	66	264	36
Term extension	483	38	245	20
Hybrid*	378	55	190	29
Split mortgages	164	28	164	28
Total	3,524	467	2,010	289

* Hybrid is a combination of two or more forbearance arrangements.

The tables above reflect a decrease of 355 cases in the half year ended 30 June 2022 for the Group in the number of residential home loan in forbearance arrangements, a decrease of €47m in balances. The average balance of forborne loans is €0.133m at 30 June 2022 (31 December 2021: €0.133m).

28. 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 2022

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**45**	**23**	**25**	**12**
Reduced payment (less than interest only)	**2**	**1**	**1**	**1**
Reduced payment (greater than interest only)	**177**	**54**	**118**	**35**
Payment moratorium	**1**	**-**	**1**	**-**
Arrears capitalisation	**53**	**23**	**19**	**9**
Term extension	**30**	**7**	**16**	**4**
Hybrid*	**79**	**40**	**54**	**25**
Split mortgages	**22**	**7**	**22**	**7**
Total	**409**	**155**	**256**	**93**

* Hybrid is a combination of two or more forbearance arrangements.

31 December 2021

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	54	27	31	15
Reduced payment (less than interest only)	-	-	-	-
Reduced payment (greater than interest only)	190	58	121	38
Payment moratorium	2	-	2	-
Arrears capitalisation	62	31	21	11
Term extension	32	6	13	3
Hybrid*	86	37	56	20
Split mortgages	23	7	23	7
Total	449	166	267	94

* Hybrid is a combination of two or more forbearance arrangements.

The tables above reflect a decrease of 40 cases in the half year to 30 June 2022 for the Group in the number of residential buy-to-let in forbearance arrangements, a decrease of €11m in balances. The average balance of forborne loans is €0.379m at 30 June 2022 (31 December 2021: €0.370m).

(iii) Commercial mortgages

The incidence of the main type of forbearance arrangements for commercial mortgages are analysed below:

Commercial mortgages

	30 June 2022		31 December 2021	
	Number	Balances €m	Number	Balances €m
Interest only	**-**	**-**	-	-
Reduced payment (less than interest only)	**-**	**-**	-	-
Reduced payment (greater than interest only)	**12**	**22**	13	23
Payment moratorium	**-**	**-**	-	-
Arrears capitalisation	**2**	**1**	5	7
Term extension	**9**	**2**	9	4
Hybrid*	**9**	**3**	10	3
Split mortgages	**-**	**-**	-	-
Total	**32**	**28**	37	37

*Hybrid is a combination of two or more forbearance arrangements.

The table above reflect a decrease of 5 cases in the half year ended 30 June 2022 for the Group in the number of commercial mortgages in forbearance arrangements, a decrease of €9m in balances.

28. 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 2022

	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 2022	**3,524**	**467**	**449**	**166**	**37**	**37**	**4,010**	**670**
New forbearance extended during the period*	**101**	**11**	**18**	**9**	**1**	**-**	**120**	**20**
Deleveraged loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exited forbearance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- re-classified to Stage 3 non-forborne	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**
- expired forbearance treatment	**(325)**	**(38)**	**(34)**	**(11)**	**(2)**	**(2)**	**(361)**	**(51)**
- expired loan paid down	**(128)**	**(11)**	**(24)**	**(6)**	**(4)**	**(6)**	**(156)**	**(23)**
Balance shift**	**-**	**(9)**	**-**	**(3)**	**-**	**(1)**	**-**	**(13)**
Closing balance of loans in forbearance for half year ended 30 June 2022	**3,169**	**420**	**409**	**155**	**32**	**28**	**3,610**	**603**

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2021

	Residential mortgages							
	Home loans cases	Home loans balances	Buy -to-let cases	Buy-to-let balances	Commercial cases	Commercial balances	Total cases	Total balances
		€m		€m		€m		€m
Opening balance 1 January 2021	5,066	726	679	231	44	20	5,789	977
New forbearance extended during the year*	458	62	76	30	7	24	541	116
Deleveraged loans	(845)	(115)	(214)	(48)	(4)	(3)	(1,063)	(166)
Exited forbearance								
- re-classified to Stage 3 non-forborne	(16)	(3)	(1)	-	-	-	(17)	(3)
- expired forbearance treatment	(753)	(139)	(58)	(29)	(3)	(1)	(814)	(169)
- expired loan paid down	(386)	(49)	(33)	(13)	(7)	(2)	(426)	(64)
Balance shift**	-	(15)	-	(5)	-	(1)	-	(21)
Closing balance of loans in forbearance as at 31 December 2021	3,524	467	449	166	37	37	4,010	670

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

28. Financial risk management (continued)

(ii) Reconciliation of movement in forborne loans Stage 3

30 June 2022

	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2022	**2,010**	**289**	**267**	**94**	**32**	**33**	**2,309**	**416**
New Stage 3 forbearance extended during the period*	**168**	**17**	**20**	**9**	**1**	**1**	**189**	**27**
Deleveraged loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exited forborne Stage 3, now performing forborne	**(172)**	**(22)**	**(11)**	**(2)**	**(1)**	**-**	**(184)**	**(24)**
Exited forbearance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- re-classified to Stage 3 non-forborne	**(2)**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**
- expired forbearance treatment	**(9)**	**(2)**	**(1)**	**(1)**	**-**	**-**	**(10)**	**(3)**
- expired loan paid down	**(78)**	**(9)**	**(19)**	**(5)**	**(4)**	**(6)**	**(101)**	**(20)**
Balance shift**	**-**	**(3)**	**-**	**(2)**	**-**	**(1)**	**-**	**(6)**
Closing balance loans in forbearance for half year ended 30 June 2022	**1,917**	**270**	**256**	**93**	**28**	**27**	**2,201**	**390**

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

31 December 2021

	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2021	2,850	438	478	151	36	14	3,364	603
New Stage 3 forbearance extended during the year*	538	74	77	31	6	25	621	130
Deleveraged loans	-	-	-	-	-	-	-	-
Exited forborne stage 3, now performing	(392)	(46)	(32)	(13)	(1)	(1)	(425)	(60)
Exited forbearance								
- re-classified to Stage 3 non-forborne	(12)	(2)	(1)	-	-	-	(13)	(2)
- expired forbearance treatment	(112)	(25)	(76)	(19)	(1)	(1)	(189)	(45)
- expired loan paid down	(862)	(146)	(179)	(55)	(8)	(4)	(1,049)	(205)
Balance shift**	-	(4)	-	(1)	-	-	-	(5)
Closing balance of loans in forbearance as at 31 December 2021	2,010	289	267	94	32	33	2,309	416

* Balance movements are stated net of portfolio re-classification.
** Balance movements in respect of loans which are in forbearance at the start and end of the year.

28. 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 non-repayment of the loan facility. The following tables outline the main movements in this category during the period.

Stock of collateral in possession*

	30 June 2022		31 December 2021	
	Number	Balance outstanding at transfer of ownership	Number	Balance outstanding at transfer of ownership
		€m		€m
Residential collateral in possession				
Home loans	**23**	**10**	27	10
Buy-to-let	**130**	**32**	165	42
Total	**153**	**42**	192	52

Collateral in possession assets are sold as soon as practicable. These assets which total €20m as at 30 June 2022 (31 December 2021: €28m) are included in assets held for sale (see note 12 for further details).

During the period the ownership of 1 properties were transferred to the Group.

The details of the transfers are provided in the table below:

	Number
Home loans	
Buy-to-let	1
Total	1

During the period 40 properties were disposed.

The details of the disposals are provided in the table below:

	Number
Home loans	4
Buy-to-let	36
Total	40

30 June 2022

	Number of disposals	Balance outstanding at transfer of ownership	Gross sales proceeds	Costs to sell	Pre provisioning loss on sale*
		€m	€m	€m	€m
Collateral in possession					
Home loans	**4**	**1**	**1**	**-**	**-**
Buy-to-let	**36**	**9**	**7**	**-**	**2**
Half year ended 30 June 2022	**40**	**10**	**8**	**-**	**2**

* 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.

28. Financial risk management (continued)

31 December 2021

	Number of disposals	Balance outstanding at transfer of ownership €m	Gross sales proceeds €m	Costs to sell €m	Pre provisioning loss on sale* €m
Collateral in possession					
Home loans	23	7	5	-	2
Buy-to-let	114	25	16	1	10
Year ended 31 December 2021	137	32	21	1	12

* Calculated as gross sales proceeds less balance outstanding at transfer of ownership less costs to sell. These losses are provided for as part of the impairment provisioning process.

Funding profile

The ALCO monitors sources of funding and their respective maturities with a focus on establishing a stable and cost effective funding profile. Excluding equity, the Group's funding profile as at 30 June 2022 can be broken down into the below component parts:

	30 June 2022 %	31 December 2021 %
Customer accounts	**91**	94
Long-term debt	**5**	4
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 2022

	Up to 1 month €m	**1-3 months €m**	**3-6 months €m**	**6-12 months €m**	**1-2 years €m**	**Over 2 years €m**	**Total €m**
Liabilities							
Deposits by banks	**822**	**-**	**-**	**-**	**-**	**-**	**822**
Customer accounts	**18,188**	**549**	**357**	**445**	**180**	**362**	**20,081**
Debt securities in issue	**2**	**4**	**6**	**12**	**24**	**843**	**891**
Lease liabilities	**2**	**-**	**1**	**2**	**4**	**21**	**30**
Subordinated liabilities	**1**	**1**	**2**	**4**	**7**	**304**	**319**
Total liabilities	**19,015**	**554**	**366**	**463**	**215**	**1,530**	**22,143**

28. Financial risk management (continued)

31 December 2021

	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Liabilities							
Deposits by banks	347	-	-	-	-	-	347
Customer accounts	16,032	1,416	454	575	221	405	19,103
Debt securities in issue	1	1	2	4	7	537	552
Lease liabilities	2	-	1	3	4	22	32
Subordinated liabilities	1	1	2	4	7	304	319
Total liabilities	16,383	1,418	459	586	239	1,268	20,353

29. Commitments and contingencies

The table below gives the contractual amounts of credit commitments. The maximum exposure to credit loss under commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless. The transfer of economic resources is uncertain and cannot be reasonably measured to be recognised on the SOFP.

Credit commitments

	30 June 2022 €m	31 December 2021 €m
Guarantees and irrevocable letters of credit	**2**	2
Commitments to extend credit		
- less than 1 year	**1,222**	1,113
- 1 year and over	**61**	66
Total commitments to extend credit	**1,283**	1,179
Total credit commitments	**1,285**	1,181

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 23, 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 these criminal proceedings have concluded and so the Bank is waiting to see if the investigations, which, from the Bank's perspective, have been dormant for some time will now be re-commenced.

As part of the agreement in August 2011 to dispose of Irish Life International Limited, the Group provided certain indemnities and warranties to the purchaser under a number of identified scenarios.

Like other banks, in the normal course of business, customers bring complaints to the Financial Services and Pensions Ombudsman (FSPO) in relation to a variety of issues. The Bank considers the applicability of FSPO decisions and findings to other customers in similar circumstances. The Bank provides for these cases, where based on legal advice, the directors believe that it is more likely than not that an outflow of resources embodying economic benefits, will be required to settle a present obligation arising from a past event. The Bank 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 the impact on the financial statements could be material.

ECL held against commitments are reported under loans and advances to customers.

30. 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 249 to 250 and note 43 of the 2021 Annual Report.

Number of key management personnel as at period end is as follows:

	30 June 2022	31 December 2021
Non-Executive Directors	**10**	10
Executive Directors and Senior Management	**7**	8
	17	18

Balances and transactions with key management personnel

There were no significant transactions with key management personnel during the first six months of 2022.

(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. The Group is exempt 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 €1,609m (31 December 2021: €1,463m).
- In May 2021, PTSB plc borrowed €250m from the Group at a fixed rate of 3% per annum plus a margin of 0.181% per annum which mature on 19 August 2031. The loan is subordinated and ranks as Tier 2 capital notes with interest paid annually in arrears on 19 August.
- The Group has an investment in associated undertakings of €2m as at 30 June 2022 (31 December 2021 €2m) 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 Bank Levy imposed by the Government through the Finance Bill 2014 is payable in the second half of each calendar year. A bank levy payable to government, is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy. The Group incurred a bank levy of €22m for the year ended 31 December 2021. The Group expects to incur a similar bank levy in the second half of 2022.
- At 30 June 2022 the Company had an intercompany balance of €653m (31 December 2021: €352m) with its principal subsidiary PTSB plc relating to the MREL issuance.

30. Related parties (continued)

- 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 2022, the Group had recorded a payable of €2m due under the FIA (31 December 2021: €2m).
- In November 2020, the Company made an additional investment of €123m in PTSB. This investment was through the issuance of AT1 securities by the Company.
- The Government also has a controlling interest in Allied Irish Bank plc including EBS Limited. Due to the Group's related party relationship with the Irish Government as described above, balances between these financial institutions and the Group are considered related party transactions in accordance with IAS 24. There are no balances between these entities as at 30 June 2022.

31. 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 2022	31 December 2021	30 June 2021
€ / £ exchange rate			
Closing	**0.8582**	0.8403	0.8581
Average	**0.8436**	0.8583	0.8655
€ / US$ exchange rate			
Closing	**1.0387**	1.1326	1.1884
Average	**1.0849**	1.1814	1.2025

32. Events after the reporting period

On 1 July 2022, the Group entered into an agreement with the Irish Government to invest into the First Home Equity Scheme. Under the terms of the agreement, the Group has committed €54m funding over a 4 year period to the scheme. The Group made an initial payment of c. €10.8m on the 4 July 2022.

On 22 July 2022, the Group received clearance from the Competition & Consumer Protection Commission (CCPC) for the proposed acquisition of certain elements of the Ulster Bank business.

There were no other material post balance sheet events.

Supplementary Information

This information has not been subject to review by the Group's Independent Auditor.

Pillar 3 Disclosure
Template EU KM1 - Key metrics template*

The following key metrics template (EU KM1) is provided in accordance with Commission Implementing Regulation 2021/637 (Pillar 3) which prescribes the disclosure of the information referred to in Article 447, points (a) to (g), and Article 438, point (b), of Regulation (EU) No 575/2013. All figures should be considered as draft until submission of quarter 2 2022 ITS returns to the CBI.

		a	b	c
	€'M	Jun-22	Dec-21	Jun-21
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET 1) capital	1,331	1,457	1,481
2	Tier 1 capital	1,454	1,580	1,604
3	Total capital	1,745	1,871	1,895
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	8,245	8,600	8,485
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	16.15%	16.94%	17.45%
6	Tier 1 ratio (%)	17.64%	18.37%	18.90%
7	Total capital ratio (%)	21.17%	21.75%	22.33%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.45%	3.45%	3.45%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.94%	1.94%	1.94%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.59%	2.59%	2.59%
EU 7d	Total SREP own funds requirements (%)	11.45%	11.45%	11.45%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	13.95%	13.95%	13.95%
12	CET1 available after meeting the total SREP own funds requirements	8.99%	9.78%	10.31%
	Leverage ratio**			
13	Total exposure measure	23,936	22,323	21,587
14	Leverage ratio (%)	6.08%	7.08%	7.43%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio***			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	5,970	5,736	5,155
EU 16a	Cash outflows - Total weighted value	2,116	2,040	2,032
EU 16b	Cash inflows - Total weighted value	105	78	91
16	Total net cash outflows (adjusted value)	2,011	1,962	1,941
17	Liquidity coverage ratio (%)	297.22%	293.24%	266.42%
	Net Stable Funding Ratio			
18	Total available stable funding	20,484	19,521	18,979
19	Total required stable funding	11,223	11,512	11,167
20	NSFR ratio (%)	182.53%	169.58%	169.95%

*Rows EU 8a, EU 9a, 10, EU 10a, EU 14a and EU 14b are not applicable to PTSB and are therefore not disclosed.
EU8a: There are no conservation buffers due to macro-prudential or systemic risk currently reciprocated by Ireland.
EU9a: The CBI does not currently apply a systemic risk buffer.
10 / EU 10a: PTSB is not designated as systemically important.
EU 14a/EU 14b: PTSB does not have any additional own funds requirements to address the risk of excessive leverage.
**The leverage ratio disclosed is on a transitional basis
*** The Liquidity coverage ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.

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
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
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

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