Annual Report
2019

permanent tsb
Group Holdings plc

This document contains certain forward-looking statements with respect to certain of the 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 of these forward-looking statements but their absence does not mean that a statement is not forward looking. The forward-looking statements in this document are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Forward-looking
statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the Group to be materially different from those expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future global, national and regional economic conditions, levels of market interest rates, credit or other risks of lending and investment activities, competition and the behaviour of other market participants, the actions of regulators and other factors such as changes in the political, social and regulatory framework in which the Group operates or in economic or technological trends or conditions. Material economic assumptions underlying the forward looking statements are discussed further in Market and Regulatory context.

Past performance should not be taken as an indication
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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

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

Strategic Report

Corporate Governance

Consolidated Financial Statements

Company Financial Statements

General Information

Financial Highlights

Financial Performance

Underlying profit €m [a]

2019	74
2018	94
2017	65

2019: €74m
Underlying profit decreased due to decrease in operating income

Net Interest Margin% [b]

2019	1.80%
2018	1.78%
2017	1.80%

2019: 1.80%
2bps higher despite margin pressures in the industry

Return on Equity % [c]

2019	3.1%
2018	4.5%
2017	1.9%

2019: 3%
Decreased due to significant investment in simplification of the bank

Transformation and simplification

Headline Cost to Income Ratio [d]

2019	80%
2018	75%
2017	74%

2019: 80%
Increased due to lower total income while costs remain stable

Adjusted Cost to Income Ratio [e]

2019	68%
2018	64%
2017	64%

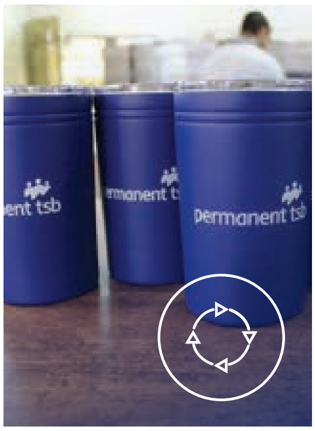
2019: 68%
Increased due to lower total income while savings from cost management has enabled digital investment, reflecting stable costs

Investment Spend [f]

2019	€49m
2018	€24m
2017	€14m

2019: €49m
Reflects significant reinvestment in the business

Sustainability



CET1 Ratio (Transitional basis) [g]

2019	17.6%
2018	14.7%
2017	17.1%

2019: 17.6%
Increase reflects generation of organic profits and deleveraging of NPLs

NPL Ratio [h]

2019	6.4%
2018	10.0%
2017	25.7%

2019: 6.4%
Decrease reflects the Group's medium-term commitment to mid-single digits NPL ratio

Risk weighted assets (R.W.A) [i]

2019	10,012
2018	11,990
2017	10,593

2019: €10,012m
Decrease reflects the lower risk profile of the bank

(a) Operating profit before exceptional items. See table 9 on page 39 for a reconciliation of underlying profit to operating profit on an IFRS basis.
(b) Defined as net interest income (NII) divided by average interest-earning assets.
(c) Defined as profit for the year after tax (excluding exceptional and other non-recurring items) expressed as a percentage of total average equity.
(d) Defined as total operating expenses (excluding exceptional and other non-recurring items) divided by total operating income.
(e) Defined as total operating expenses (excluding exceptional, other non-recurring items, bank levy and regulatory charges) divided by total operating income.
(f) Investment spend includes both capital and operating expenditure.
(g) Total common equity tier 1 (CET 1) capital on a transitional basis divided by total risk weighted assets (RWAs).
(h) Defined as non-performing loans (NPL) expressed as a percentage of the total gross loans of the bank.
(i) RWAs are the Group's assets or off balance sheet exposures, weighted according to risk.

Non-Financial Highlights

83%
Employee Engagement Score

€592,000
Invested In Irish Community Organisations

2,296
Volunteer Days

5
Community Partnerships;

- Social Entrepreneurs Ireland
- Business In The Community Ireland
- CyberSafeIreland
- Pieta House
- Make-A-Wish Ireland

5%
Reduction In Carbon Emissions In 2019
(45% Reduction since 2009)

2.3
Training Days Delivered Per Employee In 2019

6%
Increase In Women In Senior Leadership Positions Since 2017

c. 80 million
Logins To Open24 Web And App In 2019

Our Commitment To Responsible Business

Permanent TSB is one of Ireland's oldest financial institutions and has been in operation, in one form or another, for more than 200 years. During this time, we have developed deep roots in Ireland by building trusted relationships with customers and playing an active role in the communities we serve. We are continuing this long tradition through our Responsible Business Strategy.

Awards And Recognitions In 2019

- Winner of the Best First-Time Buyer Mortgage Award at Bonkers National Consumer Awards 2019
- Winner of the Best Marketing Campaign Award at Bonkers National Consumer Awards 2019
- Winner of the Best Talent Management Initiative at the Irish Institute of Training and Development National Awards 2019
- Nominated and shortlisted under the category of Diversity and Inclusion, CIPD Awards 2019
- Nominated and shortlisted under the category of Use of Technology and/or Data Analytics in People Management, CIPD Awards 2019
- Nominated for the Published Accounts Awards in the small/ medium quoted company category by Chartered Accountants Ireland

Ambitions For 2020 And Onwards

- Achieve the 'Business Working Responsibly Mark' from Business In The Community Ireland
- Mobilise the Permanent TSB Community Fund
- Focus on our Sustainability Agenda
- Track the Bank's indirect scope 3 carbon emission intensity

2019 was a year where Permanent TSB ('the Bank') continued to deliver commercial growth, evolve in a challenging business environment and drive cultural change. The Bank is on a clear path to deliver the organisation's Vision - To Be The Bank Of Choice.

Our Commercial Performance

I am pleased to report strong progress for 2019. The Bank continued to be profitable, recording an underlying profit for the year of €74 million and a profit before tax of €42 million. The Bank has continued to reduce its NPL Ratio to 6.4%, reflecting its medium-term commitment to a mid-single digits NPL Ratio, and has successfully closed various legacy business issues during the year including the conclusion of the Tracker Mortgage Examination (TME) in May 2019.

The Bank continues to grow new business across all customer lending segments. In 2019, the Bank increased mortgage market share and demonstrated growth in performing assets. The Bank is delivering on its strategic commitment to offer Retail and Small and medium sized enterprises (SME) Banking services, in the Republic of Ireland (ROI), through a multi-channel offering. The Bank's Relationship Net Promoter Score (RNPS) places Permanent TSB joint first of all retail banks in Ireland and reflects our commitment to delivering fair outcomes for our customers.

During 2019, the Bank continued to resolve its remaining legacy issues. For example, we have reduced NPLs by €0.6 billion thereby bringing the NPL Ratio to 6.4%. This was achieved, predominantly, through an NPL portfolio sale (Project Glas II), which was successfully executed in the second half of 2019. The NPL Reduction Strategy ensured that the Bank continued to meet its regulatory demands whilst, most importantly, increasing the safety and soundness of the balance sheet. As per the Bank's commitment to fair customer outcomes, we have written to all customers, whose loans transferred in the Glas II Loan Sale Portfolio, to reassure them that the statutory codes of conduct will continue to apply, meaning all existing consumer protections will remain in place following the completion of the transfer of their loan.

> "Business performance has been strongly supported by the growing Irish economy where GDP growth of approximately 6.2% was recorded for the year."

In September 2019, the Bank successfully issued €0.3 billion of senior unsecured debt as part of the Minimum Requirement for own funds and Eligible Liabilities (MREL) target. S&P, Moody's and DBRS upgraded PTSB plc's senior unsecured credit ratings to investment grade following both this issuance and the reduction in NPLs.

Throughout 2019, the Bank has also continued to invest in its Branch Network, Open 24 (the Voice Sales and Service channel) and Digital. Digital activity has witnessed more than 80 million successful log-ins on the mobile app and desktop. This level of activity reflects customers' needs; in particular, to bank at a time, or using, a channel of their choice. Permanent TSB is now in its second year of a 4 year Digital Transformation Programme.

Our Business Environment

Business performance is strong against the backdrop of a growing economy; GDP is estimated to have grown to 6.2% and employment increased to 2.3 million. Residential house prices continued to increase and housing market sentiment improved. Notwithstanding this, Brexit continues to be a risk for the Bank and the wider country. Despite the fact that the United Kingdom (UK) has left the European Union (EU), uncertainty remains. It is expected that this will have a negative impact on European economies, including Ireland. We will continue to assess the impact on the Bank during the transition period.

In addition, the environment in which we undertake our business is challenging. The low for longer interest rate environment affects our ability to create sustainable levels of NII, the elevated levels of RWA intensity (and complementary capital demands) constrain our ability to offer mortgage pricing at European peer levels and the extent of non-addressable costs is a drag on key market indicators such as cost-to-income ratio. In response, the Bank continues to review both its customer pricing and proposition, and its operating model as we view these challenges as an opportunity to build an efficient and effective Bank that is well-positioned for normalised banking conditions – whenever that may arise. We are confident in our ability to be nimble and innovative, and to make the hard choices required to build a sustainable business model.

Our Culture Journey

The evolution of the Bank's culture is a day-to-day priority for the Board and the Management Team. As the Bank rids itself of its legacy issues, we are increasingly focused on building a culture that delivers a rational purpose, to maximise sustainable shareholder value, in a manner that benefits all other key stakeholder groups – Customers; Colleagues; and Communities.

As the Bank fixed its legacy challenges, in 2018, a Board-sponsored Organisational Culture Programme was developed to evolve the culture for the next chapter in the organisation's history. Significant progress has been achieved and the actions delivered to date have made a real difference in strengthening the Bank for the future; for example, behavioural and mindset change has been targeted the roll out of a Banking Blueprint as the 'espoused culture'; in turn, this has been complemented by a 'Customer Declaration' (the Bank is committed to fair customer outcomes) and a 'Speak Freely Policy' (the Bank is committed to building a psychologically safe environment for all Colleagues to contribute to the growth of the company).

Of course, the culture of the Bank will only reach maturity if there is an environment that allows full diversity of thought. This lofty ambition will only be achieved if we allow a diverse and inclusive workforce to prosper and grow. In 2019, the Bank continued its focus on Diversity and Inclusion with the establishment of Employee Resource Groups and sponsorship of the Women In Finance conference. Since 2017, there has been a 6% increase in women in senior leadership positions in the Bank. We are committed to doing more.

In addition, the Bank is also a proud member of the Irish Banking Culture Board (IBCB), established by the five retail banks in 2018 to promote industry-wide cultural change. We look forward to building on the work achieved throughout 2019 and working with the IBCB to improve further banking culture.

The Board is satisfied that we have set the right ambition, the right mindset and the right tone to build a modern, inclusive 21st century financial services business. We are confident the Bank will continue to flourish.

Board Of Directors

The composition of the Board is reviewed regularly. The Bank is committed to ensuring it has the right balance of Board skill, experience and diversity to provide the required oversight of Senior Management.

Marian Corcoran was appointed to the Board as a Non-Executive Director on 24 September 2019.

Mike Frawley was appointed to the Board as an Executive Director on 29 October 2019.

Richard Pike retired as a Non-Executive Director on 20 December 2019.

Management And Staff

Jeremy Masding announced, in October 2019, his intention to step down as Chief Executive (CE) over the course of 2020. On behalf of the Board, I would like to thank Jeremy for his unwavering commitment and contribution to the Bank. I would also like to thank his Management Team and colleagues across the Bank for their ongoing hard work and dedication.

In addition, I would like to extend my thanks to my fellow Board members for their valuable counsel and support throughout the year. I acknowledge the assistance that the Department of Finance (DOF), the Central Bank of Ireland (CBI) and the European Central Bank (ECB) continued to give the Bank throughout 2019.

Outlook

We have made significant progress during 2019 in accelerating profitable growth, resolving legacy issues and evolving the Bank's culture.

The Bank has a clear focus and agenda for ongoing (positive) change and we look forward with confidence.

Robert Elliott
Chairman

It is with great pleasure that I present the 2019 Annual Report for Permanent TSB.

In 2019, the Bank continued to make significant progress in its ongoing transformation. As a Retail and SME Bank operating in communities across Ireland, our Governing Objective is to maximise sustainable shareholder value in the belief this focus will bring benefits to all stakeholders, including Customers, Colleagues and Communities.

It is critical that the Governing Objective is delivered through a culture that places 'Fair Customer Outcomes' and broader societal benefit at its heart. It is clear that, historically, all Banks, including PTSB, were applying a version of the Governing Objective that did not deliver 'sustainable' value – it was a short-term mindset that created long-term damage to both Irish society and the reputation of the banking profession.

As an example, 2019 saw the Central Bank of Ireland (CBI) publish the final report arising from its Tracker Mortgage Enforcement Investigation. In June, the Bank was fined €21m in respect of "serious failings" which affected 2,007 customer accounts. At the time, I apologised to all impacted customers for the distress caused. To be "Open" is one of the Bank's Values and, whilst we can remind ourselves the Tracker issue was industry wide affecting over 40,000 customers, it is important to acknowledge we made serious mistakes and impacted our customers in a way that does not represent the standards we hold for ourselves.

Indeed, as Ireland recovered from the financial crisis of a decade ago, it was critical that banking culture changed. For our part, we understand implicitly the role we must play in rebuilding trust in the sector; we are determined not to be found wanting.

2019 saw the Bank make satisfactory progress on our culture journey across numerous dimensions; for example, we have established a new dedicated Product Assurance Function; developed a new Voice of the Customer Programme; engaged fully with the Irish Banking Culture Board (IBCB); and, refreshed our approach to support Vulnerable Customers. Delivering fair customer outcomes will continue to be a priority area of focus for the Bank through 2020 and beyond.

Strategic Effectiveness In Action

Funding

Current Accounts

Current Account balances were €4.7 billion which is an increase of 10% from 2018. Current Account balances have been consistently increasing over the last

“The Bank is reporting a Profit before Tax of €42 million and an underlying profit of €74 million.”

number of years, which reflect the strong underlying Irish economy.

Retail Deposits
Retail Deposit balances reduced to €10.3 billion and represent 57% of the Bank's total funding. We continue to retain maturing fixed rate deposits due to our competitive pricing and strong service levels.

The average cost of retail funds improved through close management of pricing and product mix.

Corporate And Institutional Deposits
Corporate and Institutional Deposit balances reduced marginally to €2.2 billion in line with the prior year. This reflects our intention to manage these resources carefully in line with the reduction of the Bank's funding requirements and its obligation to add other long-term funding sources under the Single Resolution Board's Minimum Requirement for own funds and Eligible Liabilities (MREL).

Lending
Total new lending of €1.7 billion grew by over 14% in 2019. Mortgage lending, which represented almost 90% of total new lending, increased by 13% compared to 2018. This is an impressive performance and shows the strength of Permanent TSB's brand, the quality of the Bank's propositions, the value of the multi-channel approach and our commitment to delivering fair customer outcomes.

Mortgages
Irish mortgage market activity continued to pick up strongly in 2019, with gross new lending of €9.6 billion, 10% higher than in 2018, thereby reaching net loan growth after more than a decade of market contraction. Demand for mortgage lending remains strong but housing supply continues to fall short of market requirements and is dampening loan growth; by way of context, according to the Central Statistics Office, new house builds for 2019 amounted to 21,800 units, an increase of 21% on 2018, but still short of the estimated annual requirement of over 30,000 new units per annum. Despite a highly competitive market, the Bank recorded gross new residential mortgage lending of €1.5 billion, a 13% year-on-year increase. When compared against a market increase of 10%, the resultant market share of 15.5% (up from 15.1% in 2018) demonstrates the Bank's commercial competitiveness.

We expect the mortgage market to remain competitive in 2020. However, we are confident that we can continue to grow our loan book in line with the market through competitive pricing, attractive propositions and best-in-class customer service.

Personal Term Lending
The Bank recorded gross new lending of €140 million in 2019. This is an increase of 15% compared to the previous year. The majority of our Personal Loan applications now originate through Digital and Voice channels.

Organisational Effectiveness In Action

The Bank's commitment to being a sustainable business is a key element of transforming our culture for both customers and colleagues.

As mentioned above, we are making progress on our culture journey across many dimensions; in particular, I reiterate our commitment to fair customer outcomes.

Permanent TSB is also actively involved in improving culture across the banking industry as a member of the IBCB. In 2018, the five Irish Retail Banks came together to establish the IBCB, aimed at rebuilding confidence in the Irish banking sector.

In addition, the Bank has made great strides in respect of Diversity and Inclusion, and the Responsible Business agenda. A diverse and inclusive organisation leads to a better understanding of customers, superior decision making, improved innovation, and protects against 'groupthink' and drives ethical behaviour. In Permanent TSB, we firmly believe that by nurturing different perspectives, in a trusting and open environment, we will deliver better outcomes for all. We launched the Bank's Diversity and Inclusion Strategy in 2018 and have made significant progress over the last 12 months.

We have also fully embraced the Responsible Business agenda. I am delighted to say that we are currently working towards achieving the Business Working Responsibly (BWR) mark in 2020, in association with Business In The Community Ireland (BITCI). This is an important milestone for Permanent TSB as the BWR Mark is the only independently audited standard for Sustainability in Ireland and is audited by the National Standards Authority Ireland.

Operational Effectiveness In Action

The impact of digital technology on banking around the world continues to be profound. Customer needs and expectations are changing constantly as they experience the power of digital technology in all aspects of their day-to-day life.

As we look forward, we must ensure that we are strategically positioned to evolve both our brand and distribution channels. We will do this by providing a solid, secure and resilient infrastructure for a connected omni-channel Bank, whilst providing efficient service delivery via simplified and more automated processes.

In this regard, we are making good progress with our multi-year Digital Transformation Programme, Forte. The Programme will support both business growth and efficiency. The development of digitally enabled propositions, underpinned by an experienced based on 'easy to use', will support profitable growth, whilst the simplification of processes and a materially enhanced IT infrastructure will drive cost efficiencies – all of which will allow us to provide further 'value to' our customers.

Indeed, we are investing across all our channels, including an investment in our Branch network; for example, most recently, with the refurbishment of the Castlebar, Tallaght and Patrick Street Branches and the opening of a new branch in Mahon Point Shopping Centre in Cork.

Of course, 'Fair Customer Outcomes' can only be delivered through time if the Bank continues to invest in propositions that make it attractive and competitive. The ongoing level of investment in all our channels, in an increasingly competitive environment, can only be sustained if we achieve the right balance between the value we give to our customers and the value we receive. We will only participate in those product, channel and customer segments, where we receive a full economic return, including the cost of equity, for the value we provide.

Financial Effectiveness In Action

The Bank is reporting a Profit Before Tax of €42 million and an Underlying Profit of €74 million. This represents a better quality of earnings, a disciplined cost management approach that has created the capacity to invest in the business and Digital Transformation, the ongoing strength of the franchise and, ultimately, our ability to compete hard in the markets in which we choose to complete.

Whilst market and competitive dynamics will continue to require 'tough choices', the Bank has a strong balance sheet foundation on which to evolve the business model. We have a clear Management Agenda and the emerging capabilities to compete strongly in the Irish Retail and SME market.

Some of the highlights for 2019 include:

- The Bank's Net Interest Margin for 2019 is 1.80% showing an increase of 2 basis points on 2018.
- The proforma CET1 capital ratio of 15.0% on a fully loaded basis which remains above regulatory requirements.
- The sale of c. 2,000 Properties In Possession the last 2 years, with more than 1,000 completions in 2019.
- The reduction in NPLs, by a further €0.6 billion or 38% in 2019, bringing the NPL Ratio to 6.4%. We remain committed and confident in meeting the Mid-Single Digit target in the medium term.
- The improvement in credit ratings; for example, Standard and Poors have raised its main credit rating for Permanent TSB to BBB-, the highest since the crisis in over a decade, while 2019 saw the Bank's rating with Moody's rise to Baa2, who noted the further progress the Bank has made in sharply reducing its non-performing loans further in 2019.

Managing Asset Quality In Action

In September, the Bank agreed to sell a Non Performing Loan ("NPL") portfolio to the retail credit firm, Start Mortgages. This transaction reduced the overall NPL ratio by €0.5 billion to €1.2 billion and, together with organic cures of €0.1 billion, brings the percentage of NPLs down from c. 10% to c. 6.4%. This sale also increased the Common Equity Tier 1 Ratio by c. 30bps. The remainder of the NPL portfolio is actively managed, and the Bank is committed to reducing the NPL ratio to a mid-single digit ratio in the medium term, as per regulatory guidelines, whilst continuing to protect capital.

At the end of 2019, the Bank held 406 properties in possession. The majority of these properties in possession are as a result of the targeted BTL voluntary surrender programme. The Bank is satisfied with the progress being made to date and expects to sell the majority of these properties through various arrangements over the next 12 months.

The Future

We are confident we will continue to deliver profitable growth by transforming our operating model, pricing our products correctly, competing strongly and, ultimately, aligning the intrinsic and market values of the business. By doing so, we will deliver sustainable shareholder value and develop a business model that is well positioned for the future.

The CEO Office

In October 2019, I announced my intention to step down from my role in 2020. I would like to thank all of the stakeholders that have supported me, and the Bank, throughout my time as Chief Executive. I would like to acknowledge particularly those in the Department of Finance and the Central Bank for their support and challenge over the years. Finally, I want to take this opportunity to thank all my colleagues in Permanent TSB; in particular, the Chairman, Board and Executive Committee. I believe that together, we have built a solid foundation for the future and I look forward to seeing all that hard work come to fruition as the Bank delivers on its Vision To Be The Bank of Choice.

Jeremy Md

Jeremy Masding
Chief Executive

"I believe that together, we have built a solid foundation for the future and I look forward to seeing all that hard work come to fruition, and everyone delivering on our Vision to be the Bank of Choice."

Market And Regulatory Context

Irish Economic Outlook

Ireland has continued to show strong, sustainable growth during 2019, with Gross Domestic Product (GDP) estimated to have grown by 6.2% in 2019 and growth of 4% projected for 2020.

The Residential Property Price Index (RPPI) was 1.4% higher in November 2019 than the previous year with growth of 3% projected in 2020. Asking prices rose in December as housing market sentiment improved when the risk of a 'no deal' Brexit was removed. Rental inflation continues to remain elevated despite the 22% increase in house completions and 33% increase in housing starts to Q3 2019.

Total unemployment has continued to decline during the year, with the unemployment rate reducing to 4.8% in December 2019, reaching the lowest level in over a decade. Ireland's labour market continues to show levels associated with full employment.

Consumer Price inflation rose by 1.3% in the year to December 2019 and is expected to grow by 1.0% in 2020. With an increase in average weekly earnings of 3.4% in the year to Q3 2019, consumer spending and disposable income grew by 5.2% and 6.6% respectively in the year to H1 2019.

Mortgage drawdowns of €9.5bn in 2019 increased 9% over the same period in 2018. Despite this, total mortgage lending remains low in a historical context. Irish household deposits continue to grow with household deposits now exceeding household lending.

While the risk of a 'no deal' Brexit is now removed, concerns remain regarding the exact form of trading agreement which may be reached between the EU and the UK before the end of 2020.

Regulatory Developments

At a European level, the EU Risk Reduction Package was passed, which includes amendments to the Capital Requirements Regulations and Directive, and the Bank Recovery and Resolution Directive. The amendments include changes to the Net Stable Funding Ratio (NSFR), counterparty risk, market risk, large exposures, reporting and disclosures and the introduction of minimum provision coverage for non-performing loans. These changes will be implemented from 2020 to 2022 and may impact the Bank's capital requirements, liquidity management and market disclosures.

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

At a domestic level, following the CBI's report on the Behaviour and Culture of Irish Retail Banks in 2018, the Irish Government will bring forward legislation to introduce an Individual Accountability Regime for banks and other regulated entities, via a Senior Executive Accountability Regime (SEAR). This regime is expected to include Conduct Standards for Staff and enhancements to both the Fitness and Probity and the Administrative Sanctions Regimes. Following the enactment of the legislation the Central Bank will undertake a consultation process in 2020.

During 2019, regulators continued to emphasise the importance of culture, conduct risk, diversity practices, IT resilience and cyber security. These will continue to be important areas of regulatory focus in 2020 and beyond.

Retail Banking Trends In Ireland

The retail banking sector is undergoing significant changes, driven by evolving customer expectations; technological developments; a deteriorating macro-economic environment; and ongoing political uncertainty.

Customers continue to migrate to digital channels for their basic servicing and everyday banking needs. In interacting with banks, customers increasingly expect instant, on-demand, personalised banking services. These expectations are driven by customer experiences with providers in other industries. Investment into customer research and data analytics is becoming a hygiene factor for banks, to enable them to provide more personalised service and communications and also to enable a better view of the customer and their needs. Financial service providers who can find and maintain the right balance between human interaction and digital offering will gain advantage in this space.

New entrants into banking represent a challenge to the traditional landscape of the retail banking sector in Ireland. These new entrants possess some advantages over traditional banks, e.g. unburdened by complex legacy systems and having strategic assets in terms of the funding, resources and experience needed to innovate. It is expected that Fintechs, digital giants and players from other industries will continue to enter the financial services market and challenge the loyalty of banking customers by offering more customer centric products. Payment Services Directive 2 (PSD2) has opened up payment and account information APIs, creating an opportunity for banks to act as financial aggregators/integrators. Broadly speaking, the near-term objectives of established banks are different and complementary to the objectives of new digital entrants. Banks are seeking to improve their ability to innovate in order to attract and retain customers; while new digital entrants are seeking to acquire a customer base and develop a distribution model through which to serve.

The slowing macro-economic environment and the continuing political uncertainty around Brexit are impacting on Irish banks. In August 2019, the yield on 10-year US Treasury bonds fell below the yield on 2-year Treasury bonds for the first time since 2007. Central bank policy in the United States and Europe is driving global interest rates lower due to the fears of a global slowdown in growth. All these factors, along with 'lower for longer interest rates' are putting Irish retail banks under increased pressure to be more cost-effective and identify other sources of income growth, in order to achieve returns for shareholders.

To conclude, changing customers' expectations and a slowing macro-economic environment present new challenges which the Irish retail banking sector must adapt to. While traditional banks are under renewed pressure to deal with these challenges, they hold a significant advantage through having an established customer base.

SME Banking Trends In Ireland

The business environment for SMEs remains broadly positive. Retail sales have increased and employment levels remain high, although consumer sentiment has fallen and domestic demand is trending negatively. The CBI reported a slight reduction in New SME Lending to €3.5bn for the 12 months to September 2019 (excluding financial intermediation and property-related sectors). Total outstanding lending also fell to €13.9bn, despite a slight increase in Q2 2019 (only the third quarterly increase during the last five years).

Recent trends indicate a normalisation of market lending. New lending towards construction has increased notably and lending towards agriculture, manufacturing and services also display growth. Having said that, many SMEs continue to face headwinds that dampen borrowing appetite. Brexit risk weighs most heavily on agriculture, tourism and transportation. The issues facing agriculture, especially beef, have been well publicised this year. Those facing tourism are more localised, with falling visitors from the UK compensated to a varying degree by visitors from other areas. The potential impact on transportation will become clearer over the coming months. Brexit may also impact on construction activity through higher input costs. For these reasons, despite many favourable indicators, there remains a sense of caution that manifests in a reluctance to borrow significantly towards capital investments. PTSB remains optimistic about the opportunities in banking small businesses. Our SME lending has increased notably during 2019 as we continue to deepen customer relationships. Business managers and mobile consultants have processed an increasing number of SME Lending applications and our new lending and total outstanding loans continue to grow faster than the market. Looking forward to 2020 we plan to expand the number of dedicated specialist supports and to enhance our value proposition. At the same time, we will continue to develop our digital proposition to ensure we deliver an efficient, effective and innovative service to our SME customers.

> "Retail sales have increased and employment levels remain high, although consumer sentiment has fallen and domestic demand is trending negatively."

Our Strategy, Business Model and Culture

Our Strategy/Business Model

Permanent TSB has two fundamental purposes: 1. To deliver our Governing Objective of 'maximising sustainable shareholder value'; and, 2. To deliver our Vision, to be The Bank Of Choice for all of our stakeholders. Our over-arching Corporate Strategy and supporting business level strategies (each of which is positioned within the strict boundaries of the Bank's Risk Appetite), support the Bank in delivering its Governing Objective and Vision.

The Bank's strategy is best articulated through its Business Model. The Business Model sets out the Bank's Participation Strategy, i.e. the market segments that we serve; and, Competitive Strategy, i.e. how we will compete to achieve a competitive advantage within those segments.

Our Business Model

Participation Strategy		
Provides Financial Services to: Irish Retail and SME Customers		
Competitive Strategy		
Offer Position	*Marketing Position*	We offer Modern, Personal, Easy Banking...
	Service / Distribution Position	...through Omni Channel Customer Journeys, which are Digitally Led, with strategically positioned physical locations...
	Product Position	...Simple, Transparent Products and Features...
Price Position		... competitive pricing...
Operating Position		... with easy, straightforward end to end processes.

As illustrated, the Bank's strategic commitment is to offer Retail and SME banking services, in the ROI, through a multi-channel offering.

Strategy Development, Governance and Risk

In order to maximise value for our shareholders, Permanent TSB employs Value Based Management methodology internally.

How We Maximise Shareholder Value Over Time

Purpose & Strategy	Operating Model	Financial Performance	Total Shareholder Return
Participation Focus	Organisation Structure & Governance	Economic Profit	Dividends
Competitive Focus	Risk Management Framework & Systems	Economic Value	Share Price Appreciation
Medium Term Targets	Strategic Management Process		
Strategic Performance Priorities	People & Processes		
Resource Allocation	Performance Measures		
Inputs		**Outputs**	

One of the main ways in which this value-based methodology is brought to life in Permanent TSB, is through the Integrated Planning Process (IPP) – an annual Risk Management, Strategic, Financial, Stress Testing and Recovery Planning process. The IPP is the vehicle through which the Bank's strategy (both at Corporate and Business Unit level) is reviewed and refreshed annually. This ensures that we are in the position to identify emerging opportunities or issues in the market, including issues which may represent a risk to the long-term viability of the Bank's Business Model, and propose ways to address them. In addition, it ensures that we give due consideration to the risk management environment within which we operate.

Strategy Development during the IPP is facilitated from both a bottom-up and top-down perspective. Strategies are developed in the main by subject matter experts from across the bank, ensuring that the perspective of customers and other key stakeholders is taken into consideration. Subsequently, there is robust challenge of both the strategy and associated Financial Plan by Management, culminating with review, challenge and, if appropriate, approval by the Board at the annual Board Strategy Away Day - a key checkpoint during the IPP. This governance approach ensures that the Bank's Corporate and Business Unit level strategies are developed in a quantitative and qualitative fact-based context, but that they benefit too from the experience and

Our Strategy, Business Model and Culture
(continued)

intuition of Executive Committee (ExCo) and Board members.

All strategies developed within the Bank – either during or separate to the IPP cycle -must follow the governance process set out in the Bank's Strategy Development Standards. Any change to the Bank's Participation Strategy, or significant change to the Competitive Strategy, must be challenged and approved by the Board prior to implementation. In addition, a full risk assessment must be carried out on all strategic initiatives.

Those initiatives and projects which are deemed to be critical to the delivery of the Bank's strategy are monitored via the Bank's Management Agenda. Management Agenda initiatives are reported to ExCo and Board on a regular basis, using a range of qualitative and quantitative Key Performance Indicators (KPIs). In the event that a key strategic initiative's KPIs are trending towards off-track, then formal governance structures are in place to bring it back on-track. To ensure that the Bank's strategy is suitably robust, the Medium Term Financial Plan (i.e. the financial articulation of the Bank's strategy) is subject to extensive annual, internal stress testing, via the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) processes.

Strategic Performance Priorities For 2019

In addition to refreshing the overarching Strategy and Business Model, each year the Bank refreshes its Strategic Performance Priorities (SPPs). The SPPs represent the key themes present on the Management Agenda, and each Management Agenda initiative is aligned to one of those SPPs and reported on as such. The SPPs are used as a key management tool throughout the year to help align strategic thinking, and to help support resourcing, prioritisation and communications.

The SPPs for 2020 will remain unchanged from those which framed delivery of the strategy in 2019.

2019 Strategic Performance Priorities (SPPs)	SPPs Brought To Life In 2019
Grow Income Profitably Grow a diverse income stream from chosen segments, in a risk conscious manner that supports fair customer outcomes.	PTSB further increased its share of the Mortgage New Lending market from 15.1% in 2018 to 15.5%. Total lending to SMEs increased by more than double year-on-year, and there was continued growth in Term Lending, increasing 15% year-on-year.
Drive Digital Transformation Continue to build a Digital first, omni-channel Bank, ensuring we maintain our relevance in the market, and realising all the benefits of an increasingly digitised environment.	In August, the Bank launched end-to-end Credit Card applications through the Mobile App, providing a third channel of choice for customers seeking a Credit Card.
Advance Simplification & Efficiencies Ensure all our processes and procedures are value-maximising, in order to support better customer and colleague experiences, and a reduced cost base.	Continued roll-out and expansion of Robotic Process Automation capabilities into critical Business Units Bank-wide, e.g. Credit Centre and Payment Operations, resulting in cost reducing efficiency gains and simplified processes.
Commit To Fair Customer Outcomes Maximise relationships with profitable customers, while focusing on our absolute commitment to fair customer outcomes in all instances.	The second half of 2019 saw the restructure of the Product Assurance function, to focus on: product monitoring; thematic product reviews; and fair resolution of Customer Impacting Errors. During the same time period, the Bank launched its Customer Declaration, which provides standards and commitments for customer engagement, and a shared understanding of fair customer outcomes across the organisation.
Embed An Inclusive And High-Performance Culture Foster a high-performance, risk aware, diverse and inclusive culture of accountability, where all colleagues feel valued.	Under the Diversity & Inclusion Strategy (launched Q4 2018), 2019 saw the launch of three colleague led Employee Resource Groups (ERG): SEEN; PRISM; and LIFE. These Groups help diverse groups develop a collective voice within PTSB and provide a platform to promote change. A new 'Speak Freely' policy was communicated across the organisation, to support our journey of building an open and transparent culture.

Our Culture

2019 was another important year for Permanent TSB, not only in terms of commercial performance, but also in respect of the Bank's post-crisis cultural evolution and, the important role it must play in rebuilding both trust and a sustainable business model.

Whilst culture means different things to different people, essentially, it's about our mindset and behaviour in building a successful and sustainable Permanent TSB. In this regard, culture has been a key area of focus for Permanent TSB over the last number of years. Our goal for cultural transformation was, and is, not for 180° change; it was, and is, to preserve those positive aspects of the culture that makes Permanent TSB unique, whilst altering any habits and behaviours that impede both the re-building of trust in the Bank and the delivery of sustainable profitable growth.

Cultural evolution through various initiatives has been underway since 2015, the year in which the Bank's Restructuring Plan (RP) was approved in principle. In 2018, Permanent TSB formally launched a holistic Organisational Culture Programme comprising of a number of focussed and well-resourced work streams, dedicated to bringing the Bank's culture to life across the organisation. The Programme includes a dedicated team to provide leadership and support activity. With extensive representation from each area of the business, significant progress continued throughout 2019, as the programme moved from a planning to an implementation phase.

As we began the implementation phase, it was vital to ensure that all colleagues across the Bank were aligned collectively around the 'PTSB Way'; this is articulated via Our Banking Blueprint. Our Banking Blueprint describes who we are and how we work together to build a more sustainable and valuable organisation. It helps to codify and shape the culture of Permanent TSB by acting as the reference point for our standards, including the 'Why' of Purpose and Vision, the 'What' of Strategy Development and Resource Allocation, and the 'How' of Values, Behaviours and Leadership Standards. To bring the Banking Blueprint to life, the ExCo, Senior Leadership Team and the Culture Leadership Forum, connected face-to-face with every branch and business unit, across the length and breadth of the country, to ensure every colleague understood the 'PTSB Way'. We are making progress in embedding the 'PTSB Way' as evident from the increase in both our colleague engagement scores and business performance.

Examples of key components of the Banking Blueprint include:

- Our Vision - To Be The Bank Of Choice.
- Our Values, which provide both a framework for leadership and a set of guidelines for the mindset and behaviours required to achieve Our Vision. They drive our decision making, support the strategic priorities of our business, and shape our cultural evolution. Our Values are Commercial, United, Straightforward, Courageous and Open.
- Our Customer Declaration, which guides our approach and commitment to all customers in both delivering a fair value exchange and, ensuring our customer's interests are considered in an ethical and trustworthy way.
- Our Speak Freely Framework, which seeks to create an environment where all colleagues are encouraged to raise concerns in a psychologically safe environment, knowing that those concerns will be investigated and dealt with in a timely manner.

Of course, the Banking Blueprint will only come to life if we create the conditions for 'Diversity Of Thought' – by creating a diverse and inclusive environment where all are welcomed, encouraged and developed in an open and transparent manner. To evolve our diverse and inclusive culture, colleagues set up a number of ERGs, whose aim is to encourage employees to join together based on shared characteristics or life experiences. The ERGs help diverse groups obtain a collective voice within the organisation and serve as an organised and established platform that our people can utilise to promote change.

By way of example of the bank's commitment to diversity and inclusion, Permanent TSB were proud to be the headline sponsor of the Women in Finance Conference in September, the world's largest conference series dedicated to driving gender diversity in finance, by way of further promoting our Diversity and Inclusion agenda.

Permanent TSB also acknowledges its responsibility to partake in industry-wide cultural change. In this regard, we welcomed and supported the set-up of the IBCB in 2018. The IBCB is an independent industry initiative, established and funded by the five retail banks in Ireland, with the aim of rebuilding trust in the sector through demonstrating a change in behaviour and overall culture. As one of the five member banks, Permanent TSB has been working closely with the IBCB, to support their programme of work.

In line with our Risk Appetite, and in seeking to create a culture that values appropriate conduct, we have designed a comprehensive metric tool that offers a high-level proxy for measuring cultural change. The majority of the metrics are new, still in development and, for now, are predominantly rational in nature. It represents point-in-time thinking and, thus, will evolve as we understand better the outputs and progress (or not) being made.

At the highest level, our focus now shifts to embedding the cultural change across the organisation. For 2020 and beyond, our ongoing cultural evolution remains a major priority for the Board, who with the Chairman, CEO and ExCo, are committed to the delivery of an open, ethical, risk aware, diverse and inclusive culture of accountability, built upon the foundation of the Banking Blueprint.

Creating, embedding and maintaining the right culture is, and will continue to be, an area of focus at Permanent TSB. Our culture will continue to evolve over time as, for Permanent TSB, having the right strategy, the right talent and the right culture drives innovation, sustainable growth and, ultimately, will deliver the Bank Of Choice Vision.

Our Commitment To Responsible Business

'At Permanent TSB, we are focused on creating a culture that maximises sustainable value by delivering fair customer outcomes, empowering our employees to be their very best, and supporting the communities in which we live and work. Our Responsible Business Strategy plays a fundamental role in the delivery of that ambition.'

– Jeremy Masding, Chief Executive

Highlights

Customer
C.80 million logins to Open 24 web and App in 2019

Community
€592,000 invested in Irish Community Organisations

Colleagues
83% employee engagement score

Environment
5% reduction in carbon emissions since in 2019 (45% reduction since 2009)

Permanent TSB is one of Ireland's oldest financial institutions and has been in operation, in one form or another, for more than 200 years. During this time, we have developed deep roots in Ireland by building trusted relationships with customers and playing an active role in the communities we serve.

We are continuing this long tradition through our Responsible Business Strategy. This strategy is built around four pillars – Customers, Colleagues, Community and Environment – for which the following overarching objectives have been set:

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

Achievement of these objectives will be transformational and will support us in building a valuable and sustainable business.

The Bank is now in the second phase of delivering on its Responsible Business Strategy – the 'Build And Grow' phase.

Build And Grow

The overall objective of this phase – from 2019 through 2021 – is to build a best-in-class Responsible Business Programme and specifically to:

- Be recognised as a leader in Ireland against one of the four pillars - Customers, Colleagues, Community and Environment.
- Prepare an independent annual responsible business report that will allow us to keep stakeholders updated on our activity and progress against our programme objectives.
- Achieve the 'Business Working Responsibly Mark' from BITCI.

The 'Business Working Responsibly Mark'

The 'Business Working Responsibly Mark' is an independently audited standard for responsible business in Ireland that recognises best-in-class sustainability programmes.

Following a comprehensive external review of the Bank's Responsible Business Programme, facilitated by BITCI, the Bank commenced a programme of work based on the findings of the baseline assessment.

We will continue to work alongside BITCI to develop the Responsible Business Programme with the aim of achieving accreditation to 'The Mark' by 2021.

Materiality And Our Responsible Business Agenda

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

In 2019, we engaged with stakeholders to complete a strategic review of our Responsible Business Programme as part of a wider Stakeholder Engagement Reputation Audit. This assessment will offer insights on the relative importance of specific ESG issues and will assist us as we evolve the Bank's Responsible Business Agenda in the years ahead. The results of the strategic review will guide and inform a key programme of work for Permanent TSB in 2020.

The following is a summary of progress under each of the four pillars of the Bank's Responsible Business Strategy in 2019.

Customers

Overview
Delivering fair customer outcomes is central to what we do. We are committed to understanding our customers, delivering personal customer experiences and fair outcomes that set us apart.

Highlights

Relationship Net Promoter Score
A customer brand tracking survey carried out in December 2019 indicated a Relationship Net Promoter Score* (RNPS) of +3, placing Permanent TSB in joint first of all retail banks in Ireland, or 5 points ahead of the average of the main retail banks in Ireland.

A new SME Strategy

c.80 million logins to Open 24 web and App in 2019

*A 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.

Evolving Our Culture For Our Customers

Our commitment to being a responsible and sustainable business includes a commitment to transforming our culture for our customers to ensure that we consistently deliver personal experiences and fair outcomes.

In addition to our own focus on culture improvement, Permanent TSB is also actively involved in improving culture across the banking industry as a member of the IBCB. In 2018, the five Irish Retail Banks came together to establish the IBCB, aimed at rebuilding confidence in the Irish banking sector.

The IBCB, which operates as an independent body chaired by Justice John Hedigan, helps to ensure the industry is focused on fair outcomes for our customers and employees, thereby rebuilding a sustainable banking sector. The Board includes representation from all five of the Irish Retail Banks.

By way of example, in October 2019, the IBCB announced the 'Common Commitment Of Care' to improve the experience of bereaved customers and their families. As one of the five member banks, Permanent TSB worked closely with the IBCB on the initiative, which builds upon the Bank's existing processes established to support bereaved customers and their families.

Delivering Fair Customer Outcomes

Delivering fair customer outcomes exchange is central to what we do.

The Bank has made a number of structural and operational changes to ensure that we are focused on delivering fair customer outcomes; these improvements include:

An improved focus on Complaints Management, including the implementation of a new Complaints Management Framework.

An increased focus on Conduct Risk at all levels across the Bank.

An introduction of a Product Assurance Function to monitor our products in a proactive manner.

Vulnerable Customers

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

In 2019, the Bank reviewed its Vulnerable Customer Policy and developed a set of principles to enable us both to support further the needs of our vulnerable customers and to provide guidance and support to our colleagues. Building on the safeguarding training that was delivered to colleagues in 2018, last year our people were provided with additional training to equip them further with the tools they require to serve better our vulnerable customer cohort.

We look forward to building on this programme of work in 2020, as we focus on delivering fair customer outcomes and removing barriers for our vulnerable customers.

Safeguarding Customers From Financial Abuse

In November 2019, the Banking and Payments Federation Ireland (BPFI), in partnership with Safeguarding Ireland, ran a public awareness campaign highlighting the need for greater awareness of the real risks of financial abuse and calling on all adults to plan ahead to safeguard their finances.

As part of the campaign, a new guide was launched by the banking sector, aimed at helping consumers safeguard their finances and protect themselves against financial abuse and fraud.

Permanent TSB recognises that raising public awareness of financial abuse is key to protecting customers and was a proud supporter of the campaign.

Supporting Our SME Customers

Permanent TSB's refreshed SME Strategy is focused on partnering with small businesses, not just in terms of supporting their banking needs, but through acting as advisers to help them to launch and grow. We are focussed on paying particular attention to micro businesses and solo entrepreneurs, having identified that this end of the market is underserved.

By way of example, in September 2019, Permanent TSB was proud to support our SME customers, Tom Gannon and Niall McGrath, in the launch of their newest business venture, Cali Cali Food.

Backed by Permanent TSB, Cali Cali Foods took over our flagship Grafton Street Branch in Dublin, showcasing their new range of guilt free real food that delivers authentic flavours of California street food with 'Californian' benefits (Vegan, Low Cal, Non-GMO etc).

Permanent TSB was proud to support Cali Cali on the launch of this initiative and will continue to support Tom and Niall as their business grows and evolves.

Supporting Customers In Financial Difficulty

Permanent TSB recognises that customers may experience financial difficulties. This can be caused by any number of factors and the Bank is committed to helping our customers, where possible, get back on track.

While the assistance offered to customers will depend on individual circumstances and needs, we offer a variety of term appropriate treatment options with a dedicated customer support team in our Asset Management Unit to support our customers in financial difficulty.

Encouraging Financial Wellbeing

At Permanent TSB, we recognise that we have a responsibility to enable financial wellbeing among our customers.

As part of our partnership with Irish Life, all customers are offered a free financial review, focused on supporting them in making informed financial decisions. The financial health check is undertaken by Irish Life and can be completed by making an appointment at any of our branch locations nationwide. Last year, nearly 11,000 financial reviews were conducted, supporting customers in taking control of their financial future.

Providing Valuable Products And Services

Permanent TSB is focused on developing deep banking relationships with customers through: listening to what they have to say; developing products that matter most to them; delivering a great customer service experience; and providing value for money, whether that be in our network of branches, through our customer service centres, online or via mobile.

Examples of our commitment to enhancing customer experience include our focus on digital transformation, the continued investment into our Branch Network and our commitment to supporting our SME customers.

Evolving Our Digital Service

Customer behaviour is changing. Customers want the ability to interact with us at a time and place of their choosing. Permanent TSB has embarked on a four year journey to deliver a Digital Transformation Programme, underpinned by a safe and resilient infrastructure.

Significant progress has been made in enhancing our customers' digital offering, with the introduction of an in app document uploader, in app term lending, in app credit card application, the rollout of the online booking system for mortgage advisors and the launch of the online travel note.

These new service offerings allow us to support our customers further, allowing them to bank at a time or using a channel of their choosing. We look forward to building on this momentum with further rollouts planned for the year ahead.

Investing In Our Branch Network

Following a significant upgrade, we reopened our flagship location on Grafton Street. This became the first branch in our network with enhanced digital capabilities, including: digital marketing screens that reduce our reliance on print marketing; iPads with supporting phone lines into our customer service centre, Open24, and state of the art, purpose-built customer meeting areas. These upgrades significantly enhance the customer experience, allowing us to serve our customers better through a channel of their choosing, while demonstrating our commitment to finding new and better ways to bank.

Following Grafton Street, we continued the investment in our branch network with the relocation of the Drogheda Branch to the Scotch Hall Shopping Centre, the opening of our newest location in the Omni Shopping Centre (Santry), the launch of our first pop up branch in the Mahon Point Shopping Centre in Cork and refurbishments in: Tallaght, Co. Dublin, Patrick Street, Co. Cork and Castlebar, Co. Mayo. We look forward to building on this momentum in 2020, with further refurbishments planned in: Bray, Co. Wicklow; Portlaoise, Co. Laois; Ennis, Co. Clare; and, Mallow, Co. Cork.

Complaints Management

An integral part of delivering great customer service is looking after customers when things go wrong.

The Bank has in place a Customer Complaints Policy and a Customer Complaints Charter, which is available at permanenttsb.ie.

Customer Complaints Training is provided to Permanent TSB employees on an annual basis. This training covers the Bank's Customer Complaint Policy and Procedures, and regulatory obligations in this domain.

In 2019, the Bank focused on improving its complaints management process through implementing a Complaints Management Programme, involving stakeholders from right across the business. A key objective for the programme was to improve significantly the Root Cause Analysis (RCA) process to ensure timely and insightful information is available to rectify issues.

Information Security

The Irish banking landscape is changing rapidly and the Bank recognises the fundamental role that we play in protecting both our business and our customers from online security threats.

To ensure that our customers and employees are equipped to deal with this change, and are appropriately educated to protect themselves, Permanent TSB engages in in regular awareness campaigns and communications. Our website has a comprehensive range of tools to support our customers in navigating the online world in a safe and responsible way and we are actively involved in FraudSMART - an initiative driven by the BPFI.

Our Information Technology Security Team constantly monitor cyber security threats, implementing preventative measures when required. To support our colleagues further, the Bank continues to invest in cybersecurity learning and development programming, with all employees completing a compulsory learning module in this space in 2019.

The Bank reviews our processes and procedures on a regular basis and has in place a dedicated team focused on protecting both our business and our customers online.

Responsible Marketing And Research

All marketing and communications activity in the Bank is guided by regulation, including the Consumer Protection Code 2012, the Advertising Standards Association of Ireland Code 7th Edition and, the values and operating principles set by the Association of Irish Market Research Organisations.

Colleagues

Overview

The Bank's Vision to be the 'Bank Of Choice' is only possible if we create a diverse, inclusive and supportive environment where our colleagues feel engaged, valued and are given the support that they need to be the best they can be.

Highlights:

- **4 out of 5 employees say that they are proud to work for Permanent TSB**
- **More than 90% of employees feel comfortable to be themselves at work regardless of background or life experiences**
- **2.3 training days delivered per employee in 2019**
- **356 colleagues received an Institute Of Banking (IOB) accreditation, with more than 700 employees enrolled in banking education programming**

Having An Employee Voice

The Every Voice Counts Employee Engagement survey is conducted at regular intervals and is designed to give our people an opportunity to provide feedback on what is working well across the organisation, while identifying areas for improvement.

Permanent TSB's 2019 Every Voice Counts survey results showed that we increased our employee engagement score by 2% to 83%, which compares strongly against industry standards. A selection of our employee survey results include:

- 4 out of 5 employees feel engaged in the company and are proud to work for Permanent TSB.
- 9 out of 10 employees feel comfortable being themselves at work regardless of background or life experiences.
- 4 out of 5 employees feel that Permanent TSB has created an inclusive environment where people with diverse backgrounds and experiences can succeed.

Employee feedback from the Every Voice Counts results also identified three areas of opportunity for the Bank: Speaking Up; Wellbeing; and Workplace/Ways Of Working.

With a focus on continuous improvement, the Bank is focused on addressing the feedback and has implemented action plans across the business. This included the delivery of an organisational level action plan, which was communicated to all areas of the business.

Supporting Career Development

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

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

Investing In Growing Our People

Permanent TSB recognises that both personal and professional training and development of the workforce plays a critical role in delivering the Governing Objective and Vision.

With a clear focus on delivering three key strategies – 'Learning For Everyone', 'Learning For Leaders' and 'Talent Management' - the Bank provides training, education, as well as personal and professional development opportunities, to our colleagues at all levels of the organisation.

Our people are supported both financially and with study leave in order to pursue professional qualifications and to assist in their career development. We are recognised as approved employers by ACCA, Chartered Accountants Ireland and CIMA, and have been recognised at a national level for excellence in learning and development in financial services.

Learning for Everyone

During 2019, we added a future focused lens to our Business Skills programmes for all our people.
The broad range of programmes available includes, Agile 101, Personal Resilience And Change, Exploring Your Strengths, Presentation Skills, Communication And Influencing and Business Writing Skills.

Learning for Leaders

In 2019, our new Values Based Leadership Programme launched in conjunction with a new 360 Values Feedback tool for all people managers.

The Bank was honoured to receive nominations for both the Irish Institute of Training and Development (IITD) and Chartered Institute of Professional Development (CIPD) Awards for our acclaimed Critical Conversations Leadership Development programme.

In addition to the above, we introduced three new workshops to support our Leaders, including, Coaching Conversations, Interviewer Training and Development Planning Conversations.

Talent Development

In 2019, the Bank launched three new Talent Development Programmes which includes: the Advanced Leadership Programme For Senior Leaders; the SUMMIT Programme for High Potential Talent; and, the Early Careers Programme for those just beginning their career.

The Bank was honoured by the IITD with an award for our Retail Banking Distribution Grassroots Programme.

Values In Practice Awards

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

In 2019, c.500 nominations were received, up 60% on 2018, with representation from all parts of the business. In addition to our five 'Values' categories, the Bank introduced two new award categories, the Community Impact Award and the Bank Of Choice Award, recognising those who are having a positive and meaningful impact on the communities where they live and work, and those who consistently live all five of our Values each and every day.

Creating A High Performance Culture

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

- What You Do;
- How You Do It; and,
- How Your Role And Performance Delivers The Bank's SPPs.

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

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

Pay And Reward

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

Our Reward Strategy has been designed to reward staff appropriately for their efforts in contributing to the achievement of their individual objectives, their team objectives and their broader organisational objectives. The approach has been considered against the background of current State agreements and centres on providing competitive base salaries, pension arrangements and other benefits.

Diversity And Inclusion

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

In 2018, the Bank launched a comprehensive Diversity and Inclusion Strategy to support the above aim. The strategy development process involved an inclusive 'bottom up' approach involving over a hundred of our colleagues and senior leaders from across the organisation.

Permanent TSB's Diversity and Inclusion Strategy proposes a structured approach to deliver a shift in both mind-set (aligned to our Vision and Values) and process. This will be achieved through assigning accountability, measuring success and eliminating bias, in both people and processes.

Example actions delivered in 2019 include:

- Full review of recruitment processes, learning and development programming and succession planning through a Diversity and Inclusion lens.
- Inclusive leadership training delivered to all people managers.
- Inclusive leadership goal included in the performance objectives of all people managers.

The Bank is one year into strategy delivery and has delivered twenty eight of our thirty six commitments.

In 2020, we will focus on further implementing and embedding our Diversity and Inclusion Strategy.

Employee Resource Groups

To support the delivery of the Diversity and Inclusion Strategy, the Bank has set up a number ERGs, whose aim is to enable employees to join together based on shared characteristics or life experiences. The ERGs help diverse groups obtain a collective voice within the organisation and serve as an organised and established platform that our people can utilise to promote change.

There are currently three ERGs in place – PRISM (the LGBTQ+ network), SEEN (an empowerment engagement network focused on achieving gender balance), and LIFE (a life balance and support network).

Pride

Our celebration of Pride is one of the many ways we demonstrate the importance we place on inclusivity in the workplace.

Following on from the Bank's first celebration of Pride in 2018, the PRISM ERG took ownership of delivering this year's celebrations for our colleagues.

Over the course of the week, PRISM arranged a series of events, including: a charity bake sale; lunchtime talks; a tour of the National Gallery of Ireland; and, a Pride Parade gathering. Our Head Office on St. Stephen's Green in Dublin was lit up in Pride colours and our flags were hung proudly from the building for the week.

Gender Balance In The Workplace

Permanent TSB is a member of the 30% Club, a group of c.200 Chairs and CEOs committed to better gender balance at all levels of their organisations. The Club's focus is on gaining visible and practical support for gender balance from business leaders in private, public, state, local and multinational companies as well as other interested groups.

In addition, the Bank continued its participation in Triple FS, an initiative in the Irish Financial Services market supporting gender balance at the senior level. Triple FS stands for 'Females Fast Forward in Financial Services' and supports the growth in Financial Services that could be created by increasing gender balance at senior levels of an organisation. It includes a mentoring programme that aims to match high potential women with senior leaders in the sector.

Women In Finance

To support further the work of our Diversity and Inclusion Strategy, Permanent TSB were proud to be the headline sponsor of the Women in Finance Conference, the world's largest conference series dedicated to driving gender diversity in finance. Over two days in September 2019, more than 1,000 people came together in the Convention Centre in Dublin to hear a host of speakers and panel discussions, while discussing and debating Diversity and Inclusion across the financial services sector. Julie O'Neill, Senior Independent Director (SID) at the Bank, gave the keynote address to open proceedings. In addition, Permanent TSB hosted a workshop on 'The Power of Choice' with Sonya Lennon, Founder of Dress for Success Ireland, and Elaine Stephen, Diversity and Inclusion specialist with BITCI. Our Chief Financial Officer (CFO), Eamonn Crowley, and HR Director, Ger Mitchell were also part of the discussion.

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

	2019
Total Headcount At Year-End*	2,493

*excluding Non-Executive Directors and Subsidiaries

Analysis By Type Of Contract	2017	2018	2019
Permanent	93%	89%	89%
Fixed Contract	7%	11%	11%

	2017		2018		2019	
Gender Analysis	Male	Female	Male	Female	Male	Female
Total	43%	57%	44%	56%	47%	53%
Senior Management	76%	24%	72%	28%	70%	30%
Part-Time/Job Sharers	8%	92%	9%	91%	12%	88%

Health, Safety And Wellbeing

The wellbeing of our employees throughout all stages of their career and personal lives is of paramount importance to us. As part of Permanent TSB's investment in employee wellbeing, we offer a range of programmes and benefits to assist and support our people.

As part of our Employee Proposition, our people are provided with a range of financial, physical and emotional wellbeing programmes and benefits as outlined:

Wellbeing Offering

Financial	Physical/Emotional/Mental Health
Pension Plan	Health Screening
Income Protection Benefit	Eye Testing
Sick Pay Scheme	Employee Assistance Programme (Counselling Service)
Staff Banking	Mindfulness Workshops
Cycle To Work Scheme	Resilience Training
Annual Travel Pass Scheme	Lifestyle/Wellbeing Workshops
Employee Discount Scheme	Work Station Assessments
Holiday Fund	Education Support
Life Stage Workshops	Paid Maternity And Paternity Leave

In 2019, the Bank provided all colleagues with a paid Wellbeing Day, encouraging our workforce to take a day away from the office to focus on their wellbeing. In addition, all people managers were provided the opportunity to participate in mental health training focused on supporting our people in not only managing their own mental health, but that of the teams they manage.

We continued our commitment to Wellbeing by investing in a free personal health screening programme for our colleagues, with approximately eight hundred colleagues availing of the service over the last year.

The Bank has a safety statement in place which documents how the highest standards of Health and Safety Management are maintained across the organisation. The Safety Statement, and associated policies and processes, have been prepared in accordance with Section 20 of the Safety, Health and Welfare at Work Act, 2005 (The Act). The Safety Statement is reviewed on a regular basis and is revised as necessary.

Trade Union Relationships And Employee Consultation

Permanent TSB operates under an established partnership model with our formally recognised Trade Unions. Company representatives meet with the individual Trade Union Committees on a regular basis. This allows for matters to be escalated in a structured way and provides an opportunity to deal with anything that may arise at inception, greatly increasing the chances of internal resolution.

All material organisational changes, including changes to terms and conditions of employment (to the extent they arise), are discussed and negotiated in advance with the Trade Unions. All employees receive regular updates on organisational matters through a diverse range of communication mechanisms.

Community

Overview

Community involvement, and a commitment to having a positive and meaningful impact on the communities in which we live and work, supports the Bank's strategy of building a sustainable business. The Bank engages with the community through building strong community partnerships, providing financial support to local charities through the work of the Staff Charities Fund and engaging employees in volunteering initiatives that allow our people to live the values of Permanent TSB both inside and outside of the organisation.

Highlights:

- **Three Community Partnerships**
- **Two new charities nominated by staff**
- **€218,000 in charitable giving through the Permanent TSB Staff Charities Fund, which included matched funding by the Bank**
- **More than 2,000 volunteer hours provided on the ground in local communities, equating to nearly €52,000 of in-kind giving.**

Social Entrepreneurs Ireland

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

The Bank looks forward to strengthening this partnership in the years ahead by continuing to involve our colleagues in SEI's Awards review and selection process, through maximising volunteering and mentorship opportunities within the SEI Alumni Network, and by growing its pro bono support of SEI programmes, whereby we match the skills of our people with the organisations that need them most.

CyberSafeIreland

We know that the world is changing, and that technology plays an increasingly fundamental role in society. As we embrace this change, the Bank recognises the need for managing technology and, in particular, equipping children and young people with the tools to stay safe and avoid harm while online.

With that in mind, Permanent TSB was proud to announce a new community partnership with CyberSafeIreland in 2019.

Cybersafe is a not-for-profit organisation that focuses on empowering children, parents and teachers to navigate the online world in a safe and responsible manner.

We were honoured to support Cybersafe in 2019 with redeveloping their website, providing both volunteer hours and specialist pro bono support, thereby allowing them to grow and scale their impact.

We look forward to working alongside Cybersafe to build on our partnership further and have a dedicated programme of work planned for the year ahead.

The Community Fund

In 2019, the Bank was proud to launch the Permanent TSB Community Fund, a localised giving programme that will provide c. €100,000 in funding to five community organisations chosen by the Irish public. The Community Fund will operate in each of our regions across Ireland and will support Irish charities that are having a positive and meaningful impact on the ground and who are working hard to make a difference.

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

Employee Volunteering

Permanent TSB has in place an Employee Volunteering Programme and corresponding Volunteering Policy. The programme is driven by the Responsible Business Steering Committee and sees our colleagues from across the organisation take part in the volunteering initiatives affiliated with the Bank's Staff Charities. The Programme grew by c.50% last year, with more than 2,000 volunteering hours provided on the ground in local communities, equating to nearly €52,000 of in-kind giving.

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

In 2020, we plan to refresh our Volunteering Programme by broadening the opportunities available to our people. This refresh will allow us to maximise our impact while supporting our colleagues in engaging with community organisations that mean the most to them.

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

Trinity Centre For People With Intellectual Disabilities

As a Patron Partner, Permanent TSB works alongside the Trinity Centre for People with Intellectual Disabilities (TCPID), supporting diversity and inclusion within our workplace.

TCPID's mission is to enable individuals with intellectual disabilities to develop their potential through a combination of high quality research, dissemination of new knowledge, lifelong learning, and, professional training and work placement initiatives, with a vision that it will lead to meaningful long-term employment or further education opportunities for students who go through the two year programme.

As part of the Bank's partnership, we provide graduates of TCPID with work placement opportunities across the organisation.

National Gallery Of Ireland

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

Staff Charities Fund

In 2019, Permanent TSB Staff Charities donated €218,000 to local charities, supporting the work of Barretstown and The Alzheimer Society Of Ireland.

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

Numerous fundraising events are organised and managed by our colleagues from around the Bank throughout the year including: Charity Rugby Match; Hell and Back Run; Dublin Mountain Challenge; and, Annual Table Quiz, together with various local fundraising initiatives that are driven by our teams in the Branch Network. All money raised by employees is match funded by the Bank.

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

We look forward to working alongside our 2019/2020 Staff Charity Partners – Make A Wish Ireland, Pieta House and CyberSafeIreland.

Environment

Overview

Supporting our communities by having a positive and meaningful impact includes a commitment to reducing our environmental footprint.

Highlights:

- **100% renewable electricity supply for the Bank**
- **Signatory of Business In The Community Ireland's 'Low Carbon Pledge' and the European CEO Call To Action On Climate Change**
- **5% reduction in carbon emissions since in 2019 (45% reduction since 2009)**
- **Launch of the first Permanent TSB Green Team**

The Bank undertook a comprehensive external review on our Responsible Business Programme, with a large focus on the Bank's environmental positioning. We have a dedicated programme of work ongoing in the environmental space with an aspiration to achieve more.

Green Team

The Bank is very focussed on its impact on the environment. In 2019, Permanent TSB established our first Green Team, a cross functional working group who together, work on Green initiatives and awareness campaigns that support our Green Agenda.

With the support of the wider Responsible Business Steering Committee, the team are focused on environmental programming across the following areas:

- Energy efficiency and carbon impact
- Use of resources and recycling
- Green procurement
- Biodiversity and green space
- Volunteering initiatives with an environmental impact
- Communication and awareness

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

Actions taken in 2019 to reduce our environmental footprint are outlined below.

Energy Usage

Energy Consumption	2017 Gwh	2018 Gwh	2019 Gwh
Electricity - Total (Gwh)	9.1	9.2	9.2
Gas (Gwh)	2.1	2.3	2.3
Oil (Gwh)	0.1	0.1	0.1
Total Energy Consumption	**11.3**	**11.6**	**11.6**
CO_2 Emissions (tonnes)	4,100	4,283	3,915
Average FTE (Full Time Equivalent)	2,437	2,416	2,379
CO_2 Emissions per FTE (tonnes)	1.68	1.77	1.65

In 2017, Permanent TSB switched energy provider and we are now using 100% renewable energy.

As part of an ongoing branch refurbishment process, we are introducing energy efficient LED lighting. More than one third of the network now uses LED lighting in customer areas with lighting in administration areas controlled by movement sensors. The refurbishment process is on-going.

Permanent TSB's lighting in our Head Office locations is controlled by movement sensors, ensuring that all our non-essential lighting remains off when the areas are not in use.

We will continue our focus on energy efficiency in 2020, with all of our Head Office locations receiving an upgrade to energy efficient LED lighting, replacing more than 3,000 lightbulbs across our business.

The Bank complies with all of its obligations under relevant domestic and European regulations, and reports annually to the Sustainable Energy Authority of Ireland (SEAI) in May of each year.

Carbon Impact

In November 2018, following a significant programme of work, the Bank joined more than 54 of Ireland's leading companies in signing the BITCI 'Low Carbon Pledge', committing to reduce our Scope 1&2 Carbon Emission Intensity by 50% by 2030. The target is ambitious, but one that we will strive both to meet and exceed in the years that lie ahead.

Using employee FTE as an intensity measure, we estimate that we have achieved a 45% reduction in carbon emissions per employee since 2009, our baseline year for the pledge. This reduction

reflects both efficiencies in energy use by the business and a significant increase in the use of renewable energy by electricity providers.

The Bank has a dedicated carbon reporting programme in place, enabling us to identify opportunities for reducing emission intensity across the organisation, both through investment in our buildings and encouraging a change in behaviour.

In 2020, we are committed to going further, by conducting a review of our value chain from a Scope 3 perspective, and commencing a project to start measuring and tracking our impact in relation to our indirect emissions.

Permanent TSB will continue to disclose our carbon emissions as part of our annual reporting process each year.

Earth Hour

Permanent TSB recognises that raising awareness of energy efficiency is fundamental in helping our colleagues to reduce their energy consumption while in work and in their own homes.

In March 2019, Permanent TSB participated in Earth Hour.

As March 24 fell on a Saturday, and outside of our regular operating hours, in the week leading up to Earth Hour the Bank ran an awareness campaign whereby we encouraged our employees to observe the hour in their own homes with their families and friends, and provided tips on how to reduce energy consumption.

We continued our awareness campaign in the week that followed, by conducting an education programme on energy saving while in the office. Both campaigns were well received and drove a shift in both mind-set and behaviour.

Waste Management

A large part of reducing our environmental impact is minimising waste.

Permanent TSB's waste management supplier is committed to maintaining their environmental ethos by ensuring that no waste goes to landfill and that it is diverted and recycled through multiple resources.

The Bank has in place recycling facilities across all of our sites, including our Head Office building, administration sites, customer services centres as well as recycling bins in our Branch Network.

Waste Generation	2017 Tonnes	2018 Tonnes	2019 Tonnes
General Waste	106	86	138
Recycling Waste	174	139	86
Recycled Confidential Shred Waste	2.9	3.2	2.8
Recycled Used Cooking Oil	1.8	1.4	1.8
Recycled Grease	2.8	2.8	2.9
Recycled Lamps	1.5	0.6	0.4

We look forward to building on our recycling programme in 2020, with a refresh of our plan that will enable us to maximise our impact.

A Mug For Life

In Ireland, up to 200 million single use cups are thrown away, or improperly disposed of, annually.

In November 2019, Permanent TSB eradicated all single use cups from our business and replaced with a multiuse 'Mug For Life', supporting us in significantly reducing our environmental footprint. Single use mugs are no longer available in any of our buildings.

Paper
Centralised printing was launched in 2016 to control print production and minimise use of paper. In 2019, consumption of plain paper reduced by c.9%. We expect this downward trend to continue into 2020.

The Group has over 135,000 shareholders. In recent years, we have engaged with our shareholders to set out the merits of receiving the Annual Report by electronic means. In 2019, c 3,000 hardcopies of the report were issued, compared with almost 12,000 in 2016, leading to a substantial reduction in the volume of paper used. The Bank only issues printed versions of the Annual Report to shareholders who specifically request a copy.

Last year, the Bank continued its focus on 'Go Paperless', an initiative to encourage customers to select the eStatement option in an effort to manage paper consumption, limit waste and further reduce our environmental footprint.

This 'Go Paperless' initiative, driven by our teams in Operations, allows our current and deposit account customers who continue to receive statements in hardcopy to access their statements online through Open24 in a convenient manner. By the end of 2019, more than 465,000 customers opted for eStatements, resulting in an on-going reduction of paper by c. 1.9 million pages of paper annually.

As we look ahead, the Bank has invested in a new customer correspondence management tool, which will be implemented on a phased basis from early 2020. With customer preferences in mind, this investment will deliver a range of new functionality to enable us to migrate our customer correspondence to digital channels on a continuous basis, thereby allowing us to further reduce our reliance on paper.

Water
Permanent TSB monitors water consumption in all of its branch and administrative sites.

Permanent TSB's CEO receives regular updates regarding the implementation of the Environment Pillar of the Bank's Responsible Business Strategy. Progress against KPIs is reported upward to the ExCo and the Nominations, Culture and Ethics Board Committee on a quarterly basis.

Responsible Procurement
Permanent TSB continues to enhance its Procurement and Sourcing Frameworks to ensure that they support our sustainability goals and objectives. Our Procurement Policy sets out a framework for engaging with our suppliers including a commitment to procure goods, services and works from suppliers who can support the needs of our business in a sustainable manner.

By way of example, in 2019, the Bank updated the suite of uniforms across our retail network with sustainability criteria playing a central role in the tendering process. The polyester in our new uniforms is made from 95% recycled plastic bottles and all garments are crafted in factories using renewable energy.

Our new uniform supplier is committed to trading relationships that are ethical and support fair trade. They only operate with manufacturers and sub-contractors who comply with our ethical trading policy.

As part of the update, more than 600 uniforms will be replaced across our business.

The tendering process is an excellent example of our commitment to responsible procurement, supporting us in reducing our environmental footprint. The Bank's Procurement Policy is reviewed annually, communicated as required and made available to our colleagues on our internal website.

Climate Risk
We are conscious of the effect that climate change has on the operations of our business and the risks associated with changes to weather patterns.

To mitigate the risks associated with climate change, we have in place a Business Continuity Management (BCM) plan that takes into account adverse weather conditions that may, in some cases, cause a reduction in operational capacity. The Bank's BCM plan is driven by a dedicated Steering Committee who reviews our preparation at regular intervals, and an Adverse Weather Policy is in place that provides guidelines should such circumstances arise. An annual contingency test was conducted of our sites in 2019, and scenario tests were completed at regular intervals to ensure the Bank is appropriately prepared.

In 2017 and 2018, for Storms Ophelia and Emma respectively, the Bank was required to implement contingency measures to ensure that all critical services operated without interruption.

Permanent TSB is committed to environmental sustainability and minimising the impact of our business activities on the natural environment. We look forward to building on this momentum in the years that lie ahead.

"Permanent TSB is committed to environmental sustainability and minimising the impact of our business activities on the natural environment."

Responsible Business Governance

The Board approved the Responsible Business Strategy and ensures Management have comprehensive plans in place for achievement of the Bank's Responsible Business objectives. Permanent TSB's Chief Executive receives regular updates regarding the implementation of the strategy.

The Bank has in place a Responsible Business Steering Committee which is chaired by the HR Director. The Committee includes representation from business units across the organisation and meets at regular intervals throughout the year to review and direct the development of the Bank's Responsible Business Strategy and Programme.

A dedicated resource is in place to provide leadership and coordinate activities, with the support of the Steering Committee.

For more on Governance, please refer to the Directors' Report on page 71.

Operating Responsibly

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

We are committed to upholding the highest standard of conduct and behaviour among our people. This is not just a 'nice-to-have' – it is a commitment that underpins how we work together, the value proposition for our customers, our relationship with society, and, most importantly, how we generate sustainable shareholder value.

Code Of Ethics

The Bank has in place a Code of Ethics Policy that provides a general framework for expected behaviours and guides our workforce in doing the right thing. It codifies how best to interact with our customers and employees along with how best to conduct our business. It is there to protect us from unacceptable behaviour and minimise opportunities for misconduct.

Complying with the requirements and principles of the Policy is a condition of employment for our colleagues at Permanent TSB. The Bank has in place procedures to deal with breaches of the Policy and reports to the ExCo and the Board on a half yearly basis.

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

Ethics training was delivered to all employees in 2019.

Permanent TSB also has in place additional requirements set out in other policy documents that help govern behaviour, including: Conflicts Of Interest; Anti-Money Laundering; Anti-Bribery And Corruption; and Speaking Up.

Any instances of breaches have been reported throughout the year.

Conflict Of Interest

Conflict of interest occurs when an employee's personal relationships, participation in external activities or interest in another venture influence or could be perceived to influence a business decision. Permanent TSB has in place a Conflict of Interest Policy to provide guidance to employees and to ensure that the Bank proactively manages both personal and organisational Conflict of Interest.

Every employee is responsible for identifying, reporting and managing Conflict of Interest and, in doing so, must comply with the letter and spirit of the Policy.

The Bank has in place procedures to deal with Conflict of Interest that may arise. Group HR monitors adherence to this policy and reports to the ExCo and the Board on a half yearly basis.

Anti-Money Laundering Anti-Bribery And Corruption

Permanent TSB maintains an Anti-Money Laundering (AML) Framework and related Policies which set out how the business adheres to all laws and regulations relating to financial crime and how financial crime risks are managed within Bank. An assessment of the money laundering, terrorist financing and financial sanctions risks faced by the Bank is undertaken annually.

An Anti-Bribery and Corruption Policy is in place that provides guidelines to all employees regarding potential situations involving bribery. An assessment of the bribery and corruption risks relevant to the Bank's business is undertaken annually. AML & Anti-Bribery & Corruption training is provided to all employees with tailored training provided to the Board of Directors and members of the ExCo.

Permanent TSB is committed to managing and mitigating the financial crime risks associated with its business activities and complying with all applicable anti-money laundering and anti-bribery and corruption laws and regulations in the jurisdictions in which it operates.

Speaking Up

To support the cultural evolution of Permanent TSB, the Bank has developed an alternative approach to simplifying and clarifying the channels by which an employee can speak up and raise a concern; namely, our Speak Freely Policy.

Permanent TSB's Speak Freely Policy, and associated procedures, protects employees who wish to make a protected disclosure, relating to an actual or potential wrongdoing in the workplace.

Speak Freely focuses on encouraging employees to raise a concern via a number of different channels, and ensures that they can do so without any fear of retribution or penalisation. As part of the roll out, all people managers across the organisation received dedicated training.

The Bank has in place procedures to deal with any protected disclosures that may arise as part of Speak Freely and reports to the ExCo and the Board on a half yearly basis. The ExCo and the Board monitor and investigate all issues reported and ensure that senior Management are addressing legitimate concerns that are raised.

Speak Freely supports the work of both our Organisational Culture Programme and, Diversity and Inclusion Strategy, in creating an organisation where employees feel that they are supported, psychologically safe and empowered to use their voice.

Human Rights

Permanent TSB recognise our responsibility to respect the human rights of every individual who works for us. The Bank ensures the protection of our colleagues' human rights through its Dignity and Respect and Equality Through Diversity policies. These policies focus on the prevention of discrimination, the provision of equal opportunities and ensuring that employees are treated with dignity and respect in the workplace. The policies set out procedures for dealing with allegations.

We acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights, and the eight fundamental conventions on which the United Nations Guiding Principles on Business and Human Rights are based.

Group HR monitor all nonadherences to these policies. Reported instances were addressed on a timely basis.

Policy Governance

All policies that the Bank have in place to protect our workforce meet the relevant regulatory requirements, adhere to Permanent TSB's Document Management Standards and Procedures Policy and are reviewed and updated, as appropriate, on an annual basis.

Policies are monitored by their respective Policy Owners, communicated as required and made available to our colleagues on our internal website.

The Future

As we look to build our Responsible Business Programme through 2020 and beyond, we are conscious of both the legislative changes in the Non-Financial reporting landscape and of international developments including: the UN Sustainable Development Goals; and the UN Principles For Responsible Banking.

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

“As we look to build our Responsible Business Programme through 2020 and beyond, we are conscious of both the legislative changes in the Non-Financial reporting landscape and of international developments including: the UN Sustainable Development Goals; and the UN Principles For Responsible Banking.”

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 during the financial year. Non-IFRS measures are used by Management to assess the financial performance of the Group and to provide insights into financial and operational performance.

The Group adopted IFRS 16 – 'Leases' (IFRS 16) as mandatorily required from 1 January 2019 and had a €nil impact on the opening retained earnings at the date of transition. A management income statement has been prepared which excludes those items that Management deem to be exceptional and other non-recurring items.

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

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

However, from time to time certain material non-recurring items occur which do not meet the definition of exceptional items as set out in the accounting policy. To assist the users of the financial statements and to ensure consistency in reporting with other financial institutions, these items are disclosed separately from underlying profit in the financial review and other parts of the Group's strategic report. These items are clearly identified as non-IFRS items and reconciled back to the IFRS income statement. In 2019, the only such item was €3m increased costs in respect of the Group's legacy legal compliance investigations with the CBI. This was excluded from underlying profit because these additional costs related to historic events and are not in respect of trading in 2019.

A reconciliation between the underlying profit and operating profit on an IFRS basis is set out on page 39.

Basis of calculation

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

Management performance summary consolidated income statement

	Table	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Net interest income	1	**356**	379
Net fees and commission income	3	**37**	39
Net other income	4	**20**	24
Total operating income		**413**	442
Total operating expenses (excl. exceptional items, bank levy and other regulatory charges)*	5	**(282)**	(284)
Bank levy and other regulatory charges	6	**(47)**	(47)
Underlying profit before impairment		**84**	111
Impairment charge on loans and advances to customers	7	**(10)**	(17)
Underlying profit		**74**	94
Exceptional and other non-recurring items:	8	**(32)**	(91)
Restructuring and other costs		**(13)**	(5)
Impairment on deleveraging of non-performing loans		**(16)**	(66)
Charges in relation to legacy legal cases		**(3)**	(20)
Profit before taxation		**42**	3
Taxation		**(12)**	-
Profit for the year		**30**	3

* See table 9 on page 39 for a reconciliation of underlying profit to operating profit on an IFRS basis.

Management performance summary consolidated income statement - key highlights

- **Profit before tax** of €42m for the year ended 31 December 2019 is €39m higher than the year ended 31 December 2018.
- **Exceptional and other non-recurring items** for the year ended 31 December 2019 include restructuring charges of €13m, net impairment arising from deleveraging of loans of €16m, and legacy legal compliance CBI investigations costs of €3m. These costs have decreased by €59m compared to 2018 primarily due to lower net impairment arising from deleveraging of loans in 2019.
- **Impairment charge** is €10m for the year ended 31 December 2019, compared to a charge of €17m for the year ended 31 December 2018. The impairment charge reflects the stability of the portfolio and the underlying macroeconomic scenarios.
- **Underlying profit before impairment** has decreased by €27m since 31 December 2018. This is due to a decrease in operating income as a result of deleveraging of non-performing loans and the maturity of Irish Government bonds.
- **Operating expenses (excluding exceptional and other non-recurring items)** are €282m for the year ended 31 December 2019 compared to €284m at 31 December 2018. This is due to a decrease in general and administrative expenses and partially offset by an increase in depreciation.
- **Total operating income** has decreased by €29m during 2019 primarily due to:
  - **Net interest income** decreased by €23m during 2019 to €356m. This is due to a reduction in interest income as a result of deleveraging activities in 2019 and the maturity of higher yielding treasury assets. This is partially offset by a decrease in interest expense in customer accounts as a result of a reduction in internal interest rates in line with the overall market.
  - **Net other income** is €20m for the year ended 31 December 2019 compared to €24m at 31 December 2018. This movement is due to a decrease in net trading income relating to the absence of one-off gains in 2018 recognised on the sale of legacy treasury structures. This is partially offset by an increase in other income arising from the sale of properties in possession.

Net interest income	Net interest margin
€356m	**1.80%**

Table 1: Net Interest Income

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Interest income	**413**	455
Interest expense	**(57)**	(76)
Net interest income	**356**	379
Net interest margin (NIM)	**1.80%**	1.78%

Interest income

Interest income of €413m for the year ended 31 December 2019 decreased by €42m (9%) compared to the year ended 31 December 2018. This was mainly driven by reductions made to certain fixed rate mortgage product pricing coupled with the maturity of Irish government bonds and the sale of mortgage assets as a result of continued deleveraging of the non-performing loan book.

Interest expense

Interest expense decreased by €19m for the year ended 31 December 2019 due to rate reductions resulting in savings of €10m on customer accounts complemented by lower wholesale funding costs.

Table 2.1: Average balance sheet

	Year ended 31 December 2019			Year ended 31 December 2018		
	Average Balance €m	Interest €m	Average Yield/Rate %	Average Balance €m	Interest €m	Average Yield/Rate %
Interest-earning assets						
Loans and advances to banks	**1,587**	**1**	**0.06%**	1,287	-	-
Loans and advances to customers	**15,768**	**378**	**2.40%**	17,551	413	2.35%
Debt securities and derivative assets	**2,349**	**34**	**1.45%**	2,459	42	1.71%
Total average interest-earning assets	**19,704**	**413**	**2.10%**	21,297	455	2.14%
Interest-bearing liabilities						
Customer accounts	**17,227**	**40**	**0.23%**	17,019	51	0.30%
Deposits by banks	**561**	**1**	**0.18%**	2,050	4	0.20%
Loans and advances to banks	**-**	**4**	**-**	-	3	-
Debt securities in issue and derivative liabilities	**862**	**12**	**1.39%**	1,349	18	1.33%
Lease liabilities	**44**	**-**	**-**	-	-	-
Subordinated Liabilities	**-**	**-**	**-**	16	-	-
Total average interest-bearing liabilities	**18,694**	**57**	**0.30%**	20,434	76	0.37%
Total average equity attributable to owners	**1,994**			2,107		
Net Interest Margin			**1.80%**			1.78%

Net interest margin

NIM increased by 2bps to 1.80% for the year ended 31 December 2019 compared to 1.78% for the year ended 31 December 2018. The increase in the NIM, despite the low interest rate environment impacting yields on treasury assets, reflects the successful execution of the Group's competitive pricing discipline and stable customer performing loan base.

The main drivers for the 2bps positive movement in the NIM are detailed below:

Table 2.2: Drivers for movement in the NIM

	(€m)	Impact on NIM (bps)
Volume drivers		
Reduction in the average interest-earning assets from deleveraging projects in the second half of 2018 and 2019 coupled with a natural reduction in the treasury assets	**1,593**	**13**
Yield drivers		
Decrease in interest income from the non-performing loan book as a result of deleveraging projects	(36)	(18)
Reduced income from treasury assets due to the maturity of high yielding Irish sovereign gilts	(13)	(7)
Reduction in NII during the year	**(49)**	**(25)**
Savings through deposit rate cuts during the year	12	6
Accelerated redemption of mortgage backed securities (MBS) and funding optimisation	13	7
Other items favourably impacting NII	1	1
Increase in NII during the year	**26**	**14**
Overall net reduction NII	**(23)**	**(11)**
Overall movement in NIM		**2**

Interest income/Average interest-earning assets

- Interest income on loans and advances to customers reduced by €35m (9%) for the year ended 31 December 2019. This is primarily due to the reduced income from the deleveraging of non-performing loans together with the impact of rate cuts across the majority of fixed rate products. The reduction in interest rates is in line with the Group's competitive pricing policy.
- The average balance of loans and advances to customers decreased by €1,783m as a result of deleveraging of the non-performing loan book throughout the second half of 2018 and 2019.
- Interest income on debt securities and derivatives assets reduced by €8m (19%) for the year ended 31 December 2019. The average balance decreased by €110m to €2,349m from €2,459m for the prior year. The reduction of interest income reflects the impact of high yielding governments bonds that matured in 2018, the full impact of which is reflected in 2019.

Interest expense/Average interest-bearing assets

- Interest expense on customer accounts decreased by €11m (22%) for the year ended 31 December 2019 primarily due to the effects of internal rate cuts in line with average market interest rates. The average balance increased by €208m to €17,227m from €17,019m in the prior year, reflecting continuous growth over the last ten years. This is a result of the attractive product proposition offered by the Group to supplement the growing mortgage market share (15.5% in 2019 compared to 15.1% in 2018).
- Interest expense on deposits by banks reduced to €1m at 31 December 2019 compared to €4m at 31 December 2018. The average balance reduced from €2,050m in the prior year to €561m in the current year, in line with the Group's liquidity management, resulting in reduction of secured financing during the year.
- Interest expense on debt securities in issue and derivative liabilities decreased to €12m at 31 December 2019 from €18m in the prior year, with average balances reducing to €862m at 31 December 2019 from €1,349m at 31 December 2018. This is due to accelerated buy backs of MBS issued by the Group coupled with the amortisation of securities held and partially offset by the issuance of new MREL debt in the second half of the year.
- Interest expense on loans and advances to banks amounted to €4m for the year ended 31 December 2019 as a result of cash held with the CBI at negative interest rates. This is in line with the prior year.

Net fees and commission income

€37m

Table 3: Net fees and commission income

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Customer accounts and card income	**34**	36
Lending related fees	**2**	2
Other fees and commission income	**1**	1
Net fees and commission income	**37**	39

Net fees and commission income is €37m for the year ended 31 December 2019, a decrease of €2m compared to 2018. This movement is due to a €2m decrease in income from customer accounts, driven by lower income from legacy current accounts and lower referral fees during 2019. Card income and other fees and commission income for the year ended 31 December 2019 were broadly in line with the income for the year ended 31 December 2018.

Net other income

€20m

Table 4: Net other income

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Interest rate instruments	**2**	8
Foreign exchange gains	**1**	2
Sale of legacy treasury structures	**-**	15
Net trading income	**3**	25
Other income/(expense)	**17**	(1)
Net other income	**20**	24

Net trading income
Net trading income decreased by €22m for the year ended 31 December 2019. This is primarily due to the one-off gain of €15m that was recognised on the sale of legacy treasury structures in the first half of 2018.

Other income/(expense)
Other income items of €17m in 2019 compared to an expense of €1m in 2018. Other income items in 2019 relate to income arising from the sale of properties in possession. In 2018 other expenses primarily related to fair value adjustment on properties in possession.

Total operating expenses (1)	Adjusted cost income ratio
€329m	**68%**

(1) Excluding exceptional and other non-recurring items.

The table on the following page sets out the components of the Group's total operating expenses (excluding exceptional and other non-recurring items) in the year ended 31 December 2019 and 31 December 2018.

Table 5: Operating expenses

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Staff costs		
Wages and salaries including commission paid to sales staff	**121**	121
Social insurance	**14**	14
Pension costs	**13**	13
Total staff costs	**148**	148
General and administrative expenses	**101**	112
Administrative, staff and other expenses	**249**	260
Depreciation of property and equipment	**21**	12
Amortisation of intangible assets	**12**	12
Total operating expenses (excluding exceptional and other non-recurring items and regulatory charges)	**282**	284
Bank levy	**24**	23
Regulatory charges	**23**	24
Total operating expenses (excluding exceptional and other non-recurring items)	**329**	331
Headline cost to income ratio*	**80%**	75%
Adjusted cost to income ratio**	**68%**	64%
Closing staff numbers***	**2,379**	2,380
Average staff numbers	**2,386**	2,418

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

Operating expenses

Total operating expenses (excluding exceptional and other non-recurring items) decreased to €329m for the year ended 31 December 2019 from €331m for the year ended 31 December 2018. The decrease was primarily driven by a decrease in general and administrative expenses and partially offset by an increase in depreciation.

Staff costs

Total staff costs have remained flat at €148m for the year ended 31 December 2019 and 31 December 2018. This is due to the impact of salary inflation offset by the impact of lower average staff numbers.

General and administrative expenses

General and administrative expenses decreased by €11m for the year ended 31 December 2019 to €101m. Other general and administrative expenses include legal and professional fees, technology costs, property costs and business as usual administrative expenses. The year-on-year decrease is due to the Group's focus on cost saving initiatives coupled with the impact of IFRS 16.

Depreciation of property and equipment

Depreciation increased by €9m during 2019 primarily reflecting the impact of the transition to IFRS 16 on 1 January 2019, resulting in the increase of right-of-use assets.

Amortisation of intangible assets

Amortisation of intangible assets at 31 December 2019 was in line with the balance for the year ended 31 December 2018.

Adjusted cost income ratio

Operating costs of €282m and operating income of €413m for the year ended 31 December 2019 led to an adjusted cost income ratio of 68% for 2019, compared to an adjusted cost income ratio of 64% for the year ended 31 December 2018. The increase in the adjusted cost income ratio was due to lower income in 2019. This movement was driven by the combined impact of lower NII and the elimination of one-off gains on the sale of legacy treasury structures that occurred during 2018.

Bank levy and other regulatory charges

€47m

Table 6: Bank levy and other regulatory charges

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Bank levy	**24**	23
Other regulatory charges	**23**	24
Bank levy and other regulatory charges	**47**	47

Bank levy and other regulatory charges amounted to €47m for 2019, which was in line with the prior year. Other regulatory charges include €13m for the Deposit Guarantee Scheme (DGS) (31 December 2018: €15m), €5m for the Single Resolution Fund (SRF) (31 December 2018: €5m) and €3m for the Central Bank Industry Funding Levy (31 December 2018: €3m).

Impairment

€10m

Table 7: Impairment

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Total impairment charge on loans and advances to customers	**10**	17

The impairment charge reflects the stability of the portfolio and the underlying macroeconomic scenarios.

Income tax charge

€12m

The income tax charge for 2019 amounted to €12m compared to a €nil charge in 2018 as a result of utilisation of tax losses carried forward to shelter tax adjusted profits arising in the year and other temporary differences.

Exceptional and other non-recurring items

€32m

Table 8: Exceptional and other non-recurring items

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Restructuring and other charges	**13**	5
Impairment on deleveraging of non-performing loans	**16**	66
Charges in relation to legacy legal cases	**3**	20
Exceptional items and other non-recurring items	**32**	91

Exceptional and other non-recurring items as viewed by Management for the year ended 31 December 2019 of €32m comprise:

Restructuring and other charges

Restructuring and other charges for 2019 amounted to €13m, relating to Phase 2 of the Group's voluntary severance scheme. A restructuring charge of €5m was recognised in 2018 relating to the restructure of the Group's distribution model and back office operations.

Net impairment arising from the deleveraging of loans

Net impairment losses arising from the deleveraging of non-performing loans amounted to €16m for the year ended 31 December 2019. This relates to an additional impairment of €20m arising from the Glas II loan portfolio sale during 2019, partially offset by an impairment provision release of €4m relating to the costs associated with transactions from previous periods. See note 11 and note 43 for further details.

Charges in relation to legacy legal cases

Charges in relation to legacy legal cases amounted to €3m for the year ended 31 December 2019 compared to €20m for the year ended 31 December 2018. The increased utilisation during the year reflects the conclusion of the enforcement investigation in respect of the Tracker Mortgages with payment of an associated fine of €21m to the CBI.

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

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

	Year ended 31 December 2019 €m	**Year ended 31 December 2018 €m**
Operating profit per IFRS income statement	**42**	3
Other exceptional items in IFRS total operating expenses	**13**	5
Exceptional impairment in IFRS credit impairment loss	**16**	66
Non-IFRS adjustments		
Charges in relation to legacy legal cases*	**3**	20
Underlying profit per management income statement	**74**	94

*Included in IFRS administrative, staff and other expenses.

Summary consolidated statement of financial position

	Table	31 December 2019 €m	31 December 2018 €m
Assets			
Home loans		**12,098**	12,040
Buy-to-let		**3,077**	3,418
Total residential mortgages		**15,175**	15,458
Commercial mortgages		**127**	123
Consumer finance		**342**	307
Total loans and advances to customers (net of provisions)	10	**15,644**	15,888
Debt securities	12	**2,005**	2,647
Remaining asset balances	13	**2,629**	3,275
Total assets		**20,278**	21,810
Liabilities and equity			
Current accounts		**4,667**	4,242
Retail deposits		**10,301**	10,372
Corporate & institutional deposits		**2,222**	2,406
Total customer accounts	14	**17,190**	17,020
Deposits by banks and other financial institutions		**-**	1,552
Total deposits by banks	15	**-**	1,552
Debt securities in issue	16	**923**	1,095
Other liabilities	17	**168**	163
Total liabilities		**18,281**	19,830
Total equity		**1,997**	1,980
Total equity and liabilities		**20,278**	21,810
Liquidity coverage ratio (1)		**170%**	160%
Net stable funding ratio (minimum 100%)(2)		**138%**	120%
Loan to deposit ratio (3)		**91%**	93%
Return on equity (4)		**3%**	4%

(1) Calculated based on the Commission Delegated Regulation (EU) 2015/61.
(2) Defined as the ratio of available stable funding to reassured liable funding.
(3) Defined as the ratio of loans and advances to customers compared to customer accounts as presented in the Statement of Financial Position (SOFP).
(4) Defined as 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 has continued to focus on high quality loan originations, which have resulted in sustained improvements in credit quality since 2018. This has resulted in significantly more stable and resilient asset quality.

- **Loans and advances to customers (net of provisions)** were €15,644m as at 31 December 2019, a reduction of €244m from €15,888m at 31 December 2018 primarily reflects the deleveraging of loan assets in 2019. However, the strength of new lending outpaced repayments on the loan book, with the performing loan book growing for the first time in over 10 years.
- **Customer accounts** increased to €17,190m at 31 December 2019 from €17,020m as a result of the Group's continued focus on current account balance growth to optimise its funding profile.
- **Deposits by banks** were €nil at 31 December 2019, decreasing from €1,552m at 31 December 2018, reflecting the lower secured financing needs of the Group, which is in line with the Group's target for the year.

Loans and advances to customers

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

	31 December 2019 €m	31 December 2018 €m
Gross loans and advances to customers at 1 January	**16,916**	20,528
New lending during the year*	**1,594**	1,444
Redemptions and repayments of existing loans	**(1,528)**	(1,504)
Write-offs and restructures	**(87)**	(126)
Deleveraging and others	**(506)**	(3,426)
Gross loans and advances to customers at 31 December	**16,389**	16,916

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

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

	31 December 2019 €m	31 December 2018 €m
Residential mortgages:		
Home loans	**12,260**	12,413
Buy-to-let	**3,598**	4,003
Total residential mortgages	**15,858**	16,416
Commercial	**165**	165
Consumer finance	**366**	335
Total measured at amortised cost	**16,389**	16,916
Of which are reported as non-performing loans	**1,050**	1,696
Deferred fees, discounts & fair value adjustments	**73**	55
Provision for impairment losses	**(818)**	(1,083)
Total loans and advances to customers	**15,644**	15,888

Total loans and advances to customers (net)

€15,644m

Total loans and advances to customers (after provisions for impairment) of €15,644m at 31 December 2019 decreased by €244m when compared to the year ended 31 December 2018. This decrease is primarily driven by the deleveraging of the non-performing loan book of €646m (mainly Glas Tranche II) partly offset by new lending of €1,594m which outpaced redemptions and repayments of €1,528m for the first time in nearly a decade, resulting in a more stable loan book when compared to the prior year.

Total new lending (gross)

€1,671m

Total new lending for the year ended 31 December 2019 amounted to €1,671m, this represents a 14% year-on-year increase (31 December 2018: €1,460m). New residential mortgage lending for the year ended 31 December 2019 was €1,484m (31 December 2018: €1,317m); this reflects a 13% growth year-on-year with the Group increasing its market share of mortgage drawdowns from 15.1% at 31 December 2018 to 15.5% at 31 December 2019. In addition, the Group has increased personal lending by 15%, from €122m for the year ended 31 December 2018 to €140m at 31 December 2019. SME lending increased by more than double to €47m for the year ended 31 December 2019 (albeit from a low base).

NPLs	NPLs as a % of gross loans
€1,050m	6.4%

Table 11: NPLs

	31 December 2019 Total €m	31 December 2018 Total €m
Home loans	**614**	1,100
Buy-to-let	**377**	516
Commercial	**41**	55
Consumer finance	**18**	25
Non-performing loans	**1,050**	1,696
NPLs as % of gross loans	**6.4%**	10.0%
Foreclosed assets*	**58**	148
Non-performing assets (NPAs) **	**1,108**	1,844
NPAs as % of gross loans	**6.8%**	10.9%

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

The Group's credit quality continues to improve in line with the Group's strategy to have a safer and more stable asset base. The Group continues to manage its non-performing loan book in a manner which reduces risk from its asset base, while achieving better customer outcomes.

NPLs reduced by €646m in the year ended 31 December 2019 primarily through the agreed sale of the Glas II portfolio together with net organic cures. This reduction reflects the continued commitment of the Group to reduce its NPL ratio to a weighted average NPL ratio in line with EU banks.

NPLs as a percentage of gross loans were 6.4% at 31 December 2019, a decrease of 360 bps from 10% at 31 December 2018. Non-performing assets reduced by €736m reflecting significant progress in NPL strategy.

Debt securities

Table 12: Debt securities

	31 December 2019 €m	31 December 2018 €m
Government bonds	**1,963**	2,603
Corporate bonds	**42**	44
Total debt securities	**2,005**	2,647

At 31 December 2019, debt securities decreased to €2,005m from €2,647m at 31 December 2018, primarily due to maturities of a number of Irish bonds along with the amortisation of MBS in corporate bonds.

Remaining asset balances

Table 13: Remaining asset balances

	31 December 2019 €m	31 December 2018 €m
Remaining asset balances	**755**	739
Loans and advances to banks	**1,556**	1,159
Assets classified as held for sale	**59**	150
Other assets	**259**	1,227
Total	**2,629**	3,275

The remaining asset balances were broadly in line with Management's expectations.

The increase in loans and advances to banks of €397m is due to increased placements with the CBI in line with the Group's liquidity management.

The movement in assets classified as held for sale relates to the disposal of €91m properties in possession during the year.

The movement in other assets of €968m primarily relates to the receipt of the receivable from Glas I tranche sale in the prior year reducing the balance from €1,227m at 31 December 2018 to €259m at 31 December 2019.

Liabilities

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

Customer accounts

€17,190m

Table 14: Customer accounts

	31 December 2019 €m	31 December 2018 €m
Current accounts	**4,667**	4,242
Retail deposits	**10,301**	10,372
Total retail deposits (including current accounts)	**14,968**	14,614
Corporate deposits	**2,222**	2,406
Total customer deposits	**17,190**	17,020
Loan to deposit ratio*	**91%**	93%

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

At 31 December 2019, customer deposits increased to €17,190m from €17,020m at 31 December 2018, primarily due to an increase in the current accounts. This is in line with the increased mortgage market share coupled with on average higher balances held by the current account customers reflecting cautious sentiment of the market.

Deposits by banks

€nil

Table 15: Deposits by banks

	31 December 2019 €m	31 December 2018 €m
Placed by other banks and institutions on repurchase agreements	**-**	1,551
Other	**-**	1
Deposits by banks	**-**	1,552

The decrease in deposits held with banks reduced to €nil at 31 December 2019 from €1,552m at 31 December 2018. During the year there was a significant reduction in secured financing activity as the Group continues to hold sufficient liquidity, due to the increase in current accounts and the issuance of MREL debt, resulting in less reliance currently on this avenue of funding.

Debt securities in issue

€923m

Table 16: Debt securities in issue

	31 December 2019 €m	31 December 2018 €m
Bonds and medium-term notes	**308**	18
Non-recourse funding	**615**	1,077
Debt securities in issue	**923**	1,095

Debt securities in issue decreased by €172m in the year ended 31 December 2019 primarily driven by a reduction in non-recourse funding as a result of early redemption of the external MBS which is partially offset by the issuance of required MREL debt of €300m.

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

Remaining liabilities

Table 17: Remaining liabilities

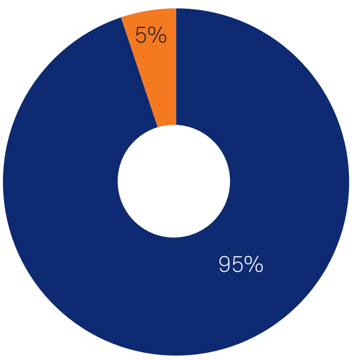
	31 December 2019 €m	31 December 2018 €m
Derivative liabilities	**2**	14
Accruals	**5**	5
Current tax liability	**2**	1
Provisions	**41**	74
Other liabilities	**118**	69
Total	**168**	163

The remaining liabilities are broadly in line with the prior year except for provisions, which decreased due to the payment of the CBI fine in relation to the TME and in other liabilities due to the impact of lease liabilities as a result of the adoption of IFRS 16.

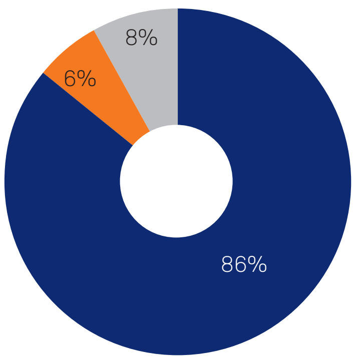
Funding Profile

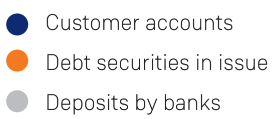
The following tables show the Group's funding profile as at 31 December 2019 and 31 December 2018.

December 2019



December 2018





For the year ended 31 December 2019, customer accounts amounted to €17,190m making up 95% of funding compared to 86% for the year ended 31 December 2018. The remaining funding base comprises of debt securities in issue of €923m.

The Group reduced reliance on funding through secured financing in line with the Group's liquidity management. Further details on the maturity profile of these funding sources are provided in note 35 of consolidated financial statements.

While the Group aims to diversify funding sources at all times, customer deposits remains a significant source of funding.

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 capital developments

On 7 June 2019, amendments to the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR 2) were published in the EU's Official Journal. Amendments to the Banking Recovery and Resolution Directive (BRRD 2) and the Single Resolution Mechanism Regulation (SRMR 2) were also published on the same date. Most of the amendments to CRD V as well as BRRD 2 and SRMR 2 are applicable from December 2020 pending transposition of the Directives into Irish legislation. The amendments to CRR 2 are applicable from 28 June 2021 with certain exceptions.

Further amendments to the Capital Requirements Regulation (CRR 3) are expected to be published in 2020 to take account of recent revisions to the Basel Framework for Credit Risk, Credit Valuation Adjustment (CVA) and Operational Risk. The revisions include the introduction of an aggregate output floor to ensure that banks' RWAs calculated via internal models are no lower than 72.5% of RWAs calculated under a standardised approach. The revised rules are expected to be applicable in 2022, with a phase-in period of five years for the aggregate output floor.

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 Common Equity Tier1 (CET1) minimum requirement of 11.45% (31 December 2018: 9.83%) is comprised of a Pillar 1 Requirement of 4.5%, Pillar 2 Requirement (P2R) of 3.45%, Capital Conservation Buffer (CCB) of 2.5% and a Countercyclical Buffer (CCyB) of 1.0%.

The Group's Total Capital minimum requirement is 14.95% at 31 December 2019 (31 December 2018: 13.33%).

The year-on-year increase in the Group's minimum requirement of (+1.62%) was due to the final annual phase-in of the CCB (+0.62%) and the introduction of the CCyB (+1.0%) in July 2019.

Capital ratios at 31 December 2019[1]

At 31 December 2019, the regulatory transitional CET1 was 17.6% (31 December 2018: 14.7%) and Total Capital ratio 19.1% (31 December 2018: 16.0%), exceeding the Group's 2019 minimum requirement of 11.45% and 14.95% respectively.

On a fully loaded basis, the CET1 ratio was 14.6% (31 December 2018: 12.2%) and the Total Capital ratio was 16.3% (31 December 2018: 13.5%).

The increase in the capital ratios, on a regulatory (transitional) and fully loaded basis, was primarily driven by a reduction in RWAs.

The leverage ratio on a fully loaded and transitional basis amounted to 7.8% and 9.1% respectively at 31 December 2019 (31 December 2018: 7.1% and 8.4%). Movement in the leverage ratio was primarily driven by the deleveraging of NPLs.

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

Table 19: Regulatory capital

	31 December 2019[1]		31 December 2018	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Capital Resources:				
Common Equity Tier 1	**1,765**	**1,464**	1,768	1,456
Additional Tier 1*	**85**	**103**	87	95
Tier 1 Capital	**1,850**	**1,567**	1,855	1,551
Tier 2 Capital	**61**	**61**	66	66
Total Capital	**1,911**	**1,628**	1,921	1,617
Risk Weighted Assets	**10,012**	**9,996**	11,990	11,966
Capital Ratios:				
Common Equity Tier 1 Capital	**17.6%**	**14.6%**	14.7%	12.2%
Tier 1 Capital	**18.5%**	**15.7%**	15.5%	13.0%
Total Capital	**19.1%**	**16.3%**	16.0%	13.5%
Leverage Ratio**	**9.1%**	**7.8%**	8.4%	7.1%

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

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

Table 20: CET1 Capital

	31 December 2019		31 December 2018	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
Total Equity	**1,997**	**1,997**	1,980	1,980
Less: AT1 Capital	**(122)**	**(122)**	(122)	(122)
Captive Insurance Equity*	**-**	**-**	(9)	(9)
Adjusted Capital	**1,875**	**1,875**	1,849	1,849
Prudential Filters:				
Intangibles	**(66)**	**(66)**	(41)	(41)
Deferred Tax	**(170)**	**(337)**	(143)	(344)
IFRS 9 (Transitional adjustment)**	**134**	**-**	111	-
Others	**(8)**	**(8)**	(8)	(8)
Common Equity Tier 1	**1,765**	**1,464**	1,768	1,456

*Insurance entity outside the prudential scope of consolidation. In 2019, the captive entity was deconsolidated from the Group and hence no adjustment is required.
** The CET1 transitional impact to the Group as a result of EU Regulation 2017/2395 mitigating the impact of the introduction of IRFS IFRS 9 own funds and applies to both the static day 1 addback and the dynamic addback for increases in stage 1 & 2 provisions (net of expected loss).

Transitional (regulatory) capital

The year-on-year transitional CET1 capital reduced by €3m to €1,765m at 31 December 2019 (31 December 2018: €1,768m). This reduction was primarily driven by the phasing of the prudential filters, partially offset by profits for the year and an increase in the IFRS 9 transitional arrangement for the dynamic addback.

Fully loaded capital

The year-on-year fully loaded CET1 capital increased by €8m to €1,464m at 31 December 2019 (31 December 2018: €1,456). This increase was primarily driven by profits in the year, partially offset by an increased balance of intangible assets which is deducted from capital.

Risk weighted assets (RWAs)

The following table sets out the Group's RWAs at 31 December 2019 and 31 December 2018.

Table 21: RWAs

	31 December 2019		31 December 2018	
	Transitional €m	Fully Loaded €m	Transitional €m	Fully Loaded €m
RWAs				
Credit risk	**8,341**	**8,341**	8,699	8,700
Counterparty credit risk*	**141**	**141**	453	453
Securitisation	**90**	**90**	556	556
Operational risk	**695**	**695**	659	659
Other**	**745**	**729**	1,623	1,598
Total RWAs	**10,012**	**9,996**	11,990	11,966

* Counterparty credit risk includes Treasury, Repo and CVA RWAs.
** Other includes Standardised Exposures including a receivable in 2019 in relation to loan deleveraging and in 2018 Glas I tranche sale.

RWAs reduced by €1,978m (on a transitional basis) during the year ended 31 December 2019. This was primarily driven by derecognition of underlying Glas loans in Q1 2019 and revised risk weighting applied to the Glenbeigh securitisation[1] of (December 2018: 1,250%; January 2019: ~200%).

1. A risk weighting of ~200% (December 2018: 1,250%) applied to Glenbeigh 5% securitisation in 2019 is in accordance with the Supervisory Formula Approach (SFA) set out in Article 262 of the CRR as permitted under Article 259(1)(b) of the CRR where a significant transfer of risk is demonstrated.

Risk Management

The information in Section 3.1, 3.2 and 3.3 on pages 59 to 70 in Risk Management identified as audited (with the exception of the boxed parts of these sections clearly identified as unaudited), forms an integral part of the audited financial statements as described in the basis of preparation on page 139. All other information in Risk Management is additional information and does not form part of the audited financial statements.

1. Risk Management and Governance

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

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

The Group implements a risk management process, which consists of four key aspects:

- Risk Identification;
- Risk Assessment;
- Risk Mitigation; and
- Risk Monitoring and Reporting.

Group Risk Management Framework

The Group Risk Management Framework (GRMF) is an overarching Risk Management Framework articulating the Risk Management Process governing risks within the following key risk categories: Financial Risk (including Capital Adequacy Risk, Sustainability Risk, Credit Risk, Market Risk, Model Risk and Liquidity and Funding Risk), and Non-Financial Risk (including Operational & IT Risk, Regulatory Compliance and Conduct Risk). The GRMF describes the Group-wide approach to the identification, assessment, mitigation, monitoring and reporting of risk across the outlined risk categories. The Group manages, mitigates, monitors and reports its risk exposure through a set of risk management processes, activities and tools.

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

Risk Appetite and Strategy

The Board sets the overall policy in relation to the type and level of risk that the Group is willing to assume. To achieve this, the Board has established a formal RAS supported by a Risk Appetite Framework (RAF) which outlines the principles and processes underpinning the development of the RAS and its implementation, including its governance structure and relevant roles and responsibilities. The risk parameters identified in the RAS are applied in practice throughout the business. These risk parameters are closely aligned with the Group's strategic and business objectives.

The purpose of the RAF is to set out the principles and approach under which the Bank considers and approves its risk appetite as implemented in its RAS. The RAF describes the overall approach, including roles, responsibilities and governance forums, through which the Group's Risk Appetite is established, communicated, monitored and reported. Risk Appetite is the nature and extent of risk that the bank is willing to take, accept or tolerate in pursuit of its strategic objectives as set by the Board. The RAF supports decision making by articulating how Risk Appetite, Risk Thresholds and Risk Profile are considered in the context of developing and implementing the Group's strategy. It establishes a common language to help communicate, understand and assess the types and level of risk the Group is willing to accept in the pursuit of its strategic objectives.

The RAS articulates the level and nature of risk the Group is willing to accept, consistent with its Corporate Purpose and Strategy. It includes qualitative statements as well as quantitative measures expressed relative to Sustainability, Capital, Liquidity and Funding and other relevant measures as appropriate.

The RAS has been developed and is consistently iterated through a defined process involving all the key functions of the Group. The Board holds the final responsibility for approval of the RAS. A mix of quantitative and qualitative, backward and forward looking risk metrics are defined to monitor the actual Risk Position against individual metrics by risk category.

Risk Governance

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

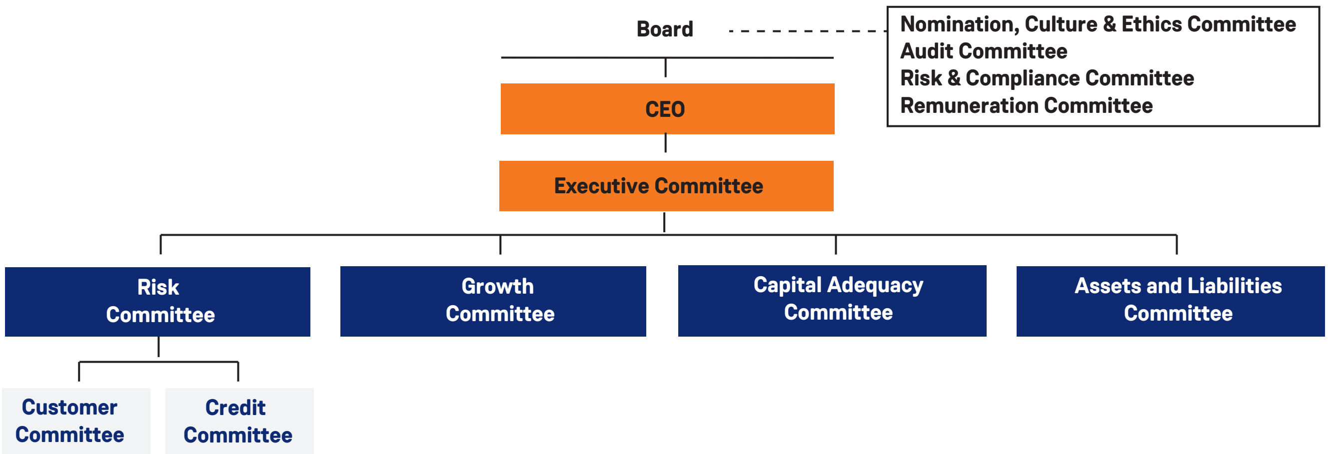
- Ensure the delegation of responsibility for risk oversight and management is appropriate to the nature and types of risk faced by the Group;
- Promote robust dialogue and decision-making around key risk matters;
- Enable the Group to accept and take a level of risk appropriate to its strategic objectives,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

These objectives are fulfilled through:

- Designing and applying a set of principles which guide and underpin the Group's Risk Governance;
- Designing and implementing an appropriate governance structure to ensure risks are managed appropriately and in line with approved Risk Appetite; and
- Establishing systems of Risk Management and Reporting.

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

Risk Governance Structure



Key Risk Governance Roles and Responsibilities

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

Committee/Role	Key Responsibilities
Board Risk and Compliance Committee (BRCC) Oversees and provides guidance to the Board on risk governance and strategy. This guidance includes recommendations to the Board on current and future risk exposure, tolerance and appetite. The committee oversees Management's implementation of risk strategy including capital and liquidity strategy, the setting of risk and compliance policies and the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk and compliance.	The Committee supports the Board in carrying out its responsibilities of ensuring that risks are properly identified, assessed, mitigated, monitored and reported, and that the Group is operating in line with its approved Risk Appetite. Key activities of the BRCC include, but are not limited to: · Reviewing and making recommendations to the Board on the Group's risk profile, both current and emerging, encompassing all relevant risks categories as described in the Risk Management Framework; · Reviewing and making recommendations to the Board in relation to the Group's RAF, RAS and the Group Recovery Plan; · Monitoring and escalating positions outside of 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 ICAAP and ILAAP), including in relation to proposed mergers, acquisitions or disposals; and · Promoting a sound Risk Culture across the Group.
Executive Committee (ExCo) ExCo is the Senior Management Executive Committee for the Group, and is the custodian of the Group's collective Management Agenda, Financial Plans and Risk Management Architecture as developed through the annual IPP. ExCo is the accountable body for the Group's operations, compliance and performance; defining the Group's organisational structure; ensuring the adoption, application and maintenance of all standards set by the Board; and a forum for Group-wide colleague and other functional issues and ensuring that a robust and resilient operating framework exists within which the Group's activities are undertaken. The committee is chaired by the CEO who is accountable to the Board.	In the context of Risk Management, 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. GRC is a Committee of ExCo with delegated responsibility for Group-wide risk management issues. ExCo is the ultimate point of escalation for Group-wide specific issues save for those matters reserved for the Board or its Committees; and · Ensuring that the operations, compliance and performance (through delivery of the Management Agenda and Financial Plans, as well as policies, practices and decisions of the Group) are carried out appropriately, and are correctly aligned to Group strategy and the interests of its shareholders while operating within applicable regulatory and legal requirements.

Committee/Role	Key Responsibilities
Assets and Liabilities Committee (ALCO) ALCO reviews, and is responsible for overseeing, all activities relating to the management of Asset Liability Management (ALM), Treasury and Market Risks, including Liquidity Risk, Interest Rate Risk, Treasury Counterparty Risk and Foreign Exchange (FX) Risk. 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 balance sheet optimisation and hedging strategies against those risks. ALCO is a sub-committee of ExCo and meets on at least a monthly basis. The Group CFO is the Chair of ALCO and is responsible for appointing its members. In addition the committee also oversees and coordinates Resolution Planning activity. ALCO has management and/ or oversight responsibilities for the following sub committees, Liquidity Stress Assumptions Group (LSAG), Liquidity Reporting Assumptions and Interpretations Committee (LRAIC) and Resolution Event Management Team (REMT).	Key activities of ALCO include, but are not limited to: · Recommending the relevant ALM, Treasury and Market Risk elements of the Group's RAS for approval by the Board; · Reviewing a suite of policies and methodologies and recommending for onward approval to the relevant committees where required; · Maintaining, monitoring and enforcing adherence to the Group's Risk Management and Regulatory Reporting Frameworks and policies for all ALM, Treasury and Market Risks; · Overseeing and monitoring the ALM, Treasury and Market risks to which the Group is exposed against set limits, and to consider and approve strategies to mitigate such risks; · Reporting any breaches of approved limits in accordance with agreed protocol; · Review and recommend the Funding Plan, ILAAP and Resolution documents; · Oversee and approve all aspects of Medium Term Note (MTN) & Securitisation issuances; · Managing the capital requirements for the Group's ALM, Treasury and Market Risks in line with the capital adequacy directive; · Approve Treasury investments and counterparty limits in accordance with policy and prevailing market conditions; · Oversee the operation of the Treasury function and ensure there is adequate and effective segregation of duties and to approve any significant amendment to the responsibilities of Treasury; · Approving new products or material changes to existing products; · Approving Funds Transfer Pricing (FTP) methodology and metrics, and ensuring the process is economically fair, transparent and incentivises appropriate behaviour in accordance with FTP Policy; and · Responsible for overseeing Resolution Planning activity which involves delivering the prescribed templates/annual submissions.
Group Risk Committee (GRC) A committee for Group-wide Risk Management issues, this is a sub-committee of the Group ExCo with the Chair having unfettered access to the Chair of the BRCC. GRC is a sub-committee of ExCo.	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 Group's Risk Management Frameworks and policies, for all key risk categories excluding those which fall directly under the remit of CAC and ALCO.

Committee/Role	Key Responsibilities
Group Growth Committee The Growth Committee provides context and promotes understanding of the commercial agenda. Growth Co is a sub-committee of ExCo.	The Group's Growth Committee is responsible for: · The commercial agenda which is defined as the plans by the organisation to meet both income and cost targets as set through the Medium Term Plan (MTP), in the context of the Group's Risk Appetite; prioritising opportunities, resources and capabilities in order to deliver the first year of MTP; and · Making recommendations to maximise shareholder value in future years which build on Group ambitions and feed these recommendations into ExCo and the IPP.
Capital Adequacy Committee (CAC) CAC is responsible for the detailed execution and initial oversight responsibilities for Capital Adequacy. The CAC is responsible for reviewing the adequacy of capital on an ongoing basis and should receive monthly reporting on the capital position. CAC is a sub-committee of ExCo.	The CAC is responsible for: · Monitoring (i) the minimum capital requirements set by the Group's Regulators; and (ii) the Basel III minimum Solvency rules, as implemented by the Capital Requirements Directive IV (CRD IV) Directive and Regulation, which details the Pillar 1 minimum capital ratios that the Group needs to hold; · Reviewing and recommending ICAAP documentation to BRCC/Board; · Maintaining a level of oversight and management of the on-going execution of capital-impacting stress testing exercises (e.g. Single Supervisory Mechanism (SSM), Supervisory Review & Evaluation Process (SREP)); and · Considering both the quality and quantity of capital held by the Group including the composition of the Group's total capital resources (i.e. the preferred split of CET 1, Tier 1 and Tier 2 capital) while remaining within the parameters of the RAF and recommending any remedial actions to the ExCo/Board accordingly.
Group Credit Committee (GCC) GCC is the body accountable for the execution and delivery of the Group's system of Portfolio Credit Risk Management, encompassing the identification, measurement, monitoring and reporting of Portfolio Credit Risks. GCC ensures that the appropriate operating frameworks governing the portfolio credit risk management activities of the Group are approved and are enforced. It operates as the forum for Group-wide Portfolio Credit Risk Management issues across the full Credit Risk Management Lifecycle. GCC is a sub-committee of 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; · 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). The GCC is the forum for review of Group-wide credit risk management issues.
Group Customer Committee The Group Customer Committee ensures that the Group monitors, controls and mitigates Conduct and Customer Outcome Risk by embedding a culture where achieving positive customer outcomes in order to generate sustainable long-term shareholder value permeates the Group's approach and thinking. This covers new product development, product delivery and fulfilment, on-going product and customer management, and customer interaction. The Group Customer Committee is a sub-committee of GRC.	The Group Customer Committee is responsible for, but not limited to: · Providing guidance to Executive Management (including ExCo and other ExCo sub-committees) for business and commercial decisions which may have a material impact on customers and for the endorsement of such proposals; · Reviewing "high impact" customer events, issues and complaints arising to provide both, guidance on significant individual issues/events and to analyse trends to inform future strategy and decision-making with regard to customers; · Reviewing the Conduct Risk that exists within the Group against the Board-approved Conduct Risk Appetite and Principles; and · Serving as the central oversight body for all significant customer matters ensuring fair treatment of customers (via the 'Customer Value Equation') is at the heart of key decisions made by the business.

Role of the Group Chief Risk Officer

The Chief Risk Officer (CRO) has overall responsibility for overseeing the development and implementation of the Group's Risk Management Function, including development of the Group's Risk Management systems, policies, processes, models and reports and ensuring they are sufficiently robust to support delivery of the Group's strategic objectives and all of its risk-taking activities.

The 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 to. The CRO is a member of the Group's ExCo and directly manages the Group's Risk Function. The CRO has a shared reporting line to the BRCC and the CEO.

The CRO is accountable for the development and oversight of the Group's RAF and RAS, which the CRO recommends to the Board for approval. 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. The CRO's responsibilities also encompass independent review and participation in the Group's IPP (strategic and financial goal setting), capital and liquidity planning and the development and approval of new products.

The roles and responsibilities of the CRO include:

- Ensuring that the Group has effective processes in place to identify and manage the risks to which the Group is or might be exposed;
- Maintaining effective processes to monitor and report the risks to which the Group is or might be exposed;
- Promoting sound and effective Risk Management both on a solo and consolidated basis and that the system of Risk Management shall promote an appropriate risk culture at all levels of the Group and shall be subject to regular internal review;
- Facilitating the setting of the Risk Appetite by the Board;
- Providing comprehensive and timely information on the Group's material risks which enables the Board to understand the overall risk profile of the institution; and
- Reporting to the BRCC on a regular basis.

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

Three Lines of Defence

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

Three Lines of Defence	Key Responsibilities
First Line of Defence Functions and teams in the First Line undertake frontline commercial and operational activities. In their day-to-day activities, these teams take risks which are managed through the effective design and operation of mitigating controls. Each Head of First Line Function/Team is responsible for ensuring that activities undertaken are within the Board-approved Risk Appetite.	**First Line – Business Units** · Embedding Risk Management Frameworks and sound Risk Management practices into standard operating procedures. This includes creating explicit links between maintaining and delivering robust governance, and risk and control processes to performance management, with clear consequences for non-adherence; · Adhering to appropriate risk frameworks, policies and procedures; · Complying with regulatory and legal obligations; · Identifying, assessing, measuring, monitoring and reporting on Risk Management performance in activities; and · Accounting for the effectiveness of Risk Management in operation including ensuring that procedures and controls are operated on a consistent and ongoing basis in order to manage risks.

Three Lines of Defence	Key Responsibilities
Second Line of Defence The Group Risk Function is an independent Risk Management function, under the direction of the CRO, and is the key component of the Group's Second Line of Defence. The Group Risk Function is responsible for 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 tools; · Ensuring that Risk Management frameworks, policies, systems, processes, procedures and tools are updated and reviewed regularly and that these are communicated effectively to the First Line; · Ensuring that the above frameworks and tools cover risk identification, assessment, mitigation, monitoring and reporting; · Monitoring the effectiveness of the control framework; · Influencing or challenging decisions that give rise to material risk exposure; and · Reporting on all these items, including risk mitigating actions, where appropriate.
Third Line of Defence Group Internal Audit (GIA) comprises the Third Line of Defence. It plays a critical role by providing independent assurance to the Board over the adequacy, effectiveness and sustainability of the Group's internal control, risk management and governance systems and processes, thereby supporting both the Board and Senior Management in promoting effective and sound risk management and governance across the Group. All activities undertaken within, and on behalf of, the Group are within the scope of GIA. This includes the activities of risk and control functions established by the Group. The Head of GIA reports directly to the Chair of the Board Audit committee (BAC), thus establishing and maintaining independence of the function.	**Third Line – Group Internal Audit** · Undertaking a risk-based, independent assessment of the adequacy and effectiveness of the Group's governance, risk management and control processes, with the ultimate objective of providing an opinion on the control environment to the BAC; · Periodically assessing the Group's overall risk governance framework, including but not limited to, an assessment of: - the effectiveness of the Risk Management and Compliance Functions; - the quality of risk reporting to the Board and Senior Management; and - the effectiveness of the Group's system of internal controls; · Providing independent assurance to the BAC on the above; · Recommending improvements and enforcing corrective actions where necessary; · Tracking the implementation of all internal audit recommendations and external audit management points; and · Reporting to the BAC on the status and progress of the above.

2. Principal Risks and Uncertainties

On a quarterly basis risk registers, containing details of current and emerging risks, from each of the Group Risk functions are collated. The registers utilise the 'top down' Risk Identification and 'bottom up' Risk and Control Self-Assessment (RCSA) processes and form the basis of the Banks 'Top and Emerging Risks' report.

The 'Top and Emerging Risks' report is included in the CRO report quarterly, this is presented to Board and is used to ensure identification, measurement, management and monitoring of all material risks.

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

The risk factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties as there may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant but which over short to the medium term may become significant. As a result of the challenging conditions in financial markets across Europe in part as a consequence of the UK vote to leave the EU but also due to on-going political uncertainty and economic weakness within the Eurozone, the precise nature of all risks and uncertainties that the Group faces cannot be predicted as many of these risks are outside of the Group's control. Reference is also made to the disclaimer in respect of Forward Looking Statements set out on the inside front cover.

Brexit

A disorderly Brexit remains the most critical short, potentially medium term threat to the Irish economy. There is still uncertainty about the final outcome despite the fact that the UK left the EU, and it is widely expected to have a negative impact on the Irish economy which will in turn adversely impact the Group's results, financial condition, and prospects. Important political decisions are occurring during 2020 on both the UK and Europe, with a possibility to have a transition period (expected up December 2020) for specific negotiations and finalisation. Therefore it is expected that the Brexit uncertainty will continue to distress the markets in 2020 and beyond. The Group has been reassessing the financial impact through the IPP process on an on-going basis since 2016 to align the external developments with the evolution of the Group's balance sheet. Operationally the Group is continually assessing the impact on Capital Risk, Liquidity Risk, Credit Risk, IT/Cyber Risk, Third Party Risk and communications to customers and staff. There is a heightened level of monitoring of these risks in advance of Brexit.

Interest Rate Benchmarks

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

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

Government Control and Intervention

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

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

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

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

Economic Conditions

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

The Group is exposed to both positive and negative trends in Ireland. As a consequence, should negative trends begin to impact on the Group, this could lead to a reduction in the demand for the Group's products and services, adverse changes in asset performance or adverse changes in the availability and the cost of capital or funding. Such adverse changes could individually or in combination adversely affect the Group's results, financial condition and prospects.

Ireland

Irish GDP is estimated to have grown by 6.2% in 2019 and Davy is projecting a slightly lower growth for 2020. This is based on "strong foreign direct investment, exceptional export performance and expansion in the multinational sector."

The Central Statistics Office (CSO) reports that the unemployment rate in December 2019 was 4.8%, down from 5.6% a year earlier. Employment increased by 2.4% to 2.33m in the year to Q3 2019. "That the unemployment rate only fell a little during this time is explained by the pick-up in the labour force growth to 1.6% over the same period – bolstered by inward migration and natural population growth. This demonstrates the labour market's capacity to grow even as the unemployment rate approaches levels normally associated with full employment."

The Consumer Price Index (CPI) rose by 1.3% in the year to December 2019 and is expected to grow by 1.0% in 2020. The RPPI was 1.4% higher in November 2019 than a year earlier. Prices have increased month-on-month since March 2019 having fallen for the previous four months. It is expected the RPPI will grow by 3% in 2020. Asking prices rose in December as housing market sentiment improved when the risk of a 'no deal' Brexit was removed. Rental inflation remains elevated though somewhat lower than in the previous year: the CPI Private Rents Index rose by 5.1% in the year to November 2019.

The CSO reports that average weekly earnings rose 3.4% in the year to Q3 2019. Wage pressures are evident, particularly in the information and communications technology sector where wages rose 6.8%. Nominal consumer spending grew by 5.2% in the year to H1 2019 while household disposable incomes grew 6.6%. Given the low inflation environment, consumers are enjoying improvements in living standards.

Household debt to disposable income (DDI) continues to decline from very elevated levels. The Central Bank's Household Credit Market Report in October 2019 noted that DDI stood at 119.8% in Q1 2019 down from 129% a year earlier. On average, Irish households spend 18% of their after-tax income servicing their mortgage debt. Whereas 36% of owner occupiers were in negative equity in 2012, the Central Bank estimates this had fallen to 7% in 2017. The 90+ day mortgage arrears rate for private dwelling houses has fallen from a peak of 12.9% in September 2012 to 5.9% in September 2019. Despite these improvements, Irish households are still the fifth most-indebted in Europe.

€9.5bn of mortgages were drawn down in 2019, 9% more than in 2018. Of these, €4.9bn financed purchases by first-time buyers, an increase of 15% over the previous year. Meanwhile, Buy to let (BTL) borrowing continued to decline to a mere €0.2bn. Total mortgage lending remains low in a historical context: there were just 33,000 mortgages for house purchase issued in 2019, the same as in 1991.

The stock of mortgages on Irish bank balance sheets is estimated at €93.1bn at the end of 2019 having fallen from €97.7bn a year earlier as a result of €8.6bn of repayments and mortgage portfolio sales. The market is expected to grow in 2020 for the first time in many years, albeit by a modest 1%.

The improvement in household finances is evidenced in strong bank deposit growth. Household deposits now exceed household lending and non-financial corporate (NFC) deposits now exceed NFC loans. This leaves the banking sector with excess funds in a low interest rate environment.

Homebuilding failed to keep pace with population growth once again in 2019. This is despite a 22% increase in house completions to 20,200 in the year to Q3 2019 and a 33% increase in housing starts to 26,100 over the same period. While the gap is closing on the estimated 36,000 homes required annually, it is clear it will be many years yet before the pent-up demand is met. This is likely to keep rental inflation high over the medium-term.

The general government surplus for 2019 is expected to be approximately €2bn or 0.6% of GDP and €3.1bn (0.8% of GDP) for 2020. The debt/GDP ratio has fallen from 63.5% in December 2018 to 57.3% in December 2019. The more closely watched Debt/GNI ratio has fallen from 104.3% to 95.6% over the same period. S&P upgraded Ireland to AA- from A+ in 2019.

While the risk of a 'no deal' Brexit is now removed, concerns remain regarding the exact form of trading agreement which may be reached between the EU and the UK before the end of 2020. Likewise, the taxation of digital profits has yet to be agreed globally: the outcome of these discussions is likely to be of great significance to Ireland given its particular dependence on corporation taxes from companies in this sector. While Ireland's debt ratios continue to improve, the absolute size of its debt at €200bn leaves it vulnerable to an economic downturn.

United Kingdom (UK)

According to the FT's annual survey of economists, any bounce that the UK economy received from Boris Johnson's decisive election victory would swiftly fizzle out in 2020 as the uncertainties from Brexit continue to curb business investment. The vast majority of those polled predicted there would be little or no improvement in economic growth this year as chronically weak productivity persists and Britain's future trading relationship with the EU remains unknown.

GDP growth in 2020 is predicted to be 1%, below the 1.2% growth in 2019, which was the worst performance in a decade. This is despite the prospect of a boost from higher public spending. The economists' gloomy prognosis, they note, is partly due to Mr Johnson's resolve to set a hard deadline for concluding talks with the EU this year — and his apparent preference for a bare-bones free trade deal. The overwhelming majority of respondents said that even after the UK had formally left the EU, there could be no lasting recovery until a trade deal was in place.

European Union (EU)

The EU Commission announced that Euro area GDP grew by 1.1% in 2019 and will grow by 1.2% in 2020 and 2021. The European economy is in its seventh consecutive year of expansion, but the bloc now "looks to be heading towards a protracted period of more subdued growth and muted inflation," the Commission said in a statement.

The Commission further announced that trade tensions between the USA and the China and high levels of policy uncertainty, especially with respect to trade, have dampened investment, manufacturing and international trade. The Vice President of the European Commission for the Euro and Social Dialogue Valdis Dombrovskis said the bloc would face "troubled waters ahead," including "a period of high uncertainty related to trade conflicts, rising geopolitical tensions, persistent weakness in the manufacturing sector and Brexit".

The Commission notes the emergence of a 'two-speed' economy - manufacturing versus other sectors - has implications for the relative performance of Member States. Those with a high share of manufacturing value added and a high exposure to exports of industrial goods have been more severely affected than other economies. Accordingly, the largest impact on gross value added in the manufacturing sector was seen in Germany, whereas gross value added in the other large Member States remained fairly stable.

Capital Adequacy Risk

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

- Materially worse than expected financial performance;
- Increases in RWAs;
- Changes in the prescribed regulatory framework; or
- Sales of assets, including NPLs, which adversely affect net capital buffer levels.

The core objective of the Group's capital management policy is to ensure it complies with regulatory capital requirements, CRR, CRD IV and the BRRD and to ensure that it maintains sufficient capital to cover its business risks and support its market strategy.

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

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

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

Further disposal transactions executed during the year resulted in a reduction in the level of NPLs. These transactions are capital generative for the Group. The current MTP includes further reductions to NPLs in line with the Group's NPL strategy. Their capital impact will be closely monitored.

Credit Risk

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

The Group's customer exposures are originated and managed in Ireland. The Group's principal exposure is to residential mortgages secured firstly by a legal charge on the property. Economic uncertainty, as well as the socio-political environment may 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.

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

Brexit impact

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

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 adverse consequences include financial loss, poor business or strategic decision-making, or damage to the Group's reputation.

Model risk is managed in accordance with the Groups Model Risk Policy. A key element of this policy is the work carried out by the Model Validation Team (MVT). The Group maintains a Model Inventory, detailing the range of models used in the Group across a full range of risk types, which is used to identify the Group's material models ensuring the prioritisation of validation resources. Within the validation process a number of steps are taken to manage model risk, including; the application of additional conservatism, where appropriate, in order to ensure model outputs reflect the realised outcomes seen in practice, and the issuing of detailed remediation actions. The MVT track all actions to completion and provide progress updates to Management and other stakeholders.

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 and/or Liquidity Risk.

Liquidity Risk is the risk that the Group has insufficient funds to meet its financial obligations and regulatory requirements as and when they fall due. 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. It is likely that these risks noted above 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).

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

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, Credit Spread Risk and FX Risk. Often market risk cannot be fully eliminated through diversification, though it can be hedged against.

For further details on Market Risk, see section 3.3.

The Group's RAS and associated policies set out the governance and limit framework for the management of liquidity and market risk exposures. The policies are approved by the BRCC on the recommendation of the ExCo and the ALCO.

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

Conduct Risk

Conduct risk is defined by the Group as the risk that the conduct of the Group or its staff towards customers or within the market leads to unfair customer outcomes. The impact of unfair customer outcomes is not limited to dissatisfaction and possible customer financial loss, it can also result in other outcomes such as breach of regulatory rules or laws, financial loss through penalties, redress and/or loss of business, reputational damage, and an impact on market integrity.

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

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

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

The management of conduct risk is the responsibility of the ExCo and First Line Management.

The Group's Senior Management are responsible for the identification and management of Conduct Risk in their business areas and for ensuring fair customer outcomes. The Group has a team within its Regulatory Compliance function responsible for Conduct Risk oversight. This team is guided by a Conduct Risk Management Framework, including a Board-approved Risk Appetite and 12 Conduct Risk Principles for the Group. Its purpose is to help ensure that the Group achieves its strategic objectives by acting honestly, fairly and professionally in the best interests of its customers and the integrity of the market, and acts with due skill, care and diligence. In doing so, the Group is placing the achievement of fair outcomes for its customers at the heart of its strategy, governance and operations.

The role of the Conduct Risk team is to provide oversight and support for the delivery of fair outcomes throughout all stages of the customer relationship with the Group.

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

Business and Strategic Risks

Business and strategic risk is the volatility of the Group's projected outcomes (including income, net worth or reputation) associated with damage to the brand or operational economics of the business and reflected in the income or net worth of the Group. It includes volatilities caused by changes in the competitive environment, new market entrants, new products or failure to execute a strategy or to anticipate or mitigate a related risk.

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

Business Unit strategy is developed within the boundaries of the Group's strategy as well as the Group's RAS. Monitoring of business and strategic risk is evaluated through regular updates to the ExCo, the BRCC and the Board. The Group also reviews business and strategic risk as part of the risk identification process.

Reputational Risk

Reputational risk, meaning the risk to earnings and capital from negative public opinion, is inherent in the Group's business. Negative public opinion can result from the actual or perceived manner in which the Group conducts its business activities, from the Group's financial performance, the level of direct and indirect Government support or actual or perceived practices in the banking and finance industry. It is often observed that reputational risk is in fact a consequence of other risks. Negative public opinion may adversely affect the Group's ability to keep and attract customers and, in particular, corporate and retail deposits which in turn may adversely affect the Group's financial condition and operations. The Group cannot be sure that it will be successful in avoiding damage to its business from reputational risk.

Operational and IT Risk

Operational and IT risk is defined as the risk of loss or unplanned gains resulting from inadequate or failed processes, people, and systems or from external events. Any significant disruption to the Group's IT systems, including breaches of data security or cyber security could harm the Group's reputation and adversely affect the Group's operations or financial condition materially. Risks from both these risk categories are inherently present in the Group's business.

The Group has a low appetite for Operational 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.

Trends in the market indicate an increased level of threat, complexity and sophistication in the cyber security space with multiple worldwide incidents reported in the media in the last 12 months. Progress has been made to improve the Group's defences and the Group's IT security defence mechanisms, and the enhanced security programme is on-going. Scenario testing is performed on cyber incidents to ensure existing processes support timely recovery. Monitoring and incident management processes are in place to detect and recover from both cyber-attacks and IT issues which may affect the availability of critical IT systems.

Regular disaster recovery testing of critical systems is conducted in order to test IT resilience. Any changes made to the Group's IT systems or applications are governed by a change management process.

From a people perspective, the Group is challenged in its ability to retain and nurture a high performing and diverse workforce due to an extremely competitive market, in particular for roles that require key technical skills and those involved in Control Functions. Our People Growth Strategy involves a significant focus on the identification of key talent, retention and development strategies as well as a series of programmes aimed at improving capability at all levels of the Group. Our Succession Planning processes have been enhanced, in particular an increased focus on gender diversity built into our succession, development and senior talent acquisition planning.

The Group's Operational and IT Risk Management Framework outlines 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 and reporting of Operational and IT risks in the Group.

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

Internal controls are tested on a continual basis to provide assurance on the design effectiveness and operating effectiveness of controls captured in the RCSA process.

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

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

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

Third Party Service Providers

From time to time, the Group may engage the services of third parties to support delivery of its objectives or to complement its existing processes. The risk associated with these activities is categorised as 'Outsourcing and Third Party' risk and defined as the current or prospective risk of any loss or reputational damage connected with the engagement of third parties contracted internally or externally.

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

Regulatory Developments

At a European level, the EU Risk Reduction Package was passed, which includes amendments to the CRR and Directive, and the Bank Recovery and Resolution Directive. The amendments include changes to the NSFR, counterparty risk, market risk, large exposures, reporting and disclosures and the introduction of minimum provision coverage for NPLs. The changes will be implemented from 2020 to 2022 and may impact the Group's capital requirements, liquidity management and market disclosures.

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

At a domestic level, following the CBI's report on the Behaviour and Culture of Irish Retail Banks in 2018, the Irish Government will bring forward legislation to introduce an Individual Accountability Regime for Banks and other regulated entities, via a SEAR. This regime is expected to include Conduct Standards for Staff and enhancements to both the Fitness and Probity and the Administrative Sanctions Regimes. Following the enactment of the legislation the Central Bank will undertake a consultation process in 2020.

During 2019 regulators continued to emphasise the importance of culture, conduct risk, diversity practices, IT resilience and cyber security. These will continue to be important areas of regulatory focus in 2020 and beyond.

Regulatory Risks

As a financial services firm, the Group is subject to extensive and comprehensive legislation and regulation. The Group is regulated by a number of regulatory authorities.

The Group expects the pace of change in banking regulation to continue. The Group is classed as a Less Significant Institution (LSI) from 1 January 2019 and therefore since this date the Group has been directly supervised by the CBI, as the National Competent Authority.

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

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

change and implement all required changes in full or on time, or the challenge of meeting regulatory changes will impact the Group's ability 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 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;
- Breaching laws and requirements relating to data protection, the detection and prevention of money laundering, terrorist financing, bribery, corruption and other financial crime; and
- Non-compliance with legislation relating to unfair or required contractual terms or disclosures.

Climate Risk

The Group is conscious of the effect that climate change has on the operations of our business and in turn the associated financial risk and increased credit risk for the Group.

As mentioned in Responsible Business on page 29, the Group have in place a BCM plan that takes into account adverse weather conditions that may in some cases cause a reduction in operational capacity. The BCM plan is tested annually to ensure the Group is prepared. The Group also discloses its Carbon Emission (see page 27) and has signed the Business In The Community Low Carbon Pledge, committing to a 50% reduction in Carbon Emissions by 2030.

Retail mortgage portfolios (such is the Group's focus), can be impacted by climate related physical risks either through persistent or chronic changes in the environment. This is an increasing area of focus for the Group throughout 2020.

3. Group Risks

The Board has overall responsibility for the establishment and oversight of the GRMF. The Board have 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, the GCC, Group CAC and the ALCO.

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

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

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

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

3.1 Customer Credit Risk - Audited

Definition of Customer Credit Risk

Customer credit risk is the risk of loss resulting from a customer being unable to meet his/her contractual obligations to the Group in respect of loans or other financial transactions. This risk includes but is not limited to default risk, concentration risk, migration risk and collateral risk.

Default risk

Credit default risk is the risk that a customer will not be able to meet the required payments on their debt obligations to the Group 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, country or geographic area, a type of collateral or type of credit facility.

Migration risk

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

Collateral risk

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

Governance

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

The BRCC, a sub-committee of the Board approves all credit policy and provides oversight to the Board on the setting and monitoring of the risk appetite and risk governance. 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 GCC level, a tiered level of discretion applies with individual discretion levels set to reflect the relevant staff members' level of seniority, expertise and experience and the Group's operational needs. All mortgage lending is currently approved by experienced credit risk professionals assisted by scoring models. For Group unsecured personal lending portfolios, scoring models and automated processes are utilised to support the credit decision process for those segments that present a lower credit risk. Exposures that present a higher credit risk, but remain within risk appetite are manually reviewed prior to approval.

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

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

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

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

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

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

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

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

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

Residential Mortgage Exposures by Indexed LTV

31 December 2019

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

31 December 2018

	Home loans €m	Buy-to-let €m	Total €m
Less than 70%	7,274	1,112	8,386
71% to 90%	3,205	791	3,996
91% to 100%	866	521	1,387
Subtotal	11,345	2,424	13,769
Greater than 100%	1,068	1,579	2,647
Subtotal	1,068	1,579	2,647
Total Residential Mortgages	12,413	4,003	16,416
Commercial			165
Consumer Finance			335
Gross loans and advances to customers			16,916

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 GCC and BRCC which include an overview, trends, limit categories and detail on mitigation plans proposed where a particular parameter is close or at its limit.

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

Arrears Management and Forbearance

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

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

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

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

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

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

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

Credit Risk Measurement

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

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

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

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

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

Credit grading and scoring systems are used by the Group to assist in the identification of vulnerabilities in loan quality in advance of arrears. Changes in scoring information is reflected in the credit grade of the borrower and where there is a significant deterioration may result in pre-arrears engagement activity on the part of the bank together with a reclassification of the exposure into Stage 2 for ECL assessment purposes.

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

Definition of default and credit risk assessment

As part of the implementation of IFRS 9, the Group has sought to reach a single aligned definition of default for risk measurement purposes. This resulted in a net increase in residential and commercial loans and advances defined as non-performing on transition to IFRS 9. Full alignment to this revised definition of default for IRB purposes took effect on 31 December 2018.

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

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

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

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

Fair can be expected to be classified as Stage 2

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

Non-performing will align to Stage 3

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

Credit Exposure

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

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

	Notes	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Cash at bank	14	**63**	65
Items in course of collection	14	**15**	17
Debt securities	15	**2,005**	2,647
Derivative assets	17	**1**	1
Loans and advances to banks	18	**1,556**	1,159
Loans and advances to customers	19	**15,644**	15,888
Other assets (loans sale receivable)	24	**251**	1,220
		19,535	20,997
Commitments and contingencies	40	**873**	912
		20,408	21,909

Further detail on loans and advances to customers is provided in note 35, Financial Risk Management.

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

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

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on an internally set rating that is equivalent to a Moody's rating. There are no impaired debt securities as at 31 December 2019 or at 31 December 2018, with the exception of the corporate bond.

Debt securities credit ratings
Debt securities neither past due nor impaired

	31 December 2019 €m	31 December 2018 €m
Rating		
A	**1,436**	2,391
Baa	**527**	212
Unrated	**42**	44
Total	**2,005**	2,647

All debt securities at 31 December 2019 are stage 1 apart from the corporate bond which is POCI.
The following table discloses, by country, the Group's exposure to sovereign and corporate debt as at:

	31 December 2019 €m	31 December 2018 €m
Country		
Ireland	**1,478**	2,435
Spain	**284**	212
Portugal	**243**	-
Total	**2,005**	2,647

Derivative assets

	31 December 2019 €m	31 December 2018 €m
Covered by netting agreements	**-**	1
Total	**-**	1

The Group has executed standard International Swaps and Derivatives Association (ISDA) agreements with all of its counterparties. The Group has also executed Credit Support Annexes (CSAs) with its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements, the Group exchanges collateral in line with movements in the market values of derivative positions daily. The cumulative positive market value of derivative assets at 31 December 2019 was €1m (31 December 2018: €1m). In the majority of cases the Group manages its collateral derivative positions with counterparties on a net basis. The uncollaterised derivative position as at 31 December 2019 is €nil (31 December 2018: €nil) and are all held with investment grade counterparties. The level of collateral placed and received by the Group is outlined in note 18 loans and advances to banks.

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 Central Bank of Ireland.

Rating

	31 December 2019 €m	31 December 2018 €m
Aaa	**1,038**	562
Aa	**474**	368
A	**42**	212
Baa	**2**	4
Ba	**-**	13
Total	**1,556**	1,159

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 European Banking Authority (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 Regulatory requirements and guidelines on default, NPLs and forbearance.

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

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

Key indicators of unlikely to pay include:

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

Exception to the general three stage impairment model

Purchased or originated credit impaired assets (POCI) are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted EIR basis. ECLs are only recognised or released to the extent that there is a subsequent change in expected credit losses. The Group purchased the credit impaired Newbridge Credit Union (NCU) portfolio in 2014, 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 significant increase in credit risk.

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

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

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

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

IFRS 9 LGD
For the Group's key mortgage portfolios, LGD assumes that the Group will have recourse to collateral in the event that an exposure fails to return to a performing state. The LGD model incorporates the probability of each defaulted account returning to performing together with the estimated loss rate should they return to performing and the estimated loss rate should they not return to performing. The Group uses a consistent approach for LGD estimation for both 12 month and lifetime.

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

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

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

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

Effective Interest Rate
The discount rate used by the Group in measuring ECL is the EIR (or 'credit-adjusted effective interest rate' for 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. 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.

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

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

The GCC is responsible for oversight of changes to credit policies, data or post model adjustments that would affect model outcomes.

IFRS 9 ECL methodologies are subject to formal review and approval by the GCC and the BRCC on a half-yearly basis. The adequacy of ECL allowance is also 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 expected loss. 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 used 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 four year MTP, 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, CBI and Economic & Social Research Institute. This external data has been combined with internal forecasts to develop a combined house view forecast. The governance and oversight process includes the review, challenge and sign-off by Group CAC of FLI. In general, a review and update of macroeconomic variables takes place at least bi-annually.

The Group has adopted three macroeconomic scenarios for ECL purposes. The Group's approach uses extreme but plausible economic scenarios (i.e. underpinned by historical evidence) to estimate the distribution of expected credit losses to which the Group is exposed.

The central scenario, which is consistent with the Group's IPP, 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. Using statistical techniques combined with expert credit judgement the Group then formulates an unbiased probability weighted estimate of ECL at the reporting date (see note 2, critical accounting estimates and judgements for further details).

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

At 31 December 2019, the impairment provision included €60m of Management's adjustments to modelled outcomes.

3.2 Funding and Liquidity Risk - audited

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

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

The level of risk is dependent on the composition of the balance sheet, the maturity profile and the quantum and quality of the liquidity buffer. It is likely that these risks would be further exacerbated in times of stress. Given the nature of the

Group's retail focus which stems from its business model, liquidity and funding risk will arise naturally due to the maturity transformation of primarily short term contractual deposits (albeit recognising behavioural stickiness) into longer term loans (predominantly mortgage lending). With 95% of the balance sheet being deposit funded, exposure to a potential deposit run represents the primary liquidity and funding risk.

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

i. Regulatory Compliance

From 1 January 2019, the Group transitioned out of the SSM and came under the direct supervision of the CBI. The Group is required to comply with the liquidity requirements of the CBI and the full spectrum of European regulatory requirements including CRR, CRD IV and associated Delegated Acts such as the LCR Delegated Act.

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

Under the Bank Recovery and Resolution Directive (BRRD), the Group is required to adhere to an MREL target. The Group has proactively engaged with the CBI to determine the Group's MREL requirement, which represents a quantification of the eligible liabilities required to act as a buffer in the event of a resolution scenario. MREL targets have been communicated and compliance becomes binding from 2021. The Group issued its inaugural €300m 5NC4 (5 year maturity callable after year 4) MREL compliant MTN note via PTSB Group Holdings in September 2019 and has formulated a senior unsecured issuance strategy to meet the MREL target.

ii. Risk Management, Measurement and Monitoring

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

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

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

The Group also actively monitors a comprehensive suite of KRIs and Early Warning Indicators (EWIs) covering a range of market wide and Bank 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 economic perspective requires the internal liquidity of the institution to be sufficient to cover its risks and expected outflows and to support its strategy on an ongoing basis. The Group performs weekly survivability stress testing and scenario analysis through the Maximum Cumulative Outflow (MCO) model to evaluate the impact of differing stresses on its liquidity position.

The normative perspective takes into account all aspects that could affect relevant regulatory ratios. To analyse the Bank's liquidity position on a normative basis, ratio sensitivity analysis is conducted on a bi-annual basis through the ILAAP which tracks the stress scenario effects on the suite Regulatory, RAS and KRI metrics.

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 maintains an ILAAP which forms 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 Bank's liquidity position and risk management processes on an annual basis.

iii. Liquidity Risk Management Framework

The exposure to liquidity risk is governed by the Group's liquidity policies, RAS and associated limits. The liquidity 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 policies are approved by the BRCC on the recommendation of the EXCO and 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 framework provides the mechanisms to manage liquidity risk 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 comprised of both unencumbered HQLA and non-HQLA liquidity capacity to meet LCR and stress testing requirements.

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

v. Liquidity Risk Factors

Over reliance and concentration on any one particular funding source can lead to a heightened liquidity impact during a period of stress. The Group relies on customer deposits to fund a considerable portion of its loan portfolio. The on-going 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 guarentees are of critical importance especially for a Retail bank. The 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 and ECB eligible retained securitisations which can be monetised quickly to safeguard against a liquidity event. While the quantum of the buffer is sufficient to provide capacity to withstand a significant liquidity stress event there is a concentration in Irish based assets which could reduce overall capacity in the event of an idiosyncratic Irish stress event.

Significant progress has been made in reducing the encumbrance level over recent years. Following the successful NPL deleveraging programme and the execution of the Treasury funding plan, encumbrance is now well within the target level. A clear and defined strategy has been developed to ensure an encumbrance level consistent with its economic plan is maintained by the Group. Disruption to unsecured funding sources and a requirement to revert to secured funding channels could potentially pose a threat to this ratio and unsecured creditors.

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

vi. Credit Ratings

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

During 2019, S&P, Moody's and DBRS upgraded PTSB plc's senior unsecured credit ratings to investment grade following the successful issuance of MREL eligible senior unsecured debt from PTSB Group Holdings and reduction in NPLs.

The ratings for PTSB plc are as follows:

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

The ratings for PTSB Group Holdings are as follows:

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

For further details on liquidity and funding risk see note 35.

3.3 Market Risk - audited

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

The Group's RAS and associated policies set out the governance and limit framework for the management of market risk exposures. The policies are approved by the BRCC on the recommendation of the EXCO and the ALCO.

All market risks arising within the Group are subject to strict internal controls and reporting procedures and are monitored by the ALCO, the EXCO 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 to the market risk framework.

ii. Interest rate risk

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

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

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

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

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

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

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

The 31 December 2019 interest rate risk level, based on the EV calculation (more severe than EaR), was calculated as €44m (31 December 2018: €38m). The increase in the risk position is primarily driven by an increase in current account balances.

Based on the internally derived Basis Risk calculation methodology, the 31 December 2019 risk level stands at €21m. A floor of ECB Refi minus 25bps is applied for the ECB refinance rate and -1% 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. FX exposures also may arise as a result of non-Euro contractual payment obligations to third parties. Group Treasury manage these exposures in line with the underlying policy framework. The aggregate euro denominated 31 December 2019 FX position was €2.9m (31 December 2018 €2.7m).

iii. Credit Spread Risk

Credit Spread Risk is 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 Banks bond portfolio which is classified as Hold to Collect (HTC) and Sell (HTC&S) under IFRS9 classifications.

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

For further details on market risk see note 35.

Directors' Report

The Directors present their Annual Report and audited Group and Company financial statements to the shareholders for the year ended 31 December 2019.

Results

The Group profit after tax for the year was €30m (2018 profit: €3m) and was arrived at as presented in the consolidated income statement.

Dividends

No dividends were paid in 2019.

Review of the Business and likely Future Developments

A detailed review of the Group's business activities, performance for the year and an indication of likely future developments are set out in the Strategic Report. Information on the KPIs and principal risks and uncertainties of the business are provided as required by the European Accounts Modernisation Directive (2003/51/EEC). The Group's KPIs are included in the Strategic Report section. The principal risks and uncertainties are outlined under "risk factors" in the Risk Management section and under "Longer Term Viability" within the BAC section of the Corporate Governance Statement.

Accounting Policies

The principal accounting policies, together with the basis of preparation of the financial statements are set out in note 1 to the consolidated financial statements.

Corporate Governance

The report on Corporate Governance, as outlined in the Corporate Governance section, forms part of the Directors' Report.

Principal Risks and Uncertainties

Information concerning the principal risks and uncertainties of the Group are set out in the risk management section of the Strategic Report on page 53 of the Annual Report.

Financial Instruments

The financial instruments and use thereof are outlined in the risk management section, financial risk management and derivative assets/liabilities notes.

Going Concern

The Group's financial statements have been prepared by the Directors on a going concern basis having considered that it is appropriate to do so. The going concern of the Group has been considered in Note 1 of the financial statements and further information on the assessment of the going concern position is also set out in the Governance Statement on page 105 under the BAC's 2019 significant financial reporting judgments and disclosures.

Longer Term Viability

Taking account of the Group's current position and principal risks, the Directors have assessed the prospects of the Group over the period 2020-2022. The Directors confirm that it is their reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period. Further detail on the assessment of the Group's longer term viability is set out in the Governance Statement on page 105 under the Board Audit Committee's 2019 significant financial reporting judgements and disclosures.

Directors' Compliance Statement

As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The Directors have drawn up a compliance policy statement, and have put in place arrangements and structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. A review of these arrangements was conducted during the year.

Statement of Relevant Audit Information

In preparing and approving the 2019 Annual Report and in accordance with Section 330 (1) of the Companies Act 2014, each of the current Directors of the Company confirm that;

- So far as the Directors are aware, there is no relevant audit information of which the statutory auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and have established that the statutory auditors are aware of that information.

Audit Committee

In accordance with Section 167(3)(a) of the Companies Act 2014, the Directors confirm that the Board has established an audit committee.

Directors

The names of the Directors, together with a detailed description of the key strengths, skills, expertise and experience of each Director, are set out in the Board of Directors section on pages 82 to 85 of the Annual Report. Marian Corcoran was appointed as a Non-Executive Director on 24 September 2019 and Mike Frawley was appointed as an Executive Director on 29 October 2019. Richard Pike retired as a Non-Executive Director on 20 December 2019.

As announced by the Company on 24 October 2019, Jeremy Masding will step down as CEO and Director during 2020. The effective date of Jeremy Masding's departure has yet to be determined. The Board has commenced a process to select a new CEO and will make a further announcement to the market in due course.

All of the Directors stood and were re-appointed by election at the 2019 Annual General Meeting (AGM). With the exception of Jeremy Masding and Julie O'Neill, who will retire as a Non-Executive Director at the conclusion of the 2020 AGM, all of the Directors will stand for re-appointment by election at the Group's 2020 AGM to be held on 6 May 2020.

Information on Directors' remuneration is detailed in the Remuneration Report on pages 118 to 120 of the Annual Report and Directors' and Secretary interests in shares are outlined in note 41 to the financial statements.

Other than the Directors' interests set out in note 41, there were no other interests disclosed to the Company in accordance with the market abuse regulations occurring between the period under review and up to 25 February 2020.

Share Capital and Shareholders

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

Relationship Framework with the Minister for Finance

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

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

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

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

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

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

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

Authorised Share Capital

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

Issued Ordinary Shares

At 31 December 2019, the Company had 454,695,492 ordinary shares of €0.50 each in issue (2018: 454,695,492). Ordinary shares represent 100% of the Company's issued share capital value. During the year, the Directors bought 63,086 ordinary shares. No ordinary shares were issued in 2019. Each ordinary share carries one vote and the total number of voting rights at 31 December 2019 is 454,695,492 (2018: 454,695,492).

At 31 December 2019, the Company holds, through an employee benefit trust, 4,580 (2018: 4,580) ordinary shares of €0.50 each.

Additional Tier 1 Equity Securities

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

European Union Bank Recovery and Resolution Directive

The BRRD was implemented into Irish law by the EU (Bank Recovery and Resolution) Regulations 2015. BRRD provides European national resolution authorities with comprehensive and effective powers for dealing with failing banks and certain investment firms. BRRD grants a set of early intervention powers to the Irish national resolution authority (CBI) that include the write-down or cancellation of equity and/or the conversion of certain eligible liabilities into equity. Further information on BRRD is available on the CBI website: https://www.centralbank.ie/regulation/how-we-regulate/resolution-framework.

Variation of Rights

Whenever the share capital is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of the class, and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.

Allotment of Ordinary Shares

Subject to the provisions of the Articles of Association relating to new shares, the shares shall be at the disposal of the Directors and (subject to the provisions of the Articles and the Acts) they may allot, grant options over, or otherwise dispose of them to such persons on such terms and conditions and at such times as they may consider to be in the best interests of the Company and its shareholders, but so that no share shall be issued at a discount and so that, in the case of shares offered to the public for subscription, the amount payable on application of each share shall not be less than one-quarter of the nominal amount of the share and the whole of any premium thereon.

Holders of Ordinary Shares Resident in the USA

The Board may at its discretion give notice to certain holders resident in the USA calling for a disposal of their shares within 21 days or such longer period as the Board considers reasonable. The Board may extend the period within which any such notice is required to be complied with and may withdraw any such notice in any circumstances the Board sees fit. If the Board is not satisfied that a disposal has been made by the expiry of the 21 day period (as may be extended), no transfer of any of the shares to which the notice relates may be made or registered other than a transfer made pursuant to a procured disposal of the said shares by the Board, or unless such notice is withdrawn.

Refusal to Transfer

The Directors in their absolute discretion and without assigning any reason therefore may decline to register:

- any transfer of a share which is not fully paid save however, that in the case of such a share which is admitted to listing on London or Euronext Dublin Stock Exchanges, such restriction shall not operate so as to prevent dealings in such share of the Company from taking place on an open and proper basis;
- any transfer to or by a minor or person who is adjudged by any competent court or tribunal, or determined in accordance with the Company's Articles, not to possess an adequate decision-making capacity;
- any instrument of transfer that is not accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer, if the instrument of transfer is in respect of more than one class of share; and
- any transfer of shares in uncertificated form only in such circumstances as are permitted or required by Section 1086 of the Companies Act 2014.

General Meetings

Under the Articles of Association, the power to manage the business of the Company is generally delegated to the Directors. However, the shareholders retain the power to pass resolutions at a general meeting of the Company which may give direction to the Directors as to the management of the Company.

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

Extraordinary General Meetings shall be convened by the Directors or on the requisition of members holding, at the date of the requisition, not less than five per cent of the paid up capital carrying the right to vote at General Meetings and in default of the Directors acting within 21 days to convene such a meeting to be held within two months, the requisitionists (or more than half of them) may, but only within three months, themselves convene a meeting.

No business may be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote at such meeting constitutes a quorum.

In the case of an AGM or of a meeting for the passing of a special resolution or the appointment of a director, 21 clear days' notice at the least, and in any other case 14 clear days' notice at the least (assuming that the shareholders have passed a resolution to this effect at the previous year's AGM), needs to be given in writing in the manner provided for in the Company's Articles of Association to all the members (other than those who, under the provisions of the Articles of Association or the conditions of issue of the shares held by them, are not entitled to receive the notice) and to the Auditor for the time being of the Company. The Company's Articles of Association may be amended by special resolution passed at a General Meeting of shareholders. Special resolutions must be approved by not less than 75% of the votes cast by shareholders entitled to vote in person or by proxy.

Substantial Shareholdings

As at 31 December 2019, the Directors have been notified of the following substantial interests in the voting rights of Ordinary shares held:

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

There were no other changes to substantial interests in the voting rights of ordinary shares reported to the Directors as at 25 February 2020.

Voting Rights of Ordinary Shares

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

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

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

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

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

The Company publishes the date of its AGM on its website www. permanenttsbgroup.ie on or before 31 December of the previous financial year.

Director Appointments

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

Powers Granted to Directors at the AGM

The following is a description of the resolutions passed by members in connection with powers granted to the Directors:

Ordinary Remuneration of Directors

At the 2019 AGM held on 14 May 2019, shareholders authorised that the Directors may from time to time determine in accordance with the Articles of Association of the Company, the aggregate ordinary remuneration of the Directors for serving as Directors of the Company at an amount not exceeding €750,000.

Allotment of Shares

At the 2015 AGM held on 8 April 2015, authorisation was provided to the Directors, to allot shares and dis-apply statutory pre-emption rights up to a nominal value of €20,833,333 connected to the issue of ordinary shares should there be a conversion of the AT1 Debt instrument (see page 72).

In July 2016, the Investment Association issued updated guidance relating to this authority. This guidance generally supports resolutions seeking authority to allot up to a separate and additional 33.33% of a company's issued share capital (excluding treasury shares) in addition to the 33.33% authority already supported where the additional authority is applied to allot shares pursuant to a rights issue.

At the 2019 AGM held on 14 May 2019, the Directors were generally and unconditionally authorised, pursuant to section 1021 of the Companies Act 2014, to exercise all of the powers of the Company to allot and issue all relevant securities of the Company (within the meaning of section 1021 of the Companies Act 2014) up to an aggregate nominal amount of €150,049,512 representing 66.66% of the issued ordinary share capital of the Company as at 12 March 2019 of which €75,024,756 (representing the separate and additional 33.33% of the issued ordinary share capital of the Company (excluding treasury shares) as at 12 March 2019 referred to above) may be applied to allot shares pursuant to a rights issue.

The authority conferred commenced on the 14 May 2019 and will expire at the conclusion of the 2020 AGM or 14 August 2020 (whichever is earlier) unless and to the extent that such power is renewed, revoked, or extended prior to such date; provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred by this Resolution had not expired.

Disapplication of Pre-emption Rights

At the 2019 AGM held on 14 May 2019, the Directors were authorised to allot equity securities (within the meaning of section 1023(1) of the Companies Act 2014) for cash as if Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power to be effective from 16 May 2018 and shall expire at the conclusion of the 2020 AGM or 14 August 2020 (whichever is earlier) unless and to the extent that such power is renewed, revoked, or extended prior to such date; and such power being limited to:

(a) the allotment of equity securities in connection with any offer of securities, open for a period fixed by the Directors, by way of rights issue, open offer or other invitation to or in favour of the holders of ordinary shares and/or any persons having a right to subscribe for equity securities in the capital of the Company (including, without limitation, any persons entitled or who may become entitled to acquire equity securities under any of the Company's share option scheme or share incentive plans then in force) where the equity securities respectively attributable to the interests of such holders are proportional (as nearly as may reasonably be) to the respective number of ordinary shares held by them and subject thereto the allotment in any case by way of placing or otherwise of any securities not taken up in such issue or offer to such persons as the Directors may determine; and generally, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems (including dealing with any fractional entitlements and/or arising in respect of any overseas shareholders) under the laws of, or the requirements of any regulatory body or stock exchange in, any territory;

(b) and/or the allotment of equity securities up to a maximum aggregate nominal value of €11,367,387, which represents approximately 5% of the issued ordinary share capital of the Company as at the close of business on 12 March 2019.

The Directors were also empowered to allot equity securities (within the meaning of Section 1023(1) of the Companies Act 2014) for cash as if Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power to be effective from 14 May 2019 and shall expire at the conclusion of the 2020 AGM or 14 August 2020 (whichever is earlier) unless and to the extent that such power is renewed, revoked, or extended prior to such date and such power being limited to:

(a) the allotment of equity securities up to a maximum aggregate nominal value of €11,367,387, which represents approximately 5% of the issued ordinary share capital of the Company as at the close of business on 12 March 2019; and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying the Pre-Emption Rights most recently published by the Pre-Emption Group and in effect prior to 12 March 2019.

Market purchases of own Shares

At the 2019 AGM held on 14 May 2019, members gave the Company (and its subsidiaries) the authority to make market purchases and overseas market purchases provided that the maximum number of ordinary shares authorised to be acquired shall not exceed:

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

(b) the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052 relating to regulatory technical standards for the conditions applicable to buy-backs and stabilisation (being the value of such an ordinary share calculated on the basis of the higher of the price quoted for: (i) the last independent trade; and (ii) the highest current independent purchase bid for any number of such ordinary shares on the trading venue(s) where the purchase pursuant to the authority conferred will be carried out). The authority will expire on close of business on the date of the next AGM of the Company or on the 16 August 2020 (whichever is earlier) unless previously varied, revoked or renewed. While the Directors do not have any current intention to exercise this power, this authority and flexibility was sought as it is common practice for companies on the Official List of the Euronext Dublin and/or London Stock Exchanges. Furthermore, such purchases would be made only at price levels which the Directors considered to be in the best interests of the members generally, after taking into account the Company's overall financial position. In addition, the authority being sought from members would provide that the minimum price (excluding expenses) which may be paid for such shares would be an amount not less than the nominal value of the shares;

(c) the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052 relating to regulatory technical standards for the conditions applicable to buy-backs and stabilisation (being the value of such an ordinary share calculated on the basis of the higher of the price quoted for: (i) the last independent trade; and (ii) the highest current independent purchase bid for any number of such ordinary shares on the trading venue(s) where the purchase pursuant to the authority conferred will be carried out). The authority will expire on close of business on the date of the next AGM of the Company or on the 16 August 2020 (whichever is earlier) unless previously varied, revoked or renewed. While the Directors do not have any current intention to exercise this power, this authority and flexibility was sought as it is common practice for companies on the Official List of the Irish and/or London.

Change of control of the Company

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

Post Balance Sheet Events

Events after the reporting period are described in note 46 to the financial statements.

Accounting Records

The measures taken by the Directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and the employment of competent persons. The accounting records are kept at the Company's registered office, 56-59 St Stephens Green, Dublin 2.

Disclosure Notice

The Company did not receive a disclosure notice under section 33AK of the Central Bank Act 1942 during 2019.

Political Donations

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

Location of Information required pursuant to Listing Rule 6.8.1C

Listing Rule	Information Included*
LR 6.8.1 (12)	The Trustees of the Employee Benefit Trust have elected to waive dividend entitlements.
LR 6.8.1 (14)	As stated on page 54, the Minister for Finance has entered into a Relationship Framework with the Company. A copy of the Relationship Framework is available at www.permanenttsbgroup.ie

*No information is required to be disclosed in respect of Listing Rules 6.8.1(1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (13).

Subsidiary Undertakings

The principal subsidiary undertakings and the Company's interests therein are shown in Note 44 to the financial statements.

Independent Auditor

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

Board Diversity Statement

The Board Diversity Statement, as set out in the Corporate Governance Statement (see page 100) is deemed to be incorporated into this part of the Directors' Report.

Non-Financial Statement

For the purposes of Statutory Instrument 360/2017 EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, the following sections of this Annual Report and any cross references made in the Directors' Report are deemed to be incorporated into this part of the Directors' Report:

Reporting requirements	Policies and standards which govern our approach	Risk management and additional information
Environmental matters	· Environmental statement	· Environment, pages 26 to 29 · Low Carbon Pledge, page 27 · Waste Management, page 28 · Go Paperless Initiative, page 29
Social and Employees	· Code of Ethics · Diversity and Inclusion Strategy · Conflicts of Interest Policy · Whistleblowing Policy and associated procedures · Board Diversity Policy	· Having an Employee Voice, page 21 · Health, safety and wellbeing, page 23 · Speaking Up, page 31 · Board Diversity Policy, page 100
Human rights	· Dignity and Respect Policy · Equality Through Diversity Policy	· Operating Responsibly, page 30 · The Business Working Responsibility Mark, page 15
Social matters	· Community Partnerships	· Helping communities, page 25

Reporting requirements	Policies and standards which govern our approach	Risk management and additional information
Anti-corruption and anti-bribery	· Anti-bribery Policy · Anti-bribery Policy Statement · Anti-money laundering and counter terrorist financing Policy	· Customer privacy and data security, page 57 · Responsible conduct and culture, page 56 · Operational risk, page 57 · Speaking Up, page 31
Description of principal risks and impact of business activity		· Risk overview, pages 53 · Principal risks, pages 53
Description of the business model		· Our Strategy, page 11 · Our business model, page 11
Non-financial key performance indicators		· Non-financial performance indicators, page 3 · Responsible Business Governance, page 30 · Customers, page 16 · Colleagues, page 20 · Community, page 24 · Environment, page 26

On behalf of the Board

Robert Elliott
Chairman

Jeremy Masding
Chief Executive

Eamonn Crowley
Chief Financial Officer

Conor Ryan
Company Secretary

Corporate Governance Statement
Chairman's Introduction

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

Dear Shareholder,

In my third year as Chairman, I am pleased to report that the Bank continues to drive commercial momentum and establish a strategy for profitable growth. 2019 was also a year for both reflection on, and the evolution of, a corporate culture focussed on becoming the Bank of Choice for our stakeholders, including customers, colleagues, communities and shareholders. This has been achieved through the continued embedding of a system of governance that responds to the needs of stakeholders, while upholding the standards expected of a retail credit institution. The following report sets out the detail of our approach to corporate governance principles and practices, how we implement and endeavour to achieve compliance with the 2018 UK Corporate Governance Code and how our Board and its Committees operated during the year.

The reports from the Chairs of the Board Audit, Risk and Compliance, Nomination Culture and Ethics, and Remuneration Committees on pages 103, 108, 111 and 114 respectively highlight the key activities and areas of focus for each Committee.

The Board has responsibility for the leadership, financial soundness, strategic direction, operational performance, risk management and the long-term success of the Bank. In pursuing the objective of delivering on our priorities and promoting the long-term success of the Company, for the ultimate benefit of the Bank's shareholders and other key stakeholders, the Board observes the highest standards of corporate governance, integrity and professionalism. We keep our governance structures and arrangements under review on a continuing basis in the pursuance of effective risk management and the provision of assurance and accountability in a transparent manner. During 2019, I was particularly pleased with the Board's decision to approve a revised governance structure by allocating additional responsibilities to the newly named Board Nomination Culture and Ethics Committee. The Committee's role is to support the Board in its oversight on culture, ethics, employee engagement and reputation management.

Culture

The Board is responsible for leading on culture and setting the right tone from the top. As a result of the revised governance structure approved by the Board in 2019, the Board Nomination Culture and Ethics Committee plays an important role in overseeing that the appropriate culture is being embedded across the organisation. During 2019, the Board oversaw implementation of an Organisational Culture Programme. This was a multi-disciplinary cross functional programme of work with the aim over time, of delivering on the organisation's commitment to be the Bank of Choice for its stakeholders. Further details on this initiative can be found on page 100.

Diversity and Inclusion

A diverse and inclusive culture is essential to the long-term success of the Bank. Diversity enables our business to grow by responding to diverse customer and wider stakeholder needs. At PTSB, we value each individual's contribution to our business and look to ensure that greater diversity is achieved at all levels. Following the launch of our Diversity and Inclusion Strategy in November 2018, we have progressed our ambition to build a culture of inclusion and belonging where employees are engaged, confident and connected to both their colleagues and customers. Details of the progress made throughout 2019 can be found on page 22. Furthermore, our Board Diversity statement can be found on page 100.

Board Performance, Effectiveness and Oversight

Our Board is committed to the ongoing improvement of our collective effectiveness. In February 2019, the Board approved a detailed action plan, to address 14 recommendations identified during the 2018 externally facilitated Board Evaluation process. In developing this action plan, other Bank projects/initiatives on such issues as Culture, Diversity and Inclusion, Board Meeting Effectiveness and the provisions of the 2018 UK Corporate Governance Code were all leveraged to inform development of the action plan. Further details on the outcome of the 2019 Board Evaluation are set out on pages 94 to 96.

Board Succession Planning

As part of the Board renewal process, a key focus for the Board in 2019 was succession planning, most notably in terms of succession planning for the role of CEO as announced on the 24 October 2019. While the effective date of Jeremy's departure has yet to be determined, the Board is at an advanced stage in the recruitment process for a new CEO. The Board Nomination, Culture and Ethics Committee also undertook a detailed review of both Board and Board Committee succession with a focus on skills, Board tenure, independence and diversity. In carrying out this review the Committee was mindful of the dates on which Directors' terms of office were due to expire. Further details on this programme of succession planning for these Board retirements are set out on page 111 of the Nomination, Culture and Ethics Committee report.

Conclusion

Finally, I would like to thank each of the Directors for their commitment during 2019. Good corporate governance is imperative to enable the Board to balance the interests of its stakeholders and promote growth, and, speaking on behalf of the Board, we look forward to further achieving this in 2020.

Robert Elliott
Chairman

CBI Corporate Governance Code

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

Compliance Statement with UK Corporate Governance Code and Irish Annex

The Company's shares are admitted to trading on the Main Securities Market of Euronext Ireland and the London Stock Exchange and the Company must comply or explain against the provisions of the 2018 UK Corporate Governance Code (the "UK Code") and the Irish Corporate Governance Annex (the "Irish Annex"). A new UK Corporate Governance Code was published by the Financial Reporting Council in July 2018, which came into effect for 2019 and applies to this Annual Report. A programme has been ongoing since late 2018 in relation to the new Code to determine how to best apply its provisions to the Company. A copy of the UK Code is available on the UK Financial Reporting Council's website www.frc.org.uk and the Irish Annex is available at www.ise.ie.

Details of how the Group applied the main principles and supporting provisions of the UK Code are set out in this Corporate Governance Statement, the Business Model and Strategy section, the Risk Management section and in the Directors' Report on Remuneration. These also cover the disclosure requirements set out in the Irish Annex, which supplement the requirements of the UK Code with additional Corporate Governance provisions. The Board confirms that the Company has complied with the detailed provisions of the UK Code and Irish Annex during 2019, save as set out in the following paragraphs.

Principle C of the UK Code requires the Board to establish a framework of prudent and effective controls, which enable risk to be assessed and managed. During 2019, the BRCC approved a full review of the structure and composition of the Group Risk Function together with the effectiveness of the Group's Internal Control Framework (the 'Risk Review'). The Risk Review was instigated following previous explanations made in the Group's Annual Report on compliance with Code Principle C (and equivalent principles/provisions of the 2016 UK Code). The Risk Review was supported by external consultants. Arising from the findings of the Risk Review, during 2019, the BRCC approved a series of actions for implementation to enhance the effectiveness of the Bank's Risk and Control environment. The Directors have agreed it prudent that, before a statement of full compliance with Principle C of the UK Code is made, assurance through 2020 on the embeddedness of the implemented actions is received.

Provision 25 and 32 and of the UK Code requires the risk (where established) and remuneration committees to consist of Independent Non-Executive Directors. Marian Corcoran was appointed a member of these Board Committees during the year and, as Marian's candidacy had been nominated by the Minister for Finance of Ireland under the terms of a Shareholder Relationship Agreement, she does not meet the independence criteria for the purposes of the UK Code. It is expected a second nominee of the Minister for Finance will be appointed in 2020. Taking into account actual and planned retirements from the Board and its Committees during 2019 and 2020, the Board acknowledged it would have to substantially increase the size of the Board if the nominees of the Minister for Finance did not participate on the Remuneration, Risk & Compliance and Audit Committees. In order to avoid a situation where the size of the Board became unwieldy, and in agreeing that Marian's skills and experience would add to the collective competencies of the Board Risk & Compliance and Remuneration Committees, it was agreed to appoint her to these Committees and explain the rationale for these appointments in the Annual Report.

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

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

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

Stakeholder Engagement

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

What we did in 2019 – Reputation Audit

In the second half of 2019, the Bank initiated its first ever reputation audit in order to gain a better understanding of the Bank's reputation amongst key stakeholders. This work was an important opportunity to obtain feedback as the Bank worked to improve culture, strengthen trust with stakeholders and achieve its vision to become the Bank Of Choice. The reputation audit incorporated two key elements.

The first element was a qualitative multi-stakeholder audit which consisted of interviews with approximately 50 participants who were representative of the Bank's key stakeholders groups that included: Investors; DOF; media; consumer advocates and key influencers; customers; brokers; politicians; community organisations; colleagues; and external recruitment partners. Topics covered in the interviews included broad views on the retail banking industry in Ireland and perceptions of the Bank across the key drivers of reputation: Leadership; Performance; Products/Services; Innovation; Workplace; Governance; and Citizenship.

This is the first time the Bank has run a multi-stakeholder audit of this nature, the purpose of which was to obtain feedback from key stakeholders to better understand the Bank's reputation and identify areas of focus required to strengthen trust in the Bank.

The second element of the Reputation Audit was a quantitative piece of work called 'RepTrack' which was a study of the general public and which benchmarked the Bank against the industry. A sample of 1,800 participants drawn from a consumer panel participated in the survey. The Ireland RepTrak 2019 study, in its tenth year, is part of a large global study that measures the reputations of over 7,000 organisations from 55 countries and 20 industries annually. The Bank commissioned a RepTrak report for Q3 2019, which asked over 100 questions of the general public regarding both the Bank's and the banking sector's reputations.

Interim findings from the RepTrack study were presented to the Nomination, Culture and Ethics Committee in December 2019 for review. Following finalisation of each study, it is expected the detailed findings together with a recommended action plan will be presented to the Committee in March 2020.

Focus for 2020

The Bank's focus for 2020 will be to build on the milestones achieved previously and to rollout a series of proactive engagements amongst its key stakeholders that will allow the Bank to cultivate relationships, gain trust and build further the reputation of the Bank. This will include the design and approval of a Stakeholder Engagement Policy that will be brought to the Nomination, Culture and Ethics Committee for approval in 2020.

Bank Of Choice Stakeholder Engagement

The Nomination, Culture and Ethics Committee is tasked with reviewing the design, implementation and effectiveness of the Bank's Banking Blueprint. Details of the Banking Blueprint are set out on page 13. The Blueprint sets out what it means to be the Bank Of Choice for its key stakeholders. These key stakeholders include the Bank's customers, colleagues and communities. Details of how the Bank engages with these stakeholders are set out in the responsible business section of the Annual Report.

To ensure effective engagement with the Group's shareholders, the Bank has an established and dedicated Investor Relations team, headed by the CFO. The Bank has an active market engagement programme in place where it reports financial results live through a webcast twice a year typically in February and July and updates the market on trading twice a year typically in May and November. The Group publishes all results, including the webcasts, on its website. The Group also reports other relevant information to the market on a timely basis. The Investor Relations team, together with the CEO and the CFO, provides regular updates to the Board on the types of activities mentioned above, along with market reactions, in order to ensure that the members of the Board develop an understanding of the views of major shareholders. This feedback acts as a key input into the Bank's strategy formulation process the output of which is to provide predictable economic profit and sustainable growth for the Bank's shareholders.

Workforce Engagement

The UK Corporate Governance Code places an obligation on Boards to keep workforce engagement mechanisms under review so that they remain effective. Furthermore, the Code also states that where the Board chooses to implement alternative arrangements to those set out in the Code, it should explain in its Annual Report what alternative arrangements are in place and why it considers that they are effective.

In June 2019, the Board reviewed the existing mechanisms, by which it carries out its workforce engagement obligations, which include:

- Reviewing and implementing actions from employee survey results;
- Carrying out Head Office and Branch visits;

- Attending and participating at employee events such as recognition awards, leadership conferences and panel discussions, (e.g. International Women's Day); and
- Participating in relevant leadership training, e.g. Inclusive Leadership Training.

Upon review, the Board agreed to continue with and to enhance these activities further. These enhancements include;

- a commitment to hold Board meetings outside the Dublin Head Office a minimum of twice per annum;
- to meet representatives from the Employee Engagement Group on a bi-annual basis to gain a deeper understanding of employee engagement results directly from employees themselves ; and
- to meet with Employee Trade Union Representatives on an annual basis to understand employee sentiment from an external perspective.

In addition, the Board widened the responsibilities of the Board Nomination, Culture and Ethics Committee to include accountability for culture, behaviour, ethics, workforce engagement and reputation management.

All material organisational changes are discussed and negotiated in advance with employee representative bodies. It is important in the context of these discussions that employees understand and can provide feedback on the financial and strategic position of the Bank over its planning period (4 years). During 2019, the CFO (a Board Director) attended engagement sessions with Employee representative bodies to explain and provide context to the Bank's current and medium term outlook as part of negotiations on reward.

The Board is satisfied that the above workforce engagement arrangements sufficiently enable them to understand workforce sentiment within the Company. The Board has also committed to review these arrangements on an annual basis to ensure that they remain adequate and relevant to the evolving culture of the Company.

Board Decision Making

The Board has a clear understanding of the Bank's key stakeholders and how the operations of the Bank effect the environment and communities in which it operates. The Bank's Stakeholder Engagement Programmes facilitate a clear and unfettered information flow to and from the Board. This allows the Board to make informed decisions that are both in the best interest of the Company and facilitate a clear understanding of how decisions impact on the Bank's stakeholders, wider community and environment.

ROBERT ELLIOTT (67)
CHAIRMAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Chairman:
31 March 2017

Nationality:
British

Key Strengths, Skills and Experience
- Extensive legal, banking and leadership experience
- Track record of championing greater inclusiveness and diversity

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

External Appointments:
Director of Saranac Partners Ltd and Chairman of Windship Technology (a marine fuel efficiency start-up.)

Robert is an experienced Chairman and Lawyer, having advised on major UK and international banking and restructuring projects. Robert is a former Chairman and Senior Partner of Linklaters LLP, the global law firm with a partnership of 490 members and approximately 5,500 staff. In his role as the firm's ambassador, he also contributed widely to industry and City organisations, think tanks and community-led initiatives. Robert previously chaired the Nomination and Governance Committee for the TheCityUK, which champions UK-based financial and related professional services.

JEREMY MASDING (54)
CHIEF EXECUTIVE

Appointed to Board:
28 February 2012

Nationality:
British

Key Strengths, Skills and Experience
- Strong corporate pedigree complemented by deep business management experience, recognised for building and leading first class teams, developing winning strategies, driving profitable growth and delivering fundamental culture change
- Certified Bank Director
- Associate and Fellow of the Chartered Institute of Bankers
- MBA from Manchester Business School

Committee Membership:
None

External Appointments:
Vice President of Banking and Payments Federation Ireland

Jeremy is an experienced career banker having worked with Barclays Bank in a variety of different roles between 1984 and 2007. In later years, he was a Board Director of Barclaycard, responsible for UK consumer finance. For a year (1998/1999) he worked on secondment from Barclays with the Cabinet Office in the UK.

EAMONN CROWLEY (50)
CHIEF FINANCIAL OFFICER

Appointed to Board
10 May 2017

Nationality:
Irish

Key Strengths, Skills and Experience
- Extensive international banking, corporate finance and leadership experience
- MBA Smurfit Business School
- Certified Accountant (FCCA)
- Member of Association of Corporate Treasurers

Committee Membership:
None

External Appointments:
None

Before joining Permanent TSB, Eamonn worked as Chief Financial Officer at Bank Zachodni WBK S.A. ("BZ WBK"), Banco Santander's publicly listed Polish retail and commercial bank. [BZ WBK was formerly 70% owned by AIB. Banco Santander acquired that AIB stake in 2010.] During his period as CFO, Eamonn executed the merger of BZ WBK with Kredyt Bank to form Poland's number three bank, placed over 20% of the bank on the Warsaw Stock Exchange through a Euro 1.2bn secondary IPO and led the acquisition of a controlling stake in Poland's number one Consumer Bank. Prior to joining Santander, Eamonn worked for the AIB Group in a variety of different roles.

MIKE FRAWLEY (46)
CHIEF RISK OFFICER

Appointed to Board:
29 October 2019

Nationality:
Irish

Key Strengths, Skills and Experience
- Extensive international risk management, commercial, retail banking and senior management experience
- Chartered Financial Analyst (CFA)
- Bachelor of Commerce from UCC
- MBA from Columbia Business School

Committee Membership:
None

External Appointments:
None

Mike joined the Bank in December 2018 and has a depth of experience in the Commercial and Retail banking sector, having spent 19 years with HSBC in positions in Asia, U.K., Latin America, U.S.A. and Bermuda, most recently as Chief Risk Officer at HSBC Bermuda. Mike's appointment as an Executive Director demonstrates a key focus for the Board in providing robust oversight of risk management and internal control at the Bank.

JULIE O'NEILL (64)
NON- EXECUTIVE DIRECTOR & SENIOR INDEPENDENT DIRECTOR

Appointed to Board:
28 January 2014

Nationality:
Irish

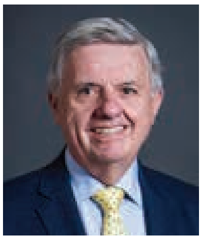
Key Strengths, Skills and Experience
- Extensive Board, Economic and Social Policy experience
- Certified Banking Director

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

External Appointments:
Chairperson of the Sustainable Energy Authority of Ireland, Non-Executive Director of Ryanair Plc, AXA Life Europe, and XL Insurance Company SE

Julie has over 37 years of public service experience and served as Secretary General of the Irish Department of Transport from 2002 until 2009. Julie has worked in strategic policy development and implementation with eight Government Departments. Julie is a Non-Executive Director at AXA Life Europe and at Ryanair p.l.c., where she also sits on the Remuneration Committee. She is a former board member of the Irish Museum of Modern Art. She previously chaired the audit committee of Trinity College Dublin.

KEN SLATTERY (71)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
30 August 2013

Nationality:
Irish

Key Strengths, Skills and Experience
- Wide-ranging experience of the Irish Financial Services landscape
- Fellow, Institute of Bankers
- Certified Bank Director

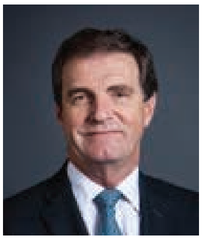
Committee Membership:
Remuneration Committee
Audit Committee

External Appointments:
Non-Executive Director and Chairman of the Audit & Risk Committee of the National Shared Services Office, the Government's shared services company for HR, payroll and finance. Non-Executive Director of Home Building Finance Ireland.

Chairperson of Oaklee Housing and a member of the boards of Choice Housing Ireland Ltd (Northern Ireland) and Acorn Housing.

Ken is an experienced banker having retired from Bank of Ireland in 2006 following a career spanning 40 years. Ken has held non-executive director positions with a number of Irish and Northern Ireland government departments, including chair positions on audit and risk committees. He is also a former director of Realex Financial Services where he was chair of the Company's audit and risk committees until August 2013. Ken's general banking experience complements the existing skillset of the Board and his prior experience as chair of audit and risk committees in both the public and private sector has been of particular benefit to the deliberations of the Audit Committee. Ken has been a member of the Board Remuneration Committee since 2014 and is well versed in the challenges of ensuring employee talent is both attracted to and retained by the Bank.

RONAN O'NEILL (66)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
26 July 2016

Nationality:
Irish

Key Strengths, Skills and Experience

- Extensive banking and leadership experience with a particular competency in risk and treasury
- Chartered Accountant
- Certified Bank Director

Committee Membership:
Risk & Compliance Committee(Chair)
Nomination, Culture and Ethics Committee

External Appointments:
Director of Woodlands Advisers Limited

Prior to retiring from AIB in 2013, Ronan was Chief Executive Officer of AIB (UK) plc and a member of the AIB Group Leadership Team. Ronan had responsibility for SME Business in the UK and the retail banking business of First Trust in Northern Ireland. He put in place a strategic plan to revitalise AIB's UK and NI businesses and oversaw its implementation. Ronan brings extensive experience in all aspects of banking to the PTSB boardroom and his risk and treasury exposure (including his previous membership of the AIB Group Risk Committee) is of particular benefit to the Board Risk and Compliance Committee which Ronan chairs.

ANDREW POWER (63)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
26 September 2016

Nationality:
British

Key Strengths, Skills and Experience

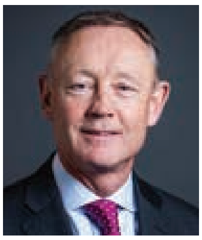
- Extensive Retail Financial Services experience particularly around strategy development and operational model trans-formation/process improvement
- Certified Bank Director
- MBA Harvard Business School

Committee Membership:
Audit Committee
Remuneration Committee

External Appointments:
Director of Andrew Power Consultancy Limited.

Andrew is a former partner in the Consulting arm of Deloitte UK, where he specialised in providing strategic advice. Andrew has advised many of the world's major financial services companies and has significant know-how of major financial markets and regulations around the globe. Andrew's extensive experience as industry subject matter expert across banking, insurance, wealth management and investment management is of great benefit to the Board.

DONAL COURTNEY (55)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
3 October 2018

Nationality:
Irish

Key Strengths, Skills and Experience

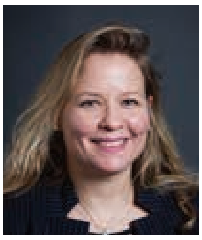
- Experienced finance professional across leasing lending and property financing with a particular competence in financial reporting, governance and internal controls
- Fellow of Chartered Accountants Ireland

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

External Appointments:
Donal is an Independent Non-Executive Director and chairs the Audit Committees of both Dell Bank International and IPUT plc. Dell Bank International is a regulated credit institution while IPUT plc is an AIFMD regulated Commercial property fund.

Donal qualified as a Chartered Accountant in 1988 while working with Arthur Andersen where he went on to become a practice manager in its financial services division working with a broad range of clients across the leasing and banking industries. He went on to hold executive Director positions with the Irish operations of Orix Corporation, Airbus Industrie and GMAC Commercial Mortgage where he gained extensive experience in the aircraft leasing, financing and commercial property industries. Donal's extensive experience as an audit committee chair (at Dell Bank International, IPUT plc and until October 2019 at Unicredit Bank Ireland) brings essential leadership capability to the Board Audit Committee.

RUTH WANDHÖFER, (43)
INDEPENDENT NON-EXECUTIVE DIRECTOR



Appointed to Board:
30 October 2018

Nationality:
German

Key Strengths, Skills and Experience

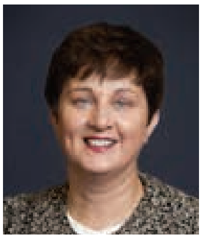
- Extensive banking and leadership experience. A leading authority on transaction banking, regulation and innovation in financial technology matters.
- MA in Financial Economics (UK), an MA in International Politics (FR) and an LLM in International Economic Law (UK).

Committee Membership:
Risk and Compliance Committee
Remuneration Committee

External Appointments:
Ruth is a Non-Executive Director of the London Stock Exchange Group and of Pendo Systems Inc. She is also the Head of Regulatory and Industry Affairs for Coinfirm and chairs the European Payments Council Payment Security Group.

Ruth spent over 11 years at Citi where she drove regulatory and industry dialogue in addition to having developed product/market strategy in line with the evolving regulatory and innovation landscape. Prior to joining Citi, Ruth worked for the European Banking Federation where she was a Policy Adviser for Securities Services and Payments. Ruth speaks five languages (EN, DE, F, ES, IT). Ruth's extensive experience of both regulatory and market strategy together with her insight on innovation in the field of regulatory and financial technology provides invaluable insight for the Board as it addressees the next phase of the Bank's development through the delivery of a best-in-class Digitally-Enabled Omni-Channel Retail and SME Bank.

MARIAN CORCORAN, (55)
NON- EXECUTIVE DIRECTOR



Appointed to Board:
24 September 2019

Nationality:
Irish

Key Strengths, Skills and Experience

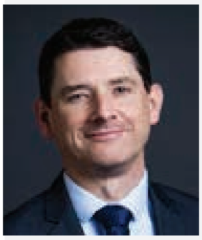
- Extensive experience in technology and business transformation, strategy, change and risk management.
- Wide-ranging experience in advising and leading transformation programmes in multiple industries including banking.

Committee Membership:
Risk and Compliance Committee
Remuneration Committee

External Appointments:
Marian is a Non-Executive Director of the Industrial Development Authority (IDA) and the Managing Director of MC2 Change Limited.

Marian is a former partner and board member in Accenture Ireland where she served in numerous management and executive roles in delivering major strategy, technology and business transformation programmes both locally and internationally. During her career in Accenture Ireland she operated in a number of key leadership positions including Senior Client Consulting Managing Director, Global Head of Finance & Performance Management (Public Service) and Head of Management Consulting. She was also recently a member of the Irish Public Service Pay Commission. Marian has a strong track record in championing inclusion and diversity.

CONOR RYAN,
COMPANY SECRETARY



Conor joined the Bank in 1989 and was appointed Company Secretary in 2017. As Company Secretary, Conor is responsible for advising the Board, through the Chairman, on all governance matters. The role of Company Secretary is to align the interests of different parties around the boardroom table, facilitate dialogue, gather and assimilate relevant information, and support effective decision-making. Conor is a fellow of the ICSA: The Governance Institute and was President of the Institute in Ireland from 2014 to 2016.

2019 Board Meeting Attendance and Directorships

Member	Appointed	Ceased	Number of Years on Board	2019 Meetings	Number of Directorships held
Non-Executive Directors					
Robert Elliott	31 Mar 2017	-	2.8	19/19	3
Julie O'Neill	28 Jan 2014	-	5.9	19/19	4
Ken Slattery	30 Aug 2013	-	6.3	19/19	3
Richard Pike	28 Jan 2014	20 Dec 2019	5.9	17/19	4
Ronan O'Neill	26 Jul 2016	-	3.2	19/19	2
Andrew Power	26 Sep 2016	-	3.3	18/19	2
Donal Courtney	03 Oct 2018	-	1.2	19/19	3
Ruth Wandhöfer	30 Oct 2018	-	1.2	17/19	4
Marian Corcoran	24 Sep 2019	-	0.3	6/6	3
Executive Directors					
Jeremy Masding	28 Feb 2012	-	7.8	18/19	1
Eamonn Crowley	10 May 2017	-	2.6	19/19	1
Mike Frawley	29 Oct 2019	-	0.2	5/5	1

Notes:
PTSB is the sole direct subsidiary of PTSBGH. During 2019, the composition of the Boards of PTSBGH and PTSB were identical. Meetings of the Boards of PTSB and PTSBGH run concurrently. Concurrent Board meetings or consecutive Board meetings of PTSB or PTSBGH held on the same day are counted as a single attendance above.

The number of Directorships held includes PTSBGH and other external Directorships. For the purposes of calculating Directorships, multiple Directorships within a group are counted as a single Directorship. Directorships in organisations which do not predominantly pursue commercial objectives are not included in the disclosed Directorships total. Directorships are those held at 31 December 2019 or at time of cessation from the Board.

Corporate Governance Statement
Leadership and Effectiveness

Division of Responsibilities
The roles and responsibilities of the Board collectively, the Executive and Non-Executive Directors, the Chairman, Senior Independent Director and Company Secretary, are clearly laid out and documented in a Board Manual, which is reviewed and updated on a regular basis by the Board and at least annually.

The Chairman
Robert Elliott's responsibility as Chairman is to ensure the efficient and effective working of the Board. His role is to lead and manage the business of the Board, promoting the highest standards of corporate governance and ensuring accurate, timely and clear information for the Board, and to lead the process for the annual performance evaluation of the Board, its Committees and the Non-executive Directors. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular, and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman has a strong working relationship with the CEO, Jeremy Masding, and acts as a confidential sounding board for the Directors. Robert Elliott is also Chairman of the Nomination Culture and Ethics Committee.

The Senior Independent Director
Julie O'Neill is the Board's Senior Independent Director and her primary role is to support the Chairman on all governance related matters. In addition, she specifically leads the annual appraisal of the Chairman's performance, acts as an intermediary for other Directors, and ensures that the views of the Non-Executive Directors are heard. She is available to shareholders, should they wish to raise any matter directly.

The CEO
The Board delegates executive responsibility to Jeremy Masding, the CEO, for the Bank's operations, compliance and performance. The role of the CEO is to select and lead an effective team to manage the Bank. The executive management team is called the Executive Committee, details of which are set out on pages 88 to 89. The CEO is responsible for the formulation of the Group's strategic, operating and financial plans, for review and presentation to the Board, and for the implementation of these plans. The CEO is also required to provide information to the Board that is reliable, relevant, timely, clear and balanced, in order to assist the Board in monitoring the performance of the Group and in making well informed and sound decisions.

The Company Secretary
Conor Ryan, Company Secretary, assists the Chairman in promoting the highest standards of corporate governance. He supports the Chairman in ensuring Directors receive timely and clear information so that the Directors are properly equipped for constructive debate and informed decision making. He is a central source of guidance and advice on policy, procedure and governance. He co-ordinates, when necessary, access to independent professional advice for Directors. He oversees compliance with all of the Group's governance related legal and regulatory obligations. In addition, he has responsibility for providing a high quality service on all shareholder related matters. All Directors have access to the advice and services of the Company Secretary.

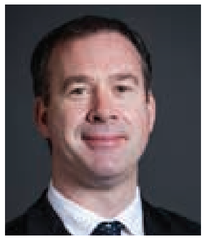
Corporate Governance Statement
Leadership and Effectiveness (continued)

EXECUTIVE COMMITTEE

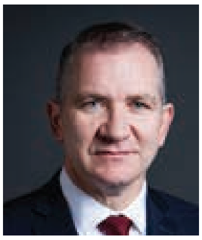
JEREMY MASDING
CHIEF EXECUTIVE

EAMONN CROWLEY
CHIEF FINANCIAL OFFICER

MIKE FRAWLEY
CHIEF RISK OFFICER



GER MITCHELL
HR DIRECTOR



Key Strengths, Skills and Experience

Ger is an experienced Commercial Leader and has held a number of senior roles in Branch banking, Intermediary banking, Regional General Management and was appointed to the Group Executive Committee in 2012 as Group Lending & Insurance Director. In 2015, Ger was appointed by the Board to lead the Group through the Industry Examination of Tracker mortgages and in 2017, Ger was appointed Group HR Director.

Ger is a Non-Executive Director of the IBCB and also chairs a number of Permanent TSB Group Committees, including: Corporate Social Responsibility; Crisis Management and Organisational Culture Evolution. Ger has led the development and rollout of the Organisational Culture Programme at Permanent TSB, spearheading cultural change throughout the Bank.

The HR Function is responsible for aligning PTSB's vision to become the Bank Of Choice, through the HR Vision to be "The Preferred Financial Services Employer in Ireland". This vision is being achieved through the delivery of the Bank's HR Strategy "Leading The Future Of Work", enabling the Bank deliver upon its key Strategic Performance Priorities. The HR team supports colleagues throughout their career by providing a differentiated, engaging, inclusive, rewarding and positive employee experience, one that gives Everyone the Opportunity to Become the Best that they can Be.

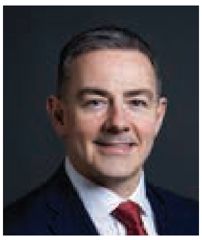
ANDREW WALSH
LEGAL COUNSEL

Key Strengths, Skills and Experience

Andrew has extensive legal advisory experience, in both private practice and in-house roles. Andrew joined the Bank in 2014 and became a member of the ExCo in 2015. Prior to joining the Bank, Andrew was a partner in a leading corporate Irish law firm, where he worked for over 10 years. While in private practice, Andrew advised a number of Irish and international banks and financial services institutions.

In his role as Legal Counsel, Andrew leads the Bank's Legal and Company Secretarial functions. The Legal and Secretarial function is responsible for ensuring compliance with all of the Group's Corporate Governance obligations and overseeing all legal and company secretarial aspects of the Bank's business, as well as inputting into the Bank's strategic decisions and identified growth opportunities. The Legal and Company Secretarial function also provides support to ensure that the Bank's operations, products and service strategies are designed to consistently adhere to legislative/regulatory requirements and best practice.

SHANE O'SULLIVAN
DIRECTOR OF OPERATIONS



Key Strengths, Skills and Experience

Shane has extensive senior management experience in retail banking. Prior to his current role as Director of Group Operations, he held the position of Managing Director of the Bank's Asset Management Unit. Shane joined the Bank in 2000, having previously worked with Bank of Ireland Group, Ulster Bank Group and HSBC Group.

Group Operations encompasses Banking Operations, the 'Open 24' Customer Service Centre, Collections & Recoveries and other key functions. The business unit is focussed on consolidating, standardising and simplifying activity so as to enable the Bank to deliver an exceptional customer experience, while also generating efficiencies.

TOM HAYES
CHIEF TECHNOLOGY OFFICER

Key Strengths, Skills and Experience

Tom is an accomplished business change leader with extensive experience in Digital and Technology enabled transformation. Tom joined the Bank in 2017 from AIB where he worked since 1992, and where he was most recently Head of Digital Transformation Delivery. Tom has held various senior roles including: Head of Customer Engagement Technology, AIB Digital and Group Head of IT Infrastructure & Operations.

Group Technology has responsibility for the development and delivery of the Bank's Technology, Digital, Payments and Change Agenda. This includes working closely with the Retail Banking and Operations teams, to design and deliver the Digital Transformation and IT Re-Architecture agendas.

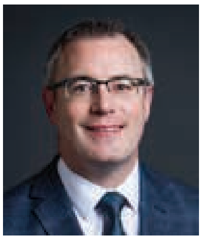
BREEGE TIMONEY
PRO DUCT ASSURANCE DIRECTOR

Key Strengths, Skills and Experience

Breege has extensive senior financial experience and joined the Bank in 2014. Breege has spent the majority of her career in the financial services industry and has previously held senior finance roles in Bank of Ireland and Ulster Bank.

Product Assurance is responsible for monitoring the Bank's existing and future product suite to ensure that it meets customer needs and regulatory requirements. In line with the Bank's continuing focus on delivering the right customer outcomes, this dedicated function was established in 2018, with a focus on delivering proactive product monitoring and thematic reviews.

PATRICK FARRELL
RETAIL BANKING DIRECTOR

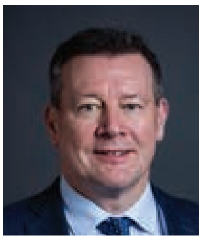


Key Strengths, Skills and Experience

Patrick has over 20 years' experience across the banking industry. Patrick joined the Bank in December 2018 from AIB where he held the position of Head of Retail Area South. Patrick has held senior management roles in Strategy, Product and Proposition Development, Marketing, Private Banking and, Retail Sales and Service Distribution.

The Retail Banking Division is accountable for developing and implementing the value proposition for the customer and the Bank. It works closely with the Operations and Technology divisions to create a desired customer experience that brings the best of the Bank's people and technology together to deliver for its customers.

PAUL REDMOND
HEAD OF INTERNAL AUDIT

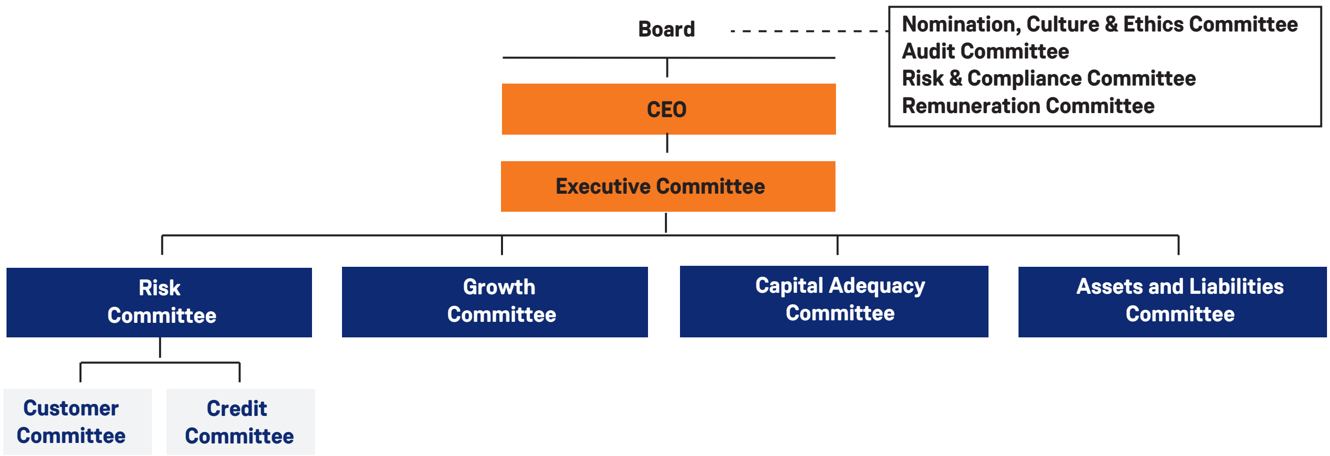


Key Strengths, Skills and Experience

Paul is an experienced banker providing insights and guidance to the Group Executive Committee and Board on all risk related matters. Paul joined the Bank in 2012 and has over 25 years' experience in financial services. He previously held senior internal audit positions in Goodbody Stockbrokers, AIB and RBS in both Ireland and the UK.

Internal Audit provides independent assurance to the Board over the adequacy and effectiveness of the governance, risk management and control processes in operation across the Bank. Paul is a regular attendee at Group Executive Committee meetings but, in accordance with good governance practice, has no voting rights. Paul has a direct reporting line to the Chairman of the Board Audit Committee.

Corporate Governance Statement
Governance Structure, Roles and Responsibilities



Board

The Board retains primary accountability for corporate governance within the Bank at all times. The Board has reserved for itself a documented schedule of matters for its own approval. The Board delegates executive responsibility to the CEO for the Bank's operations, compliance and performance. The CEO is the principal executive accountable to the Board for the day to day management of the Bank. The CEO has established the Executive Committee whose terms of reference are approved by the Board.

Without prejudice to the powers delegated to it, the Board, directly or through its Committees, has exclusive powers regarding a number of matters including acting on behalf of the shareholders to oversee the day-to-day affairs of the business, ensuring the Bank's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders, customers and other key stakeholders. In addition to business and financial issues, the Board will determine the business strategies and plans that underpin the corporate strategy, whilst ensuring that the Bank's organisational structure and capability are appropriate for implementing the chosen strategies. The Board must deal with challenges and issues relating to corporate governance, corporate social responsibility (CSR) and corporate ethics.

Board

- Sets and oversees performance against strategy.
- Ensures the Company adheres to governance protocols.
- Oversees all risk, financial, compliance and performance standards.
- Demonstrates leadership.

In line with its legal and regulatory obligations, the Board has established Audit, Risk, Remuneration and Nomination committees as described below. Being composed of the same members and in managing a common agenda, Board Committee meetings of the Company and PTSB run concurrently.

Nomination, Culture and Ethics Committee

Robert Elliott (C)
Julie O'Neill
Ronan O'Neill
Donal Courtney

- Reviews structure, effectiveness and composition of the Board.
- Reviews all new Director and senior management appointments.
- Oversees succession planning.
- Performance Evaluations of CEO, Executive Directors and CEO's assessment of Performance of the Executive Committee.
- Oversees the Company's Culture, Ethics, Workforce Engagement and CSR Programmes.

Audit Committee

Donal Courtney(C)
Andrew Power
Ken Slattery

- Oversees internal financial controls.
- Reviews full year and half-year financial statements.
- Oversees all relevant matters pertaining to the external auditors.
- Monitors the effectiveness of the GIA Function.

Risk and Compliance Committee

Ronan O'Neill (C)
Donal Courtney
Ruth Wandhöfer
Marian Corcoran

- Oversees financial and non-financial risks.
- Approves and monitors risk framework and risk appetite.
- Oversees credit, funding and liquidity policies.
- Review and make recommendations to Board on Internal Capital and Liquidity Adequacy Assessments including Stress testing (via outputs from ICAAP and ILAAP).

Remuneration Committee

Julie O'Neill (C)
Robert Elliott
Andrew Power
Ken Slattery
Ruth Wandhöfer
Marian Corcoran

- Oversees remuneration and reward strategies.
- Ensures remuneration Strategy is aligned with recruitment and risk appetite.
- Oversees senior management compensation.
- Monitoring relevant external benchmarks for posts within the scope of Committee.

Executive Committee

The Executive Committee report upward to the Board, and where delegated, have the power to act on behalf of the Board. The Executive Committee advise the Board on matters ranging from business performance, strategy planning, policy, investment and risk. The Executive Committee is accountable for the operations, compliance and performance of the Bank. They are responsible for delivery all delegated governance commitments. The terms of reference of the Executive Committee are approved by the Board.

The Executive Committee has established six sub-committees made up of senior management with relevant expertise to address the delegated obligations of each sub-committee. The duties of these sub-committees are based on providing organisational direction on behalf of the Executive Committee. Each Executive Committee member provides relevant leadership to the sub-committees, making sure objectives are met. The Executive Committee member which chairs the respective sub-committee provides updates to the Executive Committee, serving as a conduit between the sub-committees and the Executive Committee. The Board has delegated oversight of Bank Wide Risk Management Issues to the GRC and an important safeguard in exercising this delegation is the requirement that all members of the Executive Committee be concurrent members of the GRC.

Executive Committee

- Developing and implementing (as approved by the Board) the Bank's Strategy, Strategic Direction and Management Model
- Allocating, and re-allocating, the Bank's resources (financial and people) to ensure that commitments are executed and delivered
- Accountable for the Group's operations, compliance and performance
- Oversees day-to-day management of the Group
- Forum for Group-wide functional issues

Group Risk Committee

- Oversight of Bank wide Risk Management Issues
- Developing the structure and content of the Bank's Risk Management Architecture
- Maintains, monitors and enforces adherence to risk policies and frameworks
- Recommends changes to risk appetite and internal capital and liquidity levels
- Measure and monitor the total risk position of the Bank and to maintain a Risk Register of top risks facing the Bank, together with an assessment of the probability and severity of those risks

Group Assets and Liabilities Committee

- Manages assets and liabilities, treasury investments, capital management and asset allocation
- Manages risks, hedging and ALM systems
- Refresh and recommend to Risk and Compliance Committee for approval a number of Treasury and Liquidity related Policies

Group Credit Committee

- Recommends relevant Portfolio Credit Risk elements of the Group's RAS for approval by the Board
- Monitors adherence to the Group's Credit Policy
- Monitors the portfolio Credit risks to which the Group is exposed
- Escalation point for customer lending decisions
- Maintains and assesses the portfolio Credit Risk profile against set limits and approves (within governance) remediation plans to restore Risk Appetite where required
- Reports any breaches of approved limits in accordance with agreed protocol

Group Capital Adequacy Committee

- Reviews the ongoing capital adequacy for the Group
- Reviews the output from internal capital stress testing programmes
- Oversees the Capital Risk related activities and supporting Policies

Group Customer Committee

- Central oversight body for significant business / commercial propositions and strategies that have a material customer impact
- Approval body for product governance arrangements
- Review body for all high impact customer events, issues and complaints

Group Growth Committee

- Provides context and promotes understanding of the commercial agenda
- Monitors performance against key targets and is responsible for identifying, initiating, and executing on activities/ projects to achieve those targets based on customer insight

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

Board Role and Responsibilities

The Board as a whole is collectively responsible for the leadership, strategic direction and policy, operational performance, financial matters, risk management and compliance of the Bank. The Board exercises leadership, integrity and judgement in directing the Bank, based on transparency, accountability and responsibility. The Board is also the focal point for the implementation of best practice corporate governance within the Bank. All Directors must take decisions objectively in the interests of the Bank. The key responsibilities of the Board as a whole are to:

Key Responsibilities of the Board	
Customers	Ensure that the Bank's culture, systems and practices promotes the fair and transparent treatment of customers, both existing and new.
	Deliver a positive customer-focused culture that is both embedded through the implementation of a Code of Ethics and can be effectively demonstrated through the values and regular updates from Management on its implementation.
Culture and Diversity	Setting the Bank's purpose and values, and monitoring culture and alignment to the established purpose and values.
	Deliver on the Bank's Organisational Culture and Diversity and Inclusion Programmes.
Strategy	Question, challenge, assist in the development of, and approve the strategic and operating plans proposed for the Bank by Management. Ensure that an appropriate level of balance exists between its strategic contribution and that of its monitoring and policing activity.
Stakeholders	Ensure effective engagement with, and encourage participation from key Stakeholders.
Risk Appetite and Risk Management	Define the strategy for the ongoing management of material risks and ensure that the Board is sufficiently briefed on major risk factors by ensuring that there is a robust and effective internal control framework that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.
	Provide leadership for the Bank within a framework of prudent, ethical and effective controls which enable risk and compliance to be assessed and managed.
Capital Structure	Set and oversee the amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Bank.
	Be accountable, particularly to those who provide the Bank's capital.
People and Reward Strategy	Ensure that there is a remuneration framework that is in line with the risk strategies of the Bank.
	Ensure that there is a robust and transparent organisational structure with effective communication and reporting channels.
	Ensure that Management create and develop a performance culture that drives value creation without exposing the Bank to excessive risk of value destruction.
	Ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success and that the workforce should be able to raise any matters of concern.
Oversight	Make well informed and high quality decisions based on a clear line of sight into the business.
	Ensure that the Bank has a robust finance function responsible for accounting and financial data.
Governance Arrangements	Review regularly the appropriateness of its own governance arrangements and embrace internal as well as external evaluation of the Board's effectiveness.
	Review corporate governance matters such as Group policies, terms of reference and succession plans.

Directors must also act in a way they consider, in good faith, would promote the success of the Bank for the benefit of the shareholders as a whole and, in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long-term; need to foster the Bank's business relationships with customers, suppliers and others; interests of the Bank's employees; impact of the Bank's operations on the community, environment and tax payer; and desirability of the Bank maintaining a reputation for high standards of business conduct.

Board Decisions

There is an effective Board to lead and control the Bank with members who have diverse expertise in various aspects of the Bank's business. The Board has reserved to itself for decision, a formal schedule of matters pertaining to the Bank and its future direction, such as the Bank's commercial strategy, major acquisitions and disposals, Board membership, the appointment and removal of senior executives, executive remuneration, trading and capital budgets, risk management and compliance policies. This schedule is updated on a regular basis and at least annually. On an annual basis, the Board approves a RAS together with its strategic, operating and financial plans. The RAS is a description of the level and types of risk the Bank is willing to accept or to avoid, in order to achieve its business objectives.

The Board delegates day-to-day management of the Bank to the CEO. The Board relies on the Risk Appetite and the delivery of strategic, operating and financial plans to be implemented by the CEO, the Bank's Executive Management Committee and their Management sub-committees. All strategic decisions are referred to the Board. Documented rules on management authority levels and on matters to be notified to the Board are in place, supported by an organisational structure with clearly defined authority levels and reporting responsibilities.

Board Focus Areas and Priorities

During the course of 2019, the Board continued to focus on ensuring the Bank was evolving its culture, performing against agreed corporate strategy, conforming to effective, prudent and ethical standards of corporate governance and properly managed in the areas of risk and compliance.

The priorities for the Board during 2020 will be to continue to monitor developments in relation to Brexit, to oversee investment in systems to support enhanced operational resilience and business performance, the appointment of a new CEO and to monitor progress of the Organisational Culture, Diversity and Inclusion Programmes launched during 2018.

"The Board is responsible for setting, approving and overseeing the implementation of the overall business strategy taking into account the Bank's long-term financial interests and solvency"

Strategy Development

The Board has responsibility for developing the Bank's purpose, values and strategy, ensuring that these are aligned with the Bank's culture.

The Board has developed and approved a strategy for how the Bank is run called the Banking Blueprint (see page 13). The Banking Blueprint codifies and shapes the culture of the Bank by acting as the reference point for both the value based and behavioural standards of the organisation. The Board believes that through the collective implementation of the Banking Blueprint, the Bank will be better positioned to deliver on its governing objective to maximise sustainable shareholder value. The Banking Blueprint sets out how decisions of the Board are made based on strategies that generate the highest economic value and which comply with a series of sustainability tests. The purpose of this approach is to ensure the Bank will not manage for short term gain at the expense of long-term return.

The Board annually approves a rolling four year strategic, financial and operating plan (MTP) that links through an integrated planning process to the Banks' ICAAP, ILAAP, Recovery Plan and Risk Appetite Statement.

The role of the Non-Executive Directors is to help Management develop, constructively challenge and critically review proposals on strategy, oversee and monitor strategy implementation and address any weaknesses identified regarding its implementation. The Board require that all propositions on strategy are developed in accordance with the principles and decision rules set out in the Banking Blueprint. In addition, on an annual basis, the Board inputs to and agrees a set of strategic performance priorities (see page 12) against which strategy development is aligned. While there is a formalised strategy development and approval process as set out below, there is regular and ongoing Director discussion and challenge on strategy development and execution at Board meetings. The effectiveness of the strategy development process is a key element of the annual Board review where feedback is sought from each of the directors on the effectiveness of the strategy development and execution process during the year in review.

Strategy Development Process

Strategy Away Day

The Board and Executive Committee meet at an 'off-site' location, where the CEO presents proposals to the Board on the Bank's Business Model, MTP and the Management Agenda (a list of highest value issues and opportunities). These proposals are grounded in a four year strategic fact-base and informed by current macroeconomic indicators. The Board requires that each of the proposals is accompanied by its underlying planning assumptions and have a clear description of the associated benefits and risks. The Board further requires that the Group CRO provides an independent Risk Assessment on the collective strategy presented by Management.

Board Feedback

These above actions facilitate clear and focused discussion and debate at the Board Strategy Away day. The Board constructively challenges and critically reviews the strategy proposals. Taking feedback and direction from the Board, the CEO presents the MTP, Budget and Management Agenda, to the Bank's Executive Committee for finalisation before presentation back to the Board for approval.

Strategy Implementation

The finalised strategy proposals are then presented to the Board for approval. The Board is responsible for overseeing the implementation of the overall business strategy, and receives reports on the execution of the Bank's strategy as a standing item on the Board agenda.

Independence

The independence status of each Director on appointment is considered by the Board. In addition, the independence status of each Director is reviewed on an annual basis to ensure that the determination regarding independence status remains appropriate. In determining independence, the Board will consider whether any Director has, or has had within the last three years, a material business relationship with Permanent TSB directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with Permanent TSB.

The Board has carried out its annual evaluation of the independence of each of its Non-Executive Directors, taking account of the relevant provisions of the UK Code, namely whether the Directors are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect the Directors' judgment.

With the exception of Marian Corcoran, who was appointed to the Board under the terms of a Relationship Framework with the Minister for Finance of Ireland, the Board is satisfied that each of the current Non-Executive Directors including the Chairman fulfil the independence requirements of the UK Code.

Each of the Chairman and all of the Non-Executive Directors bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Board Size and Composition

The Composition of the Board and its Committees is reviewed by the Nomination, Culture and Ethics Committee and the Board annually, to ensure that there is an appropriate mix of skills and experience. This review considers tenure, succession planning, Board gender diversity targets and assessment of continued collective suitability of the Board. The Board has a target size of between 10 and 12 Directors. In addition to having Directors with a broad range of skills and experience, a principal consideration used to determine the size of the Board is the ability to resource all of the Board's Committees with at least four Non-Executive Directors and without need for over reliance on any one Director or small group of Directors. Save where a Director is nominated for appointment by the Minister for Finance under the Relationship Framework, the Board requires that all Non-Executive Directors are Independent Non-Executive Directors. The Board believes that there is an appropriate combination of Executive and Non-Executive Directors so that there is sufficient independent challenge and oversight of the Executive Directors and such that no individual or small group of individuals can dominate Board decision making.

At close of business on 31 December 2019, the Board comprised eleven Directors: the Chairman, who was independent on appointment (and continues to be so), the CEO, the CFO, the CRO and seven Non-Executive Directors, six of whom have been determined by the Board to be independent Non-Executive Directors. Ms. Marian Corcoran was appointed as Non-Executive Director on 24 September 2019, Mr. Mike Frawley was appointed as Executive Director on 29 October 2019 and Mr. Richard Pike retired from the Board on 20 December 2019 following completion of his six year term of office. Biographies of each of the Directors are set out in the Board of Directors section on pages 82 to 85. The wide range of qualifications, skills and experience that is encapsulated in the biographies is harnessed to the maximum possible effect in the deliberations of the Board. Having Directors with diverse backgrounds in areas such as risk management, banking, change management, digital/IT, strategy and planning, finance, government/public service and auditing provides both subject matter expertise and facilitates a broad spectrum of review and challenge at Board meetings, particularly when addressing major issues affecting the Bank.

Decisions on Board membership are taken by the Board or by shareholders with recommendations coming from the Nomination, Culture and Ethics Committee.

Term of Office

The term of office of Non-Executive Directors is three years, (with an option for a further three years) and is subject to satisfactory performance that is reviewed annually. In accordance with the UK Code, all Directors are required to seek re-appointment by election at the AGM. Non-Executive Directors will automatically retire from the Board after six years. It is always at the discretion of the Board to invite a Non-Executive Director to continue for a further period but this discretion will only be exercised in exceptional circumstances. During 2019, Ken Slattery accepted an invitation from the Board to serve a third three year term of office. This extension was granted following a review of Board succession plans carried out by the Nomination, Culture and Ethics Committee and the need to ensure the retention of Board corporate memory. None of the Non-Executive Directors have a contract for service with the Bank.

The Chairman is proposed for re-appointment by the Directors on an annual basis. The term of office of the Chairman is normally six years.

Executive Directors' service contracts are reviewed by the Remuneration Committee and approved by the Board. All Executive Directors' contracts provide for a rolling 11.5 month notice period to be provided. Holders of Executive office in the Company will vacate the office of Director on ceasing to hold Executive office. Directors who hold any directorship in a subsidiary of the Company will vacate said directorship on ceasing to be a Director of the Company and no Director will receive compensation for loss of office as a Director of a subsidiary of the Company.

Board Performance Evaluation

The Board has a formal and rigorous performance evaluation process to assess the effectiveness of the Board, its Committees, and individual Directors. The performance evaluation is conducted internally on an annual basis, and externally facilitated every three years. An externally facilitated evaluation of performance took place in 2018.

The evaluation of the Board and its Committees considers the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

The process for the 2019 Board performance evaluation is set out below. The methodology used for the evaluation set out to ensure that there was a formalised approach to the Board evaluation that took into account both the views of the Directors and Senior Management. The rationale for the approach taken also ensured that the performance evaluation of individuals and of the Board collectively was brought together into one integrated process.

Individual Director Evaluations aimed to show whether each Director continued to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and Committee meetings and any other duties). The value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals is taken into account in deciding chairmanship and membership of Committees. In addition, the evaluation ensures that Committees have the requisite expertise to properly discharge their duties, such as the Audit Committee as a whole is required to have competence relevant to the sector in which the Bank operates.

2019 Board Evaluation Process

During 2019

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

November 2019

Desktop Review of Board and Committee meeting packs, Terms of Reference, Board Manual, and Governance documents.

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

December 2019 - January 2020

Non-Executive Directors: The Chairman held private one-to-one interactions with each of the Non-Executive Directors to evaluate their performance and agree developmental areas relating to their own individual performance. These interactions also provided a forum for the Chairman to obtain views of individual Directors with regard to the effectiveness of the Board and that of its Committees and to assess training requirements for individual directors and collectively for the Board.

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

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

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

February 2020

The Nomination, Culture and Ethics Committee's review of Board performance took place on 17 February 2020. At this meeting, the members of the Committee received and discussed the following reports:

The Chairman presented his report on individual Non-Executive Director performance;

- The SID, without the presence of the Chair, presented her report on the performance of the Chairman;
- The Chairman, without the presence of the CEO, presented his report on the performance of the CEO;
- The CEO presented his assessment of performance of the Bank's ExCo members;
- The CEO presented his report on the review of the Executive Directors' performance;
- Each of the Committee Chairs presented their review of the performance of their respective Committee;
- The Chair of the Audit Committee confirmed that he had undertaken, with input from the members of the Audit Committee, an assessment of the performance of the Head of GIA to the Audit Committee and presented a summary of his report;
- A governance discussion document prepared by the Company Secretary and which included;
  - A Board skills matrix;
  - A Board and Committee tenure report;
  - An attendance schedule for 2019 Board and Board Committee meetings;
  - An independence assessment of the Non-Executive Directors;
  - An outline of the responsibilities of the Board, Chairman and CEO;
  - An assessment of External Directorships;
  - An assessment of the Board training schedule for 2019; and
  - Details of any declared Conflicts of Interests of the Directors.

During a Board meeting held on 25 February 2020, the Chairman presented the 2019 Board performance evaluation for consideration by the Board.

Outcomes of 2019 Board Performance Evaluation

The Board were satisfied that the Non-Executive Directors, the Chairman and the Executive Directors contributed effectively to Board debate and discussion and demonstrated a knowledge and understanding of the business, its risks and material activities. A number of actions, arising from the Chairman's report, were agreed which will be overseen by the Chairman during the year.

2019 Board Performance Action Plan

Board Strategy	A Board agenda more weighted to focus on the Bank's priority issues including enhancement of monthly reporting on strategy execution.
Board Oversight/Director Training & Development	Provide additional topic specific training and development sessions for Directors on both an individual and collective basis and to further enhance the director induction training process.
Drive Fair Customer Outcomes	Consideration of the customer is an essential part of the Bank's decision making process. Board Nomination Culture and Ethics Committee to deep dive and test effectiveness of this measure during 2020.
Culture and Stakeholder Engagement/Board size	Following the implementation of the Bank's Organisational Culture Programme, the Board will ensure momentum is maintained and culture initiatives are embedded with oversight and support of both the Board and Board Nomination Culture Ethics Committee. Continue to evolve the Bank's culture score card and act on the outcomes.
Control Environment	Continued focus on driving improvement within the Bank's control environment supported through enhanced Board oversight and support of the 'Three Lines of Defence'. The Board to oversee effective implementation of the Group Risk Review and updated Internal Control Framework.
Board Responsibilities and Effectiveness	Board to approve a revised Board Skills matrix to support the Bank's business growth and technology development ambitions. Board succession planning to consider skills relevant to culture, business development and technology requirements of the Bank, taking into account appropriate Board size and composition, diversity, and independence of mind. Review responsibilities of Board Committees to ensure effective oversight.
Board Reporting	Identify and implement further initiatives that support quality reporting to the Board and Board Committees and to address recent increases in papers being delivered late to the Board.
Director Training & Development	Provide additional topic specific training and development sessions for Directors on both an individual and collective basis.

Director Induction and On-Going Business Awareness

On appointment to the Board or to any Board Committee, all Directors receive an induction training schedule tailored to their individual requirements. The induction, which is designed and arranged by the Company Secretary in consultation with the Chairman, will include meetings with Directors, Senior Management and key external advisors, to assist Directors in building a detailed understanding of the Bank's operations, management and governance structures, including the functioning of the Board and the role of Board Committees and key issues facing the Bank. Directors will also be encouraged to make site visits to see the Bank's operations first hand. Where appropriate, additional business awareness briefing sessions and updates on particular issues identified in consultation with the Chairman and Non-Executive Directors will be arranged by the Company Secretary. These will be held regularly to ensure that Non-Executive Directors have the knowledge and understanding of the business to enable them to contribute effectively at Board meetings. The business awareness and development needs of each Non-Executive Director will be reviewed annually as part of the performance evaluation process.

2019 Board Training and On-Going Business Awareness

Board Training Sessions
A number of in-house Board training sessions were facilitated during 2019 to support on-going business awareness and Director development. These sessions were delivered through formal presentations, workshops, and interactive participant sessions to the Board or Board Committees. Members of the Executive Committee were invited to attend these Board training sessions where relevant. Topics for Board training sessions are recommended by the Board, and include a balance of technical, governance and professional development. Training delivered during 2019 included: Utilisation of constructive challenge in addressing complex transactions; Anti-Money Laundering; Anti-Bribery and Corruption; Cyber Security; Market Abuse; and Corporate Legal developments.

Board Briefings
In addition to formal Board training sessions, a number of Board briefings were presented to the Board during 2019. The purpose of Board briefings is to ensure Directors have the knowledge and understanding of the business to enable them to contribute effectively to meetings, by providing insight into impending changes which may impact on the Board's responsibilities, the Bank's progress in implementing such changes, or to present industry updates. Board briefings presented during 2019 included: Brexit; mortgage pricing; macro-economic outlook; equity market performance/outlook.

Individual Director Development
An individual training plan is developed for each Director on appointment, and reviewed annually by the Chairman. The purpose of individual training plans is to support individual Director development. Each Director is required to undertake the Institute of Bankers Certified Bank Director programme. Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to Directors. Led by the Chair, the Non-Executive Directors met on occasion without the Executive Directors present.

Board Meetings

The Board held 11 scheduled Board meetings and 8 unscheduled Board meetings during 2019. Further details on the number of meetings of the Board, its Committees and attendance by individual Directors are set out on page 86.

Agendas and papers are circulated to Directors electronically via a secure online Board portal in sufficient time to facilitate review by the Directors. The Chair of each committee reports on the Committee's proceedings at Board meetings.

The Board receives formal reports on Bank risk and compliance matters together with its commercial and financial performance at each of its meetings. The minutes of Board committees are made available to all Directors through a designated reading room in the Board portal. The Board portal also contains an extensive document repository and is the primary method of communication with Directors.

Board Committees

The Board has established four permanent Committees to assist in the execution of its responsibilities. These Committees are:

- Audit
- Risk and Compliance
- Nomination, Culture and Ethics
- Remuneration

Other Committees are formed from time to time to deal with specific matters. During 2019, the Board Audit and Nomination, Culture and Ethics Committees were composed of Non-Executive Directors, all of whom are considered by the Board to be independent. Marian Corcoran joined the Board Remuneration and Risk and Compliance Committees during 2019 and as Ms. Corcoran is not considered independent for the purposes of the UK Code 2018, these committees are composed of Non-Executive Directors, the majority of whom are considered by the Board to be independent. Membership and the Chairmanship of each committee are reviewed annually.

Each of the permanent Committees has Terms of Reference, under which authority is delegated to them by the Board, which is reviewed annually. The Terms of Reference of each Committee are available on request and on the Bank's website www.permanenttsbgroup.ie. The Committee Chairs attend the AGM and are available to answer questions from shareholders.

Board responsibilities

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

The Group's business involves the acceptance and management of a range of risks, consistent with its Corporate Purpose. The Group's system of risk management and internal control is designed to ensure the delegation of responsibility for risk oversight and management is appropriate to the nature and type of risk faced by the Group.

Principle C of the UK Code requires the Board to establish a framework of prudent and effective controls, which enable risk to be assessed and managed. Details on the Bank's compliance with this Code provision is set out on page 79 of the Annual Report.

Provision 29 of the UK Code requires the Board to review annually the effectiveness of the Group's system of risk management and internal control. This requires a review to cover all material controls including financial, operational and compliance controls. The Board confirms that a detailed review on the effectiveness of the Group's risk management and internal control systems as set out in the Code was undertaken by the Board as at 31 December 2019.

The Board considers the effectiveness of the Group's system of risk management and internal control on an on-going basis. In this context, the Board has a particular focus on ensuring that appropriate governance structures are in place to address issues raised through internal review and by feedback from stakeholders, including regulators. There was no significant failure of the Group's system of risk management and internal control during 2019 leading to a material financial loss.

During 2019, with the support of external consultants, the CRO carried out an extensive review of the Bank's Risk Function and Internal Control Framework (the 'Risk Review') arising from which a number of recommendations are being implemented. These actions will strengthen further the risk and control environment across the Bank. The actions include: enhanced reporting on risk and compliance matters to the Board; a refinement of the policies and frameworks that support the Bank's risk management architecture; simplification and automation of the Bank's RCSA process; the establishment of a Chief Risk Operating Officer role reporting to the CRO; re-worked Risk Appetite and KRI metrics; and enhancements to the Bank's Internal Control Framework.

In assessing the effectiveness of the Bank's systems of risk management and internal control, the Board took into account a number of inputs that included: the Group Risk Review; a Three Lines Of Defence Risk and Control Assurance map; Internal and external audit reports relevant to the Bank's control environment; the level of operational risk events; reports presented to the BRCC throughout the year from business function heads as to the maturity of their respective risk and control environments; the effectiveness of control design and testing; utilisation levels of the Bank's 'speak freely' (whistleblowing) initiative; and relevant regulatory correspondence.

The Board also acknowledges how the changing needs of the business and its customers coupled with an evolving cyber threat landscape means continued investment and development of the Bank's technology, systems and colleagues is essential to keep the Bank safe and its customers well served. During 2020 continued investment will be made to address the needs of the business through on-going investment in cyber security systems/awareness/training together with the development of enhanced IT resilience skillsets, particularly within the Second Line of Defence as a means of assurance provision to the Board as the Bank embarks on a programme to transform its core banking systems and digital platforms.

Internal Control Procedures

The Group's internal control procedures are designed to safeguard the Group's net assets, support effective management of the Group's resources, and provide reliable and timely financial and operational reporting both internally to Management and those charged with governance, and externally to other stakeholders. They include the following:

- An organisational structure with formally defined lines of responsibility and delegation of authority;
- Established systems and procedures to identify, control and report on key risks. Exposure to these risks will be monitored mainly by the BRCC. The CRO is a member of ExCo and Chairs the GRC. The CRO reports directly to the BRCC on the activities of these committees and other ExCo committees, details of which are further described in the Risk Management section;
- The preparation and issue of financial reports, including the consolidated Annual Report, is managed by the Group Finance department, with oversight from the BAC. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities in the preparation of financial information. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and Group level by Senior Management. In addition to reviewing and approving the full year Annual Report, the Interim and Annual Report are also reviewed by the BAC in advance of being presented to the Board for their review and approval;
- Comprehensive budgeting systems are in place, with annual financial budgets and a four year MTP prepared and considered by the Board. Actual results are monitored and there is monthly consideration by the Board of progress compared with budgets and forecasts;
- There are clearly defined capital investment control guidelines and procedures set by the Board;
- Responsibilities for the management of credit, investment and treasury activities are delegated within limits to line management. In addition, Group and divisional Management have been given responsibility to set operational procedures and standards in the areas of finance, tax, legal and regulatory compliance, human resources and information technology systems and operations;
- GIA is responsible for the independent assessment of the Group's corporate governance, risk management and internal control processes. The Head

of GIA reports directly to the Board of Directors through the BAC;

- The BAC reviews the scope and nature of the work of GIA on an on-going basis to confirm its independence;
- Compliance in the Group is controlled centrally under the Group CRO. The Group CRO reports to the Group CEO and independently to the Chairman of the BRCC and has direct access to that committee; and
- There is a Risk Management Framework in place within each business throughout the Group whereby Executive Management reviews and monitors, on an on-going basis, the controls in place, both financial and non-financial, to manage the risks facing that business.

The BAC reviews the GIA programme. The Head of GIA reports regularly to the BAC. The BAC also reviews the Interim and Annual Report and the nature and extent of the external audit. There are formal procedures in place for the external auditors to report findings and recommendations to the Audit Committee. Any significant findings or identified risks are examined so that appropriate action can be taken.

The BRCC reviews the compliance and risk management programmes and monitors the risk profile of the Group. The BRCC supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Group's strategy is consistent with the Group's Risk Appetite. The Group CRO reports regularly to the BRCC.

The Group has in place a Speak Freely (Whistleblowing) policy, which allows all staff and other people, who work with or for the Group, to raise any concerns they may have about suspected wrongdoing within the Group, and ensures that anyone raising a concern in good faith can feel safe and confident that the Group will treat the concern seriously, provide adequate protection and ensure fair treatment for the person raising the concern. In addition, the Group has in place a code of ethics, which lays down the standards of responsibility and ethical behaviour to be observed by all employees of the Group.

Internal Control over Financial Reporting

The Group operates an Internal Control Framework over financial reporting to support the preparation of the consolidated financial statements. The main features are as follows:

- A comprehensive set of accounting policies are in place relating to the preparation of the interim and annual financial statements in line with IFRS, as adopted by the EU;
- A control process is followed as part of the interim and annual financial statements preparation, involving the appropriate level of Management review of the significant account line items, and where judgments and estimates are made, they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;
- The Interim and Annual Report are subject to detailed review and approval through a process involving senior and executive finance personnel;
- Summary and detailed papers are prepared for review and approval by the BAC covering all significant judgmental and technical accounting issues together with any significant presentation and disclosure matters; and
- A GIA function with responsibility for providing independent, reasonable assurance to key internal committees and senior Management, and to external stakeholders (regulators and external auditors), on the effectiveness of the Group's risk management and internal control framework.

PTSB recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an important element in maintaining a competitive advantage.

Diversity
A diverse and inclusive culture is essential to the long-term success of Permanent TSB and enables the Bank to respond to the Bank's diverse customer and wider stakeholder need. This is reflected in the Bank's Organisational Culture, Diversity and Inclusion Programme, approved by the Board in 2018 and implemented throughout 2019, which applies to the Bank as a whole. Further details on the Bank's Organisational Culture, Diversity and Inclusion programmes are set out on page 22.

Board Diversity Policy
The Board has a Diversity Policy, which applies to all members of the Board and sets out the approach to diversity of Board members. The Bank recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an important element in maintaining a competitive advantage.

A diverse Board includes and makes good use of differences in the skills (in particular those skills identified as relevant to the business and culture of PTSB) as set out in the Board Skills Matrix, including regional and industry experience, educational, professional, social and ethnic background, nationality, gender, age, cognitive and personal strengths and other qualities of Directors. These differences are considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

Objective of Board Diversity Policy
The Nomination, Culture and Ethics Committee discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. When setting diversity objectives, the Board will consider diversity benchmarking results published by competent authorities, the EBA or other relevant international bodies or organisations. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

The Board had set a target to achieve 30% female representation on the Board by the end of 2019. The Bank is committed to having a diverse Board, to achieving the target set in this regard and to ensuring an open and fair recruitment process.

The Board has set an objective that approximately 50% of Non-Executive Directors, including the Board Chair, together with the Chairs of the Audit and Risk and Compliance Committee, should have relevant banking and/ or financial experience and this will be taken into account when recommending appointments.

How the Board Diversity Policy was implemented during 2019
All Board appointments are made on merit, in the context of the skills and experience that the Board as a whole requires to be effective. The balance and mix of appropriate skills and experience of Non-Executive Directors are taken into account when considering a proposed appointment.

As part of the annual performance evaluation on the effectiveness of the Board, Board Committees and individual Directors; the Nomination Committee will consider the diversity needs of the Board through examining the balance of skills, experience, independence and industry knowledge of the Directors.

The behaviours likely to be demonstrated by potential Non-Executive Directors are also considered when interviewing for new appointments to ensure that an environment in which constructive challenge is expected and achieved, is maintained in the Boardroom. In reviewing Board composition, the Nomination, Culture and Ethics Committee considers the benefits of diversity, including gender, and looks to ensure that there is appropriate representation from other industry sectors.

The Board considers skills, experience and expertise, including education and professional background, in areas relevant to the operation of the Board. The Board's objective Banking and/or financial experience is also taken into account when recommending appointments. All candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Bank's activities and associated risks. The Nomination, Culture and Ethics Committee seeks to ensure that a proportion of the Board has a deep understanding of financial products and has written guidelines to ensure that Board candidates are selected on merit, based on their skills, competencies, qualifications and ability to commit sufficient time to the role.

2019 Board Diversity Progress
Gender Diversity

A minimum of 20% female representation on the Board was maintained during 2019 and at year-end this percentage stood at 27%. The committed target to achieve 30% female representation on the Board featured regularly at Board Nomination, Culture and Ethics committee meetings during 2019 and plans have been approved to achieve this target by the end of 2020 or during the first half of 2021.

Skills, Experience and Expertise

The Board achieved its objective of 50% of Non-Executive Directors having Banking and/or financial experience, and achieved its target that all Directors demonstrate financial literacy.

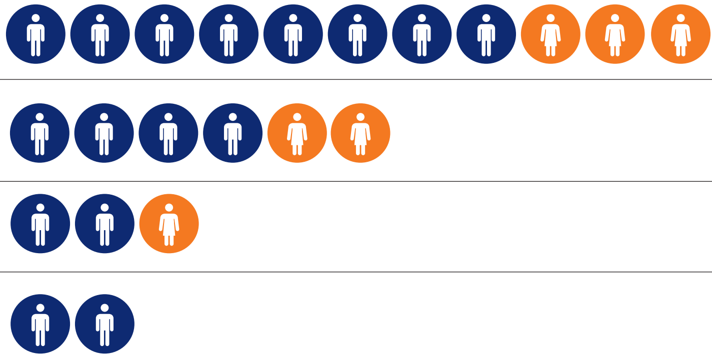
2019 Board Diversity

Gender

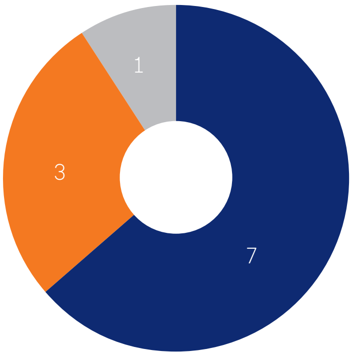
Board Diversity by Tenure
0-3 years

Board Diversity by Tenure
3-6 years

Board Diversity by Tenure
6-9 years

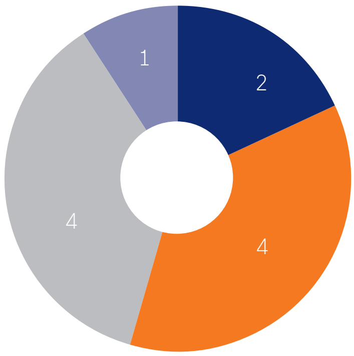


Nationality



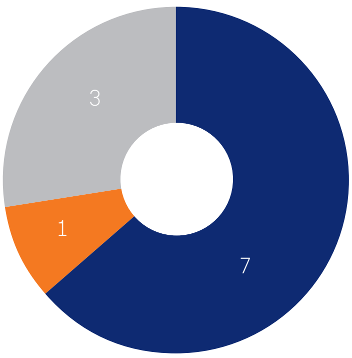
- Irish
- British
- German

Age Profile



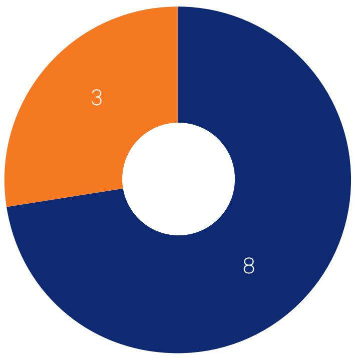
- 40-49
- 50-59
- 60-69
- 70-79

Independence



- Independent Non Executive Directors
- Non Executive Directors
- Executive Directors

Executive & Non-Executive Directors



- Non Executive Directors
- Executive Directors

2020 Board Diversity Priorities

	Board Objective	2020 Board Action
Gender	The Board remains committed to achieving 30% female representation.	· Maintain a minimum of 20% female representation with ambition to achieve 30% by the end of 2020 or the first half of 2021; · Retain the Board gender diversity target of 30% female representation; and · Encourage initiatives that promote broader inclusive gender diversity across the Bank, in line with the Organisational Culture, Diversity and Inclusion Programmes.
Board Diversity Policy	The Board recognises that there are many aspects of diversity such as gender, social and ethnic backgrounds, cognitive and personal strength, skills and experience, and the importance of ensuring wider diversity is considered for Board appointments.	· Consider the aspects of diversity relevant to the operation of the Bank, such as gender, age, social and ethnic backgrounds, cognitive and personal strength, educational background, professional background; · Review the Board Diversity Policy, to ensure all relevant aspects of diversity are included in the Policy; and · Encourage initiatives that promote broader inclusive gender diversity at Board level.
Board Recruitment and Selection and Suitability	The Board remains committed to having a diverse range of skills, experience and expertise, including education and professional background, in areas relevant to the operation of the Board, while ensuring that the recruitment and selection process for members of the Board is an open and fair process.	· Maintain a minimum of 50% of Non-Executive Directors, including the Board Chairman, together with the Chairs of the Audit and Risk Committees, to have Banking and/or financial experience and this will also be taken into account when recommending appointments; · Retain the requirement that all candidates for appointment need to demonstrate the financial literacy required for a proper understanding of the Bank's activities and associated risks; · Ensure that a proportion of the Board has a deep understanding of financial products; · Review Board Recruitment and Selection procedures, to ensure Board candidates are selected on merit, based on their skills, competencies, qualifications and ability to commit sufficient time to the role, with due regard to relevant aspects of diversity; and · Undertake an assessment of individual and collective suitability, taking into account relevant aspects of diversity to determine the continued individual and collective suitability of members of the Board.
Board Succession Planning	The Board are responsible for overseeing succession plans for the Board and Senior Executives.	· Review Succession Plans of the Board and Senior Executives, to ensure that the Bank pipeline of successors has adequate diversity.

Corporate Governance Statement
Board Audit Committee

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

Dear Shareholder,

I am pleased to introduce the Board Audit Committee Report for the year ended 31 December 2019, which has been prepared by the Committee and approved by the Board. The purpose of this report is to provide an overview of matters considered by the Committee during 2019.

A key focus for the Committee during the year was oversight and challenge of Management on continued enhancement of the risk and control environment within the Bank. This included spotlight presentations from both the First and Second Lines of Defence on how risks and controls are managed and internal audit actions effectively addressed. The Committee also reviewed a Three Lines of Defence Assurance map which provided the Committee with a holistic view on how risk and control was being effectively managed throughout the Bank.

The Committee continued to monitor the implementation of IFRS 9 as well as considering accounting treatments of the Bank's deleveraging of non-performing loans. There was also significant focus by the Committee on the risks posed to the Bank as a result of the uncertainty surrounding Brexit, particularly as regards the potential for a hard Brexit and the consequences of same. In 2020, the Committee will continue to work closely with the Board Risk and Compliance Committee in holding Management to account for delivering commitments aimed at enhancing the risk and control environment at the Bank.

On behalf of the Board Audit Committee

Donal Courtney
Chair, Board Audit Committee

Composition and Operation
The Committee currently consists of three Non-Executive Directors considered by the Board to be independent. The biographical details of each member are set out on pages 83 to 84. Neither the Board Chair nor the CEO is a member of the BAC. The Board requires that the Chair of the BAC has recent and relevant financial experience. The Chair of the Committee is responsible for leadership of the Committee and for ensuring its effectiveness. Together, the members of the Committee bring a broad range of relevant experience and expertise contributing towards effective governance. At least one member of the Committee has an appropriate qualification. Richard Pike retired as a Director and a member of the Audit Committee on 20 December 2019 having completed his second term in office.

The members of the BAC meet together at the start of each scheduled meeting. The head of GIA is then invited to join the meeting so that the Committee can review and discuss internal audit activity without Senior Management present. Subsequent attendance by the CEO, CFO, Board Chairman, external auditors and others is by invitation only and managed to ensure the ongoing independence of the Committee. The Board requires that a minimum of one member is common to the BAC and the BRCC. The Chair is a member of both Committees.

2019 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2019 Meeting Attendance
Donal Courtney*	3 Oct 2018	-	1.2	9/9
Ken Slattery	23 Aug 2013	-	6.4	9/9
Richard Pike	1 Jun 2014	20 Dec 2019	5.6	8/9
Andrew Power	26 Sept 2016	-	3.3	8/9

*Chair

Role and Responsibilities
The BAC monitors the effectiveness and adequacy of internal control, internal audit and IT systems and reviews the effectiveness of risk management procedures, in addition to reviewing the integrity of the Company's internal financial controls. The BAC reviews the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The BAC monitors and reviews the effectiveness of the Group's internal audit function and also considers the external auditor's independence and objectivity and the effectiveness of the audit process.

The BAC monitors the integrity of the Financial Statements of the Company, reviewing significant financial reporting judgements contained therein, to ensure that they give a "true and fair view" of the financial status of the Group and to recommend to the Board whether to approve the Annual and Interim Reports and to recommend to the Board that it believes that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

In considering whether the Annual Report is fair, balanced and understandable, the Committee reviewed the Annual Report and considered whether the Financial Statements were consistent with the financial review elsewhere herein. The Committee also reviewed governance and approval processes in place within the Group as they were relevant to the Financial Statements. These included the completion by Management of disclosure checklists to ensure all required disclosures required by applicable company law, listing requirements and accounting standards are included in the draft Annual Report as reviewed by various Executives and Management of the Group.

The Committee also had regard to the significant issues relating to the Financial Statements that are set out in this report. Each of these significant issues were addressed in papers received by the Committee from Management and in the report received by the Committee from the external auditors and were discussed in the Committee's meeting with the external auditors.

The BAC also had regard to the assessment of internal control over financial reporting, details of which are outlined in the Risk Management and Internal Control section of the Corporate Governance Statement.

Matters considered by the Committee in 2019

During 2019, the Committee spent a significant amount of time considering those issues set out in the Significant Financial Reporting Judgments and Disclosures and, recommending for approval to the Board, the Annual Report and Interim report.

During 2019, the Committee also:

- Reviewed GIA activity throughout the year, including a review of performance against the 2019 internal audit plan;
- Reviewed the accounting and regulatory treatment of the sale of NPLs, in line with IFRS;
- Reviewed the Group's Pillar 3 policy and disclosures;
- Reviewed External Auditor Independence;
- Assessed the results of the quality assurance and improvement programme from GIA;
- Invited members of Senior Management to report on progress to remediate open internal audit actions;
- Reviewed the continued recognition of a Deferred Tax Asset (DTA) on tax losses carried forward;
- Approved changes within IFRS and International Accounting Standards (IAS) accounting standards;
- Reviewed impairment provisions;
- Reviewed the effectiveness of internal control over financial reporting;
- Approved the GIA plan for 2020;
- Reviewed the governance and approval arrangements underlying the fair, balanced and understandable assessment of the Annual Report;
- Assessed the Longer Term Viability and Going Concern Statements;
- Reviewed the disclosures on compliance with the UK Corporate Governance Code;
- Reviewed provisions including those for legacy, legal and compliance liabilities related to the Bank's Mortgage Redress Programme and industry-wide CBI Tracker review; and
- Reviewed the basis, background and level of Non-Audit fees paid to PwC.

Financial Reporting and Significant Financial Judgments and Disclosures

During the year, the BAC reviewed the external auditors' findings, and the following significant financial judgments made, the related disclosures for the 2019 financial statements as set out on the current and the following page.

Expected Credit Loss Provisions

The Committee considered the Group's methodology including assumptions and parameters for generating the Group's allowance for ECL for its secured portfolios. The Committee discussed with Management in detail any changes and revisions made to the Group's IFRS 9 ECL models, the resulting level of ECL provisions recognised in the financial year, and the total ECL estimate at the year-end.

Multiple scenarios

The Committee reviewed and approved the macro-economic scenarios for use in IFRS 9 ECL estimation, which included the central scenario used for financial planning purposes, a more favourable scenario, and an adverse scenario.

Expert credit judgements

At 31 December 2019, the impairment provisions included €60 million of Management's adjustments to modelled outcomes. A key focus of the Committee during the year was an assessment of the level and rationale for such adjustments.

The Committee concluded that a robust governance framework existed to monitor provisioning adequacy and that the assumptions and judgements applied by Management were appropriate. The Committee was satisfied that the provision and related disclosures in the financial statements were appropriate.

Recognition and Recoverability of Deferred Tax Assets

The Committee considered the extent of DTAs recognised by the Group in respect of unutilised tax losses, and in particular, the future profits of PTSB against which losses may be utilised in future years. The Committee noted that the Group's performance and strategic outlook has continued to improve along with continued improvement in the macro-economic environment during 2019, as outlined in more detail under "Going Concern" and "Longer Term Viability" below.

Accordingly, in line with the requirements of IAS 12 "Income Tax," Management have formed the view that the carried forward tax losses within PTSB could be utilised against future profits, which will be generated by PTSB. This requires significant judgments to be made about the projection of long-term profitability because of the period over which recovery extends.

Having considered the above, the Committee agreed with Management's assessment that it was probable that the level of DTAs recognised in the financial statements at 31 December 2019 would be recovered. The Committee noted that IFRS does not allow for the DTA recognised to be discounted notwithstanding that it will likely take a significant number of years to be fully recovered.

Impairment review of the Group's subsidiary undertaking
The Company carries its investment in its subsidiary undertaking at cost less impairment and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value in use (VIU). An impairment charge arises if the carrying value exceeds the recoverable amount.

Management provided the Committee with a paper that detailed the recoverable amount of the investment. The Committee reviewed the paper and calculations and are satisfied that no impairment arose in the current year.

IT Access
Certain matters in relation to IT access controls have been communicated to the BAC through the external audit process. The Committee is however satisfied there are sufficient mitigating controls in place from a financial reporting perspective.

Going Concern

Note 1 of the financial statements includes details of the going concern of the Group, which outlines the Directors' view that the Group will continue as a going concern for a period of 12 months following the signing of this report.

In making the judgment, the Committee were provided with detailed papers containing Management's considerations of the risks and uncertainties as they may pertain to going concern, including a Brexit related scenario. The Committee reviewed these judgments, and agree with Management's view that the Group continues on a going concern basis and that there are no material uncertainties.

Longer Term Viability

In accordance with the requirements of the UK Corporate Governance Code, the Directors have assessed the viability of the Group taking account of the Group's current position and principal risks facing the Group.

The period over which we confirm longer-term viability
The Directors have assessed the viability of the Group over a three-year term which falls within the time horizons considered within the various strategic planning and scenario testing frameworks employed by the Group. This period presents the Board and therefore readers of the Annual Report with a reasonable degree of confidence whilst still providing an appropriate longer-term outlook.

Assessing the prospects of the company
In making this assessment, the Directors have considered the Group's MTP, profitability forecasts, the economic environment, funding and capital resource projections.

Our corporate planning process is underpinned by various scenarios that encompass a wide spectrum of potential outcomes. These scenarios are designed to explore the resilience of the Group to the potential impact of significant risks set out on pages 53 to 70, including in particular funding and liquidity, capital adequacy, the economic and political environment and regulatory risks, or a combination of these risks.

The Group has earned profits for the 2019 year, which is consistent with the prior year. This is as a result of continued improvement in underlying profitability of the Group, which is driven principally by a reduction in exceptional items as well as improved funding. The Directors have reviewed the approved MTP and based on this and the macro economic conditions of the country are satisfied that the Group is on track to remain profitable under a sustainable business model into the future.

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

Funding & Liquidity
The Group's liquidity position remains strong with the Group holding a significant liquidity buffer at 31 December 2019. Following the continued successful execution of the NPL strategy transactions the Group continues to hold excess liquidity and has a diverse funding profile. A key assumption in determining the longer-term viability is that the Group will continue to be able to access the required liquidity and funding during the period of assessment.

The Group continues to undertake a number of initiatives to improve its liquidity position in the areas of deposits, collateral optimisation, wholesale markets activity, and deleveraging.

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

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

Capital Adequacy
Directors and Management have considered the forecast sufficiency of this capital base, and its ability to withstand additional stress scenarios such as the economic environment in Ireland deteriorating. At present, we do not have full certainty as to how our minimum regulatory capital requirements will evolve over the period to 2020; however, we expect to be in a position to meet those requirements in the medium term.

Economic & Political Environment
The Group continues to be materially reliant on Government and EU policy in relation to the Irish economy and the financial services sector.

At a macro-economic level, property prices and unemployment continued to recover during 2019 and are now reaching their peaks. The potential impact of economic, political and market risks and uncertainties are inherent in the Group's banking business and continue to impact the Group. The risks have a direct impact on the Group's loan arrears levels, impairment provisions, and cost of regulation and consequently, profitability and regulatory capital levels are impacted. Directors and Management have considered these factors, and in particular a deterioration of the macroeconomic environment leading to further house price falls, a potential increase in the level of arrears under a stress case and the impact that these may have on the Group's performance and are satisfied that the Group's capital plan is adequate for certain reasonably possible events. However, in this regard we have assumed that there is no material change to government or political policies that materially impact our business.

Robust assessment of the principal risks
We have performed a robust assessment of the principal risks to our business, its viability and the key assumptions outlined above. The principal risks we have considered in relation to our viability can be summarised as follows:

- Capital Adequacy: CET1 ratio targeted is in excess of the assumed regulatory requirement across the MTP horizon. Certain stress events including a prolonged economic downturn may require the Group to take mitigating action;
- Funding & Liquidity: The Group has on average an underlying liquidity buffer of €6.9bn and forecasted to remain above the required limit. The various liquidity stress scenarios considered show that the Group has sufficient liquidity available to it in the event of any reasonably likely liquidity stress scenario, albeit that the balance sheet could be required to be significantly encumbered so as to maintain this position;
- Profitability: The Group continues generating profits from the prior year and in 2019 and is expected to continue over the course of the MTP, with profits forecasted in 2020-2023;
- External Environment: Economic landscape continues to improve through 2019, however growth appears muted in future years, and Brexit has caused significant uncertainty in the financial markets. The Bank's business is correlated to the performance of the Irish Economy;
- Legal & Regulatory Risk: Risk that regulatory or conduct/compliance related costs would increase and impact on the longer-term profitability of the Group. The Group should be capable of withstanding certain increased costs arising from these risks.

Confirmation of longer-term viability
Based upon our assessment of the above, the Directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three period of their assessment to December 2022.

Provisions for Liabilities
The Committee considered the provisions made in the financial statements in order to assess the appropriateness of the underlying liabilities. The Group has successfully closed various legacy business issues during the year including confirmation form the CBI in May 2019 that it has concluded its Enforcement Investigation in respect of Tracker Mortgages at PTSB. This reduces the overall level of uncertainty for this matter.

Management presented a paper outlining the requirements of IAS 37 and the basis of the provisions proposed. The Committee is satisfied that the provisions represent the best estimate of the potential liabilities at 31 December 2019.

Accounting Treatment of Project Glas II
The key accounting requirements for Project Glas II would follow the same principles that the Committee considered in the prior year in relation to Project Glas. Management assessed the transaction, considering transfer of contractual rights and transfer of risks and rewards. The Committee reviewed the technical accounting paper presented by Management outlining the accounting treatment of the transaction and is satisfied that it is in line with IFRS 9.

Relationship with External Auditors
The Group's External Auditors are PwC who were appointed by shareholders in 2013. The BAC provides a link between the Board and the external auditors, independent of the Company's Management. The external auditors regularly attend BAC meetings and the Committee meet with the external auditors at least once a year without Management present to discuss their remit and any issues arising from the audit.

The BAC reviewed the external audit plan prior to the commencement of the 2019 audit. The BAC Committee met with the external auditor to review the findings from the audit of the Group financial statements. The BAC has an approved policy on the provision on non-audit services by the external auditor. The policy seeks to ensure that processes are in place to ensure that the independence and objectivity of the external audit process is not compromised, which includes monitoring the nature and extent of the services provided by the external auditor through its quarterly review of fees paid to the external auditor for audit and non-audit work, seeking confirmation from the external auditor that they are in compliance with relevant ethical and professional guidance and that, in their professional judgment, they are independent of the Group.

The BAC reviews all fee arrangements with the external auditor. Fees paid in respect of audit, other assurance services, tax advisory services and non-audit services are outlined in note 9 to the financial statements.

Other assurance services are services carried out by the auditors by virtue of their role as auditors and include assurance related work, reporting to the regulator and other assurance services. In line with best practice, the auditors do not provide services such as financial information, system design and valuation work which could be considered inconsistent with the audit role.

The amount of fees payable to external auditors for their audit services for the year 2019 was €1m (excluding VAT) payable to PwC Ireland. €0.4m (excluding VAT) was paid in respect of non-audit services, which relate to various assurance works. The Company's external auditor generally performs these services.

The external auditor is required to rotate audit partner every five years. The current audit partner is John McDonnell who was appointed in 2018. The Group also reviews the effectiveness, independence, and objectivity of the external auditor. The Committee also considered a paper by Management regarding auditor's efficiency and effectiveness.

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

The BAC reviews the effectiveness of the external auditor through discussion and assessment of its performance. The BAC has concluded that it was satisfied with the external auditor's performance and recommends to the Board a proposal for the re-appointment of the Auditor, to be approved at the 2020 AGM.

Review of Group Internal Audit

The BAC approves the annual work programme for the GIA function and ensures that it is adequately resourced and has appropriate standing within the Group. The Head of Internal Audit has a direct reporting line to the Chair of the BAC and the BAC meet with the Head of Internal Audit on a regular basis without the presence of Management. The BAC receives regular reports from GIA, which include summaries of the key findings of each audit in the period. The BAC ensures co-ordination between GIA and the external auditor.

As set out in the Risk Management Section a 'Three Lines of Defence' model has been adopted by the Group for the effective oversight and management of risks across the Group, with GIA being the Third Line of Defence.

In line with the Institute of Internal Auditors (IIA) Standards (1300), the Head of GIA is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. An internal quality assessment must be completed on an annual basis with an independent external assessment undertaken every five years to evaluate the Internal Audit Function's conformance with IIA Code of Ethics and Standards. The Group's Internal Audit function was reviewed by the IIA in 2016. The Committee regularly reviews the available skills and resources within the Internal Audit Function in order to ensure that the function has the necessary capabilities to provide a quality audit service. Through these measures the Audit Committee has assessed the effectiveness of internal audit function and is satisfied that the quality, experience and expertise of the function is appropriate to the needs of the Group.

Corporate Governance Statement
Risk and Compliance Committee

The Committee supports the Board in ensuring risks are properly identified, reported, assessed, and controlled, and that the strategy is consistent with the risk appetite.

Dear Shareholders,

As Chair of the Board Risk and Compliance Comittee, I am pleased to report on how the Committee has discharged its responsibilities for the year ended 31 December 2019. Firstly, I welcome the appointment of Marian Corcoran to the committee during the year. Operational Resilience and IT change management will be a key focus for the committee in 2020 and Marian brings a wealth of experience in that regard.

I would also add that the appointment of the Bank's CRO, Mike Frawley as a Director during 2019, signals the Board's ongoing commitment to ensuring that effective oversight of risk management and internal control within the Bank is a priority focus for the Board.

During 2019, the CRO, with the support of external consultants undertook a review of the Bank's Risk Function and Internal Control Framework (the 'Risk Review'). The committee has taken an active role to help shape and monitor implementation of the subsequent recommendations. Details of these recommendations are set out on page 98 of the Annual Report.

Oversight and challenge of the control environment within the Bank has been a key focus for the Committee during 2019 with particular emphasis on requesting attendance at Committee meetings of business function owners (First Line of Defence). The purpose of these sessions is to seek assurance on and provide constructive feedback to Management on the maturity of the risk and control environment within their respective business functions. During the year, the committee also received a number of presentations from the Non-Financial Risk Team (Second Line of Defence). Embedding Second Line guidance and systems to support First-Line in the management of operational risk will be a key oversight objective for the committee during 2020.

The Committee paid close attention during the year to the Company's obligations under Principle C of the UK Code and has undertaken careful and ongoing monitoring of the Company's systems of risk management and internal control. As stated on page 98 of the Annual Report, the Board has agreed it prudent that, before a statement of full compliance with Principle C of the UK Code is made, further testing on the embeddedness of the actions implemented under the Risk review be carried out in 2020.

Other areas of key focus for the Committee during the year included the impact of Brexit and consideration of the risks associated with the continued execution of the Bank's Non-Performing Asset Strategy. I would add that application of the Bank's ICAAP and ILAAP as key inputs to the decision making process demonstrates the importance of these capital and liquidity management tools. Separately, I was also very pleased with the feedback received on two Recovery Plan (evocation of) dry run exercises attended by the full Board in January and November 2019.

Before concluding, as the Bank embarks on a material upgrade to its core banking systems and digital platform over the next two years, a material focus for the Committee will be overseeing and managing the risks associated with this type of transformational change. A key objective for the Committee is ensuring that while this project is carried out, impact to customer service is both managed and minimised and that the project delivers the stated customer, commercial and IT resilience objectives.

Finally, I am very pleased that a new risk based approach to agenda construction for committee meetings is working well with time at meetings focused on the most pressing issues facing the bank.

On behalf of the Board Risk & Compliance Committee

Ronan O'Neill
Chair, Board Risk & Compliance Committee

Composition and Operation

The BRCC is composed of a majority of Independent Non-Executive Directors. Neither the Board Chairman nor the CEO is a member of the BRCC. The Board ensures that the Chairman of the Committee has relevant risk management and/or compliance experience. The Board requires that at least one member of the Committee is common to each of the BAC and the Board Remuneration Committee. On an annual basis, the Committee reviews its own terms of reference and the Board Nomination, Culture and Ethics Committee conducts a review of the committee's effectiveness and recommends changes considered necessary to the Board. The Committee meets in private session at the start of each meeting.

2019 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2019 Meeting Attendance
Ronan O'Neill*	26 Jul 2016	-	3.4	11/11
Richard Pike	28 Jan 2014	20 Dec 2019	5.9	10/11
Julie O'Neill	28 Jan 2014	1 Feb 2019	4.8	1/1
Donal Courtney	3 Oct 2018	-	1.2	11/11
Ruth Wandhöfer	30 Oct 2018	-	1.2	9/11
Marian Corcoran	29 Oct 2019	-	0.1	2/2

*Chair

Responsibilities of the Committee

The Committee is responsible for monitoring adherence to the Group RAS. Where exposures exceed levels established in the RAS, the Committee is responsible for ensuring that appropriate responses are developed. This is facilitated by the periodic review of a key risk indicators report calibrated to the RAS.

The Committee is responsible for monitoring compliance with relevant laws, regulatory obligations and codes of conduct. This is facilitated by regular reporting on compliance risks to the Committee. The Committee also spent a substantial amount of time tracking the continuing regulatory agenda and received updates on Management's activities to implement new and updated regulation and on the on-going engagement with the Group's Regulators.

The Committee is also responsible for oversight and advice to the Board on risk governance, the current risk exposures of the Group and future risk strategy, including strategy for capital and liquidity management, the setting of compliance policies and principles and the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk and compliance. The BRCC supports the Board in carrying out its responsibilities for ensuring that risks are properly identified, reported, assessed and controlled, and that the Group's strategy is consistent with the Group's Risk Appetite. It seeks to review key aspects of the Group's risk profile and provide appropriate challenge on the adequacy of their management.

The Committee independently monitors the extent to which the Bank complies with relevant rules and procedures. This includes raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures. We have internal policies, rules and procedures to guarantee that Management complies with relevant laws and regulations regarding customers and business partners. External aspects of the Committee are primarily concerned with monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by employees and directors, preventing and, where necessary, transparently managing conflicts of interest and safeguarding confidential information.

In addition to meeting legal requirements, the Committee reviews its own Terms of Reference annually and its own effectiveness, recommending any changes considered necessary to the Board.

Matters considered by the Committee in 2019

During 2019, the Committee continued to focus considerable attention on the Bank's systems of risk management and internal control and supported work undertaken by the Three Lines of Defence to further embed the Bank's Internal Control Framework. The Committee recognises the importance of having robust and defensible systems of risk management and internal control. In accordance with provision 29 of the UK Corporate Governance Code, the Committee undertook regular reviews of the Bank's systems of Risk Management and Internal control during the year which is reported upon on page 98 of the Annual Report. Considerable focus was spent by the committee on supporting Management in the development of a control environment assurance map across the Three Lines of Defence. A further key focus for the Committee during 2019 was working with First Line management to develop action plans to drive improvement in business unit risk management maturity scores which are allocated on an annual basis by GIA.

In addition to the monthly reporting from the CRO, Head of Regulatory Compliance and Head of GIA, the Committee also considered a wide range of risk related policies, frameworks and reports. The following were other matters also considered by the Committee during 2019:

- Review of the Bank's Recovery Plan including 'Dry Run' exercises which took place in January and November with the full Board;
- A number of Compliance Monitoring and Customer Conduct reviews;
- RAS re-design with focus on fewer metrics and the addition of culture related measures;
- AML Annual Report and separate AML and CTF training provided for the Committee and Board members;
- Monthly monitoring of Top Risks and quarterly reviews thereto;
- Updates on General Data Protection Regulation implementation;
- Complaints Management Reviews;
- ICAAP and ILAAP design and approval;

- Implementation of new liquidity reporting requirements under obligations set by the CBI;
- Review of compliance with the UK Code and Central Bank Corporate Governance Code;
- Multiple control environment spotlights from business functions and Group Non-Financial Risk;
- Consideration of Group Risk Review (externally facilitated) and implementation of the recommendations arising therefrom;
- Impairment Provisions Reviews;
- Data Protection Officer's Report;
- Review of obligations and activity under the CBI Code on Lending to Related Parties;
- A review of employee retention risk within the Group Risk Function and plans to mitigate this risk;
- A review of Interest Rate Benchmark Reform;
- A review of succession planning within the Group Risk Function together with a review of performance for the CRO and Head of Regulatory Compliance;
- Review of the Internal Control Framework;
- Private sessions held separately with the CRO and Head of Regulatory Compliance; and
- Consideration on a number of large SME credit propositions.

In executing its mandate, and where relevant, the Committee was cognisant of regulations and regulatory expectations. During 2019, the Committee considered the responsibility for the Committee to have effective oversight and challenge capacity, and have introduced new protocols regarding meeting operation. These new protocols enable the Committee to focus on key areas in risk and compliance has and support improved effectiveness and efficiency of meetings.

Governance in Action: Brexit

Given the uncertainty surrounding the impact of Brexit, the Committee oversaw a programme on Brexit preparedness during 2018 and 2019. The Committee undertook a review of the risks posed by Brexit for Permanent TSB, the financial services sector in Ireland, and in relation to the economy generally, which resulted in Brexit moving to a Top 10 risks facing the Bank. The Committee considered the potential impact of Brexit on our principal risks as well as potential opportunities. The Committee considered contingencies to manage the key risks identified from the Brexit Review. In addition, an internal Brexit Crisis Monitoring Group was established, which presented regular reporting to the Committee on the Bank's approach and preparedness to Brexit. The Bank also engaged with external consultants to support the Bank's preparedness plans. In addition, the Committee, and Board generally, received regular presentations and updates from external industry experts on Brexit.

The Committee will continue to track potential risks and closely monitor the developments of Brexit throughout 2020.

Corporate Governance Statement
Nomination, Culture and Ethics Committee

The Board Nomination, Culture and Ethics Committee evaluate the skills and characteristics required of Board members and to ensure the tone on culture and leadership is set from the top.

Dear Shareholder,

As Chair of the Board Nomination, Culture and Ethics Committee, I am pleased to present the report of the Committee for the year ended 31 December 2019. This report has been prepared by the Committee and approved by the Board. The report provides further context and insight into the role and responsibilities of the Committee together with a description of the work undertaken during 2019 as set out below.

Revised Governance Structure

During 2019, the Board approved a revised governance structure for the Bank allocating additional responsibilities to the Committee for oversight on culture, ethics, reputation management and employee engagement. As a result, the name of the Committee was changed to the Board Nomination, Culture and Ethics Committee. I am very pleased with this development. This provides the Committee with a leading role in supporting the Board on setting the tone on culture while monitoring the cultural evolution of the Bank in a very real and meaningful way. The meeting agenda, time allocation and number of scheduled committee meetings have all been enhanced to accommodate these important new responsibilities.

Succession Planning

The Committee is responsible for evaluating the structure, size, composition and succession planning needs of the Board, Executive Committee and Senior Leadership Team in making recommendations with regards to any changes thereto. The Committee ensures that the necessary talent is in place so that the Bank has the requisite combined core skill set to support the long term aims of the Bank and provide leadership to achieve these aims. Two new Directors joined the Board in 2019, Marian Corcoran was appointed as Non-Executive Director on 24 September 2019 and Mike Frawley was appointed as Executive Director on 29 October 2019. Both Marian and Mike bring a wealth of experience and skills to the Board as set out on pages 83 to 85 of this report. Richard Pike retired as a Director on 20 December 2019 having completed his second term in office. Ken Slattery has accepted an invitation from the Board to serve a third three year term of office. This extension was granted following a review of Board succession plans carried out by the Committee and the need to ensure the retention of Board corporate memory.

In October 2019, Jeremy Masding signalled his intention to step down as CEO in 2020. The Committee is overseeing the recruitment and selection process for the new CEO.

During 2020, succession planning will continue to be a key focus for the Committee as new talent is identified that will ensure continued diversity of thought and fresh thinking at Board meetings. The Committee will also ensure the Bank maintains a strong leadership team to drive the long-term success of the Bank.

Diversity

In reviewing Board composition, the Committee considers the benefits of diversity, including gender to bring diversity of thought to Board discussions and to ensure that there is appropriate representation of different skills, personal strengths and other qualities relevant to the business and culture of the Bank. Diversity was considered during the recruitment and selection of new members to the Board during 2019, further details are set out on page 100 of this report. The Committee also reviewed the Board Diversity Policy and its implementation, which is set out in the Board Diversity Report on page 100 of the Corporate Governance Report.

As stated in the Board Diversity Report, the Committee will continue to consider diversity during recruitment, selection and ongoing suitability assessments, and the Board will continue to support initiatives that promote gender diversity on the Board.

The Committee will review succession plans for senior leadership positions to ensure that the Bank pipeline of successors includes adequate diversity. Further details of the Bank's Diversity and Inclusion Strategy are set out in page 22 of the Responsible Business Review and pages 100 to 102 of the Corporate Governance Report.

Board Performance Evaluation

In 2019, the Committee oversaw the annual performance evaluation of the Board and its Committees and individual Directors, to understand how effectively they were performing while providing assurance to the regulatory authorities, stakeholders and investors of our commitment to the highest standards of governance and probity.

I look forward to leading the Committee during 2020 and to executing its expanded remit in a meaningful manner.

On behalf of the Nomination Committee

Robert Elliott
Chair, Board Nomination Committee

Composition and Operation

The Board Nomination Committee is composed of independent Non-Executive Directors. The Board requires that the Board Chairman and the SID are members of the Board Nomination Committee.

2019 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Years on the Committee	2019 Meeting Attendance
Robert Elliott*	31 Mar 2017	-	2.8	7/7
Julie O'Neill	28 Jan 2014	-	5.9	7/7
Ronan O'Neill	26 Jul 2016	-	3.4	7/7
Donal Courtney	3 Oct 2018	-	1.2	7/7

*Chair

Responsibilities of the Committee

The Board Nomination, Culture and Ethics Committee is responsible for bringing recommendations to the Board regarding the appointment of new Directors and of a new Board Chairman. The Board Chairman does not attend the Committee when it is dealing with the appointment of a successor to the Board Chairman. Decisions on Board appointments are taken by the full Board. All Directors are subject to re-appointment by election by the shareholders at the first opportunity after their appointment. The Committee keeps under review the leadership needs of the Bank, both Executive and Non-Executive, with a view to ensuring the continued ability of the Bank to compete effectively in the marketplace. The Committee is also responsible for reviewing the effectiveness of the Board's operations, including the Chairmanship and composition of Board Committees.

Director Appointments

A key function of the Board Nomination Culture and Ethics Committee is succession planning for the Board. There were two appointments to the Board during 2019. Marian Corcoran was appointed as a Non-Executive Director on 24 September 2019 and subsequently appointed to the Board Remuneration and Risk and Compliance Committees. Additionally, Mike Frawley, the Group CRO was appointed as an Executive Director on 29 October 2019. This appointment arose following a recommendation by the Nomination Committee to the Board in 2015 that, given the strategic priority of the Board to develop and strengthen the Group's risk management and internal control infrastructure and culture, the Group CRO should be appointed to the Board. The process for the recruitment and selection of Marian Corcoran to the Board during 2019 is set out below.

In 2018, the Minister for Finance, in accordance with the terms of a Shareholder Relationship Framework, indicated his intention to appoint two Nominees to the Board and identified Ms. Marian Corcoran to fill one of the positions, subject to regulatory approval. The DOF, through the utilisation of the Public Appointments Service ("PAS") carried out the recruitment process. The PAS is the independent centralised recruitment, assessment and selection body for the Civil Service, Health Service, Local Authorities, the Garda Síochána, Prison Service and other public service bodies.

An Assessment Panel was convened by the PAS in conjunction with the DOF to consider and assess the expressions of interest received for the role. The panel reviewed and discussed the expressions of interest received against the specific appointment criteria for the role.

The Assessment Panel arrived at a shortlist of ranked preferred applicants which was sent forward for consideration by the Minister for Finance. The candidates, having met with the panel from the Public Appointments Board, subsequently met with the Minister for Finance. Following consideration, the Public Appointments Board recommended Ms. Marian Corcoran for the position of Non-Executive Director.

In considering the candidates background, skills and experience, extensive due diligence was carried out on the final preferred candidate including a detailed review of their other commitments, including any matters that would likely create any actual or perceived conflict of interests.

The Committee considered Ms Corcoran's strong governance experience associated with her Non-Executive Director roles whilst working closely with Audit and Risk Committees; delivery of strategic technology-enabled change with multiple organisations internationally and across both public and private sectors; considerable exposure to regulatory reporting and transformation programmes in Banking; and, expertise integrating people, process and technology to drive sustainable change and manage risk. The Committee recommended the appointment of Marian Corcoran as Non-Executive Director and a member of the Remuneration and Risk and Compliance Committees to the Board.

Succession Planning

The Committee carried out extensive succession planning mapping for the Board during 2019 with an outlook to planned changes that would occur up to 30 June 2021. These changes included the departure of Richard Pike on the 20 December 2019; the term of office expiry on the 28 January 2020 for Julie O'Neill; the appointment of Marian Corcoran on the 24 September 2019; the appointment of Mike Frawley on the 29 October 2019; and, the appointment of a second Director by the Minister for Finance in 2020. This mapping took into account: the need to have a Board that meets the collective independence requirements of the UK Code; has the requisite skills aligned to the changing needs of the Bank's business; retained an appropriate level of Board corporate memory (collective Board tenure); and, the requirement for Board diversity and specifically the Board Gender Diversity target of 30%. Arising from this detailed review and to ensure an orderly and well managed Director succession process, a number of recommendations were put forward and accepted by the Board that included: the extension of Julie O'Neill's term of office until the 6 May 2020; the extension of Ken Slattery's term of office until 30 August 2022 and the need to increase the size of the Board by recruiting a new Independent Non-Executive Director in 2020.

On 24 October 2019, the Company announced Jeremy Masding, would step down as CEO during 2020 after eight years in the role. The Nomination Culture and Ethics Committee have engaged an external search agency to support it in running a thorough and transparent process to select a new CEO and that process is now well advanced with an announcement expected on Jeremy's successor in the coming months.

Board Performance Evaluations

As required under the UK Corporate Governance Code, an externally facilitated Board performance evaluation will take place every three years. The last externally facilitated evaluation of performance took place in 2018 and the next scheduled external Board evaluation will be conducted on 2021 performance.

In 2019, the Committee oversaw the annual performance evaluation of the Board and its Committees and individual Directors, to understand how effectively they were performing while providing assurance to the regulatory authorities, stakeholders and investors of our commitment to the highest standards of governance and probity. The Committee also provided oversight of the implementation of the action plan arising from the externally facilitated Board performance evaluation in 2018. The process undertaken for the 2019 annual Board performance evaluation and the resulting action plan are set out in pages 94 to 96.

Culture, Ethics and Stakeholder Engagement

Following a review of the Bank's governance structure in 2019, the Board allocated additional responsibilities to the Committee for oversight on culture, ethics, reputation management and employee engagement. During 2019, the Committee received presentations on and discussed: execution of the Bank's Diversity and Inclusion Strategy; delivery of the 2019 Organisational Culture Programme and 2020 objectives; development of an organisational culture scorecard; agreeing the approach to employee engagement under the UK Code; the output from the 'every voice counts' employee survey; review of the Bank's CSR programmes; Stakeholder Engagement Update; and, output of a reputation audit.

Other Matters considered by the Committee in 2019

Review of the succession plan for Board and Senior Management positions across the Group;

- Review of its own terms of reference;
- Approval of the recruitment process and appointment for a number of Senior Management positions;
- Review of Fitness and Probity Applications and Suitability Assessments for potential Board members:
- Review and approval of the Board Diversity Policy;
- Review and approval of the Bank's Fitness and Probity Policy;
- Review of the CBI letter on Fitness and Probity obligations;
- Recommended to the Board the adoption of a Board Training and Induction Policy and a Board Suitability Assessment Policy;
- Review and approval of Board training schedules;
- Review of the performance of the CEO and the performance assessment of his direct reports;
- Review of the performance of the Head of Compliance;
- Annual assessment of Non-Executive Director Independence;
- Oversaw the appointment of one Non-Executive Directors and one Executive Director;
- Review of the effectiveness of the Directors, the Board and that of its Committees;
- Approval of the 2018 Board Evaluation action plan;
- Review of the size and composition of the Board and that of its Committees;
- The making of a number of recommendations to the Board including the recommendations that the target Board size should be increased;
- Review and approval of appropriate workforce engagement mechanisms;
- Review of Diversity and Inclusion, Learning and Talent and Employee Survey updates;
- Approval of the 2020 plan for the Organisational Culture Programme and reviewed 2019 Programme updates;
- Review of Corporate Affairs, Reputation Audit and Stakeholder Engagement updates; and
- Review and approval of an updated Board Skills Matrix.

The Board Remuneration Committee ensures that remuneration arrangements support the strategic aims of the Bank and enable the recruitment, motivation and retention of staff whilst also complying with the Bank's regulatory and legal requirements.

Chair's Overview

As Chair of the Board Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019 which has been prepared by the Committee and approved by the Board.

The Committee's report contains certain regulatory information required under the applicable legislation in respect of the Bank's status as a listed company and credit institution, as well as under the EBA Guidelines on Internal Governance, the amended EU Directive on the encouragement of long-term shareholder engagement (the "Shareholder Rights Directive", or the "Directive") and the UK Corporate Governance Code. In addition to meeting its legal requirements, the Committee reviews its own Terms of Reference on an annual basis as well as its own effectiveness, recommending any changes to the Board. The report also provides further detail on the composition of the Committee and its role and responsibilities, a description of the work undertaken during the year, and details of the Remuneration Policy criteria and the components of the Bank's reward offer, with a focus on the Bank's Directors (Executive and Non-Executive).

The Shareholder Rights Directive requires firms to establish a remuneration policy applicable to the Board of Directors. As a result, for the first time the Committee has prepared a Directors' Remuneration Policy (the "Policy") in accordance with the requirements of the Directive which has been included in this report alongside the Annual Report on Remuneration.

At the date of writing, the Directive has not yet been transposed into Irish law. As such, there is no current requirement for Permanent TSB to present the Policy at this year's AGM on 6th May 2020. If the transposition does not take place before the AGM, shareholders will be provided the opportunity to consider the Policy together with the Annual Report on Remuneration in one single "Say on Pay" vote.

To the extent the Directive is transposed before the AGM, the Policy and the Annual Report on Remuneration will be presented for shareholder approval via two separate resolutions. Subject to transposition, the vote on the Policy may be either binding or advisory. If approved, the Policy will replace the existing remuneration policy, as applicable to the Board of Directors, with retroactive effect from 1 January 2020.

In exercising its duties, the Remuneration Committee considers the long-term interests of shareholders, investors and other interested parties, and the public interest, as well as regulatory requirements. During 2019, Executive Director remuneration continued to be implemented in accordance with the Bank's existing remuneration policy. In respect of the policy, in 2019, the Committee continued to review how our approach serves to reward individual performance (what our colleagues achieve but also the manner in which they achieve their objectives), and its contribution to the strengthening of our culture and driving the long-term sustainability of our business. In this regard, during 2019, the Bank continued to embed performance ratings which link directly to pay outcomes.

During the year, the Committee also reviewed the competitiveness of the Bank's reward offering and approved a number of enhancements to entry level minimum salary levels and annual leave allowances across the workforce so as to better align the Bank's offering with arrangements available across our peers. As part of the review, the Committee considered the salaries of the Executive Directors in the context of each individual's performance against agreed objectives and position versus the market. In performing this review, the Committee paid due cognisance to existing State Agreements relating to remuneration and the impact on the Bank's ability to provide a competitive reward package. Based on its review, and following consultation with the Bank's shareholders, the Remuneration Committee recommended to the Board that the CEO and CFO's base salaries be increased. Details of the remuneration of each of the Executive Directors are provided on page 118.

In addition, the Committee also approved amendments to the defined contribution pension arrangements in place for all staff; again to ensure the ongoing competitiveness of the Bank in the marketplace. Revised maximum contribution rates have been implemented, consistent across all staff levels including the Executive Directors. However, following a review of the Bank's pension arrangements versus comparable organisations across industry, but also in recognition of the particular challenges the Bank faces regarding the attraction and retention of the most senior talent, the Committee agreed that Executive Directors should not be subject to certain age-related eligibility criteria which apply to the availability of the revised contribution rates to the wider workforce. Further details of these enhancements are provided later in the Annual Report on Remuneration. Overall, the Committee believes that the remuneration arrangements are appropriate for the various reasons stated above.

The Committee will continue to monitor the competitiveness and effectiveness of our reward policy and structures. It is appropriate once again to reference the significant risk Permanent TSB faces as a result of certain constraints which apply to the Bank's ability to remunerate its staff. Whilst these constraints on remuneration result partly from cost considerations, the Bank's remuneration policy, while set and governed by the Board, remains subject to certain agreements and commitments in place with the Irish State. These agreements restrict the terms of remuneration for Directors and employees of the Bank, and as such inhibit the Bank's ability to provide a comprehensive, modern reward package, including the operation of variable pay elements that might better support the delivery of the Bank's short and long term strategic objectives (for example, via the provision of Long Term Incentive Plans, Bonus Schemes, Profit Share arrangements and so on).

Current employment market trends, including the heightened uncertainty resulting the final outcome of 'Brexit' and its potential impacts, place the Bank at risk of increasing competition for staff from other institutions that are not subject to the same constraints, and that can offer a more complete reward proposition. In the context of these factors, the Committee awaits the outcome of the Banking Remuneration Review as such remains under consideration by the Department of Finance. The findings of the review will inform the ongoing development of the Bank's remuneration policies and processes, throughout 2020 and beyond.

Finally, this is my last year as Chair of the Board Remuneration Committee as I will be stepping down from the Board at the 2020 Annual General Meeting. I would like to thank my fellow Board and Committee members, our colleagues across the Bank and our shareholders for their support.

On behalf of the Board Remuneration Committee

Julie O'Neill

Julie O'Neill
Chair, Board Remuneration Committee

Committee Composition and Operation

The members of the Board Remuneration Committee are experienced in the management and oversight of large organisations where the remuneration and motivation of staff and executives is of crucial importance.

The Committee had eight meetings during 2019.

2019 Committee Meeting Attendance

Member	Appointed	Ceased	Number of Full Years on the Committee	2019 Meeting Attendance (of which eligible to attend)
Julie O'Neill*	15 Jun 2016	-	3	8/8
Robert Elliott	31 Mar 2017	-	2	7/7
Ken Slattery	28 Jan 2014	-	5	8/8
Andrew Power	26 Sept 2016	-	3	8/8
Ruth Wandhöfer	01 Feb 2019	-	0	7/7
Marian Corcoran	29 Oct 2019	-	0	1/1

*Chair

Committee Role and Responsibilities

The purpose, duties and membership of the Committee are set out in the Committee's Terms of Reference, which can be found on the Bank's website www.permanenttsbgroup.ie. The Terms of Reference are reviewed by the Committee on an annual basis. No material changes were enacted following a review of the Committee's Terms of Reference in 2019.

The main roles and responsibilities of the Committee include:

- Recommending the Bank's remuneration policies, including that applicable to the Board of Directors, to the Board for approval on an annual basis and ensuring they comply with applicable regulatory and legal requirements;
- Supporting the Board in overseeing remuneration policies, practices and processes and compliance with the Remuneration Policy;
- Ensuring the remuneration policies and procedures do not promote excessive risk taking and are aligned with the Company's overall corporate governance framework, corporate culture, risk appetite and related governance processes, and takes into account liquidity and capital levels;
- Recommending the design, eligibility and performance measures for any incentive schemes to the Board for approval;
- Setting and assessing performance targets for any incentive schemes;
- Recommending remuneration proposals (including joining and termination arrangements) in respect of the Chairman, CEO, Executive Directors, Company Secretary, Executive Committee, Group Treasurer, Customer Credit Director, and Heads of Control Functions for approval by the Board;
- Overseeing remuneration proposals in respect of any other identified staff (Material Risk Takers) as defined under CRD IV; and
- Overseeing the annual review of the implementation of the Remuneration Policy.

Remuneration Committee Advisers

During 2019, the Committee used the services of its external consultant, Deloitte LLP, for advice on remuneration trends in the external market and for perspective on remuneration regulatory compliance matters. During the year, Deloitte also provided support to the Bank in relation to an operational efficiency review within the Operations Function and in respect of PSD2 project-related work.

The Committee also employed the services of Willis Towers Watson who provided market benchmarking data and remuneration trend analysis.

In addition to the use of external advice, in designing its approach to pay the Committee also takes account of appropriate input from the Bank's HR, Risk, Compliance, Finance and Internal Audit functions to ensure that the decision making process is aligned with the Bank's financial performance, risk appetite, regulatory guidelines and stakeholder interests.

Matters considered by the Committee in 2019

During 2019, and within the terms of State agreements, the Remuneration Committee kept the impact of the Bank's Remuneration Policy, and movements in the external market, under review. As part of this process, the Committee reviewed the Bank's Remuneration Policy and Strategy to assess the appropriateness of the approach to reward and the competitiveness of current arrangements, and future direction, to take account of market developments including amongst the Bank's peer group. The Committee also considered whether the remuneration policy operated as intended in terms of company performance and quantum. The Committee also kept under review all aspects of remuneration for the Board Chairman, CEO, Executive Directors, members of the Executive Committee and the wider employee population. In determining remuneration arrangements for Executive Directors, the Committee takes account of the pay and employment conditions of the wider workforce to ensure consistency. Wider workforce engagement on pay arrangements at the Bank took place with the Bank's Staff Representative Bodies during 2019.

It remains the policy of the Bank – to the extent possible given the current remuneration restrictions – to ensure that all employees are remunerated fairly and to encourage and reward our colleagues appropriately as we work together to build a valuable and sustainable business, operating within the Bank's Risk Appetite and underpinned by a strong culture which manifests itself in responsible and accountable behaviours in our day-to-day interactions and decision making with our customers and each other.

To this end, the policy has been designed based upon a number of principles including the linking of pay levels against median base pay available across market peer groups, and so to ensure that the Bank's offer is sufficiently competitive so as to attract and retain the required talent and skills to deliver the return of value to the Company's shareholders.

During 2019, the Committee with the supporting perspective of its external independent advisors, performed a review of pay and benefits packages available across the Bank. The review consisted of a comprehensive benchmarking exercise involving the comparison of remuneration with that available from comparable organisations across industry. Based on the output of this review, the Committee approved pay increases to staff at all levels based on individual staff members' performance and their position versus the relevant market median salary. Alongside changes in salary levels linked to the above review, the Committee also agreed enhancements to minimum salary levels and annual leave allowances for entry level staff to better align the Bank's offers with arrangements available across our peers.

As part of the pay and benefits review, the Committee considered the salaries of the Executive Directors in the context of each individual's performance against agreed objectives and position versus the relevant market median salary. In performing this review, the Committee also paid due cognisance to existing State Agreements relating to remuneration (in particular, the salary cap of €500,000 and restrictions on variable pay) and the impact for the Bank's ability to provide a competitive reward package, reflective of individual skills and experience, such that we might retain and motivate key talent in an increasingly competitive Irish market. Based on its review, and following consultation with the Bank's shareholders, the Remuneration Committee recommended to the Board that the CEO and CFO's base salaries be increased, with revised salary levels backdated to 1st January 2019. Details of the remuneration of each of the Executive Directors are provided on page 118.

In 2019, and alongside changes to base salary, the Committee agreed certain enhancements to Staff Defined Contribution pension arrangements for all staff whereby increases in maximum employer contribution rates were approved to match corresponding increases in maximum employee contribution rates. The revised maximum contribution rates are consistent across all staff levels including the Executive Directors. However, following a review of the Bank's pension arrangements versus corresponding arrangements available from comparable organisations across industry, but also in recognition of the particular challenges the Bank faces regarding the attraction and retention of the most senior talent, partly as a result of the remuneration restrictions which inhibit the Bank's ability to offer a more comprehensive reward package, the Committee agreed that Executive Directors should not be subject to certain age-related eligibility criteria which apply to the availability of the revised contribution rates to the wider workforce.
Overall, the Committee believes that the remuneration arrangements are appropriate due to the various reasons stated above.

During 2019, the Committee continued to apply significant oversight to ensure compliance with the UK Corporate Governance Code and CRD IV related regulations and guidelines, including focussing on reviewing the remuneration arrangements in place for Material Risk Takers. The Committee re-approved the process and approach for the identification of Material Risk Takers in line with these requirements.

The Committee also reviewed the Bank's established variable commission scheme, as well as principles and practices to ensure full alignment with regulatory requirements, particularly CRD IV, the EBA's Guidelines on sound remuneration policies and practices related to the sale and provision of retail banking products and services, the Central Bank of Ireland's Guidelines on Variable Remuneration Arrangements for Sales Staff, and relevant market practice. On foot of this review, it was agreed to extend the operation of the scheme for 2020, subject to certain enhancements designed to leverage the Bank's increasing capabilities in respect of customer and conduct management, and to improve the frequency and quality of scheme-related performance data.

The Committee is satisfied that the Bank has continued to operate within its Remuneration Policy and in line with the remuneration requirements of the framework agreement between the Minister for Finance and the Bank, and that the remuneration policy operated as intended in terms of company performance and quantum. Other than as set out elsewhere in the Annual Report on page 79, the Committee is satisfied that the Bank is in compliance with the provisions of the UK Code. Additional disclosures in relation to Remuneration Policy and strategy are set out in the Bank's Pillar 3 Report.

As previously stated, the Bank awaits the findings of the review of Banking Remuneration Policy being undertaken by the Department of Finance, which will inform the ongoing development of the Bank's Remuneration Policy, throughout 2020 and beyond.

The following section sets out how the Remuneration Committee addresses the principles set out in the UK Corporate Governance Code.

Provision	Approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee regularly engages and consults with key stakeholders to take feedback into account and to ensure that our approach to Executive Remuneration is as transparent, simple and clear as is possible. Our employees are informed about our approach to remuneration. Our Remuneration Policy, applicable throughout the Bank and which includes details of the approach to Director remuneration, is published internally for all staff to view.
Simplicity and predictability Remuneration structures should avoid complexity and their rationale and operation should be easy to understand. The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Due to certain agreements and commitments in place with the Irish State, the Bank currently only operates fixed remuneration among Executive Directors, consisting of basic salary, pension and benefits. As a result, the Committee's ability to apply discretion with respect to outcomes for this population is limited. However, the simplicity of our approach enhances its predictability. To the extent that the restrictions on the operation of variable remuneration plans are lifted in future, the Bank will review Executive Director remuneration arrangements from the perspective of ensuring that our approach continues to avoid complexity, and is predictable in its nature, as well as reviewing the Committee's powers of discretion over remuneration outcomes.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Remuneration arrangements are designed to align pay with the Bank's risk appetite, approaches and governance and regulatory framework.
Proportionality and alignment to culture The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance. Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	While the Bank is currently only permitted to operate fixed remuneration among the Executive Directors, it is committed to ensuring the ongoing alignment of remuneration with Strategy and long-term sustainable performance and the recognition of positive behaviours. To the extent that the restrictions on the operation of variable remuneration plans are lifted in future, the Bank will review Executive Director remuneration arrangements from the perspective of ensuring that any awards are designed to promote the achievement of our long-term strategic ambitions while driving behaviours consistent with our purpose, values and strategy

Executive Director Remuneration

In line with certain agreements and commitments in place with the Irish State, during 2019 all Bank employees were subject to a salary cap of €500,000 per annum. In addition, the Bank did not operate any variable remuneration arrangements for its Executive Directors. No bonus payments and long-term incentive arrangements were made to Executive Directors during 2019 or 2018.

As a result, 2019 remuneration for Executive Directors who held office for any part of the 2019 financial year was entirely fixed in nature, consisting of basic salary, certain benefits and defined contribution pension entitlements as follows:

		2019									2018
Name of Executive Director, Position	Note	1. Fixed Remuneration			2. Variable Remuneration		3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of fixed and variable remuneration	Total Remuneration
		Base Salary	Fees	Fringe Benefits	One-year variable	Multi-year variable					
Jeremy Masding, CEO	1	€480,000	€0	€22,633	€0	€0	€0	€67,336	€569,969	100% Fixed	€544,204
Eamonn Crowley, CFO	2	€431,250	€0	€20,704	€0	€0	€0	€58,970	€510,924	100% Fixed	€446,888
Michael Frawley, CRO	3	€57,863	€0	€4,032	€0	€0	€0	€8,679	€70,574	100% Fixed	-
Stephen Groarke, CRO (resigned 2 November 2018)	4	€0	€0	€0	€0	€0	€0	€0	€0	€0	€357,758

Notes:
1. Fringe Benefits consist of Benefits (€20k) and Benefit In Kind (€2k).
2. Fringe Benefits consist of Benefits (€20k) and Benefit In Kind (€1k).
3. Appointed to the Board on 29th October 2019. Fringe Benefits consist of Benefits (€4k) and Benefit In Kind (€nil).
4. Ceased as CRO and member of the Board on 2 November 2018.

Aggregate Executive Director compensation reduced from €1,348,850 to €1,151,467 from 2018 to 2019 as a result of changes to the Executive Director membership during the period under review.

Components of Executive Director Remuneration

Basic salary

During 2019, the Remuneration Committee reviewed general salary levels within the Bank and arising therefrom, approved pay increases to all staff based on each individual staff member's performance and position versus the market median. The increases ranged from 0.8% up to 8%, with individual awards determined with reference to the individual's performance against agreed objectives and their salary level as benchmarked using appropriate market data. The average increase equated to 3.5% and all increases were effective from 1 January 2019.

In 2019, based on its review, with due cognisance to the Bank's ability to provide a competitive reward package, reflective of individual skills and experience, such that we might retain and motivate key talent in an increasingly competitive Irish market, and taking into account the output of a comprehensive benchmarking review, and following consultation with the Bank's significant shareholders, the Remuneration Committee recommended to the Board that the CEO and CFO's base salaries be increased, by 2.9% from €466,400 to €480,000, and by 13.1%, from €381,150 to €431,250, respectively. Increases were backdated to 1 January 2019. On appointment to the Board, the CRO's salary was €330,000.

Pensions

The current Executive Directors are members of the PTSB Defined Contribution Pension Scheme. As detailed in the Matters considered by the Committee in 2019 section above, during 2019 certain enhancements were agreed in respect of the Defined Contribution Pension arrangements for all staff including the Executive Directors. The Bank contributed up to 15% of basic salary into this pension scheme during 2019.

Benefits

During 2019, Executive Directors received benefits in line with policy. This included an allowance of €20,000 in lieu of a company car and eligibility for subsidised house purchase loans provided on the same terms and conditions as loans to other eligible PTSB employees.

Bonus and Long-term Incentive Plans
The Remuneration Policy does not provide for the payment of variable remuneration to Executive Directors. No bonus payments were made to Executive Directors during 2019 or 2018. Neither were there any long-term incentive arrangements in place for Executive Directors in 2019 or 2018.

Share option schemes
No share options were granted in 2019 or 2018. There were no share options in existence at the end of the period and the Bank's sole remaining share option scheme is now closed.

Loss of Office Payments
The Remuneration Policy requires that any payments on termination of employment are made in accordance with the provisions of CRD IV and applicable Irish legislation. Any payments in relation to termination reflect performance achieved over time and will not reward failure or misconduct. Leavers will receive any payments required under the terms of their contract. No such payments were made to the Executive Directors during 2019.

Payments to Former Directors
No such payments were made to former Executive Directors during 2019.

Directors' Fees from another Company
The Bank operates established polices, practices and procedures that are designed to identify, document and manage conflicts of interest. It is the policy of the Bank that where an Executive Director of the Bank is remunerated for service as a Non-Executive Director of a non-Bank company and retains such remuneration, the amount of this remuneration is disclosed. No Executive Director was in receipt of fees from external appointments during the period under review.

Non-Executive Director Remuneration – 2019
The level of fees paid to the Chairman and Non-Executive Directors in 2019 is outlined in the table below. Aggregate fees paid to Non-Executive Directors increased from €743,212 (2018) to €842,869 (2019) as a consequence of timing variation in the appointment and cessation of Non-Executive Directors.

		2019										2018
Name of Director, Position	Note	1. Fixed Remuneration			2. Variable Remuneration			3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of fixed and variable remuneration	Total Remuneration
		Base Salary	Basic Fees	Fees Paid	Fringe Benefits	One-year variable	Multi-year variable					
Robert Elliott		€0	€290,000	€290,000	€0	€0	€0	€0	€0	€290,000	100% Fixed	€290,000
Ken Slattery	1	€0	€54,675	€67,175	€40	€0	€0	€0	€0	€67,215	100% Fixed	€67,175
Julie O'Neill	2	€0	€54,675	€90,300	€40	€0	€0	€0	€0	€90,340	100% Fixed	€97,175
Richard Pike (retired 20 December 2019)	3	€0	€54,675	€67,615	€0	€0	€0	€0	€0	€67,615	100% Fixed	€69,675
Andrew Power	4	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed	€67,175
Ronan O'Neill	5	€0	€54,675	€84,675	€0	€0	€0	€0	€0	€84,675	100% Fixed	€84,675
Donal Courtney	6	€0	€54,675	€92,175	€0	€0	€0	€0	€0	€92,175	100% Fixed	€22,548
Ruth Wandhöfer	7	€0	€54,675	€66,758	€0	€0	€0	€0	€0	€66,758	100% Fixed	€10,697
Marian Corcoran (appointed 29 October 2019)	8	€0	€54,675	€16,916	€0	€0	€0	€0	€0	€16,916	100% Fixed	€0
Emer Daly (retired 16 May 2018)	9	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€34,092

Notes:
1. Additional fees paid as member of the BAC and the Board Remuneration Committee. Fringe benefits comprise Benefit in Kind €40.
2. Additional fees paid as the chair of the Board Remuneration Committee, member of the BRCC, member of the Board Nomination Committee and SID. Ceased as member of the BRCC on 24 January 2019. Fringe benefits comprise Benefit in Kind €40.
3. Additional fees paid as member of the BAC and BRCC. Ceased as member of the Board and member of the BAC and BRCC on 20 December 2019.
4. Additional fees paid as member of the BAC and member of the Board Remuneration Committee.
5. Additional fees paid as chair of the BRCC and member of the Board Nomination Committee.
6. Additional fees paid as chair of the BAC, member of the Board, member of the Board Nomination Committee and member of the BRCC.
7. Additional fees paid as member of the BRCC and member of the Board Remuneration Committee. Appointed as member of the Board Remuneration Committee on 1 February 2019.
8. Appointed as member of the Board on 24 September 2019 and member of the Board Remuneration Committee and BRCC on 29 October 2019.
9. Ceased as member of the Board, chair of the BAC, member of the BRCC and member of the Board Nomination Committee on 16 May 2018.

Directors’ Report on Remuneration
(continued)

The base fee and further fees for additional Board duties such as chairmanship of membership of a committee received by the directors remained unchanged in 2019 and were as follows:

Position		2019 fees (€)
Chairman		290,00
Non-Executive Director (Base Fee)		54,675
Senior Independent Director		20,000
Board Audit and Board Risk Committees	Chair	25,000
	Member	7,500
Remuneration Committee	Chair	10,000
Remuneration Committee and Nomination Culture & Ethics Committee	Member	5,000

Voting Results from the Annual General Meeting
At the AGM in 2019, 99.99% of votes cast were in favour of the “Say on Pay” resolution.

Directors' Remuneration Policy

The Shareholder Rights Directive requires firms to establish a remuneration policy applicable to the Board of Directors. As a result, for the first time the Committee has prepared a Policy in accordance with the requirements of the Directive which has been included in this report alongside the Annual Report on Remuneration.

At the date of writing, the Directive has not yet been transposed into Irish law. As such, there is no current requirement for Permanent TSB to present the Policy at this year's AGM on 6th May 2020. If the transposition does not take place before the AGM, shareholders will be provided the opportunity to consider the Policy together with the Annual Report on Remuneration in one single "Say on Pay" vote.

To the extent the Directive is transposed before the AGM, the Policy and the annual Report on Remuneration will be presented for shareholder approval via two separate resolutions. Subject to transposition, the vote on the Policy may be either binding or advisory. If approved, the Policy will replace the existing remuneration policy, as applicable to the Board of Directors, with retroactive effect from 1 January 2020.

During the life of the Policy, if changes in our approach are proposed, a revised Directors' Remuneration Policy will be submitted for a new shareholder vote before becoming effective.

The Directors' Remuneration Policy will, if approved, be disclosed in full on Permanent TSB's company website. Details of the implementation of the Policy in respect of each year will be disclosed in the Annual Report on Remuneration for that year.

In this section, we set out our Remuneration Policy for our Executive Directors and Non-Executive Directors as reviewed by the Remuneration Committee and approved by the Board of Directors.

The Policy has been designed – to the extent possible given the remuneration restrictions in place as a result of the agreements and commitments in place with the Irish State - to ensure alignment between our approach to reward and our business strategy and to promote long-term sustainable success. The policy criteria are intended to ensure that we reward our colleagues appropriately as we work together to build a valuable and sustainable business, underpinned by a strong culture which manifests itself in responsible and accountable day-to-day behaviours and interactions.

The Policy, in alignment with the Remuneration Policy applicable across the Group, is based on a set of agreed basic principles which are applied to all employees:

- Aligning remuneration with the Bank's risk appetite, approaches and governance framework;
- Ensuring our approach is in compliance with all applicable regulatory requirements;
- Aligning remuneration with our business strategy, objectives, purpose and values, and promoting the achievement of long-term Bank and stakeholder objectives and interests;
- Focusing on the attraction, engagement and retention of key talent of the calibre required;
- Ensuring that our Policy and each element of Director remuneration is as transparent, simple and clear as is possible.

Remuneration Components

Executive Director Remuneration:

Due to agreements and commitments in place with the Irish State, remuneration for the Executive Directors is currently entirely fixed in nature and no bonus or long-term incentive plans are currently in operation. Going forward, to the extent that the restrictions on the operation of variable remuneration plans are lifted, the Bank will review Executive Director remuneration arrangements and may submit a revised Directors' Remuneration Policy for shareholder approval at that time.

In that context, the following are the key components of the Bank's reward proposition as it relates to the Executive Directors:

Basic Salary

Basic salaries are set so as to attract and retain key talent of the calibre required to develop, lead and deliver the Bank's long-term strategy.

Basic salaries are normally reviewed by the Remuneration Committee annually, taking into consideration:

- the individual's skills, responsibilities and experience;
- the scope of the role;
- pay and conditions elsewhere in the Group;
- overall business performance and affordability; and
- market competitiveness by reference to relevant comparator groups.

Increases to basic salary may not necessarily be provided at each review. Whilst there is no maximum base salary, any increases for Executive Directors will normally be in line with the range of increases for other employees in the wider Group.

Personal performance will be taken into account in determining any salary increase.

Benefits

Benefits are provided to ensure the overall package is competitive and in accordance with local market practice.

The Committee's policy is to provide Executive Directors with a market competitive level of benefits, taking into consideration benefits offered to other employees in the Group, the individual's circumstances and market practice at similar companies.

Benefits may include, but are not limited to, the provision of a car allowance (or cash allowance in lieu) and subsidised house purchase loans provided on the same terms and conditions as loans to other eligible PTSB employees.

Taxable or other expenses incurred in performing the role may also be reimbursed, as well as any related tax cost on such reimbursement.

Additional limited benefits may also be provided if considered appropriate and reasonable in specific circumstances.

Pensions

Pension arrangements are intended to provide competitive post-retirement benefits aligned with market practice.

Pension contributions are set at appropriate level to attract and retain key talent.

Executive Directors are eligible to participate in the PTSB Defined Contribution Pension Scheme.

Executive Directors may receive a maximum allowance of 15% of basic salary. Maximum contribution rates are consistent across the Group, however, in recognition of the remuneration restrictions currently in place as a result of the agreements and commitments in place with the Irish State, in order to ensure a competitive overall package, Executive Directors are not subject to certain age-related eligible criteria which apply to the availability of the maximum contribution rate for the wider workforce.

Recruitment approach for new Executive Directors

In determining the remuneration arrangements of a new Executive Director recruited or appointed to the Board, the Remuneration Committee's approach is to pay no more than is necessary to attract the best candidates to the role, and the following principles will be applied:

- The Remuneration Committee will take into account all relevant factors including the calibre of the individual and local market practice;
- Remuneration packages must meet any applicable local regulatory requirements;
- Remuneration arrangements for new recruits will be appropriately competitive and aligned with the remuneration policy table set out above; and
- In the case of an internal appointment, any existing commitments will be honoured;
- The Policy does not, other than by exception, allow for buy-out of remuneration terms forfeited by new recruits on leaving a previous employer. Any such award would be structured in line with applicable regulatory requirements, be subject to the terms of agreements in place with the Minister for Finance and will be structured in order that the terms and amount of any replacement award will not be more generous than the award forfeited on departure from the former employer. Any such buy-outs will be minimised wherever possible.

Non-Executive Director Remuneration

Non-Executive members of the Board of Directors receive a base fee. Additional fees may be paid for those individuals that perform additional duties; including, but not limited to, the role of Senior Independent Director and for chairing or being a member of specific Board Committees. The Chairman receives an inclusive fee for the role.

Taxable or other expenses incurred in performing the role may also be reimbursed, as well as any related tax cost on such reimbursement.

The Chairman's and Non-Executive Directors' fees are reviewed regularly to ensure they are consistent with market practice and are market competitive, reflective of the time commitment and responsibilities of the role (subject to any limits set by the Bank's shareholders).

The Remuneration Committee recommends the Chairman's fee to the Board for approval. In respect of the review of remuneration decisions relating to Non-Executive Directors, a forum consisting of the Chairman, Company Secretary and CEO has been authorised by the Board to review Non-Executive Director remuneration and to approve any changes thereto. No individual is involved in decisions in respect of their own remuneration.

Newly appointed Non-Executive Directors are remunerated in line with the principles above, on a time-apportioned basis in the first year as necessary.

For the avoidance of doubt, Non-Executive Board members are not eligible to participate in variable remuneration schemes or receive any pension benefits. Buy-out awards are not offered to Non-Executive Board members.

Relative proportion of fixed and variable remuneration

In line with the agreements and commitments in place with the Irish State, Permanent TSB does not currently operate any variable remuneration arrangements for its Executive Directors. Remuneration for this population is therefore entirely fixed in nature.

Service contracts and letters of appointment and payments for loss of office

Executive Directors

Executive Directors' service contracts are reviewed by the Remuneration Committee and approved by the Board.

Executive Directors' service contracts normally provide for a rolling 11.5 month notice period to be provided by Bank (six months from the Executive Director). The contractual arrangements in place with Executive Directors do not typically contain a predetermined contract end date, other than that date as set with reference to the Bank's retirement policy age criteria (i.e. age 65). The Bank reserves the right to require an Executive Director to take any remaining leave entitlement they may have during notice period.

Executive Directors may be required to work during the notice period, take a period of 'garden leave' or may be provided with pay in lieu of notice if not required to work the full notice period.

Executive Director contracts will not normally contain any provisions for pre-determined compensation on termination which exceeds basic salary, pension and benefits payable in respect of the applicable notice period. Accrued but untaken holiday entitlement may also be paid. Any statutory requirements will be observed.

Any payments in relation to termination of employment are made in accordance with the provisions of all applicable regulatory requirements and Irish legislation and will reflect performance achieved over time and will not reward failure or misconduct.

Non-Executive Directors

The term of appointment of Non-Executive Directors is three years and is subject to satisfactory performance that is reviewed annually. Non-executive Directors do not have service contracts, but are bound by letters of appointment.

All Directors are required to seek re-appointment by election at the Annual General Meeting. Non-Executive Directors will automatically retire from the Board after six years. It is always at the discretion of the Board to invite a Non-Executive Director to continue for a further period but this discretion will only be exercised in exceptional circumstances.

The Chairman is proposed for reappointment by the Directors on an annual basis. The term of office of the Chairman is normally six years.

The Non-Executive Directors letter of appointment specify a one month notice period. There are no additional obligations in the Non-Executive Directors' letters of appointment that could give rise to remuneration payments or payments for loss of office.

Statement of consideration of employment conditions elsewhere in the Bank

The Committee takes account of the pay and employment conditions of the wider Permanent TSB employee base when it considers the remuneration of the Executive Directors. As stated above, the Policy is in alignment with the Remuneration Policy applicable across the Group, and is based on a set of agreed basic principles which are applied to all employees.

In determining remuneration arrangements for the Executive Directors, the Committee is presented with information in relation to the remuneration of the wider workforce, including aggregate pay outcomes in order to ensure decisions are made in the context of a detailed understanding of remuneration for the wider employee base and to ensure consistency throughout the Group.

Decision making process for Policy determination, review and implementation

The Board of Directors is responsible for (i) designing the Directors' Remuneration Policy and proposing the Policy for shareholder approval at the Annual General Meeting; and (ii) implementing and evaluating the adopted Policy, including determining the remuneration and other terms and conditions of appointment of the Executive Directors.
The Remuneration Committee is responsible for annually reviewing the Policy and submitting a clear and understandable proposal to the Board concerning the Policy. In the performance of this task the Remuneration Committee receives input and support from the other Board committees and control functions as appropriate.

Non-Executive members of the Board act independently of the Executive Directors, and therefore no conflicts of interest should arise. No Director is involved in deciding their own remuneration outcome.

Derogation

Minor changes

The Board may make minor amendments to the Directors' Remuneration Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval for that amendment. In the performance of this task the Committee may receive input and support from the other Board committees.

Exceptional circumstances

In exceptional circumstances, and to facilitate recruitment and termination, the Committee may, with approval from the Board, award minor additional benefits as appropriate. Any such award would be structured in line with applicable regulatory requirements, and be subject to the terms of agreements in place with the Minister for Finance. Any such awards will be minimised wherever possible.

Grandfathering

The Board will respect any agreements made between the Bank and the Executive Directors, irrespective of whether they are not in line with the Executive Directors' Remuneration Policy, if the terms were agreed:

- prior to the implementation of the Directors' Remuneration Policy at the 2020 AGM; and
- at a time when the relevant individual was not an Executive Director, and, in the opinion of the Committee, the payment was not made in respect of joining the Board.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with IFRS adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and in respect of the consolidated financial statements, Article 4 of the IAS Regulation.

Under Irish law the Directors shall not approve the Group's and Company's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS adopted by the EU and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position of the Company to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014, and as regards the Group financial statements, Article 4 of the IAS Regulation and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and Corporate Governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website www.permanenttsb.ie. Legislation in the ROI governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position of the Group and the Company and of the profit of the Group;
- the Group's Chairman Statement, the Group's Chief Executives Review and the Financial Review set out in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the Principal Risks and Uncertainties that they face as set out in the Risk Management Section of the Strategic Report; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

On behalf of the Board

Robert Elliott
Chairman

Jeremy Masding
Chief Executive

Eamonn Crowley
Chief Financial Officer
25 February 2020

Conor Ryan
Company Secretary

Independent auditors' report to the members of Permanent TSB Group Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, Permanent TSB Group Holdings plc's consolidated financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company Statement of Financial Position as at 31 December 2019;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

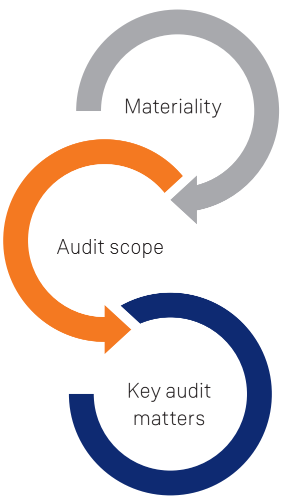
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



Materiality

- €11.0 million (2018: €10.5 million) - Consolidated financial statements
- Based on c.0.55% of net assets.
- €9.8 million (2018: €9.8 million) - Company financial statements
- Based on c.1% of net assets.

Audit scope

- We have conducted an audit of the complete financial information of Permanent TSB plc which is the main trading entity of the group and accounts for 99% of the net assets of the group and 99% of total operating income.

Key audit matters

- Expected Credit Loss (ECL) provision for residential mortgages (Group).
- Recoverability of the deferred tax asset (Group).
- IT controls (Group).
- Impairment assessment in respect of the investment in Permanent TSB plc (Company only).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Expected Credit Loss (ECL) provision for residential mortgages (Group) Refer to page 146 (Group accounting policies), page 158 (critical accounting estimates and judgements) and page 177 (note 20) to the consolidated financial statements). IFRS 9 requires impairment models where losses are recognised on an expected, forward looking basis including reflecting the group's view of potential future economic events. The ECL calculation is a very complex estimation which requires significant management judgement and we focussed on the areas which required the greatest level of management judgement in relation to residential mortgages including: 1. The application of forward-looking information is a critical part of the determination of ECL. The consideration and selection of appropriate macroeconomic factors and in particular determining the appropriate economic scenarios (base, downside and upside) and their associated probability weightings is a key driver of the overall ECL provision. 2. The determination of when there has been a significant increase in credit risk (SICR) is one of the key judgements in the ECL process because a SICR requires the related impairment provision to be measured using a lifetime ECL rather than 12 month ECL. The completeness of the identification of SICR triggers and their correct application has a significant impact on the overall provision. 3. The consideration of the need for post model adjustments to address known model limitations, latent risks and emerging trends. These adjustments are by their nature inherently uncertain and very judgmental.	With the assistance of our internal credit modelling specialists, we understood and critically assessed the overall methodology applied, including individual models used, in the measurement of ECL for the residential mortgage portfolio to ensure that the provision was in accordance with IFRS 9. This included an end to end review to understand the key systems and controls in the process. We tested the accuracy of critical data inputs used in the impairment models on a sample basis by agreeing inputs to source systems and supporting documentation. We considered the overall control framework and tested key controls including controls relating to model performance, approval of model changes, approval of SICR triggers, approval of material macroeconomic variables for forward looking information and approval of post model adjustments. We compared the base case forward looking macroeconomic assumptions, provided by management's external economic consultant, to publicly available information where applicable. We also considered the reasonableness of management's downside and upside assumptions including assessing management's expert. We assessed the SICR triggers identified by management for appropriateness and completeness and we re-performed key aspects of the SICR calculation. We also selected a sample of loans to ensure that they were allocated to the appropriate stage. We understood and assessed the appropriateness of material post model adjustments made by management to adjust their model output for known limitations and specific risk aspects of the portfolio. We concluded that the ECL provision for residential mortgages is within an acceptable range of reasonable estimates.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the deferred tax asset (Group) Refer to page 144 (Group accounting policies), page 160 (critical accounting estimates and judgements) and page 184 (note 23 to the consolidated financial statements). The group has net deferred tax asset of €345 million that primarily arise due to historical operating losses. A key judgement in the recognition of these net deferred tax assets is whether there is convincing evidence of sufficient future taxable profits against which those losses can be utilised. This judgement relies on the assessment of the probability, the timing and the sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance. The group's considerations in respect of the recognition of the net deferred tax assets are outlined in the financial statements, which also provides an overview of the key assumptions underpinning the financial projections. We have focused on this area due to the level of judgement involved.	Management prepares a Medium Term Plan to forecast financial performance over a four year period. We understood and tested key controls over the production and approval of the group's Medium Term Plan. We assessed the forecast of taxable profits which inform management's decision to recognise a deferred tax asset in respect of tax losses arising from historic operating losses. We considered whether the forecast of taxable profits provide convincing evidence that sufficient taxable profits will be available to utilise unused tax losses. We assessed the relevant macroeconomic assumptions and growth assumptions underlying the projections in the context of economic consensus forecasts. We also evaluated the growth assumptions for reasonableness by reference to historic performance, future plans and external data as appropriate. We also considered the appropriateness of the growth rate used to extrapolate the forecast profits over the period beyond the detailed plan. We concluded that the group's net deferred tax assets meet the requirements for recognition under IAS 12. We have also considered the appropriateness of the disclosures included in the financial statements and concluded that they are appropriate.
IT controls (Group) Refer to page 105 (Corporate Governance Statement). The IT framework of the group incorporates a number of IT systems which have been in place for many years. We have focused on IT controls and in particular, deficiencies in the IT control environment, as deficiencies in access controls over a number of applications on certain systems could have a significant impact on financial reporting controls and systems.	We involved our IT audit specialists to update our understanding of the group's IT environment and of changes made to it during 2019. To the extent required for our audit, we assessed and tested the design and operating effectiveness of IT controls over financial reporting systems relating to access security, IT operations and change control management, including assessing and testing mitigating controls where relevant. Where deficiencies identified affected specific applications within the scope of our audit we extended our programme of work by testing mitigating controls and by performing other procedures as we considered necessary for the purposes of our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment in respect of the investment in Permanent TSB plc (Company only) Refer page 162 critical accounting estimates and judgements, and page 234 (note C to the Company financial statements) As noted in the accounting policies, investment in subsidiaries are shown at cost in the Company financial statements unless there is evidence of impairment. In which case they are shown at the lower of cost and recoverable amount. We consider this to be a key audit matter as impairment indicators exist and due to the judgement associated with the assessment of the recoverable amount of the investment at 31 December 2019.	We evaluated management's assessment of the recoverable amount of the investment at 31 December 2019. We evaluated and tested controls over the recoverability assessment. The assessment of the recoverable amount of the investment was based on the company's value in use calculation. We assessed the forecast of free cash flows which inform management's calculations and concluded that they were consistent with the group's Medium Term Plan. We assessed the relevant macroeconomic assumptions underlying the projections in the context of economic consensus forecasts. We considered the appropriateness of the growth rate used to extrapolate the forecast profits over the period beyond the detailed plan. We evaluated the growth assumptions for reasonableness by reference to historic performance, future plans and external data as appropriate. We concluded that the impairment assessment in respect of the investment in Permanent TSB plc is reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Permanent TSB plc is the main trading entity of the group. The group has no other significant subsidiaries.

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

For the consolidated financial statements we performed an audit of the full financial information of Permanent TSB plc as this accounts for 99% of the net assets of the group and 99% of the total operating income. The nature and extent of audit procedures was determined by our risk assessment for each account balance.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	€11.0 million (2018: €10.5 million).	€9.8 million (2018: €9.8 million).
How we determined it	c.0.55% of net assets.	c.1% of net assets.
Rationale for benchmark applied	Given the volatility in profit / loss before tax arising over recent years from elevated impairments and subsequent reductions and the scale of losses arising from exceptional activities, we believe that net assets provide us with a more appropriate and consistent year on year basis for determining materiality rather than profitability	Given the limited activity of the Company, a benchmark based on net assets rather that profitability is considered more appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €550,000 (group audit) (2018: €525,000) and €490,000 (company audit) (2018: €490,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (Ireland) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's or the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or the company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non-Financial Statement" as defined by that Act on which we are not required to report) have been included.

Independent auditors' report to the members of permanent tsb Group Holdings plc (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non-Financial Statement" on which we are not required to report) for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the "Non-Financial Statement" on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;

  included in the Corporate Governance Section, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Section. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Corporate Governance Section. (CA14)

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

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 106 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 105 and 106 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and the company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 124 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 104 and 105 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 124, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:
https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
- The Company Statement of Financial Position is in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non-Financial Statement

We are required to report if the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the members on 22 May 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2013 to 31 December 2019.

John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
25 February 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Interest income	5	**413**	455
Interest expense	5	**(57)**	(76)
Net interest income		**356**	379
Fees and commission income	6	**62**	63
Fees and commission expense	6	**(25)**	(24)
Net trading income	7	**3**	10
Net other operating income	8	**17**	14
Total operating income		**413**	442
Administrative, staff and other expenses (excluding exceptional items)	9	**(252)**	(280)
Bank levy and other regulatory charges	10	**(47)**	(47)
Depreciation of property and equipment	21	**(21)**	(12)
Amortisation of intangible assets	22	**(12)**	(12)
Exceptional items			
Restructuring and other charges	11	**(13)**	(5)
Total operating expenses		**(345)**	(356)
Operating profit before charge for credit impairment and taxation losses		**68**	86
Credit impairment losses			
Loans and advances to customers	20	**(10)**	(17)
Exceptional impairment arising from deleveraging of loans	11	**(16)**	(66)
Total credit impairment losses		**(26)**	(83)
Operating profit/profit before taxation		**42**	3
Taxation	12	**(12)**	-
Profit for the year		**30**	3
Attributable to:			
Owners of the holding company		**30**	3
Earnings/(loss) per ordinary share		**€ Cent**	**€ Cent**
Basic earnings/(loss) per share of €0.5 ordinary share	13	**4.2**	(1.8)
Diluted earnings/(loss) per share of €0.5 ordinary share	13	**4.2**	(1.8)

The Group has adopted IFRS 16 'Leases' using the modified retrospective approach and accordingly has not restated the prior year amounts. This resulted in an increased depreciation of €8m and finance costs of €1m whereas administrative, staff and other expenses reduced by €8m.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Profit for the year		**30**	3
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	33	**2**	1
Revaluation of property		**5**	5
Tax relating to items that will not be reclassified to the income statement	12	**(1)**	(5)
Items that may be reclassified to the income statement in subsequent periods			
Currency translation adjustment reserve	33	**-**	(1)
Fair value reserve (debt instruments)			
Change in fair value of debt instruments	33	**(17)**	(20)
Amortisation of discontinued hedges	33	**8**	8
Disposal of debt instruments	33	**-**	(15)
Tax relating to items that may be reclassified to the income statement	12	**1**	3
Other comprehensive expense, net of tax		**(2)**	(24)
Total comprehensive income/(expense) for the year, net of tax		**28**	(21)
Attributable to:			
Owners of the holding company		**28**	(21)

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019 €m	31 December 2018 €m
Assets			
Cash at bank	14	**63**	65
Items in the course of collection	14	**15**	17
Debt securities	15	**2,005**	2,647
Equity securities	16	**15**	13
Derivative assets	17	**1**	1
Loans and advances to banks	18	**1,556**	1,159
Loans and advances to customers	19	**15,644**	15,888
Property and equipment	21	**201**	154
Intangible assets	22	**66**	41
Deferred taxation	23	**345**	355
Other assets	24	**259**	1,227
Prepayments and accrued income	25	**49**	93
Assets classified as held for sale	42	**59**	150
Total assets		**20,278**	21,810
Liabilities			
Deposits by banks (including Central Banks)	26	**-**	1,552
Customer accounts	27	**17,190**	17,020
Debt securities in issue	28	**923**	1,095
Derivative liabilities	17	**2**	14
Accruals		**5**	5
Current tax liability		**2**	1
Other liabilities	29	**118**	69
Provisions	30	**41**	74
Total liabilities		**18,281**	19,830
Equity			
Share capital	32	**227**	227
Share premium	32	**333**	333
Other reserves	32	**(795)**	(793)
Retained earnings	32	**2,110**	2,091
Shareholders' equity		**1,875**	1,858
Other equity instruments	32	**122**	122
Total equity		**1,997**	1,980
Total liabilities and equity		**20,278**	21,810

On behalf of the Board:

Robert Elliott	**Jeremy Masding**	**Eamonn Crowley**	**Conor Ryan**
Chairman	Chief Executive	Chief Financial Officer	Company Secretary

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Attributable to owners of the holding company									
	Share capital	Share premium	Revaluation reserve*	AFS reserve*	Fair value reserve*	Currency translation adjustment reserve*	Other capital reserve*	Retained earnings	Other equity instrument	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance as at 31 December 2017	1,257	333	51	35	-	1	(856)	1,168	122	2,111
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	(35)	35	-	-	(97)	-	(97)
Restated Balance at 1 January 2018	1,257	333	51	-	35	1	(856)	1,071	122	2,014
Profit for the year	-	-	-	-	-	-	-	3	-	3
Other comprehensive expense, net of tax (note 33)	-	-	-	-	(23)	(1)	-	-	-	(24)
Total comprehensive (expense)/income for the year	-	-	-	-	(23)	(1)	-	3	-	(21)
Transactions with owners, recorded directly in equity:										
Contributions by and distributions to owners										
Cancellation of deferred share capital (note 32)	(1,030)	-	-	-	-	-	-	1,028	-	(2)
AT1 coupon paid (note 32)	-	-	-	-	-	-	-	(11)	-	(11)
Total contributions by and distributions to owners	(1,030)	-	-	-	-	-	-	1,017	-	(13)
Balance as at 31 December 2018	**227**	**333**	**51**	**-**	**12**	**-**	**(856)**	**2,091**	**122**	**1,980**
Impact of adopting IFRS 16 at 1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Restated Balance at 1 January 2019	**227**	**333**	**51**	**-**	**12**	**-**	**(856)**	**2,091**	**122**	**1,980**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30**	**-**	**30**
Other comprehensive income/(expense), net of tax (note 33)	**-**	**-**	**4**	**-**	**(6)**	**-**	**-**	**-**	**-**	**(2)**
Total comprehensive income/(expense) for the year	**-**	**-**	**4**	**-**	**(6)**	**-**	**-**	**30**	**-**	**28**
Transactions with owners, recorded directly in equity:										**-**
Contributions by and distributions to owners										
AT1 coupon paid (note 32)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(11)**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(11)**
Balance as at 31 December 2019	**227**	**333**	**55**	**-**	**6**	**-**	**(856)**	**2,110**	**122**	**1,997**

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	31 December 2019* €m	31 December 2018 €m
Cash flows from operating activities		
Operating profit before taxation	**42**	3
Adjusted for non-cash items and other adjustments:		
Depreciation, amortisation and impairment of property, equipment and intangibles	**33**	24
Impairment charge on:		
Loans and advances to customers	**26**	83
Unrealised gains on financial assets	**(4)**	(24)
Other mortgage related adjustments	**18**	20
Other provisions	**18**	45
Visa equity share	**(2)**	(1)
Other non-cash items	**28**	11
	159	161
(Increase)/decrease in operating assets:		
Loans and advances to customers	**221**	2,233
Debt securities	**(1)**	(12)
Derivative assets	**-**	36
Other assets	**1,042**	(1,164)
Prepayments and accrued income	**44**	(70)
Increase/(decrease) in operating liabilities:		
Deposits by banks (including central banks)	**(1,552)**	(290)
Customer accounts	**170**	23
Debt securities in issue	**(172)**	(539)
Derivative liabilities	**(11)**	-
Other liabilities and accruals	**2**	17
Provisions	**(51)**	(34)
	(308)	200
Net cash (outflow)/inflow from operating activities before tax	**(149)**	361
Tax paid	**(2)**	-
Net cash (outflow)/inflow from operating activities	**(151)**	361

Consolidated Statement of Cash Flows (Continued)
For the year ended 31 December 2019

	31 December 2019* €m	31 December 2018 €m
Cash flows from investing activities		
Purchase of property and equipment	**(13)**	(20)
Purchase of intangible assets	**(23)**	(12)
Maturities of debt securities - HTC&S	**338**	210
Maturities of debt securities - HTC	**578**	-
Purchase of debt securities- HTC	**(319)**	(872)
Movement in restricted cash holdings	**42**	133
Deferred consideration received on equity securities	**2**	-
Net cash flows from investing activities	**605**	(561)
Cash flows from financing activities		
Maturity of subordinated liabilities	**-**	(23)
Payment of lease liabilities	**(8)**	-
AT1 coupon payment	**(11)**	(11)
Payment on cancellation of deferred shares	**-**	(2)
Net cash flows from financing activities	**(19)**	(36)
Increase/(decrease) in cash and cash equivalents	**435**	(236)
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**796**	1,030
Increase/(decrease) in cash and cash equivalents	**435**	(236)
Effect of exchange translation adjustments	**-**	2
Cash and cash equivalents as at 31 December**	**1,231**	796

* The amounts as at 31 December 2019 have been prepared and presented in line with IFRS 16; prior year figures have not been restated therefore balances above are not directly comparable.
** The cash and cash equivalents exclude restricted cash as per note 14.

Reconciliation of liabilities arising from financing activities

	01/01/2019 €m	Financing cash flows €m	Other changes €m	31/12/2019 €m
Lease liability (notes 3 and 31)	**46**	**(8)**	**4**	**42**

Notes to the Consolidated Financial Statements

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

1.1 Corporate information

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

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as the Group) and are prepared up to the end of the financial year, 31 December 2019.

Permanent TSB plc (PTSB), a 100% owned subsidiary of the Company, is the main trading entity of the Group which is involved in retail banking.

These consolidated financial statements for the year ended 31 December 2019 were approved by the Board and authorised for issue by the Directors on 25 February 2020.

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2019 are set out below.

1.2 Basis of preparation

Statement of compliance

These consolidated financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and the Company SOFP, the consolidated and the Company statement of changes in equity, the consolidated and the Company statement of cash flows and the notes to the consolidated and the Company financial statements, and have been prepared in accordance with IFRS and interpretations issued by IFR Interpretations Committee (IFRIC) as adopted by the EU and those parts of the Companies Act 2014 applicable to companies reporting under IFRS and EU (Credit Institutions: Financial Statements) Regulations 2015.

The accounting policies have been consistently applied by the Group entities and are consistent with the previous year, except as indicated in section 1.4 below.

The financial statements include the information that is described as being an integral part of the audited financial statements contained in the Directors' Report on Remuneration and in Risk Management. Certain tables and related information in the notes to the financial statements, included in boxes and clearly identified as unaudited on pages 199, 208 and 218 do not form part of the audited financial statements.

The individual financial statements of the holding company have also been prepared in accordance with IFRS and interpretations issued by IFRIC as adopted by the EU and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. In accordance with section 304(2) of the Companies Act 2014, the Company is availing of the exemption from presenting its individual income statement and related notes to the AGM and from filing it with the Registrar of Companies. See note 44 for further information. The Company's loss after tax for the year ended 31 December 2019 was €0.06m (31 December 2018: profit €5m). The Company issued €300m of MREL debt in 2019. For further information, see the Company financial statements on pages 231 to 235 .

Basis of measurement

The consolidated and Company financial statements have been prepared on the historical cost basis as modified to include the fair valuation of certain financial instruments, financial assets classified as HTC&S and land and buildings.

The Group adopted IFRS 16 'Leases' (IFRS 16) on 1 January 2019. As permitted by IFRS 16, the Group did not restate the comparative consolidated financial statements. Note 3, herein, presents the impact of IFRS 16 adoption on the Group's consolidated SOFP as at 1 January 2019.

Functional and presentation currency

These financial statements are presented in Euro, which is the Company's functional currency. Except where otherwise indicated, financial information presented in Euro has been rounded to the nearest million (m).

Use of estimates and judgements

The preparation of financial statements, in conformity with 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 estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about the carrying amounts of assets and liabilities. Actual results may differ from the estimates made.

Notes to the Consolidated Financial Statements
(continued)

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

Additional information about key assumptions and judgements are disclosed in the relevant notes for the following areas including significant estimation uncertainty:

- Allowance for credit impairment losses (note 20);
- Deferred taxation (notes 12 and 23);
- Fair value of financial instruments (note 34);
- Impairment review of subsidiary undertaking (note 44).

The estimates and assumptions are reviewed on an on-going basis and where necessary are revised to reflect current conditions. The principal estimates and assumptions made by Management relate to impairment of loans and advances to customers, deferred taxation, impairment of investment in subsidiary undertakings and financial instruments. Judgements made by Management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.3 Going Concern

In considering Management's assessment of the Group and Company's ability to continue as a going concern, Management considered principal risks and uncertainties as they might pertain to the going concern assumption, particularly the status of the Group's liquidity position, profitability and the capital position. Management considered these items over the course of the year to date and into 2020, 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 assumption becoming invalid over the period of assessment, being twelve months from the date of the approval of the Annual Report for the year ended 31 December 2019.

Management considered realistic alternatives, including downside scenarios (including uncertainties caused by Brexit) applied by the Group so as to appropriately test assumptions and potential outcomes. Directors and Management concluded, based on progress over recent years, in addition to the Group's outlook, that the Group has no material uncertainties which would cast significant doubt on the going concern assumption.

Assessment basis

The time period that the Directors and Management have considered in evaluating the appropriateness of the going concern basis in preparing the consolidated financial statements for the twelve months ended 31 December 2019 is a period of twelve months from the date of approval of these financial statements ("the period of assessment").

In making this assessment, the Directors and Management have considered the Group's 2020-2023 MTP, profitability forecasts, funding and capital resource projections. These projections include both base and stress scenarios applied by the Group, together with a number of factors such as the outlook for the Irish economy, Government's fiscal policies, the availability of collateral to access funding through third parties and the euro system, and on-going changes in the regulatory environment. Further, the Group's strategic outlook has continued to improve, both from the perspective of the macroeconomic environment and the Group's performance.

Economic & political environment

The Group continues to be materially reliant on Government and EU policy in relation to the Irish economy and the financial services sector. At a macroeconomic level, property prices and unemployment levels continued to improve in 2019.

Brexit has caused significant uncertainty in the economic and political environment in which the Group operates. The financial markets have been distressed as result of UK's decision to leave the EU and this uncertainty is expected to continue beyond 2020. The nature of the UK's revised trading relationship with the EU and the consequent impact on both the UK and the wider EUs economic outlook remains uncertain. The Group has been reassessing the financial impacts of Brexit through the IPP process and believes it is reasonably well positioned to withstand any near-term volatility caused by it, particularly given the Group's progress in reducing NPLs and continuing to be profitable. However, a disorderly Brexit remains the most critical short and potentially medium-term threat to the Irish economy.

Directors and Management have considered these factors and are satisfied that over the period of assessment the Group has sufficient resources to ensure it is adequately capitalised.

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

Funding & liquidity

The Group continues to have sufficient liquidity throughout 2019 and continues to undertake initiatives to further improve its liquidity position in the areas of deposits, collateral optimisation and wholesale market's activity. As part of these initiatives in September 2019, the Group issued its inaugural €300m 5NC4 (5 year maturity callable after year 4) MREL compliant MTN note. The Directors and Management have also considered forecasts of the liquidity position over the going concern period, under a range of stress scenarios.

The Group continues to hold a significant liquidity buffer at 31 December 2019 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 on a going concern basis over the period of assessment.

Profitability and capital adequacy

The Group made a profit for the 12-month period ended 31 December 2019, and for the prior year. The 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 on track to continue to deliver profits in future years and to meet its relevant capital requirements.

The Directors and Management have also considered the Group's forecast capital position, including the potential impact of deleveraging further NPLs and a deterioration in economic conditions as might arise from a negative outcome of the Brexit negotiations. 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, Directors and Management have considered the principal risks/uncertainties facing the Group as outlined above. Based on the latest and projected financial performance and position and the options available to the Group, the Directors have concluded that the Group has no material uncertainties, which would cast significant doubt on the going concern assumption and have considered it appropriate to prepare the financial statements on a going concern basis.

1.4 Comparative information

The comparative information for 2018 has been prepared on a consistent basis with 2019 except for changes relating to IFRS 16, discussed further in note 3.

1.5 Summary of significant accounting policies

(i) Basis of consolidation

Subsidiaries

Subsidiaries are those entities (including special purpose entities) controlled by the Group. Control exists when the Group has:

- the power, directly or indirectly, over the relevant activities of the investee, for example through voting or other rights;
- exposure to, or rights to, variable returns through involvement with the investee; and
- the ability to use its power over the investee to affect the Group's return from the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Financial statements of subsidiaries are prepared up to the financial position date. Intercompany transaction balances and unrealised gains/losses on transactions between the Group's companies are eliminated on consolidation.

The Group carries its investment in its subsidiary undertaking at cost and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its VIU. If impairment occurs, this loss is recognised in the income statement.

Details of principal subsidiaries are included in note 44.

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

(ii) Business combinations and goodwill

(a) Business combinations

Business combinations, other than those under common control are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners and equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially, at their fair values at the acquisition date.

The results of subsidiaries acquired are included in the consolidated income statement from the date of acquisition. Profits or losses of subsidiary undertakings acquired or sold during the year are included in the consolidated results from the date of gaining control or up to the date of disposal.

For each business combination, the Group elects on a transaction-by-transaction basis whether to measure a non-controlling interest at its fair value or at its proportionate share of the recognised amount of identifiable net assets. The assets and liabilities arising on a business combination are measured at their fair value at the acquisition date.

Business combinations under common control are accounted for prospectively from the date the Group obtains the ownership interest in the acquired entity. Assets and liabilities are initially recognised upon consolidation based on their carrying amount in the financial statements of the acquired entity (or holding entity, if applicable). Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are initially recorded is recognised directly in equity in retained earnings.

(b) Goodwill

The Group measures goodwill as the excess of the (i) consideration transferred; (ii) the amount of any non-controlling interest in the acquired entity; and (iii) acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Acquisition costs are expensed to the income statement as incurred. Any contingent consideration to be transferred to the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with IFRS 9.

Goodwill arising on associates is shown as part of the investment in the associate.

Goodwill is subject to an impairment review at least annually, and, if events or changes in circumstances indicate that the carrying amount may not be recoverable, it is written down through the income statement by the amount of any impairment loss identified in the year.

(iii) Foreign currencies

Foreign currency transactions are translated into the functional currency of the entity, being the currency of primary environment in which the entity operates at the exchange rate prevailing at the date of the transaction or valuation where items are remeasured. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the reporting date. Exchange movements are recognised in the income statement.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

The results and financial position of the Group's subsidiaries which have a functional currency different from Euro are translated into Euro as follows:

- Assets and liabilities, including goodwill and fair value adjustments, are translated at the rates of exchange ruling at the reporting date;
- Income and expenses are translated at the average exchange rates for the year; and
- All resulting exchange differences are recognised in Other Comprehensive Income (OCI) and as a separate component of equity (currency translation adjustment reserve).

On consolidation, exchange differences arising from the translation of borrowings and currency instruments designated as hedges of the net investment in overseas subsidiaries, are also recognised in OCI to the extent to which the hedge is deemed to be effective. The ineffective portion of any net investment hedge is recognised in the income statement immediately. On disposal, or partial disposal of an overseas subsidiary, the appropriate portion of the currency translation adjustment reserve is included in the gain or loss on disposal.

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

(iv) Recognition of income and expenses

(a) Interest and similar income and expenses

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

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

Interest income is calculated by applying the EIR to the gross carrying amount of financial assets, except for:
(a) POCI financial assets, for which the original credit-adjusted EIR is applied to the amortised cost of the financial asset; and,
(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the EIR to their amortised cost (i.e. net of ECL provision).

(b) Fees and commission income and expense

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

Where collateralised financing agreements for financial assets are sold with agreement to repurchase (repos) or are acquired under agreement to resell (reverse repo), the difference between the sale and purchase price is amortised over the life of the agreement using EIR.

Other fees and commission income are recognised as the related services are performed. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(c) Net trading income/(expense)

Net trading income/(expense) comprises gains and losses relating to trading assets and trading liabilities and includes all realised and unrealised fair value changes and FX differences.

(d) Exceptional items

Certain items, by virtue of their nature and amount are disclosed separately in order for the user to obtain appropriate understanding of the financial information. These items would not ordinarily occur while carrying out normal business activities.

Exceptional items include gains or losses on the disposal of businesses, gains or losses on material deleveraging (including additional impairment arising solely as a result of a sale) and material restructuring costs.

(e) Bank levy and other regulatory charges

Bank levy and other regulatory charges consist of DGS fees, Central Bank Industry Funding levy, BRRD levy, ECB fees and a bank levy.

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

(v) Employee Benefits

(a) Defined contribution pension plan

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

The contribution payable to a defined contribution plan is recorded as an expense under administration, staff and other expenses. Unpaid contributions are recorded as a liability.

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

(b) Short term employee benefits

Short term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employee's service is rendered. Bonuses are recognised where the Group has a legal or constructive obligation to employees that can be reliably measured.

(c) Termination payments

Termination benefits may be payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees where the offer is irrevocable. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(vi) Current and deferred taxation

Taxation comprises both current and deferred tax. Taxation is recognised in the income statement except to the extent it relates to items recognised in either OCI or equity. In the former case, taxation is recognised in OCI while in the latter case, taxation is recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years (ROI: 12.5% from 1 April 2015).

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

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

Deferred tax liabilities and assets are offset only when they arise in the same tax reporting group and where there is the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

DTAs and liabilities shall be offset if, and only if:

- there is a legally enforceable right to set off current tax assets and liabilities; and
- the DTAs and liabilities relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A DTA is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. DTAs are reviewed at each reporting date and are recognised only to the extent that it is probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted in accordance with IAS 12.

Unrecognised DTAs are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

(vii) Financial instruments

(a) Classification of financial assets

Financial assets are recorded at fair value and are classified, on initial recognition, as amortised cost, fair value through OCI (FVOCI), fair value through profit or loss (FVTPL), elected at FVOCI or designated at FVTPL. Purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset.

With the exception of assets classified as FVTPL, the initial fair value of a financial asset includes direct and incremental transaction costs. The fair value of assets traded on an active market will be the price that would be received if an asset were to be sold in an orderly transaction between market participants at the measurement date. In the absence of an active market, the Group establishes a fair value using various valuation techniques that use observable and unobservable inputs. These include recent transactions in similar items, discounted cash flow projections, option pricing models and other valuation techniques used by market participants.

The classification requirements for debt and equity instruments are described on the following page.

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

Debt instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortised cost; or
- FVOCI; or
- FVTPL; or
- Designated at FVTPL.

Classification and subsequent measurement of debt instruments depend on:
(i) The Group's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

(i) Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets (HTC) or is to collect both the contractual cash flows and cash flows arising from the sale of assets (HTC&S). If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

The Group assesses its business model at a portfolio level based on how it manages groups of financial assets to achieve its business objectives. The observable factors considered include:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to Group ExCo;
- How risks that affect the performance of the business model are managed;
- How business managers are compensated; and
- The timing, frequency and volume of sales.

(ii) Cash flow characteristics assessment

The Group carries out the cash flow characteristics assessment using the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest (the 'SPPI' test). Principal, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset, for example, due to repayments or amortisation of the premium/discount. Interest is defined as the consideration for the time value of money and credit risk, which are the most significant elements of interest within a lending arrangement. If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they introduce exposures to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group carries out the SPPI test based on an assessment of the contractual features of each product on origination and subsequently at every reporting period. Derivative instruments and equity instruments are not covered by this assessment as they are held at FVTPL (except when equities are accounted for at FVOCI).

Based on the above assessments, the Group classifies its debt instruments into one of the following four measurement categories:

(i) Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold the assets to collect contractual cash flows, where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are measured at amortised cost. Interest income on these instruments is recognised in interest income using the EIR method. The EIR is the rate that discounts estimated future cash payments or receipts through the expected life of a financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the EIR.

Impairment on debt instruments measured at amortised cost is calculated using the ECL approach. Loans and debt securities measured at amortised cost are presented net of allowance for ECL in the SOFP.

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

(ii) Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to both hold the assets to collect contractual cash flows and to sell the financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealised gains and losses on debt instruments measured at FVOCI are recorded in OCI, unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognised in interest income in the income statement. On derecognition, realised gains and losses are reclassified from OCI and recorded in other operating income in the statement of comprehensive income. FX gains and losses that relate to the amortised cost of the debt instrument are recognised in the income statement. Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to interest income in the income statement using the EIR method.

Impairment on debt instruments measured at FVOCI is calculated using the ECL approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the SOFP, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the income statement. The accumulated allowance recognised in OCI is recycled to the income statement on derecognition of the debt instrument.

(iii) Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. These instruments are measured at fair value in the SOFP, with transaction costs recognised immediately in the income statement as part of net trading income. Realised and unrealised gains and losses are recognised as part of other operating income in the income statement.

(iv) Debt instruments designated at FVTPL

Debt instruments are designated at FVTPL only if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. The designation is only available on initial recognition and the designation is irrevocable. Debt instruments designated at FVTPL are recorded in the SOFP at fair value and changes in fair value are recorded in the income statement.

Equity instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognised as part of other operating income in the income statement. The Group can elect to classify non-trading equity instruments at FVOCI. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the income statement. Dividend received is recorded in the income statement.

(b) Impairment of financial assets

The Group recognises loss allowances for ECL for the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost;
- Loan commitments;
- Financial assets at FVOCI (excluding equity); and
- Guarantees.

Measurement

ECL is measured by the Group in a way that reflects:

- an unbiased probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date and past events, current conditions and forecast of future economic conditions.

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

The amount of ECL recognised as a loss allowance depends on the change in credit risk of the financial instrument since origination and whether the credit risk on those financial instruments has increased significantly since initial recognition. In order to determine the appropriate ECL, a financial instrument is allocated to a stage dependent on the credit risk relative to when the financial instrument was originated:

- Stage 1 – includes financial instruments that have not had a SICR since initial recognition. For these assets, 12-month ECL is recognised. 12-month ECL is the ECL that results from default events that are possible within 12 months of the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Therefore, all financial assets in scope will have an impairment provision equal to at least 12-month ECL;
- Stage 2 – includes financial instruments that have had a SICR since initial recognition but that does not have objective evidence of impairment. For these assets, lifetime ECL is recognised, being the ECL that results from all possible default events over the expected life of the financial instrument;
- Stage 3 – includes financial assets that have objective evidence of impairment at the reporting date, i.e. are credit-impaired. For these assets, lifetime ECL is recognised.

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

The expected cash flows included in the ECL calculation are derived from cash flows arising from the loan contract or on the disposal of collateral. As the sale of loans is not part of the Group's normal recovery strategy, cash flows from this source are not considered a part of the ECL calculation, with the exception of expected cash flows arising from deleveraging of NPLs which are included in the ECL calculation from the point they meet the following three conditions:

- Selling the loans becomes a recovery method that the Group expects to pursue in a default scenario;
- The Group is neither legally nor practically prevented from realising the loans using the recovery method; and
- The Group has reasonable and supportable information upon which to base its expectations and assumptions.

As a consequence, exceptional impairment losses arising from deleveraging are included in the impairment charge under IFRS 9.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR.

Purchased or originated credit-impaired assets (POCI)

POCI are excluded from the general 3 stage impairment model in IFRS 9. POCI assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised on a credit-adjusted EIR basis. ECL are only recognised or released to the extent that there is a subsequent change in ECL.

Expected life

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

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

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

Expert Credit Judgement

The Group's ECL accounting framework methodology, in line with the requirements of the standard, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

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.

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

Low credit risk exemption

The Group applied the low credit risk exemption to sovereign debt securities, reverse repurchase agreements, loans and advances to banks and certain intercompany positions in scope for impairment under IFRS 9.

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

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

These exposures are in Stage 1 with a very low credit risk requiring 12-month ECL and contributing minimally to overall ECL.

Modification Policy for Financial Assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new items are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new items are introduced such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new EIR for the asset. The date of renegotiation of the new financial asset is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group calculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for POCI financial assets).

Write-off policy

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

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

Presentation of ECL allowance in the statement of financial position

The ECL on financial assets measured at amortised cost is presented as a deduction from the gross carrying amount.

The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the SOFP, which remains at fair value. Instead an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the income statement.

Off-balance sheet credit risks include certain undrawn lending commitments, letters of credit and letters of guarantee as a provision in the SOFP.

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

(c) Financial liabilities

Financial liabilities are classified either as amortised cost or designated at FVTPL.

Financial liabilities measured at amortised cost

Financial liabilities include deposits by banks (including Central Banks), customer accounts, debt securities and subordinated debt. Derivative liabilities are dealt with under separate accounting policies.

Debt securities and subordinated debt issued are initially recognised on the date that they originated, while all other financial liabilities are recognised initially on the trade date. Both the date of origination and the trade date is the date the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially at fair value, less any directly attributable transaction costs and are subsequently measured at amortised cost and the related interest expense is recognised in the income statement using the EIR method.

Financial liabilities designated at FVTPL

Financial liabilities classified in this category are those that have been designated by the Group on initial recognition.

Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates, or significantly reduces, an accounting mismatch which would otherwise arise;
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities designated at FVTPL are recorded in the SOFP. For liabilities designated at FVTPL, changes in fair value are recognised in non-interest income in the income statement, with the exception of movements in own credit.

For financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit are presented in OCI. The Group has not and does not expect to invoke the fair value option for financial liabilities.

A financial liability that is classified as a compound financial instrument, containing both debt and equity features, is separated into its equity and debt components on initial recognition. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt component. The instrument is fair valued at the date of issue using an appropriate valuation technique if there is an absence of quoted market prices. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the EIR method, with related interest recognised in the income statement. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised in the income statement.

(d) Derecognition of Financial instruments

Financial assets

The Group derecognises a financial asset when the contractual right to the cash flow from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Control over the assets is represented by the practical ability to sell the transferred asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group enters into transactions whereby it transfers assets recognised on its SOFP, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation is generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as debt securities.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. This may happen when payment is made to the lender; the borrower legally is released from primary responsibility for the financial liability; or if there is an exchange of debt instruments with substantially different terms or a substantial modification of the terms of an existing debt instrument. Derecognition conditions are also satisfied when an entity repurchases its own debt instruments issued previously. When a financial liability is extinguished, any difference between the carrying amount of the financial liability and the consideration paid is recognised in the income statement.

(e) Determination of fair value of financial instruments and other assets

The Group measures financial instruments, such as, derivative financial instruments, trading financial instruments and other financial instruments at FVTPL. Certain risks in hedged financial instruments, financial assets classified as FVOCI, property and equipment, and collateral in possession are measured at fair value on initial recognition.

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

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

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

- Level 1: Quoted market prices in active markets for identical assets or liabilities (unadjusted);
- Level 2: Valuation techniques such as discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

An analysis of the fair values of financial instruments, and further details as to how they are measured, are provided in note 34.

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

(viii) Derivative instruments and hedging

The Group follows the IFRS 9 model for hedge accounting.

Derivative instruments used by the Group primarily comprise interest rate swaps and currency forward rate contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as NII. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as NII.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

(b) Embedded derivatives

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid contract is not measured at FVTPL.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host, together with the embedded derivative, is required to be classified in its entirety as a financial asset at FVTPL.

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

(c) Credit valuation adjustment

The Group is engaged in over the counter (OTC) derivative transactions and considers whether a fair value adjustment for credit risk is required. CVA is considered to reflect the counterparty's default risk and debit valuation adjustment (DVA) to reflect own credit risk. There is no specific guidance on the methods used to calculate CVA or DVA which creates challenges in estimation.

As a result, IFRS 13 requires entities to consider the effects of credit risk when determining a fair value measurement, e.g. by calculating a CVA on their derivatives. Estimation can be complex and requires the use of significant judgement which is often influenced by various qualitative factors, such as:

- The materiality of the entity's derivative's carrying value to its financial statements;
- The number and type of contracts for derivatives in the entity's portfolio;
- The extent to which derivative instruments are either deeply in or out of the money;
- The existence and terms of credit mitigation arrangements (e.g. collateral arrangements in place);
- The cost and availability of technology to model complex credit exposures;
- The cost and consistent availability of suitable input data to calculate an accurate credit adjustment; and
- The credit worthiness of the entity and its counterparties.

The Group mitigates the majority of its derivative positions through the use of netting and Credit Support Annex collateral arrangements. The Group do not operationally net positions. The netting and collateral arrangements may be called upon in the event of a default. This allows a counterparty to net all assets and liabilities outstanding with the defaulting counterparty, subject to the agreement when the default event occurs. The collateral arrangements in place require the counterparty in a liability position to place collateral to cover that shortfall. The Group considers and discounts the necessity for any amendments to the valuations to reflect the CVA when calculating the fair value of the derivative positions.

The Group monitors this position at every reporting period and assesses if material CVAs become appropriate to be recognised.

(ix) Cash and cash equivalents

Cash comprises cash on hand and demand deposits and cash equivalents include liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value and with an original maturity of less than three months.

(x) Leases

(a) Classification of Leases - Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset; this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Unless the lease is of short-term and of low-value assets, where the Group has the right to obtain substantially all of the economic benefits from use of identified assets and has the right to direct the use of the identified asset, a right-of-use asset is recognised in property and equipment and a lease liability is in other liabilities.

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

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the incremental borrowing rate. Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. For its incremental borrowing rate, the Group uses its FTP, which comprises its base cost of funds with add-ons related to regulatory requirements, and term liquidity premium based on the slope of swap curve as a proxy of time value of money. The Group FTP is fully reflective of its funding profile and therefore considers it appropriate reflection of the Group borrowing cost. For retail properties, property yield is added as a lease specific adjustment.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is remeasured, if there is a change in future lease payments arising from a change in index-linked considerations, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of twelve months or less and leases of low-value assets, including office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it determines at lease inception, whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as, whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income, on a straight-line basis, over the lease term, as part of other income.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

The Group presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the SOFP.

(b) Classification of Leases - Policy applicable before 1 January 2019

As a lessee

In the comparative period, as lessees the Group classified leases that transfer substantially all of the risk and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's SOFP. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expenses, over the term of the lease.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of the 'other income'.

(xi) Property and equipment

Leasehold premises with initial lease terms of less than 50 years and all other equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the costs of such assets to their residual value over their estimated useful lives, which are assessed annually.

Freehold premises (including land) are revalued at least annually by external professional valuers. Any accumulated depreciation (on freehold premises excluding land) at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Any resulting increase in value is credited to OCI and shown as revaluation reserves in shareholders' equity. Any decrease in value that offsets previous increases of the same asset are charged in OCI and debited against the revaluation reserves directly in equity while all other decreases are charged to the income statement. The revalued premises, excluding the land element, are depreciated to their residual values over their estimated useful lives, which are assessed annually.

Subsequent costs are included in the asset's carrying amount, only when it is probable that increased future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property and equipment are assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised against the revaluation reserve to the extent it is available and any remainder is recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

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

The estimated useful lives are as follows:

Freehold Buildings	50 years
Leasehold Buildings	50 years or term of lease if less than 50 years
Office Equipment	5 - 15 years
Computer Hardware	3 - 10 years
Motor Vehicles	5 years

(xii) Intangible assets (other than goodwill)

Computer software is stated at cost, less amortisation and provision for impairment, if any. The external costs and identifiable internal costs of acquiring and developing software are capitalised where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year.

Capitalised computer software is amortised on a straight-line basis over a period of between three to seven years.

Software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or VIU.

(xiii) Collateral in possession

In certain circumstances, property is repossessed following foreclosure on loans that are in default. When a property is repossessed, the associated loan relating to that property is derecognised and any provision on that loan is reversed. On initial recognition the collateral in possession is valued at its fair value.

Subsequent to initial recognition, the property is carried at the lower of its cost and net realisable value.

(xiv) Assets and liabilities classified as held for sale

An asset or a disposal group is classified as held for sale if the following criteria are met:

- Its carrying value will be recovered principally through sale rather than continuing use;
- It is available for immediate sale; and
- The sale is highly probable within the next 12 months.

When assets (or disposal groups), other than financial assets as classified under IFRS 9, or rights under an insurance contract, are initially classified as held for sale, they are measured at the lower of the carrying amount or fair value less costs to sell at the date of reclassification.

Impairment losses subsequent to classification of such assets (or disposal groups) are recognised in the income statement. Increases in fair value less costs to sell of such assets (or disposal groups) that have been classified as held for sale are recognised in the income statement to the extent that the increase is not in excess of any cumulative loss previously recognised in respect of the asset (or disposal group).

Where the above conditions cease to be met, the assets (or disposal group) are reclassified out of held for sale and included under the appropriate SOFP classifications.

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

Financial assets within the scope of IFRS 9, DTAs and income taxes within the scope of IAS 12 continue to be measured in accordance with these standards.

(xv) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A restructuring provision is recognised when there is an approved detailed and formal RP, and the restructuring either has commenced or has been publicly announced. Future operating losses are not permitted to be recognised.

Present obligations arising under onerous contracts are recognised and measured as provisions at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. An onerous contract is a contract in which the unavoidable cost of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

Contingent liabilities are either possible obligations that arise from past events whose existence is dependent on whether some uncertain future events occur which are not wholly within the control of the entity or are a present obligation that arises from a past event but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

(xvi) Dividends

Final dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Interim dividends are recognised in equity in the period in which they are paid.

(xvii) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Executive Committee (being the chief operating decision maker (CODM)) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Transactions between the operating segments are on normal commercial terms and conditions unless stated otherwise. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue from external parties is measured in a manner consistent with the income recognition policy of the Group.

(xviii) Sales and repurchase agreements

Financial assets may be lent for a fee or sold subject to a commitment to repurchase them. Such assets are retained on the SOFP when substantially all the risks and rewards of ownership remain with the Group. The liability to the counterparty is included separately on the SOFP as appropriate.

Similarly, where financial assets are purchased with a commitment to resell, or where the Group borrows financial assets but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the financial assets are not included in the SOFP.

The difference between the sale and repurchase price is recognised in the income statement over the life of the agreements using the EIR. Fees earned on stock lending are recognised in the income statement over the term of the lending agreement. Securities lent to counterparties are also retained on the SOFP.

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

(xix) Collateral

The Group enters into master agreements with counterparties to ensure that in the event of a default, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is not recorded on the Group's SOFP.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the SOFP. Collateral received in the form of cash is recorded on the SOFP, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the SOFP. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

1.6 Application of new and revised IFRSs

In 2019, the Group assessed the new and revised IFRSs which took effect during the year. The changes to accounting standards during 2019 did not have a material impact on the Group's financial statements with the exception of IFRS 16 mentioned above and detailed in note 3.

1.7 Impact of other accounting standards with effective periods beginning on or after 1 January 2020

Topic	Description of change	Impact
Amendments to IFRS 3: Definition of a Business*	On 22 October 2018, the International Accounting Standards Board (IASB) issued Amendments to IFRS 3 aimed at clarifying the definition of a business to help determine whether a transaction should be accounted for as a business combination or an acquisition of a group of assets. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.	The Group, based on its assessment of the amended accounting standard, concluded that these requirements do not have a significant impact on the Group's consolidated financial statements.
Amendments to IAS 1 and IAS 8 – Definition of Material	On 31 October 2018, the IASB issued Amendments to IAS 1 and IAS 8 to clarify the definition of material and the definition used in the Conceptual Framework and the standards themselves. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments are effective annual reporting periods beginning on or after 1 January 2020.	The Group, based on its assessment of the amendment, concluded that these requirements do not have a significant impact on the Group's consolidated financial statements.
Amendments to References to Conceptual Framework in IFRS Standards	Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. Minor amendments to various standards to reflect the issue of the revised 'Conceptual Framework' for Financial Reporting. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.	The Group, based on its assessment of the amended accounting standard, concluded that these requirements do not have a significant impact on the Group's consolidated financial statements.

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

Topic	Description of change	Impact
IFRS 17 Insurance Contracts*	In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.	The Group, based on its assessment of the amended accounting standard, concluded that these requirements do not have a significant impact on the Group's consolidated financial statements.
Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform*	In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS17, relating to interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. The amendments apply to all hedging relationships that are directly affected by the interest rate benchmark reform. Interest rate benchmark reform refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the FSB's July 2014 report 'Reforming Major Interest Rate Benchmarks'.	The Group is currently assessing the impact of these amendments however the Group does not expect these amendments will have a significant impact on the Group's consolidated financial statements.

*These standards have not been endorsed by the EU as at 31 December 2019.

2. Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires Management to make assumptions, estimates and judgements that affect the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Assumptions, estimates and judgements are revised on an ongoing basis and updated where new information is available.

Critical accounting estimates and judgements made by Management in applying accounting policies are set out below.

(a) Allowance for credit losses under IFRS 9

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

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 PD and PD at maturity to determine SICR.

2. Critical accounting estimates and judgements (continued)

Forward-looking information

- The Group has adopted an ECL framework that reflects a component approach using PD, EAD and LGD components calibrated for IFRS 9 purposes. To adequately capture lifetime 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.

  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 table details the key macroeconomic variables used in modelling the allowance for credit losses for Stages 1 and 2 together with the associated percentiles and probability weightings.

	Central (Base Case) Scenario		Upside Scenario	Downside Scenario
	Average value over next 12 months	Average value over forecast period	Average value over forecast period	Average value over forecast period
Percentile		50th	5th	95th
Scenario Probability Weighting		54%	23%	23%
Irish Residential House Prices	3%	3%	13%	-10%
Irish Unemployment	5%	5%	4%	14%
Irish GDP	4%	3%	6%	-1%
Consumer Price Index	1%	2%	1%	2%
ECB Base Rate	0%	0%	0%	1%

- 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, the ECL impairment allowance would be €252m lower than reported at 31 December 2019. 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 €538m lower than reported at 31 December 2019, whereas if the Group were to only use its Downside Scenario this would result in a higher ECL impairment allowance of €868m.

2. Critical accounting estimates and judgements (continued)

Management's adjustment to modelled outcomes

At 31 December 2019, the impairment provision included €60m of Management's adjustments to modelled outcomes.

(b) Deferred taxation

At 31 December 2019, the Group had a net DTA of €345m. See note 23 for further details.

DTAs 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 DTA 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 DTA relating to carried forward tax losses, being €360m at 31 December 2019. It should be noted that the full DTA on tax losses relates to tax losses generated in Permanent tsb plc legal entity (i.e. no DTA 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 Permanent tsb plc'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 including the continued growth in GDP, the continued decline in unemployment and the continued increase in house prices;
- External forecasts for the Irish economy which indicate continued economic recovery in the medium-term;
- The progress made on the Group's NPL strategy during 2019 together with the deleveraging of the Group's Non-Core portfolios in recent years;
- The successful completion of the inaugural MREL bond issuance;
- The current expected trajectory of the Group's financial performance;
- The impairment performance;
- The Group's projected liquidity and capital position; and
- The capability demonstrated by the Group in recent years to raise additional capital, when required, in challenging circumstances.

The Board recognise the inherent uncertainties in any long-term financial assumptions and projections and therefore, in making the assessment have balanced consideration of the above factors with the following:

- The absolute level of DTAs 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 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 DTA on tax losses are based). The key relevant assumptions considered being:
  - No material change to the Group's business activities in the medium-term;
  - Further progress in addressing the Group's legacy, non-performing assets;
  - NIM is expected to be positively impacted by the evolution of the Group's lending book as new lending volumes are added and lower yielding tracker mortgages pay down; however, further material reductions in cost of funds are considered unlikely;
  - An expectation that mortgage market size will continue to return to normalised levels of activities; together with further anticipated growth in the Group's market share;
  - Continued focus on cost management; 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 sensitivity analysis on the financial projections, such sensitivity analysis including the effect of higher than expected impairments, cost of funds or operating expenditure, and lower than expected asset yields, new lending or ECB rates; and
- Potential implications for the Irish economy resulting from global political uncertainty, in particular the impact of Brexit.

2. Critical accounting estimates and judgements (continued)

Taking the above factors into account, and in the absence of any expiry date for the utilisation of carried forward tax losses in Ireland, the Board have concluded that it is more likely than not that there will be sufficient taxable profits against which the losses can be utilised and on the basis of the assessment above, continue to recognise €360m of a DTA on tax losses on the SOFP as at 31 December 2019.

In this regard, the Group has carried out an exercise to determine the likely number of years required to utilise the DTA arising on tax losses carried forward. Based on the Group's latest forecast plans to 2023 and assuming a level of profitability growth consistent with GDP growth of approximately 2.5%, it will take c. 20 years for the DTA on tax losses of €360m 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. An assumed growth rate of 2.5% has been used reflecting medium and long-term external forecasts for the Irish economy (with a number of external organisations forecasting medium and long-term growth at rates higher than 2.5%). 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 DTA 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 DTA has increased slightly since 31 December 2018 from 18 years to 19 years. This is mainly due to slightly decreased forecasted profitability in the short to medium-term. These revised profitability figures also impact the assumed long-term projections for the Group with the result that the expected utilisation period has increased.

It should be noted that Management make certain judgements in the process of applying the Group's accounting policies which may impact on amounts recognised in the financial statements and consequently on taxable profits and the utilisation of tax losses. As set out in note 23, analysis carried out demonstrates that were certain adverse events to arise (see below for further detail of the adverse events considered) it continues to be Management's view that there would be sufficient future taxable profits against which the full quantum of tax losses carried forward could be utilised, albeit that the period of time over which such utilisation would occur would be extended.

It should be further noted that the analysis of the estimated utilisation of the DTA arising on tax losses carried forward in PTSB is based on the current business model of the Group. There is no expectation of a major change in the business which would have a significant impact on the net DTA as currently recognised.

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

As set out above, in assessing the appropriateness of recognising a DTA on tax losses carried forward, Management has considered the impact of various stress case scenarios on the period of recoverability. The three scenarios identified as having potentially significant implications for the DTA recoverability are (i) adverse changes in the interest rate environment, (ii) declining house prices leading to increased loan defaults and therefore increased impairment charges and (iii) increases in operating costs. These stress case scenarios are intended to simulate a situation where there is an economic downturn, consistent with the Group's ICAAP stress scenarios. If any one of the stress case scenarios were to occur, within a reasonably possible range, it is our expectation that the time period over which these assets might be recovered could extend from between 1 to 3 years. If all adverse assumptions were to arise the period of recoverability would be extended by a further 11 years (i.e. full utilisation by 2050). However, Management consider this scenario unlikely. Changes in these assumptions are most impacted by changes to house

Prices and unemployment, which represent the majority of any expected stress loss which could occur. This position will continue to be reviewed for each reporting period; however, much of this estimation uncertainty may not be resolved for a number of years. However, as noted, based on the Group's latest forecast plan, it is Management's estimate that the expected time period for recovery of the DTA on tax losses to be 20 years, i.e. full utilisation is expected by 2039.

2. Critical accounting estimates and judgements (continued)

(c) Financial instruments

The Group's accounting policy for the determination of fair value of financial instruments is set out in note 1.5(vii)(e). The best evidence of fair value is quoted prices in an active market. The absence of quoted prices increases reliance on valuation techniques and requires the use of judgement in the estimation of fair value. This judgement includes evaluating available market data, determining the expected cash flows for the instruments, as well as identifying and applying an appropriate discount rate and credit spread.

Valuation techniques that rely on non-observable data require a higher level of Management judgement in estimating the fair value compared to those based on observable data.

The quality of market data, valuation techniques and other inputs into the valuation models used are subject to internal review and approval.

The Group carries certain financial assets at fair value. In estimating the fair value of these assets and derivatives, the Group seeks to use quoted market prices (level 1). Where quoted market prices are not available, the Group uses internally developed valuation models and valuations from external experts. Inputs to these models are taken from observable market data where possible (level 2) but where this is not possible, a degree of judgement is used (level 3). Such judgement considerations typically include items such as interest rate yield curves, equity prices, option volatilities and currency rates.

Further details of the fair value of financial assets and liabilities are set out in note 34.

(d) Impairment review of its subsidiary undertaking

Impairment review

The Company carries its investment in its subsidiary undertaking at cost and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its VIU.

An impairment charge arises if the carrying value exceeds the recoverable amount. The recoverable amount of the investment is the higher of its fair value less costs to sell or its VIU.

The VIU is the present value of the future free cash flows expected to be derived from the investment, based upon a VIU calculation that discounts expected pre-tax free cash flows at a discount rate appropriate to the investment. The determination of both requires the exercise of judgement.

The recoverable amount reflecting Management's best estimate is sensitive to changes in the following key assumptions.

Cash flow forecasts

Cash flow forecasts are based on internal management information used for strategic planning for a period of up to four years, after which a long-term growth rate appropriate for the business is applied. The projected cash flows are stress tested with actual performance and verifiable economic data annually to reflect current market conditions and Management's best estimates of future projections.

Growth rate

Growth rate is determined by reference to long-term economic growth and does not exceed the relevant long-term average growth rate of the industry in which it operates. A growth rate of 2.5% was used.

Discount rate

The discount rate used is based on the rate used for various internal pricing models and is benchmarked with the industry averages. The discount rate is the post-tax weighted average cost of capital of the Group increased to include a risk premium in respect of the specific risk profile of the investment to the extent that such risk isn't reflected in the cash flows.

Sensitivity analysis

The impact of changes in the growth rate, the discount rate and cash flows has been assessed by the Directors. No impairment was identified at 31 December 2019 (31 December 2018: €nil).

3. Transition to IFRS 16

Introduction

IFRS 16 'Leases' replaced IAS 17 "Leases" along with three interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease') and necessitated changes to the existing accounting policies, as discussed in note 1.

The Group has applied IFRS 16 in accordance with the modified retrospective approach with an initial application date of 1 January 2019. The cumulative effect of adopting IFRS 16 was recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

On transition to IFRS 16, the Group elected to apply the following practical expedients permitted by the standard:

- Reliance on the previous identification of a lease (under IAS 17) for all contracts that existed at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
- Reliance on the previous assessments on whether leases are onerous in accordance with IAS 37 as an alternative to performing an impairment review;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- The use of hindsight, such as in determining the lease term if the contract contains an option to extend or terminate the lease.

During the first-time application of IFRS 16, the right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued leases payments relating to those leases discounted using the incremental borrowing rate at the date of initial application.

The Group recognised an additional €45m of right-of-use assets, €46m lease liabilities, and €1m of finance lease assets on arising from sub-leasing of surplus properties on 1 January 2019. There was an immaterial impact on retained earnings at the date of initial application of IFRS 16.

When measuring liabilities, the Group discounted lease payments using its weighted average incremental borrowing rate of 1.25% at 1 January 2019. Incremental borrowing rate is the rate of interest that the Group will have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right in a similar economic environment.

Reconciliation of Lease liabilities

	€m
Operating lease commitments at 31 December 2018	**46**
Others*	**2**
Total operating leases (gross, without discounting at 1 January 2019)	**48**
Discounting using the lessee's incremental borrowing rate at 1 January 2019	**(2)**
Recognised exemption for:	
- Short-term leases	**-**
- Leases of low value assets	**-**
Lease liabilities recognised at 1 January 2019	**46**

*Includes leases that were under renewal at 31 December 2018 with payments for right-of-use made on or before 1 January 2019.

4. Operating segments

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

In line with IFRS 8, the Group also reports revenue from external customers for each major group of products and services. The amount of revenue reported is based on the financial information used to produce the Group's financial statements. The Group also reports revenue and non-current assets on a geographical basis; Ireland and Isle of Man (IOM).

The ExCo as the CODM is responsible for implementing the strategic management of the Group as guided by the Board. The ExCo reviews KPIs and internal management reports on a monthly basis.

4.1 Revenue from external customers split by products and services

The main products from which the Group earns external revenue include: mortgages; consumer finance; treasury assets; deposits and current accounts; and wholesale funding. The NII from these products is set out in the table below.

Net interest income from external customers split by product:

	31 December 2019 €m	31 December 2018 €m
Mortgages	**343**	384
Consumer finance*	**35**	29
Treasury assets	**26**	34
Deposits and current accounts	**(40)**	(51)
Wholesale funding	**(8)**	(17)
Total	**356**	379

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

4.2 Profit for the year based on geographical location

During the years ended 31 December 2019 and 31 December 2018, the majority of the Group's profit was earned in Ireland. Immaterial profits (less than €1m) were earned outside of Ireland in the Group's IOM subsidiary PBI Ltd during the years ended 31 December 2019 and 31 December 2018.

4.3 Assets and liabilities based on geographical location

31 December 2019

	Ireland €m	IOM* €m	Of which inter-group balances €m	Total €m
Assets				
Held for sale	**59**	**-**	**-**	**59**
Other assets	**20,217**	**2**	**(114)**	**20,219**
Total segment assets	**20,276**	**2**	**(114)**	**20,278**
Total segment liabilities	**18,279**	**2**	**(114)**	**18,281**
Capital expenditure	**57**	**-**	**-**	**57**

*This is based on geographical locations and constitutes business conducted in the IOM through PBI Ltd.

4. Operating segments (continued)

31 December 2018

	Ireland €m	IOM* €m	Of which inter-group balances €m	Total €m
Assets				
Held for sale	150	-	-	150
Other assets	21,657	3	(109)	21,660
Total segment assets	21,807	3	(109)	21,810
Total segment liabilities	19,827	3	(109)	19,830
Capital expenditure	35	-	-	35

*This is based on geographical locations and constitutes business conducted in the IOM through PBI Ltd.

5. Net interest income

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Interest income		
Loans and advances to customers	**378**	413
Loans and advances to banks	**1**	-
Debt securities and other fixed-income securities		
- Hold to collect	**20**	24
- Hold to collect and sell	**14**	18
	413	455
Interest expense		
Deposits from banks (including Central Banks)	**(1)**	(4)
Due to customers	**(40)**	(51)
Interest on debt securities in issue	**(4)**	(10)
Amortisation of discontinued hedges on financial assets	**(8)**	(8)
Loans and advances to banks	**(4)**	(3)
	(57)	(76)
Net interest income	**356**	379

Included in NII are interest rate fair value hedges which include gains on hedging instruments of €6m (31 December 2018: gain €10m) and losses on hedged items attributable to hedged risk of €6m (31 December 2018: loss €10m). Also included in NII is €8m relating to the amortisation of discontinued hedges in respect of a portion of the Group's HTC&S debt securities portfolio (31 December 2018: €8m).

NII includes a charge in respect of deferred acquisition costs (DAC) on loans and advances to customers of €18m (31 December 2018: €21m).

6. Fees and commission income

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Fees and commission income		
Retail banking and credit card fees	**51**	50
Brokerage and insurance commission	**10**	12
Other fees and commission income	**1**	1
Fees and commission income	**62**	63
Fees and commission expense*	**(25)**	(24)
Net fees and commission income	**37**	39

* Fees and commission expense primarily comprises retail banking and credit card fees.

7. Net trading income

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Held-for-trading		
Interest rate instruments	**2**	8
Foreign exchange gains	**1**	2
Net trading income	**3**	10

8. Net other operating income

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Other income	**17**	14
Other operating income	**17**	14

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

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Staff costs	**148**	148
Other general and administrative expenses	**104**	132
Administrative, staff and other expenses (excluding exceptional items)	**252**	280

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

Other general and administrative expenses include operating lease rentals on land and buildings of €7m at 31 December 2018. See note 31 in respect of changes to the accounting treatment of leases. Fees paid to the Bank's auditors for services are outlined below:

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Statutory auditor's remuneration (including expenses and excluding VAT)		
- Audit of the individual and the Group financial statements	**1.1**	1.2
- Other assurance services*	**0.3**	0.1
- Other non-audit services**	**0.1**	0.3

* Other assurance services in 2019 and 2018 primarily includes assurance relating to Section 27b. 2018 also includes Eligible Liabilities Guarantee (ELG) reporting requirements.
**Other non-audit services in 2019 principally relate to the letters of comfort in respect of the EMTN programme and €300m debt issuance. Other non-audit services in 2018 principally relate to advice PwC provided on various projects including IFRS 9 and the launch of new structured entities.

Staff costs

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Wages and salaries (including commission payable to sales staff)	**121**	121
Social insurance	**14**	14
Pension costs		
- Payments to defined contribution pension schemes	**13**	13
Total staff costs	**148**	148

Staff redundancy costs associated with exceptional items for the year ended 31 December 2019 and 31 December 2018 are included as part of note 11 exceptional Items.

Staff costs of €7m (31 December 2018: €5m), have been capitalised to intangible assets (see note 22), as the cost incurred was directly related to developing software and it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Therefore these costs are not included in this note.

Staff numbers

The number of staff employed is broken down by geographical location and by their operating segments for 31 December 2019 and 31 December 2018 in the table below:

Closing and average number of staff (including Executive Directors) employed during the year:

	Closing staff numbers		Average staff numbers	
	2019	2018	2019	2018
Ireland	**2,379**	2,380	**2,386**	2,416
Isle of Man	**-**	-	**-**	2
	2,379	2,380	**2,386**	2,418

10. Bank levy and other regulatory charges

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Bank levy	**24**	23
Other regulatory charges	**23**	24
Bank levy and other regulatory charges	**47**	47

Other regulatory charges include €13m for the DGS (31 December 2018: €15m), €5m for Single Resolution Fund (SRF) (31 December 2018: €5m) and €3m for the Central Bank Industry Funding Levy (31 December 2018: €3m).

11. Exceptional items

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Restructuring and other charges (a)	**13**	5
Net impairment arising from deleveraging of loans (b)	**16**	66
Exceptional items	**29**	71

(a) These comprise of €13m (31 December 2018: €5m) relating to phase 2 of the Group's voluntary severance scheme and costs associated with the restructure of Group functions.

(b) Under the Group's accounting policy, exceptional items include profits/losses arising on deleveraging. Under IFRS 9 when the sale of a loan becomes part of the Group's recovery strategy and meets the other conditions as set out in the accounting policy, the expected cash flows from the loan sale (including costs of sale) are included in the IFRS 9 impairment calculation. The Glas II portfolio met these conditions in 2019 and, at that point, the expected net sale proceeds were included in the ECL calculation and, as a direct result, the impairment provisions increased by €20m (31 December 2018: €66m relating to Glas I and Glenbeigh portfolios), mainly due to the costs associated with the sale. The Group considers this additional impairment as exceptional because the sale of loans is not part of the Group's normal recovery strategy. During 2019, an impairment provision of €4m (31 December 2018: €nil) was released relating to the costs associated with the Glas I and Glenbeigh loan sales in 2018. The Group also considers the impairment release as exceptional. This treatment is consistent with the treatment of losses on deleveraging of NPLs in prior years.

12. Taxation

(a) Analysis of taxation charge

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Current taxation		
Charge for current year	**1**	2
	1	2
Deferred taxation		
Origination and reversal of temporary differences	**11**	(2)
Deferred taxation recognised in the income statement (note 23)	**11**	(2)
Taxation charged to income statement	**12**	-
Effective tax rate	**29%**	0%

12. Taxation (continued)

The Group taxation charge for the year ended 31 December 2019 was €12m (31 December 2018: €nil). The main factors in arriving at this charge include (i) a current tax charge of €1m arising on non-trading income, (ii) a current year deferred tax charge of €6m which arises due to the utilisation of tax losses carried forward to shelter tax adjusted profits arising in the year, and (iii) the partial release of a DTA of €3m created on the introduction of IFRS 9.

(b) Reconciliation of standard to effective tax rate

	Year ended 31 December 2019 €m	Year ended 31 December 2018 €m
Profit on the Group activities before tax	**42**	3
Tax calculated at standard ROI corporation tax rate of 12.5% (2018: 12.5%)	**5**	-
Tax effect of non-deductible expenses and non-trading income	**2**	5
Tax effect of non-taxable income	**-**	(1)
Other	**5**	1
Adjustment to tax losses carried forward	**-**	(5)
Taxation charged to income statement	**12**	-

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

	Year ended 31 December 2019		
	Gross €m	Tax €m	Net €m
Revaluation of property	**5**	**(1)**	**4**
Currency translation adjustment reserve	**-**	**-**	**-**
Fair value reserve:			
- Change in fair value of equity instruments	**2**	**-**	**2**
- Change in fair value of debt instruments	**(17)**	**2**	**(15)**
- Transfer to income statement on asset disposal	**8**	**(1)**	**7**
31 December 2019	**(2)**	**-**	**(2)**

	Year ended 31 December 2018		
	Gross €m	Tax €m	Net €m
Revaluation of property	5	(5)	-
Currency translation adjustment reserve	(1)	-	(1)
Fair value reserve:			
-Change in fair value of equity instruments	1	-	1
-Change in fair value of debt instruments	(20)	2	(18)
- Transfer to income statement on asset disposal	(7)	1	(6)
31 December 2018	(22)	(2)	(24)

13. Earnings/(loss) per ordinary share

(a) Basic earnings/(loss) per ordinary share

	Year ended 31 December 2019	Year ended 31 December 2018
Weighted average number of ordinary shares in issue and ranking for dividend excluding treasury shares	**454,690,912**	454,690,912
Profit for the year attributable to equity holders	**€30m**	€3m
Less AT1 coupon paid (see note 32)	**(€11m)**	(€11m)
Profit/(loss) for the year attributable to equity holders less AT1 coupon paid	**€19m**	(€8m)
Basic earnings/(loss) per ordinary share (€ cent)	**4.2**	(1.8)

(b) Diluted earnings/(loss) per ordinary share

	Year ended 31 December 2019	Year ended 31 December 2018
Weighted average number of ordinary shares excluding treasury shares held under employee benefit trust used in the calculation of diluted earnings per share and including the potential dilutive ordinary shares from the AT1 conversion feature	**454,690,912**	454,690,912
Diluted earnings/(loss) per ordinary share (€ cent)	**4.2**	(1.8)

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

No adjustment to the weighted average number of ordinary shares for the effects of dilutive potential ordinary shares was required for the years ended 31 December 2019 or 31 December 2018, as the AT1 securities were assessed due to the conversion feature within the security, and were found to have an anti-dilutive effect.

Weighted average number of ordinary shares*

	2019	2018
Number of ordinary shares in issue at 1 January (note 32)	**454,695,492**	454,695,492
Shares held under employee benefit trust (note 32)	**(4,580)**	(4,580)
Net movements during the year		
Weighted average shares redesignated	**-**	-
Weighted average shares issued	**-**	-
Weighted average number of ordinary shares	**454,690,912**	454,690,912

*When calculating the earnings/(loss) per ordinary 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.

14. Cash and cash equivalents

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

	31 December 2019 €m	31 December 2018 €m
Cash at bank	**63**	65
Items in the course of collection	**15**	17
Loans and advances to banks repayable on demand (maturity of less than 3 months) (note 18)	**1,556**	1,159
	1,634	1,241
Restricted cash included in loans and advances to banks repayable on demand	**(403)**	(445)
Cash and cash equivalents as per the statement of cash flows	**1,231**	796

As at 31 December 2019, restricted cash of €403m (31 December 2018: €445m) consists of cash of €402m (31 December 2018: €432m) held by the Company's securitisation entities and €1m (31 December 2018: €13m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

15. Debt securities

	31 December 2019			31 December 2018		
	HTC €m	HTC&S €m	Total €m	HTC €m	HTC&S €m	Total €m
Government bonds	**1,754**	**209**	**1,963**	2,046	557	2,603
Corporate bonds	**42**	**-**	**42**	44	-	44
Gross debt securities	**1,796**	**209**	**2,005**	2,090	557	2,647

As at 31 December 2019, all debt securities are available to be used and are eligible as collateral (though eligibility will depend on the criteria of the counterparty) in sale and repurchase agreements.

HTC securities of €1.8bn comprise Irish, Spanish and Portuguese government bonds. They represent securities which are managed separately and for which the business model is based on collecting contractual cash flows.

Corporate bonds comprise a retained note in Glenbeigh Securitisation 2018-1 DAC which is POCI.

HTC&S securities of €0.2bn consist of Irish government bonds. They represent securities which the Group has the ability to sell at any point in time.

All debt securities at 31 December 2019 are stage 1 apart from the corporate bond which is POCI.

(A) HTC and HTC&S

The movement in HTC and HTC&S securities is classified as follows:

	2019		2018	
	HTC €m	HTC&S €m	HTC €m	HTC&S €m
As at 1 January	**2,090**	**557**	1,193	784
Change in fair value	**-**	**(11)**	-	(28)
Additions	**319**	**-**	916	-
Maturities/disposals	**(578)**	**(338)**	(13)	(198)
Interest net of cash receipts	**(35)**	**1**	(6)	(1)
At 31 December	**1,796**	**209**	2,090	557

15. Debt securities (continued)

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

(i) Held at amortised cost

As at 31 December 2019, the amount arising from ECL on debt securities measured at amortised cost is €0.4m (31 December 2018: €0.4m). The ECL on debt instruments measured at amortised cost is offset against the carrying amount of the assets in the SOFP.

(ii) Held at fair value through other comprehensive income (FVOCI)

As at 31 December 2019, the amount arising from ECL on debt securities measured at FVOCI is negligible (31 December 2018: €0.1m). The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the SOFP, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the income statement. The accumulated allowance recognised in OCI is recycled to the income statement on derecognition of the debt instrument.

16. Equity securities

	31 December 2019 €m	31 December 2018 €m
As at 1 January	**13**	12
Revaluation	**2**	1
Total equity investments	**15**	13

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

	31 December 2019 €m	31 December 2018 €m
Unlisted	**15**	13
Gross equity securities	**15**	13

PTSB Group holds Series B preferred stock in Visa Inc. at 31 December 2019. This was fair valued at €15m at 31 December 2019 and is recognised in the SOFP at FVOCI.

The fair value of this shareholding in Visa Inc. is classified as level 3 as the valuation of the share includes inputs that are based on unobservable market data (refer to note 34 for further details).

17. Derivative assets/liabilities

Derivative instruments are used by the Group to hedge against interest rate risk and foreign currency risk.
Certain derivative instruments do not fulfil the hedge accounting criteria under IFRS 9 and are consequently classified as held for trading. All derivatives are carried at fair value.

The derivative instruments used by the Group include:

- Currency forward rate contracts, which are commitments to purchase and sell currencies, including undelivered spot transactions;
- Interest rate swaps which are commitments to exchange one set of cash flows for another; and

Further details on the Group's risk management policies are set out in the risk management section of the Annual Report.

17. Derivative assets/liabilities (continued)

Derivatives held by the Group are analysed as follows:

	31 December 2019			31 December 2018		
	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m	Contract/ notional amount €m	Fair value asset €m	Fair value liability €m
Designated as fair value hedges						
Interest rate swaps	**22**	**-**	**1**	286	1	12
	22	**-**	**1**	286	1	12
Held for trading						
Forwards	**105**	**1**	**-**	100	-	1
Interest rate swaps	**14**	**-**	**1**	60	-	1
	119	**1**	**1**	160	-	2
Derivative assets and liabilities as per the statement of financial position	**141**	**1**	**2**	446	1	14

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include fixed rate loans, FVOCI debt securities, fixed rate debt issued and other borrowed funds. The Group uses interest rate swaps to hedge interest rate risk.

The gains/(losses) recognised in NII on the hedging instruments are designated as fair value hedges. The hedged items attributable to the hedged risk are analysed below:

	31 December 2019 €m	31 December 2019 €m
Gains on hedging instruments	**6**	10
Losses on hedged items attributable to hedged risk	**(6)**	(10)
Net gains/(losses)	**-**	-

18. Loans and advances to banks

	31 December 2019 €m	31 December 2018 €m
Held at amortised cost		
Placed with central banks	**1,038**	562
Placed with other banks	**518**	597
Loans and advances to banks	**1,556**	1,159

Placements with other banks includes restricted cash of €403m (31 December 2018: €445m) of which €402m (31 December 2018: €432m) is held by the Group's securitisation entities and €1m (31 December 2018: €13m) which relates to cash collateral placed with counterparties in relation to derivative positions and repurchase agreements.

Loans and advances to banks amounting to €1,556m as at 31 December 2019 (31 December 2018: €1,159m) have an original 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.

19. Loans and advances to customers

Loans and advances by category are set out below:

	31 December 2019 €m	31 December 2018 €m
Residential mortgages		
- Held through special purpose entities	**7,627**	9,464
- Held directly	**8,231**	6,952
	15,858	16,416
Commercial mortgage loans	**165**	165
Consumer finance (term loans/other)	**366**	335
Gross loans and advances to customers	**16,389**	16,916
Less: provision for impairment (note 20)	**(818)**	(1,083)
Deferred fees, discounts and fair value adjustments	**73**	55
Net loans and advances to customers	**15,644**	15,888

Note 43 provides details of sale of loans and advances to customers during the year ended 31 December 2019.

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

	Gross loans and advances to customers		Net loans and advances to customers	
	31 December 2019 €m	31 December 2018 €m	31 December 2019 €m	31 December 2018 €m
Tracker rate	**8,941**	9,957	**8,291**	9,136
Variable rate	**4,019**	4,972	**3,876**	4,722
Fixed rate	**3,429**	1,987	**3,404**	1,975
	16,389	16,916	**15,571**	15,833
Deferred fees, discounts and fair value adjustments	**73**	55	**73**	55
Total	**16,462**	16,971	**15,644**	15,888

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

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

	31 December 2019 €bn	31 December 2018 €bn
Residential mortgages held through special purpose entities	**7.7**	9.5
Notes issued by special purpose entities		
- rated	**4.9**	6.4
- unrated	**2.8**	3.1

19. Loans and advances to customers (continued)

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

	31 December 2019 €m	31 December 2018 €m
Sold to third parties and included within debt securities in issue (non-recourse) on the Statement of financial position (note 28)	**0.6**	1.1
Held by other banks and institutions as part of collateralised lending or sale and repurchase agreements (note 26)	**-**	1.7
Other		
- Available collateral*	**4.3**	3.6
- Unrated notes	**2.8**	3.1
	7.7	9.5

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

Loans and advances balance movement for 2019 and 2018 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 2019	**10,519**	**4,701**	**1,692**	**4**	**16,916**
New assets originated*	**1,496**	**98**	**-**	**-**	**1,594**
Stage Transfers:					
Transfers from Stage 1 to Stage 2	**(361)**	**361**	**-**	**-**	**-**
Transfers to Stage 3	**(25)**	**(146)**	**171**	**-**	**-**
Transfers from Stage 2 to Stage 1	**588**	**(588)**	**-**	**-**	**-**
Transfers from Stage 3	**1**	**213**	**(214)**	**-**	**-**
Net movement arising from transfer of Stage	**203**	**(160)**	**(43)**	**-**	**-**
Redemptions and repayments	**(1,216)**	**(245)**	**(65)**	**(2)**	**(1,528)**
Decrease due to write offs	**(1)**	**(8)**	**(78)**	**-**	**(87)**
Deleveraging	**(2)**	**(46)**	**(458)**	**-**	**(506)**
Balance as at 31 December 2019	**10,999**	**4,340**	**1,048**	**2**	**16,389**

*Loan originations are net of repayments in the year.

19. Loans and advances to customers (continued)

	Non-credit impaired		Credit impaired		
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m
Balance as at 1 January 2018	11,649	3,594	5,278	7	20,528
New assets originated*	1,374	58	12	-	1,444
Stage Transfers:					
Transfers from Stage 1 to Stage 2	(1,648)	1,648	-	-	-
Transfers to Stage 3	(127)	(161)	288	-	-
Transfers from Stage 2 to Stage 1	490	(490)	-	-	-
Transfers from Stage 3	3	306	(309)	-	-
Net movement arising from transfer of Stage	(1,282)	1,303	(21)	-	-
Redemptions and repayments	(1,216)	(201)	(85)	(2)	(1,504)
Decrease due to write offs	(2)	(1)	(122)	(1)	(126)
Deleveraging	(4)	(52)	(3,375)	-	(3,431)
Other movements	-	-	5	-	5
Balance as at 31 December 2018	10,519	4,701	1,692	4	16,916

*Loan originations are net of repayments in the year.

20. Impairment provisions

(a) 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 NPL balance as at 31 December 2019 was €1,050m (31 December 2018: €1,696m). Refer to note 35 for further details.

31 December 2019

	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	**12,260**	**614**	**5.0%**	**31**	**58**	**146**	**235**	**2%**
-Buy-to-let	**3,598**	**377**	**10.5%**	**8**	**363**	**150**	**521**	**14%**
Commercial	**165**	**41**	**24.8%**	**2**	**12**	**24**	**38**	**23%**
Consumer Finance:								
-Term loans/other	**366**	**18**	**4.9%**	**3**	**6**	**15**	**24**	**7%**
Total gross loans	**16,389**	**1,050**	**6.4%**	**44**	**439**	**335**	**818**	**5%**
Impairment provision	**(818)**							
Deferred fees, discounts and fair value adjustments	**73**							
Balance as at 31 December 2019	**15,644**							

31 December 2018

	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	12,413	1,100	8.9%	25	40	363	428	3%
-Buy-to-let	4,003	516	12.9%	5	358	222	585	15%
Commercial	165	55	33.3%	2	7	33	42	25%
Consumer Finance:								
-Term loans/other	335	25	7.5%	3	6	19	28	8%
Total gross loans	16,916	1,696	10.0%	35	411	637	1,083	6%
Impairment provision	(1,083)							
Deferred fees, discounts and fair value adjustments	55							
Balance as at 31 December 2018	15,888							

20. Impairment provisions (continued)

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

	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
2019				
Total by portfolio				
ECL as at 1 January 2019	1,013	42	28	1,083
Redemptions and repayments	(12)	(1)	(3)	(16)
Net remeasurement of loss allowance	19	(1)	3	21
Loan originations	9	5	2	16
Net movement excluding derecognition	16	3	2	21
Derecognition-disposals	(227)	(5)	-	(232)
Derecognition-repossessions	(12)	-	-	(12)
Derecognition-write offs*	(34)	(2)	(6)	(42)
Derecognition	(273)	(7)	(6)	(286)
ECL as at 31 December 2019	756	38	24	818
Net movement excluding derecognition (from above)				21
Interest income booked but not recognised				(14)
Write offs net of recoveries				3
Impairment charge on customer loans and advances				10

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

20. Impairment provisions (continued)

	Residential mortgages €m	Commercial €m	Consumer finance €m	Total €m
2018				
Total by portfolio				
ECL as at 1 January 2018	2,241	54	28	2,323
Portfolio reclassification	13	(13)	-	-
Redemptions and repayments	(18)	-	(1)	(19)
Net remeasurement of loss allowance	24	30	3	57
Loan originations	6	1	1	8
Net movement excluding derecognition	25	18	3	46
Derecognition-disposals	(1,188)	(20)	-	(1,208)
Derecognition-repossessions	(37)	-	-	(37)
Derecognition-write offs*	(28)	(10)	(3)	(41)
Derecognition	(1,253)	(30)	(3)	(1,286)
ECL as at 31 December 2018	1,013	42	28	1,083
Net movement excluding derecognition (from above)				46
Interest income booked but not recognised				(29)
Write offs net of recoveries				-
Impairment charge on customer loans and advances				17

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

20. Impairment provisions (continued)

Total by stage

	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2019	35	411	637	1,083
Transfer to Stage 1	12	(12)	-	-
Transfer to Stage 2	(3)	47	(44)	-
Transfer to Stage 3	-	(17)	17	-
Stage transfers	9	18	(27)	-
Redemptions and repayments	(2)	(5)	(9)	(16)
Net remeasurement of loss allowance	(6)	8	19	21
Loan originations	8	8	-	16
Net movement excluding derecognition	-	11	10	21
Derecognition-disposals	-	-	(232)	(232)
Derecognition-repossessions	-	-	(12)	(12)
Derecognition-write offs*	-	(1)	(41)	(42)
Derecognition	-	(1)	(285)	(286)
ECL as at 31 December 2019	44	439	335	818
Net movement excluding derecognition (from above)				21
Interest income booked but not recognised				(14)
Write offs net of recoveries				3
Impairment charge on customer loans and advances				10

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

20. Impairment provisions (continued)

Total by stage

	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2018	54	333	1,936	2,323
Transfer to Stage 1	11	(11)	-	-
Transfer to Stage 2	(32)	88	(56)	-
Transfer to Stage 3	(1)	(12)	13	-
Stage transfers	(22)	65	(43)	-
Redemptions and repayments	(3)	(2)	(14)	(19)
Net remeasurement of loss allowance	(1)	19	39	57
Loan originations	7	1	-	8
Net movement excluding derecognition	3	18	25	46
Derecognition-disposals	-	(5)	(1,203)	(1,208)
Derecognition-repossessions	-	-	(37)	(37)
Derecognition-write offs*	-	-	(41)	(41)
Derecognition	-	(5)	(1,281)	(1,286)
ECL as at 31 December 2018	35	411	637	1,083
Net movement excluding derecognition (from above)				46
Interest income booked but not recognised				(29)
Write offs net of recoveries				-
Impairment charge on customer loans and advances				17

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

Modified Financial Assets

At 31 December 2019 there have been no significant modified financial assets for which the loss allowance has changed from lifetime to 12-month ECL.

21. Property and equipment

	Held at fair value land and buildings	Held at cost buildings	Held at cost office and computer equipment	Right-of-use assets* Leased buildings	Right-of-use assets* Leased motor vehicles	Total
	€m	€m	€m	€m	€m	€m
2019						
Cost or valuation						
At 1 January	**100**	**96**	**68**	**-**	**-**	**264**
Adoption of IFRS 16 as at 1 January (note 3)	**-**	**-**	**-**	**44**	**1**	**45**
Additions	**-**	**6**	**9**	**4**	**1**	**20**
Revaluations	**2**	**-**	**-**	**-**	**-**	**2**
Disposals/lease exits or cancellations	**-**	**-**	**-**	**(2)**	**-**	**(2)**
At 31 December	**102**	**102**	**77**	**46**	**2**	**329**
Accumulated depreciation						
At 1 January	**-**	**(60)**	**(50)**	**-**	**-**	**(110)**
Provided in the year	**(3)**	**(5)**	**(5)**	**(7)**	**(1)**	**(21)**
Revaluations	**3**	**-**	**-**	**-**	**-**	**3**
At 31 December	**-**	**(65)**	**(55)**	**(7)**	**(1)**	**(128)**
Net book value at 31 December	**102**	**37**	**22**	**39**	**1**	**201**

*For further details on right-of-use assets refer to note 31.

Of the €5m revaluation, €nil is recognised in the income statement due to impairment write-back on land and buildings and €5m is included in the revaluation reserve in the statement of comprehensive income.

	Held at fair value land and buildings	Held at cost land and buildings	Held at cost office and computer equipment	Leased buildings	Leased motor vehicles	Total
	€m	€m	€m	€m	€m	€m
2018						
Cost or valuation						
At 1 January	95	84	60	-	-	239
Additions	-	12	8	-	-	20
Revaluations	5	-	-	-	-	5
At 31 December	100	96	68	-	-	264
Accumulated depreciation						
At 1 January	-	(54)	(44)	-	-	(98)
Provided in the year	-	(6)	(6)	-	-	(12)
At 31 December	-	(60)	(50)	-	-	(110)
Net book value at 31 December	100	36	18	-	-	154

Of the €5m revaluation, €nil is recognised in the income statement due to impairment write-back on land and buildings and €5m is included in the revaluation reserve in the statement of comprehensive income.

21. Property and equipment (continued)

The net book value of land and buildings includes the following:

	31 December 2019 €m	31 December 2018 €m
Land	**33**	31
Buildings - freehold fair value	**69**	69
Buildings - freehold cost	**24**	1
Buildings - leasehold	**52**	35
	178	136

Land and buildings at 31 December 2019 held at fair value was €102m (31 December 2018: €100m). The historic cost of land and buildings is €107m (31 December 2018: €107m).

Fair value measurement of Group's land and buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation recognised from the date of the latest revaluation. On the date of revaluation any accumulated depreciation is eliminated. The fair value measurements of the Group's freehold land and buildings as at 31 December 2019 and 31 December 2018 were performed by independent professional valuers having appropriate qualifications and recent experience in the fair value measurement of properties in the locations and categories being valued. The effective date of revaluation is 31 October 2019 and 31 December 2018.

The fair value of the freehold land and buildings was determined based on a market comparable approach that reflects recent transaction prices for similar properties using capitalisation yields ranging from 5% to 13%. There has been no change to the valuation techniques during the year.

Details of the freehold land and buildings and information about the fair value hierarchy as defined in the Group's accounting policy as at 31 December 2019 are as follows:

31 December 2019

	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Land	**-**	**33**	**-**	**33**
Buildings - freehold	**-**	**69**	**-**	**69**
	-	**102**	**-**	**102**

31 December 2018

	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Land	-	31	-	31
Buildings - freehold	-	69	-	69
	-	100	-	100

22. Intangible assets

	31 December 2019 €m	31 December 2018 €m
Software		
Cost		
At 1 January	**90**	76
Additions	**37**	15
Write off	**-**	(1)
At 31 December	**127**	90
Accumulated amortisation		
At 1 January	**(49)**	(37)
Provided in the year	**(12)**	(12)
Write off	**-**	-
At 31 December	**(61)**	(49)
Net book value at 31 December	**66**	41

23. Deferred taxation

	31 December 2019 €m	31 December 2018 €m
Deferred tax liabilities	**(22)**	(22)
Deferred tax assets	**367**	377
Net deferred tax assets	**345**	355

Net DTAs are attributable to the following:

2019

	At 1 January €m	Recognised in income statement €m	Recognised in equity €m	Recognised in other comprehensive income €m	At 31 December €m
Property and equipment	**(19)**	**-**	**-**	**(1)**	**(20)**
Unrealised gains/(losses) on assets/liabilities	**(3)**	**-**	**-**	**1**	**(2)**
Losses carried forward	**366**	**(6)**	**-**	**-**	**360**
Other temporary differences	**11**	**(5)**	**1**	**-**	**7**
	355	**(11)**	**1**	**-**	**345**

2018

	At 1 January €m	Recognised in income statement €m	Recognised in equity €m	Recognised in other comprehensive income €m	At 31 December €m
Property and equipment	(12)	-	-	(7)	(19)
Unrealised gains/(losses) on assets/liabilities	(6)	-	3	-	(3)
Losses carried forward	361	5	-	-	366
Other temporary differences	-	(3)	14	-	11
	343	2	17	(7)	355

23. Deferred taxation (continued)

In line with the requirements of IAS 12 'Deferred Tax Assets', Management and Directors formed the view that there should be sufficient future taxable profits within the PTSB legal entity against which PTSB tax losses carried forward can be used. Management and Directors have reviewed this position as at 31 December 2019 and remain of the view that it is appropriate to continue to recognise a DTA on the full quantum of tax losses carried forward in PTSB. This information is based on the following supporting evidence: (i) The capability demonstrated by the Group in recent years to raise additional capital, when required, in challenging circumstances which provides significant support to the position that PTSB will continue as a single legal entity; (ii) A review of the quantum of tax losses carried forward in PTSB in conjunction with forecasted profitability (the projections used having been approved by the Board of Directors). This review demonstrated that it is probable that there will be sufficient future taxable profits within PTSB against which the full quantum of tax losses carried forward can be utilised; (iii) The consideration of forecasting risks, including sensitivity analysis on the financial projections used (including an analysis of the effects of higher than expected impairment levels and lower than expected NIM). This analysis demonstrated, were certain adverse events to occur, it would remain probable that there would be sufficient future taxable profits within PTSB against which the full quantum of tax losses carried forward could be utilised, albeit that the period of time over which such utilisation would occur would be extended; and (iv) The consideration of a number of other factors which may impact the utilisation of the tax losses including the macroeconomic environment, progress made on the Group's NPL strategy and the Group's financial position. These factors are set out in further detail in note 2, Critical accounting estimates and judgements.

It should also be noted that under current Irish tax legislation there is no time restriction on the utilisation of trading losses. Therefore, the tax losses carried forward in PTSB are available for utilisation against profits of the same trade in any future period. Also, the Directors are satisfied that taxable future profits should be available to recover the remaining DTAs.

The total unrecognised DTAs on carried forward tax losses at 31 December 2019 amounted to €20m (31 December 2018: €20m) which relates to the Group's subsidiaries. Included in the above is a DTA in relation to Permanent TSB plc Group Holdings of €71k (31 December 2018: €nil).

In accordance with IFRS these balances are recognised on an undiscounted basis.

24. Other assets

	31 December 2019 €m	31 December 2018 €m
Loan sale receivable	**251**	1,220
Other	**8**	7
	259	1,227

Loan sale receivable at 31 December 2019 relates to the amount due from the purchaser of the Glas II portfolio. Subsequent to the balance sheet date, the proceeds were received. The loan sale receivable at 31 December 2018 relates to the amount due from the purchaser of the Glas I portfolio. See note 43 for further details.

25. Prepayments and accrued income

	31 December 2019 €m	31 December 2018 €m
Visa prepayments	**28**	57
Other prepayments and accrued income	**21**	36
	49	93

26. Deposits by banks (including Central Banks)

	31 December 2019 €m	31 December 2018 €m
Placed by other banks and institutions on repurchase agreements	-	1,551
Other deposits	-	1
	-	1,552
Balances placed by the ECB		
Maximum	-	230
Average	-	221

Of the deposits received on repurchase agreements, €nil (31 December 2018: €1.6bn) are collateralised on €nil (31 December 2018: €1.7bn) of notes issued by special purpose entities controlled by the Group. The notes issued by special purpose entities are secured by a fixed charge over residential mortgage held by the special purpose entities (refer to note 19).

Other deposits include €nil (31 December 2018: €1m) of cash collateral placed in relation to derivative positions and repurchase agreements.

27. Customer accounts

	31 December 2019 €m	31 December 2018* €m
Term deposits	**4,701**	5,160
Demand deposits	**5,836**	5,654
Current accounts	**4,667**	4,242
Notice and other accounts	**1,986**	1,964
	17,190	17,020

*During 2019, a review was undertaken of the split of products within customer accounts. This has resulted in the reclassification of products between term deposits, demand deposits, current accounts and notice accounts from those previously presented as at 31 December 2018. Term deposits decreased by €2.1bn, demand deposits increased by €1.9bn, current accounts increased by €0.1bn and notice accounts increased by €0.1bn.

€0.1bn of deposits are placed by a Government institution (31 December 2018: €0.1bn) and are included within term deposits.
An analysis of the contractual maturity profile of customer accounts is set out in the liquidity risk section of note 35.

28. Debt securities in issue

	31 December 2019 €m	31 December 2018 €m
At amortised cost		
Bonds and medium term notes	**308**	18
Non-recourse funding	**615**	1,077
	923	1,095
Maturity analysis		
Repayable in less than 1 year	**9**	-
Repayable in greater than 2 years but less than 5 years	**299**	7
Repayable in greater than 5 years	**615**	1,088
	923	1,095

28. Debt securities in issue (continued)

Bonds & Medium Term Notes (MTNs)

In September 2019, PTSBGH issued €0.3bn of Senior unsecured 2.125% Notes maturing on 26 September 2024 as part of its MREL target. Interest is payable on the nominal amount annually in arrears on the coupon date.

In October 2019, a €10m MTN was called early. The note was originally due to expire in October 2030.

Non-recourse funding

As at 31 December 2019, the Group had advances of €0.6bn (31 December 2018: €1.1bn) collateralised on residential property loans of €0.6bn (31 December 2018: €1.0bn) subject to non-recourse funding by way of residential mortgage securitisations. Residential mortgage securitisations involve transferring the interest in pools of mortgages to special purpose entities which issue mortgage-backed floating rate notes to fund the purchase of the interest in mortgage pools. These loans, which have not been de-recognised, are shown within loans and advances to customers while the non-recourse funding is shown as a separate liability.

Non-recourse funding reduced by €0.5bn between 31 December 2018 and 31 December 2019 to €0.6bn, primarily due to the accelerated redemption of a securitisation during the year. The Group did not have any defaults of principal or interest or other breaches with respect to non-recourse funding during 2019.

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 is 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.

29. Other liabilities

	31 December 2019 €m	31 December 2018 €m
Amounts falling due within one year		
PAYE and social insurance	**4**	4
Other taxation including deposit interest retention tax	**2**	2
Other	**70**	63
Lease liability*	**8**	-
Total amounts falling due within one year	**84**	69
Amounts falling due greater than one year		
Lease liability*	**34**	-
Total amounts falling due greater than one year	**34**	-
Total other liabilities	**118**	69

*See note 31 for further information on lease liabilities.

30. Provisions

	2019				2018			
	Restructuring costs €m	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m	Restructuring costs €m	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m
As at 1 January	**5**	**55**	**14**	**74**	12	45	6	63
Provisions made during the year	**13**	**6**	**3**	**22**	3	33	14	50
Write-back of provisions during the year	**(2)**	**-**	**(1)**	**(3)**	-	(2)	(3)	(5)
Provisions used during the year	**(14)**	**(36)**	**(2)**	**(52)**	(10)	(21)	(3)	(34)
As at 31 December	**2**	**25**	**14**	**41**	5	55	14	74

30. Provisions (continued)

The provision at 31 December 2019 is €41m (31 December 2018: €74m) which is comprised of the following:

Restructuring costs

During 2018 the Group announced a voluntary severance scheme. As at 31 December 2019, provisions of €1m were utilised as part of Phase 1 (31 December 2018: €9m). A further provision of €12m was made in 2019 relating to the expected costs of Phase 2, an amount of €11m was utilised and the remaining provision of €1m is based on an estimate of the remaining costs to bring this phase to a conclusion.

The Group remains a lessee on a number of non-cancellable leases over properties that it no longer occupies following a restructure in 2013. During 2019, provisions of €2m were written back in line with IFRS 16 (see note 31). The remaining provision of €1m relates to dilapidation costs associated with the remaining properties.

Provision for legacy, legal and compliance liabilities

As at 31 December 2019, the Group has provisions of €25m relating to legal, compliance and other costs of on-going disputes in relation to legacy business issues. Management have exercised judgement in arriving at the estimated provision in respect of the potential liabilities.

As announced by the Bank on 30 May 2019, the CBI has concluded its Enforcement Investigation in respect of Tracker Mortgages at PTSB and the associated fine of €21m was paid during the period. This reduces the overall level of uncertainty for this matter.

Other

As at 31 December 2019, the provision of €14m (31 December 2018: €14m) primarily relates to indemnities and guarantees provided by the Group, together with further costs relating to deleveraging of various asset portfolios.

31. Leases

The Group leases a number of branch properties and motor vehicles. The Group has recognised land and buildings and motor vehicles as right-of-use assets which were previously treated as operating leases as at 31 December 2018. The Group has availed of the short-term exemption of less than 12 months for branch properties and motor vehicles under IFRS 16 as disclosed in note 3.

Right-of-use assets

	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2019	44	1	45
Additions	4	1	5
Lease exits or cancellations	(2)	-	(2)
Depreciation of right-of-use assets	(7)	(1)	(8)
Balance as at 31 December 2019	**39**	**1**	**40**

Lease liabilities

	Land and buildings €m	Motor vehicles €m	Total €m
As at 1 January 2019	45	1	46
Additions	4	1	5
Lease exits or cancellations	(2)	-	(2)
Repayment of lease liabilities	(6)	(1)	(7)
Balance as at 31 December 2019	**41**	**1**	**42**

31. Leases (continued)

Lease liabilities

	31 December 2019 €m
Maturity analysis - contractual undiscounted cash flows*	
Less than one year	**8**
One to five years	**19**
More than five years	**17**
Total undiscounted lease liabilities at 31 December 2019	**44**
Lease liabilities included in the statement of financial position at 31 December 2019	**42**
Current lease liability	**8**
Non-current lease liability	**34**

*The maturity analysis of undiscounted lease liabilities are disclosed in note 35.

Amounts recognised in income statement*

	31 December 2019 €m
Interest on lease liabilities	**(1)**
Income from finance leases	**-**
Expenses relating to short-term leases	**-**
Depreciation of right-of-use assets	**(8)**
Total charge in profit or loss	**(9)**

*Expenses relating to short-term leases amounted to €0.4m whereas income from sub-leasing of surplus properties (finance leases) amounted to €0.2m for the year ended 31 December 2019.

Amounts recognised in statement of cash flow

	31 December 2019 €m
Cash outflow for leases	**(8)**
Total	**(8)**

As a lessee

i. Real estate

The Group leases retail properties for its branch operations. The lease term of retail properties typically run for a period of 10-35 years. The Group does not have variable lease payments and its leases do not contain extension options.

ii. Vehicles

The Group leases vehicles with lease terms of three to five years. The Group has no option to purchase the assets at the end of the contract term and it does not guarantee the residual value of the leased assets at the end of the contract term.

iii. Sub-leases

Two of the properties that the Group lease are vacant and surplus to its requirements and have been sublet. These sub-leases have been classified as finance leases because the sub-lease is for the whole of the remaining term of the head lease and treated separately from their head lease.

32. Share capital, reserves and other equity instruments

Share capital

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

Authorised share capital
31 December 2019

	Number of shares	31 December 2019 €m
Ordinary shares of €0.50 each	**1,550,000,000**	**775**

31 December 2018

	Number of shares	31 December 2018 €m
Ordinary shares of €0.50 each	1,550,000,000	775

Issued share capital

The movement in the number of paid up ordinary and deferred shares is as follows:

Balances as at 31 December 2019

	€ 0.289 Deferred shares	€ 0.50 Ordinary shares	Total
As at 1 January 2019	**-**	**454,695,492**	
Movement	**-**	**-**	
As at 31 December 2019	**-**	**454,695,492**	
Issued share capital (€m)	**-**	**227**	**227**
Shares held under employee benefit trust	**-**	**4,580**	
% of Authorised capital issued			**29%**

Balances as at 31 December 2018

	€ 0.289 Deferred shares	€ 0.50 Ordinary shares	Total
As at 1 January 2018	3,562,883,512	454,695,492	
Movement	(3,562,883,512)	-	
As at 31 December 2018	-	454,695,492	
Issued share capital (€m)	-	227	227
Shares held under employee benefit trust	-	4,580	
% of Authorised capital issued			29%

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

On 5 April 2018, the Group obtained an order of court from the High Court of Ireland, confirming the cancellation and extinguishment of the entire class of deferred shares of PTSBGH in issue being 3,562,883,512 shares. A special resolution was previously passed for this at the AGM in May 2017. These shares had an aggregate nominal value of €1,030m. €1.5m was paid to the holders of the deferred shares with the balance of €1,028m transferred to retained earnings.

Share Premium

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

Other Reserves

Revaluation reserve (Non-distributable)

The revaluation reserve is a non-distributable reserve comprising unrealised gains or losses, net of tax, on the revaluation of owner occupied properties.

Fair value reserve (Non-distributable)

The fair value reserve comprises unrealised gains or losses, net of tax and hedge accounting, on debt and equity instruments measured at FVOCI, less the ECL allowance recognised in the income statement.

Currency translation adjustment reserve (Non-distributable)

The currency translation adjustment reserve represents the cumulative gains and losses, net of hedging on the re-translation of the Group's net investment in foreign operations, at the rate of exchange at the reporting date.

Other capital reserves (Non-distributable)

Other capital reserves include €7m capital redemption reserve arising from the repurchase and cancellation of shares. It also includes the cancellation of the share capital and share premium of PTSB on the incorporation of the Company of €224m and issue of share capital by the Company of €1,087m.

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.

On 1 January 2019, the Group adopted IFRS 16 and on transition to IFRS 16, the Group recognised an additional €45m of right-of-use assets, €46m of lease liabilities and €1m of finance leases. There was an immaterial difference on retained earnings from transition to IFRS 16.

Furthermore €11m (2018: €11m) coupon interest on the AT1 securities was paid from this reserve during 2019.

Other equity instruments - Non-distributable

	31 December 2019 €m	31 December 2018 €m
Additional Tier 1 securities	**122**	122

On 6 May 2015, PTSB issued €125,000,000 fixed rate resettable AT1 securities as part of the Capital Raise. The first reset date for the fixed rate is 1 April 2021.

The AT1 securities are perpetual and redeemable financial instruments with an annual coupon of 8.625%. PTSB may elect at its full discretion at any time to cancel permanently (in whole or in part) the interest amount otherwise scheduled to be paid on an interest payment date. PTSB may use such cancelled payments without restriction, including to make distributions or any other payments to the holders of its shares or any other securities issued by the Company. Any cancellation of interest payments will be permanent and on a non-cumulative basis and such cancellation will not give rise to or impose any restriction on PTSB.

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

On the occurrence of a Trigger Event, the AT1 securities will convert into ordinary shares in the Company at a conversion price of €3 per share subject to certain anti-dilution adjustments. This will occur if the CET 1 Capital Ratio of PTSB or the Company at any time falls below 7%. This conversion feature provides the necessary loss absorption for regulatory capital purposes under the CRR. AT1 securities are included in the regulatory capital base of the Group on a fully loaded basis.

Although the AT1 securities are perpetual, PTSB may, in its sole discretion, redeem the AT1 securities in full on the first reset date, being 1 April 2021 and on every interest payment date thereafter (subject to the approval of the Supervisory Authority).

€11m coupon interest on the AT1 Securities was paid in April 2019 (April 2018: €11m) and was classified as a distribution payment. This is paid out of distributable retained earnings on an annual basis.

33. 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 consolidated statement of changes in equity.

31 December 2019

	Revaluation reserve €m	Fair value reserve €m	Currency translation adjustment reserve €m	Retained earnings €m	Total €m
Other comprehensive income/(expense) (net of tax)					
Revaluation of property	**4**	**-**	**-**	**-**	**4**
Currency translation adjustment	**-**	**-**	**-**	**-**	**-**
Fair value reserve (equity instruments):					
Change in fair value of equity instruments	**-**	**2**	**-**	**-**	**2**
Fair value reserve (debt instruments):					
Change in fair value of debt instruments	**-**	**(15)**	**-**	**-**	**(15)**
Amortisation of discontinued hedges	**-**	**7**	**-**	**-**	**7**
Total other comprehensive income/(expense), net of tax	**4**	**(6)**	**-**	**-**	**(2)**

31 December 2018

	Revaluation reserve €m	Fair value reserve €m	Currency translation adjustment reserve €m	Retained earnings €m	Total €m
Other comprehensive income/(expense) (net of tax)					
Currency translation adjustment	-	-	(1)	-	(1)
Fair value reserve (equity instruments):					
Change in fair value of equity instruments	-	1	-	-	1
Fair value reserve (debt instruments):					-
Change in fair value of debt instruments	-	(18)	-	-	(18)
Disposal of debt instruments	-	(13)	-	-	(13)
Amortisation of discontinued hedges		7	-	-	7
Total other comprehensive expense, net of tax	-	(23)	(1)	-	(24)

The Group's fair value measurement principles are described in note 34. The table on the following page sets out an overview of financial instruments held by the Group and their fair values.

34. Measurement basis and fair values of financial instruments

(a) Measurement basis and fair value of financial instruments

31 December 2019

	Note	Held at amortised cost €m	At fair value through OCI €m	At fair value through profit or loss €m	Designated as fair value hedges €m	Total carrying value €m	Fair value €m
Financial assets							
Cash at bank	14	**63**	**-**	**-**	**-**	**63**	**63**
Items in course of collection	14	**15**	**-**	**-**	**-**	**15**	**15**
Debt securities	15	**1,796**	**209**	**-**	**-**	**2,005**	**2,030**
Equity securities	16	**-**	**15**	**-**	**-**	**15**	**15**
Derivative assets	17	**-**	**-**	**1**	**-**	**1**	**1**
Loans and advances to banks	18	**1,556**	**-**	**-**	**-**	**1,556**	**1,556**
Loans and advances to customers	19	**15,643**	**-**	**-**	**1**	**15,644**	**14,472**
Financial liabilities							
Deposits by banks	26	**-**	**-**	**-**	**-**	**-**	**-**
Customer accounts	27	**17,190**	**-**	**-**	**-**	**17,190**	**17,201**
Debt securities in issue	28	**923**	**-**	**-**	**-**	**923**	**926**
Derivative liabilities	17	**-**	**-**	**1**	**1**	**2**	**2**

31 December 2018

	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	14	65	-	-	-	65	65
Items in course of collection	14	17	-	-	-	17	17
Debt securities	15	2,090	557	-	-	2,647	2,682
Equity securities	16	-	13	-	-	13	13
Derivative assets	17	-	-	-	1	1	1
Loans and advances to banks*	18	1,159	-	-	-	1,159	1,159
Loans and advances to customers	19	15,885	-	-	3	15,888	14,908
Financial liabilities							
Deposits by banks	26	1,552	-	-	-	1,552	1,552
Customer accounts	27	17,020	-	-	-	17,020	17,038
Debt securities in issue	28	1,095	-	1	(1)	1,095	1,093
Derivative liabilities	17	-	-	2	12	14	14

*The fair value of loans and advances to banks as at 31 December 2018 has been updated in line with the financial instruments fair value hierarchy.

The table on the following page sets out the fair value of financial instruments that the Group holds at 31 December 2019. It categorises these financial instruments into the relevant level on the fair value hierarchy.

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

- Level 1 – financial assets and liabilities measured using quoted market prices (unadjusted).
- Level 2 – financial assets and liabilities measured using valuation techniques which use observable market data.
- Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market data.

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

Basis and fair values of financial instruments

31 December 2019

	Note	Total carrying value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Cash at bank	14	**63**	**63**	**-**	**-**	**63**
Items in course of collection	14	**15**	**-**	**15**	**-**	**15**
Debt securities	15	**2,005**	**1,989**	**-**	**41**	**2,030**
Equity securities	16	**15**	**-**	**-**	**15**	**15**
Derivative assets	17	**1**	**-**	**1**	**-**	**1**
Loans and advances to banks	18	**1,556**	**-**	**1,556**	**-**	**1,556**
Loans and advances to customers	19	**15,644**	**-**	**-**	**14,472**	**14,472**
Financial liabilities						
Deposits by banks	26	**-**	**-**	**-**	**-**	**-**
Customer accounts	27	**17,190**	**-**	**17,201**	**-**	**17,201**
Debt securities in issue	28	**923**	**303**	**623**	**-**	**926**
Derivative liabilities	17	**2**	**-**	**2**	**-**	**2**

31 December 2018

	Note	Total carrying value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Cash at bank*	14	65	65	-	-	65
Items in course of collection	14	17	-	17	-	17
Debt securities	15	2,647	2,638	-	44	2,682
Equity securities	16	13	-	-	13	13
Derivative assets	17	1	-	1	-	1
Loans and advances to banks	18	1,159	-	1,159	-	1,159
Loans and advances to customers	19	15,888	-	-	14,908	14,908
Financial liabilities						
Deposits by banks	26	1,552	-	1,552	-	1,552
Customer accounts	27	17,020	-	17,038	-	17,038
Debt securities in issue	28	1,095	-	1,093	-	1,093
Derivative liabilities	17	14	-	14	-	14

*The cash at bank balance as at 31 December 2018 has been updated to reflect the balance as a level 1 financial instrument per the fair value hierarchy as the balances consists of cash at bank only that is tradable at market value.

(b) Fair value measurement principles

The Group's accounting policy on the valuation of financial instruments is described in note 1 and note 2 which contains details on the critical accounting estimates and judgements made by Management in relation to the fair value measurement of financial instruments. The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices in an active market. Where market prices are not available, fair values are determined using valuation techniques. These techniques are subjective in nature and may involve assumptions which are based upon Management's view of market conditions at year end, which may not necessarily be indicative of any subsequent fair value. 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. Therefore, users 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.

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

Financial assets and financial liabilities not subsequently measured at fair value

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

Cash at bank

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

Items in course of collection

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

Loans and advances to banks

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

Loans and advances to customers

Loans and advances to customers are carried net of impairments. The Group uses a discounted cash flow valuation model to estimate the fair value for the 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)

Included in debt securities at 31 December 2019 are €1,796m (31 December 2018 €2,090m) of HTC securities. The fair value of HTC securities are derived from observable market data through independent pricing sources such as Bloomberg, apart from one corporate bond €42m (31 December 2018 €44m) which is derived using prices of similar observable bonds in the market. A weighted average method is used to apply these prices to the Group's retained holding in the securitization.

Deposits by banks/customer accounts

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

Debt securities in issue/subordinated liabilities

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

Financial assets and financial liabilities subsequently measured at fair value

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

Debt securities (HTC&S securities)

Included in debt securities at 31 December 2019 are €209m (31 December 2018: €557m) of HTC&S securities. As at 31 December 2019, the fair value of HTC&S securities is determined directly from observable market prices.

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 market inputs such as current interest rate, time to maturity, forward FX rates, yield curves and volatility measures.

Equity securities

Equity securities at 31 December 2019 consists of the €15m Visa Inc. shareholding (31 December 2018: €13m) which is measured using unobservable market data inputs, including Management judgement in respect of the current value of the investment.

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

Fair value measurements recognised in the Statement of financial position

31 December 2019

	Note	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Debt securities - HTC&S	15	**209**	**-**	**-**	**209**
Equity instruments	16	**-**	**-**	**15**	**15**
Derivative assets	17	**-**	**1**	**-**	**1**
Financial liabilities measured at fair value					
Derivative liabilities	17	**-**	**2**	**-**	**2**

31 December 2018

	Note	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value					
Debt securities - HTC&S	15	557	-	-	557
Equity instruments	16	-	-	13	13
Derivative assets	17	-	1	-	1
Financial liabilities measured at fair value					
Derivative liabilities	17	-	14	-	14

There were no transfers between level 1 and level 2 of the fair value hierarchy during 2019 or 2018.

Reconciliation of level 3 fair value measurements of financial assets

	2019 €m	2018 €m
Equity Instruments		
As at 1 January	**13**	12
Revaluation movement	**2**	1
As at 1 January	**15**	13

There have been no transfers in/out of level 3 per the fair value hierarchy in the financial year ended 31 December 2019.

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

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.

Financial instruments
31 December 2019

	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Fair value €m	Ranges of estimates changes in the fair value
Visa Inc. Series B Preferred Stock	Quoted market price (discounted)*	Final share conversion rate	0 - 90%	15	0 - 90%

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

31 December 2018

	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Fair value €m	Ranges of estimates changes in the fair value
Visa Inc. Series B Preferred Stock	Quoted market price (discounted)*	Final share conversion rate	0 - 90%	13	0 - 90%

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

Significant unobservable inputs
Visa Inc. Series B preferred stock

The Visa Inc. shareholding held by PTSB will be convertible into Class A Common Stock of Visa Inc. at some point in the future. The conversion of the stock is subject to ongoing litigation which may affect the conversion rate.

Valuation Methodology: The Visa Inc. Series B Preferred Stock conversion ratio was applied to the PTSB shareholding of Visa Inc. stock at 31 December 2019. The stock was converted at the year-end exchange rate.

Unobservable input: Final conversion rate of Visa Inc. Series B Preferred Stock into Visa Inc. Class A Common Stock.

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

35. Financial risk management

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

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

	Note	31 December 2019 €m	31 December 2018 €m
Cash and balances with central banks	14	**63**	65
Items in course of collection	14	**15**	17
Debt securities (i)	15	**2,005**	2,647
Derivative assets (ii)	17	**1**	1
Loans and advances to banks (iii)	18	**1,556**	1,159
Loans and advances to customers (including loans and advances to customers classified as held for sale (iv)	19	**15,644**	15,888
Other assets (loan sale receivable)	24	**251**	1,220
		19,535	20,997
Commitments and contingencies	40	**873**	912
		20,408	21,909

35. Financial risk management (continued)

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 ECAI rating of investment grade.

The following table gives an indication of the level of creditworthiness of the Group's debt securities and is based on an internally set rating that is equivalent to the rating prescribed by Moody's Investor Services Limited.

	31 December 2019 €m	31 December 2018 €m
Rating		
A	**1,436**	2,391
Baa	**527**	212
Unrated	**42**	44
Total	**2,005**	2,647

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

	31 December 2019 €m	31 December 2018 €m
Country		
Ireland	**1,478**	2,435
Portugal	**243**	-
Spain	**284**	212
Total	**2,005**	2,647

(ii) Derivative assets

	31 December 2019 €m	31 December 2018 €m
Rating		
Covered by netting agreements	**-**	1
Total	**-**	1

The Group has executed standard ISDA agreements with all of its counterparties. The Group has also executed CSAs with its counterparties in respect of the majority of derivative instruments to mitigate its credit risk. As part of these agreements, the Group exchanges collateral in line with movements in the market values of derivative positions daily. The cumulative positive market value of derivative assets at 31 December 2019 was €nil (31 December 2018: €1m). In the majority of cases the Group manages its collateral derivative positions with counterparties on a net basis. The uncollaterised derivative position as at 31 December 2019 is €nil (31 December 2018: €nil) and are all held with investment grade counterparties. The level of collateral placed and received by the Group is outlined in note 18 Loans and advances to banks.

35. Financial risk management (continued)

(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 internally set rating that is equivalent to the rating prescribed by Moody's Investor Services Limited and Standard & Poors for the CBI.

	31 December 2019 €m	31 December 2018 €m
Rating		
Aaa	**1,038**	562
Aa	**474**	368
A	**42**	212
Baa	**2**	4
Ba	**-**	13
Total	**1,556**	1,159

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.

	31 December 2019 €m	31 December 2018 €m
Measured at amortised cost		
Residential mortgages:		
Home loan	**12,260**	12,413
Buy-to-let	**3,598**	4,003
Total residential mortgages	**15,858**	16,416
Commercial	**165**	165
Consumer finance	**366**	335
Total measured at amortised cost	**16,389**	16,916
Analysed by ECL staging:		
Stage 1	**10,999**	10,519
Stage 2	**4,340**	4,701
Stage 3	**1,048**	1,692
POCI	**2**	4
Total measured at amortised cost	**16,389**	16,916
Analysed as to asset quality*		
Excellent	**8,213**	7,915
Satisfactory	**5,442**	5,544
Fair	**1,640**	1,736
Neither past due nor Stage 3	**15,295**	15,195
Past due but not Stage 3	**44**	25
Stage 3	**1,050**	1,696
Total measured at amortised cost	**16,389**	16,916
Of which are reported as non-performing loans	**1,050**	1,696
Deferred fees, discounts & fair value adjustments	**73**	55

* The information in the shaded box has not been subject to audit by the Group's Independent Auditor.

35. Financial risk management (continued)

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

31 December 2019

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**11**	**6**	**-**	**17**
31-60 days	**6**	**2**	**-**	**8**
61-90 days	**5**	**1**	**-**	**6**
Total past due not Stage 3	**22**	**9**	**-**	**31**
Fair value of collateral held	**21**	**8**	**-**	**29**

Fair value of collateral held

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	**11**	**5**	**-**	**16**
31-60 days	**6**	**2**	**-**	**8**
61-90 days	**4**	**1**	**-**	**5**
Total past due not Stage 3	**21**	**8**	**-**	**29**

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

31 December 2018

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	11	3	-	14
31-60 days	4	1	-	5
61-90 days	4	2	-	6
Total past due not Stage 3	19	6	-	25
Fair value of collateral held	19	6	-	25

Fair value of collateral held

	Home loans €m	Buy-to-let €m	Commercial €m	Total €m
0-30 days	11	3	-	14
31-60 days	4	1	-	5
61-90 days	4	2	-	6
Total past due not Stage 3	19	6	-	25

35. Financial risk management (continued)

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 and is designed to be consistent with 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.

31 December 2019

	Stage 3				
	Home loans €m	Buy-to-let €m	Commercial €m	Consumer finance €m	Total €m
NPL is < 90 days	**420**	**294**	**29**	**1**	**744**
NPL is > 90 days and < 1 year past due	**46**	**12**	**-**	**7**	**65**
NPL is 1-2 years past due	**20**	**4**	**-**	**1**	**25**
NPL is 2-5 years past due	**19**	**8**	**4**	**2**	**33**
NPL is > 5 years past due	**109**	**59**	**8**	**5**	**181**
POCI	**-**	**-**	**-**	**2**	**2**
Non-performing loans	**614**	**377**	**41**	**18**	**1,050**
Foreclosed assets*	**13**	**45**	**-**	**-**	**58**
Non-performing assets	**627**	**422**	**41**	**18**	**1,108**
NPLs as % of gross loans	**5.0%**	**10.5%**	**24.8%**	**4.9%**	**6.4%**

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

31 December 2018

	Stage 3				
	Home loans €m	Buy-to-let €m	Commercial €m	Consumer finance €m	Total €m
NPL is < 90 days	654	336	29	3	1,022
NPL is > 90 days and < 1 year past due	77	19	-	9	105
NPL is 1-2 years past due	20	8	2	1	31
NPL is 2-5 years past due	55	19	13	4	91
NPL is > 5 years past due	294	134	11	4	443
POCI	-	-	-	4	4
Non-performing loans	1,100	516	55	25	1,696
Foreclosed assets*	43	105	-	-	148
Non-performing assets	1,143	621	55	25	1,844
NPLs as % of gross loans	8.9%	12.8%	33.3%	7.5%	10.0%

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

NPLs as a percentage of total loans and advances was 6.4% at 31 December 2019, a reduction from 10.0% at 31 December 2018 primarily driven by a portfolio disposal of €0.5bn (see note 43 for further details).

35. Financial risk management (continued)

Total portfolio Loss allowance: statement of financial position

The tables below outline the ECL loss allowance total at 31 December 2019 in respect of total customer loans and advances.

The impairment charge in respect of the total loans and advances for year ended 31 December 2019 was €10m, compared to a charge of €17m for the year ended 31 December 2018.

	31 December 2019 €m	31 December 2018 €m
Loss allowance - statement of financial position		
Stage 1	**44**	35
Stage 2	**439**	411
Stage 3	**335**	637
Total loss allowance	**818**	1,083

	31 December 2019 %	31 December 2018 %
Provision coverage ratio*		
Stage 1	**0.4%**	0.3%
Stage 2	**10.1%**	8.7%
Stage 3	**31.9%**	37.6%
Total provisions/total loans	**5.0%**	6.4%

*Provision coverage ratio is calculated as loss allowance/impairment provision as a percentage of gross loan balance.

Origination profile

Loan origination profile of the residential mortgage loan portfolio before provision for impairment:

The table below illustrates that €3bn or 20% of the residential mortgage portfolio originated before 2006. Between 2006 and 2008 origination was €8bn or 51% of the residential mortgages. The residual of €4.9bn or 29% of the residential mortgages were originated between 2009 and 2019.

31 December 2019

	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance €m	Number	Balance €m
1997 and before	**956**	**12**	**99**	**2**
1998	**559**	**13**	**50**	**2**
1999	**942**	**29**	**94**	**4**
2000	**2,633**	**62**	**167**	**6**
2001	**2,909**	**98**	**193**	**9**
2002	**4,207**	**199**	**207**	**14**
2003	**6,051**	**384**	**301**	**29**
2004	**8,994**	**790**	**408**	**52**
2005	**13,566**	**1,545**	**680**	**114**
2006	**19,468**	**3,204**	**1,137**	**274**
2007	**17,025**	**3,194**	**1,154**	**304**
2008	**10,465**	**1,689**	**693**	**142**
2009	**2,513**	**246**	**108**	**12**
2010	**1,092**	**86**	**31**	**3**
2011	**714**	**59**	**12**	**1**
2012	**378**	**27**	**5**	**1**
2013	**882**	**89**	**6**	**1**
2014	**1,840**	**211**	**22**	**3**
2015	**2,052**	**245**	**41**	**4**
2016	**2,283**	**317**	**25**	**4**
2017	**4,090**	**713**	**32**	**3**
2018	**5,919**	**1,224**	**39**	**5**
2019	**6,672**	**1,422**	**41**	**2**
Total	**116,210**	**15,858**	**5,545**	**991**

35. Financial risk management (continued)

31 December 2018

	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance €m	Number	Balance €m
1996 and before	784	10	146	3
1997	429	8	49	1
1998	655	17	81	3
1999	2,272	41	165	6
2000	2,945	82	225	9
2001	3,233	125	256	15
2002	4,577	243	281	22
2003	6,625	453	415	42
2004	10,256	925	627	87
2005	14,700	1,774	1,064	180
2006	21,088	3,619	1,901	444
2007	18,311	3,561	1,888	491
2008	11,340	1,922	1,141	254
2009	2,868	283	202	25
2010	1,184	97	37	4
2011	791	70	18	4
2012	414	31	6	-
2013	990	108	8	1
2014	2,090	254	22	3
2015	2,330	299	49	4
2016	2,648	393	36	6
2017	4,523	826	47	5
2018	6,155	1,275	104	7
Total	121,208	16,416	8,768	1,616

35. Financial risk management (continued)

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 following tables 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 69% at 31 December 2019 compared to 72% at 31 December 2018.

31 December 2019

	Home loans %	Buy-to-let %	Total %
Less than 50%	**33%**	**15%**	**29%**
50% to 70%	**26%**	**13%**	**23%**
71% to 90%	**31%**	**20%**	**28%**
91% to 100%	**5%**	**14%**	**7%**
Subtotal	**95%**	**62%**	**87%**
101% to 110%	**2%**	**12%**	**4%**
111% to 120%	**1%**	**9%**	**3%**
121% to 130%	**1%**	**6%**	**2%**
131% to 140%	**-**	**3%**	**1%**
141% to 150%	**-**	**2%**	**1%**
151% to 160%	**-**	**1%**	**1%**
161% to 170%	**-**	**1%**	**-**
171% to 180%	**-**	**1%**	**-**
Greater than 180%	**1%**	**3%**	**1%**
Subtotal	**5%**	**38%**	**13%**
Total	**100%**	**100%**	**100%**
Weighted average LTV:			
Stock of residential mortgages	**62%**	**92%**	**69%**
New residential mortgages	**74%**	**59%**	**74%**
Stage 3 mortgages	**93%**	**128%**	**106%**

31 December 2018

	Home loans %	Buy-to-let %	Total %
Less than 50%	33%	14%	29%
50% to 70%	25%	14%	23%
71% to 90%	26%	20%	24%
91% to 100%	7%	13%	8%
Subtotal	91%	61%	84%
101% to 110%	3%	12%	5%
111% to 120%	2%	9%	3%
121% to 130%	1%	5%	2%
131% to 140%	1%	4%	1%
141% to 150%	-	2%	1%
151% to 160%	-	1%	1%
161% to 170%	1%	1%	1%
171% to 180%	-	1%	-
Greater than 180%	1%	4%	2%
Subtotal	9%	39%	16%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	65%	96%	72%
New residential mortgages	72%	58%	71%
Stage 3 mortgages	103%	140%	115%

35. Financial risk management (continued)

Loan-to-value profile (continued)

Analysis by LTV of the Group's residential mortgage lending which is neither past due nor Stage 3:

The tables below illustrates that 97% of residential home loan mortgages (31 December 2018: 95%) and 65% of residential buy-to-let mortgages (31 December 2018: 64%) that are neither past due nor Stage 3 are in positive equity as at 31 December 2019.

31 December 2019

	Home loans %	Buy-to-let %	Total %
Less than 50%	**34%**	**16%**	**30%**
50% to 70%	**27%**	**14%**	**24%**
71% to 90%	**31%**	**21%**	**29%**
91% to 100%	**5%**	**14%**	**7%**
Subtotal	**97%**	**65%**	**90%**
101% to 110%	**2%**	**12%**	**4%**
111% to 120%	**1%**	**9%**	**2%**
121% to 130%	**-**	**5%**	**2%**
131% to 140%	**-**	**3%**	**1%**
141% to 150%	**-**	**2%**	**-**
151% to 160%	**-**	**1%**	**-**
161% to 170%	**-**	**1%**	**-**
171% to 180%	**-**	**-**	**-**
Greater than 180%	**-**	**2%**	**1%**
Subtotal	**3%**	**35%**	**10%**
Total	**100%**	**100%**	**100%**

31 December 2018

	Home loans %	Buy-to-let %	Total %
Less than 50%	35%	15%	30%
50% to 70%	26%	15%	24%
71% to 90%	27%	21%	26%
91% to 100%	7%	13%	8%
Subtotal	95%	64%	88%
101% to 110%	3%	12%	5%
111% to 120%	1%	9%	3%
121% to 130%	1%	5%	2%
131% to 140%	-	4%	1%
141% to 150%	-	2%	-
151% to 160%	-	1%	-
161% to 170%	-	1%	-
171% to 180%	-	-	-
Greater than 180%	-	2%	1%
Subtotal	5%	36%	12%
Total	100%	100%	100%

35. Financial risk management (continued)

Loan-to-value profile (continued)

Analysis by LTV of the Group's residential mortgage lending which are classified as Stage 3:

The tables below illustrate that in total, 51% of the Stage 3 residential mortgage portfolio is in positive equity at 31 December 2019, an increase from 48% at 31 December 2018.

31 December 2019

	Home loans %	Buy-to-let %	Total %
Less than 50%	**21%**	**5%**	**15%**
50% to 70%	**15%**	**6%**	**12%**
71% to 90%	**15%**	**13%**	**14%**
91% to 100%	**9%**	**13%**	**10%**
Subtotal	**60%**	**37%**	**51%**
101% to 110%	**9%**	**13%**	**10%**
111% to 120%	**6%**	**12%**	**8%**
121% to 130%	**5%**	**10%**	**7%**
131% to 140%	**4%**	**5%**	**5%**
141% to 150%	**3%**	**5%**	**4%**
151% to 160%	**2%**	**3%**	**2%**
161% to 170%	**3%**	**3%**	**3%**
171% to 180%	**1%**	**2%**	**2%**
Greater than 180%	**7%**	**10%**	**8%**
Subtotal	**40%**	**63%**	**49%**
Total	**100%**	**100%**	**100%**
	€m	€m	€m
Stage 3	**614**	**377**	**991**

31 December 2018

	Home loans %	Buy-to-let %	Total %
Less than 50%	16%	5%	13%
50% to 70%	13%	6%	11%
71% to 90%	14%	15%	14%
91% to 100%	9%	12%	10%
Subtotal	52%	38%	48%
101% to 110%	10%	11%	10%
111% to 120%	7%	11%	8%
121% to 130%	6%	7%	6%
131% to 140%	5%	6%	5%
141% to 150%	3%	6%	4%
151% to 160%	4%	4%	4%
161% to 170%	2%	3%	3%
171% to 180%	3%	2%	2%
Greater than 180%	8%	12%	10%
Subtotal	48%	62%	52%
Total	100%	100%	100%
	€m	€m	€m
Stage 3	1,100	516	1,616

35. Financial risk management (continued)

(v) Group Portfolios: Collateral in possession

Collateral in possession occurs where the obligor either (i) voluntarily surrenders the property or (ii) the Group takes legal ownership due to non-repayment of the loan facility. The following tables outline the main movements in this category during the year.

	31 December 2019*		31 December 2018	
	Number	Balance outstanding at transfer of ownership €m	Number	Balance outstanding at transfer of ownership €m
Stock of collateral in possession				
Home loans	100	32	350	94
Buy-to-let	371	105	948	249
Commercial	4	1	12	6
Total	475	138	1,310	349

*During 2019, 1 Home loan property was reclassified as Buy-to-let and 2 Buy-to-let properties were reclassified as Home loans. Furthermore, 1 Buy-to-let property was split in to 3 properties which resulted in an additional 2 Buy-to-let properties.

Collateral in possession assets are sold as soon as practicable. These assets which total €58m as at 31 December 2019 (31 December 2018: €148m) are included in assets held for sale (see note 42 for further details).

During the year the ownership of 71 properties were transferred to the Group.

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

	Number
Home loans	**7**
Buy-to-let	**63**
Commercial	**1**
Total	**71**

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

	Number
Home loans	**258**
Buy-to-let	**641**
Commercial	**9**
Total	**908**

31 December 2019

	Number of disposals	Balance outstanding at transfer of ownership €m	Gross sales proceeds €m	Costs to sell €m	Pre provisioning loss on sale* €m
Collateral in possession					
Home loans	**258**	**67**	**34**	**2**	**35**
Buy-to-let	**641**	**159**	**88**	**4**	**75**
Commercial	**9**	**5**	**3**	**-**	**2**
Year ended 31 December 2019	**908**	**231**	**125**	**6**	**112**

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

35. Financial risk management (continued)

31 December 2018

	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	339	87	45	1	43
Buy-to-let	481	120	59	3	64
Commercial	14	5	2	-	3
Year ended 31 December 2018	834	212	106	4	110

*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.

(vi) Additional disclosures on forborne loans

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in accordance with the current CCMA.

The tables below set out the asset quality and volume of loans for which the Group has entered formal temporary and permanent forbearance arrangements with customers for the years ended 31 December 2019 and 2018.

(a) Asset quality

The method of splitting the forborne loans and advances to customers over the different asset quality categories:

- Neither past due nor Stage 3
- Past due but not Stage 3
- Stage 3

31 December 2019

	Home Loans €m	Buy-to-let €m	Commercial €m	Total €m	%
*					
Excellent	**29**	**-**	**-**	**29**	**3%**
Satisfactory	**153**	**8**	**2**	**163**	**15%**
Fair risk	**243**	**48**	**-**	**291**	**28%**
Neither past due nor Stage 3	**425**	**56**	**2**	**483**	**46%**
Past due but not Stage 3	**1**	**-**	**-**	**1**	**-**
Stage 3	**401**	**145**	**17**	**563**	**54%**
	827	**201**	**19**	**1,047**	**100%**
Loss allowance	**(127)**	**(58)**	**(9)**	**(194)**	
Total balance less loss allowance	**700**	**143**	**10**	**853**	

*The information in the shaded box has not been subject to audit by the Group's Independent Auditor.

31 December 2018

	Home Loans €m	Buy-to-let €m	Commercial €m	Total €m	%
*					
Excellent	20	4	-	24	1%
Satisfactory	192	36	3	231	11%
Fair risk	339	309	-	648	30%
Neither past due nor Stage 3	551	349	3	903	42%
Past due but not Stage 3	3	1	-	4	-
Stage 3	862	349	26	1,237	58%
	1,416	699	29	2,144	100%
Loss allowance	(327)	(220)	(15)	(562)	-
Total balance less loss allowance	1,089	479	14	1,582	-

*The information in the shaded box has not been subject to audit by the Group's Independent Auditor.

35. Financial risk management (continued)

(b) Weighted Average LTV

LTV on total portfolio in forbearance

The tables below illustrate that in total, 67% of the forborne loans portfolio is in positive equity at 31 December 2019, an increase from 57% at 31 December 2018.

31 December 2019

	Home loans %	Buy-to-let %	Commercial %	Total %
Less than 50%	**22%**	**5%**	**8%**	**19%**
50% to 70%	**19%**	**8%**	**12%**	**16%**
71% to 90%	**20%**	**18%**	**8%**	**20%**
91% to 100%	**11%**	**18%**	**5%**	**12%**
Subtotal	**72%**	**49%**	**33%**	**67%**
101% to 110%	**8%**	**13%**	**4%**	**9%**
111% to 120%	**4%**	**12%**	**5%**	**6%**
121% to 130%	**4%**	**8%**	**1%**	**5%**
131% to 140%	**2%**	**4%**	**2%**	**3%**
141% to 150%	**2%**	**3%**	**6%**	**2%**
151% to 160%	**1%**	**2%**	**2%**	**1%**
161% to 170%	**2%**	**1%**	**2%**	**1%**
171% to 180%	**1%**	**-**	**-**	**1%**
Greater than 180%	**4%**	**8%**	**45%**	**5%**
Subtotal	**28%**	**51%**	**67%**	**33%**
Total	**100%**	**100%**	**100%**	**100%**

31 December 2018

	Home loans %	Buy-to-let %	Commercial %	Total %
Less than 50%	20%	4%	8%	14%
50% to 70%	16%	6%	15%	13%
71% to 90%	17%	19%	14%	18%
91% to 100%	10%	14%	4%	12%
Subtotal	63%	43%	41%	57%
101% to 110%	9%	12%	5%	10%
111% to 120%	6%	10%	1%	7%
121% to 130%	4%	7%	8%	5%
131% to 140%	4%	7%	4%	5%
141% to 150%	2%	4%	1%	3%
151% to 160%	3%	3%	1%	3%
161% to 170%	2%	3%	4%	2%
171% to 180%	2%	1%	2%	1%
Greater than 180%	5%	10%	33%	7%
Subtotal	37%	57%	59%	43%
Total	100%	100%	100%	100%

35. Financial risk management (continued)

(c) Forbearance arrangements - residential mortgages

The Group operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties, which have been developed in accordance with existing CCMA. These are set out in the table below.

Residential mortgages

The tables below set out the volume of loans for which the Group has entered formal temporary and permanent forbearance arrangements with customers as at 31 December 2019 and 31 December 2018.

(i) Residential home loan mortgages:

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

31 December 2019

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**119**	**22**	**102**	**19**
Reduced payment (less than interest only)	**15**	**2**	**8**	**1**
Reduced payment (greater than interest only)	**3,244**	**481**	**1,313**	**212**
Payment moratorium	**25**	**4**	**15**	**2**
Arrears capitalisation	**977**	**132**	**356**	**43**
Term extension	**749**	**60**	**261**	**20**
Hybrid*	**208**	**39**	**96**	**16**
Split mortgages	**451**	**87**	**451**	**88**
Total	**5,788**	**827**	**2,602**	**401**

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

31 December 2018

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	274	45	261	42
Reduced payment (less than interest only)	24	3	19	2
Reduced payment (greater than interest only)	5,420	819	3,103	534
Payment moratorium	152	22	36	5
Arrears capitalisation	1,685	240	610	86
Term extension	1,246	100	376	33
Hybrid*	333	64	209	37
Split mortgages	625	123	625	123
Total	9,759	1,416	5,239	862

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

The tables above reflect a decrease of 3,971 cases in the year to 31 December 2019 for the Group in the number of residential home loan mortgages in forbearance arrangements, a decrease of €589m. The average balance of forborne loans is €0.143m at 31 December 2019 (31 December 2018: €0.145m).

35. 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 is analysed below:

31 December 2019

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**64**	**24**	**55**	**22**
Reduced payment (less than interest only)	**1**	**-**	**1**	**-**
Reduced payment (greater than interest only)	**259**	**84**	**139**	**43**
Payment moratorium	**4**	**1**	**3**	**1**
Arrears capitalisation	**71**	**35**	**63**	**34**
Term extension	**54**	**14**	**13**	**3**
Hybrid*	**33**	**14**	**28**	**13**
Split mortgages	**103**	**29**	**103**	**29**
Total	**589**	**201**	**405**	**145**

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

31 December 2018

	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	366	146	353	140
Reduced payment (less than interest only)	3	1	1	-
Reduced payment (greater than interest only)	986	426	346	115
Payment moratorium	4	1	3	1
Arrears capitalisation	147	62	96	46
Term extension	98	19	28	7
Hybrid*	41	12	29	8
Split mortgages	118	32	118	32
Total	1,763	699	974	349

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

The tables above reflect a decrease of 1,174 cases in the year to 31 December 2019 for the Group in the number of residential buy-to-let loans in forbearance arrangements, a decrease of €498m. The average balance of forborne loans is €0.341m at 31 December 2019 (31 December 2018: €0.396m).

35. Financial risk management (continued)

(iii) Commercial mortgages

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

Commercial mortgages

	31 December 2019		31 December 2018	
	Number	Balances €m	Number	Balances €m
Interest only	**1**	**-**	10	1
Reduced payment (less than interest only)	**-**	**-**	-	-
Reduced payment (greater than interest only)	**14**	**10**	27	13
Payment moratorium	**-**	**-**	-	-
Arrears capitalisation	**3**	**1**	7	4
Term extension	**10**	**3**	12	5
Hybrid*	**10**	**5**	14	6
Split mortgages	**-**	**-**	-	-
Total	**38**	**19**	70	29

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

The balance of loans in forbearance in the commercial portfolio amounts to €19m a decrease of €10m or 34% in the year to 31 December 2018.

(d) Reconciliation of movement in forborne loans for all classes

The tables below provide an analysis of the movement of total forborne loans and Stage 3 forborne loans during the year. It outlines the number and balances of forbearance treatments offered, expired and loans paid down during the year.

(i) Reconciliation of movement of total forborne loans
31 December 2019

	Residential mortgages							
	Home loans cases	Home loans balances €m	Buy -to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2019	**9,759**	**1,416**	**1,763**	**699**	**70**	**29**	**11,592**	**2,144**
New forbearance extended during the period*	**394**	**46**	**23**	**7**	**4**	**1**	**421**	**54**
Deleveraged loans	**(1,405)**	**(278)**	**(335)**	**(117)**	**(20)**	**(5)**	**(1,760)**	**(400)**
Exited forbearance								
- re-classified to Stage 3 non-forborne	**(220)**	**(22)**	**(122)**	**(58)**	**(5)**	**(1)**	**(347)**	**(81)**
- expired forbearance treatment	**(2,185)**	**(251)**	**(602)**	**(278)**	**(4)**	**(3)**	**(2,791)**	**(532)**
- expired loan paid down	**(555)**	**(57)**	**(138)**	**(45)**	**(7)**	**(2)**	**(700)**	**(104)**
Balance shift**	**-**	**(27)**	**-**	**(7)**	**-**	**-**	**-**	**(34)**
Closing balance of loans in forbearance as at 31 December 2019	**5,788**	**827**	**589**	**201**	**38**	**19**	**6,415**	**1,047**

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

35. Financial risk management (continued)

31 December 2018

	Residential mortgages							
	Home loans cases	Home loans balances €m	Buy -to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2018	25,533	4,006	3,543	1,250	88	44	29,164	5,300
New forbearance extended during the period*	1,853	288	552	195	-	(4)	2,405	479
Deleveraged loans	(12,824)	(2,204)	(1,625)	(494)	(6)	(3)	(14,455)	(2,701)
Exited forbearance								
- re-classified to Stage 3 non-forborne	(196)	(18)	(62)	(17)	(1)	(1)	(259)	(36)
- expired forbearance treatment	(3,475)	(428)	(511)	(187)	(4)	(1)	(3,990)	(616)
- expired loan paid down	(1,132)	(135)	(134)	(25)	(7)	(5)	(1,273)	(165)
Balance shift**	-	(93)	-	(23)	-	(1)	-	(117)
Closing balance of loans in forbearance as at 31 December 2018	9,759	1,416	1,763	699	70	29	11,592	2,144

*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.

(ii) Reconciliation of movement in forborne loans Stage 3
31 December 2019

	Residential mortgages							
	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Commercial cases	Commercial balances €m	Total cases	Total balances €m
Opening balance 1 January 2019	**5,239**	**862**	**974**	**349**	**64**	**26**	**6,277**	**1,237**
New Stage 3 forborne during the period*	**363**	**36**	**18**	**6**	**4**	**1**	**385**	**43**
Deleveraged loans	**(1,375)**	**(273)**	**(315)**	**(104)**	**(20)**	**(6)**	**(1,710)**	**(383)**
Exited forborne Stage 3, now performing forborne	**(1,068)**	**(157)**	**(38)**	**(10)**	**(3)**	**(1)**	**(1,109)**	**(168)**
Exited forbearance								
- exited forborne Stage 3, now Stage 3 non-forborne	**(173)**	**(19)**	**(104)**	**(45)**	**(5)**	**(1)**	**(282)**	**(65)**
- expired forbearance treatment	**(39)**	**(3)**	**(16)**	**(5)**	**-**	**-**	**(55)**	**(8)**
- expired loan paid down	**(345)**	**(38)**	**(114)**	**(41)**	**(7)**	**(2)**	**(466)**	**(81)**
Balance shift**	**-**	**(7)**	**-**	**(5)**	**-**	**-**	**-**	**(12)**
Closing balance loans in forbearance as at 31 December 2019	**2,602**	**401**	**405**	**145**	**33**	**17**	**3,040**	**563**

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

35. Financial risk management (continued)

31 December 2018

	Residential mortgages							
	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 2018	19,272	2,641	2,377	700	87	41	21,736	3,382
New Stage 3 forborne during the period*	1,060	185	461	178	(3)	(4)	1,518	359
Deleveraged loans	(12,708)	(1,675)	(1,594)	(451)	(6)	(3)	(14,308)	(2,129)
Exited forborne Stage 3, now performing forborne	(1,335)	(171)	(104)	(38)	(2)	(1)	(1,441)	(210)
Exited forbearance								
- exited forborne Stage 3, now Stage 3 non-forborne	(121)	(9)	(51)	(13)	(1)	(1)	(173)	(23)
- expired forbearance treatment	(74)	(6)	(11)	(3)	(4)	(1)	(89)	(10)
- expired loan paid down	(855)	(106)	(104)	(19)	(7)	(5)	(966)	(130)
Balance shift**	-	3	-	(5)	-	-	-	(2)
Closing balance of loans in forbearance as at 31 December 2018	5,239	862	974	349	64	26	6,277	1,237

*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

(e) Funding profile

The ALCO monitors sources of funding and their respective maturities with a focus on establishing a stable and cost effective funding profile. Excluding equity, the Group's funding profile as at the 31 December 2019 can be broken down into the below component parts:

	31 December 2019 %	31 December 2018 %
Customer accounts	**95**	87
Long-term debt	**5**	5
Short-term debt	**-**	8
	100	100

Long-term debt refers to debt with a maturity greater than 12 months from year-end and short-term debt is that which has a maturity of less than 12 months from year-end.

35. Financial risk management (continued)

In accordance with IFRS 7, Financial Instruments: Disclosures, the following tables present the maturity analysis of financial liabilities on an undiscounted basis, by remaining contractual maturity at the SOFP date. These will not agree directly with the balances on the consolidated SOFP due to the inclusion of future interest payments. In this table, derivative liabilities represent the carrying value of derivative instruments that are held for trading and as hedging instruments in respect of financial liabilities.

31 December 2019*

	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Liabilities							
Deposits by banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Customer accounts	**12,690**	**903**	**801**	**1,203**	**755**	**878**	**17,230**
Debt securities in issue	**1**	**1**	**2**	**11**	**7**	**982**	**1,004**
Derivative liabilities	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Lease liabilities	**2**	**-**	**2**	**4**	**7**	**29**	**44**
Total liabilities	**12,693**	**904**	**805**	**1,218**	**771**	**1,889**	**18,280**

31 December 2018*

	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	1,151	401	-	-	-	-	1,552
Customer accounts	12,180	916	821	1,339	796	1,013	17,065
Debt securities in issue	-	1	2	4	14	1,337	1,358
Derivative liabilities	1	-	2	9	1	1	14
Lease liabilities	-	-	-	-	-	-	-
Total liabilities	13,332	1,318	825	1,352	811	2,351	19,989

*During 2019, a review was undertaken of the split of products within customer accounts. This has resulted in the reclassification of products between term deposits, demand deposits, current accounts and notice accounts from those previously presented as at 31 December 2018.

When managing the Group's liquidity and funding profile, for products where the contractual maturity date may be different from actual behaviour, the Group uses statistical methodologies to manage liquidity on an expected or behaviourally adjusted basis.

The table on the following page details the Group's liquidity analysis for derivative instruments that do not qualify as hedging instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates from the yield curves at the end of the reporting year.

35. Financial risk management (continued)

31 December 2019

	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Net settled:							
Interest rate swaps	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Gross settled:							
FX forwards							
- inflow	**104**	**-**	**-**	**-**	**-**	**-**	**104**
- outflow	**(104)**	**-**	**-**	**-**	**-**	**-**	**(104)**
Balance at 31 December 2019	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**

31 December 2018

	Up to 1 month €m	1-3 months €m	3-6 months €m	6-12 months €m	1-2 years €m	Over 2 years €m	Total €m
Net settled:							
Interest rate swaps	-	-	-	(1)	-	-	(1)
Gross settled:							
FX forwards							
- inflow	100	-	-	-	-	-	100
- outflow	(100)	-	-	-	-	-	(100)
Balance at 31 December 2018	-	-	-	(1)	-	-	(1)

35. Financial risk management (continued)

(viii) Interest rate gap position

Gap analysis is a technique for measuring a bank's interest rate risk exposure beginning with a maturity/re-pricing schedule that distributes interest sensitive assets, liabilities, and derivative positions into "time bands" according to their maturity (if fixed rate), time remaining to their next re-pricing (if floating rate) or behavioural convention in order to identify any sources of significant mismatches.

A summary of the Group's interest rate gap position is as follows:

Interest rate re-pricing
31 December 2019

	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 1 year €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Total €m
Assets	**13,906**	**611**	**545**	**4,548**	**235**	**19,845**
Liabilities	**(10,256)**	**(1,020)**	**(1,633)**	**(5,410)**	**(1,151)**	**(19,470)**
Derivatives (nominal)	**(77)**	**(8)**	**(3)**	**(12)**	**-**	**(100)**
Interest rate re-pricing gap	**3,573**	**(417)**	**(1,091)**	**(874)**	**(916)**	**275**
Cumulative interest rate re-pricing gap	**3,573**	**3,156**	**2,065**	**1,191**	**275**	

31 December 2018

	Not more than 3 months €m	Over 3 months but not more than 6 months €m	Over 6 months but not more than 1 year €m	Over 1 year but not more than 5 years €m	Over 5 years €m	Total €m
Assets	15,676	596	741	3,380	237	20,630
Liabilities	(12,043)	(1,014)	(1,729)	(5,139)	(950)	(20,875)
Derivatives (nominal)	212	(47)	(253)	(22)	10	(100)
Interest rate re-pricing gap	3,845	(465)	(1,241)	(1,781)	(703)	(345)
Cumulative interest rate re-pricing gap	3,845	3,380	2,139	358	(345)	

36. Capital management

The core objective of the Group's capital management policy is to ensure that the Group complies with its regulatory capital requirements and maintains sufficient capital to cover its business risks and support its strategy. The Group has established an ICAAP to ensure that it is adequately capitalised against the inherent risks to which its business operations are exposed and to maintain an appropriate level of capital to meet the minimum capital requirements. The ICAAP is subject to review and evaluation by the Regulator. The management of capital within the Group is monitored by the BRCC and the CAC in accordance with Board approved policy.

The Group's regulatory capital comprises of three tiers:

- CET1 capital, which includes ordinary share capital, share premium, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- AT1 Capital, which includes qualifying convertible perpetual financial instruments with discretionary coupons; and
- Tier 2 Capital, which includes qualifying subordinated liabilities, revaluation reserves and other regulatory capital adjustments.

The Group's 2019 regulatory CET1 (transitional) minimum requirement was 11.45% (December 2018: 9.83%). The CET1 ratio requirement of 11.45% consists of a Pillar 1 CRR requirement of 4.50%, a P2R of 3.45%, a fully phased-in CCB of 2.50% and the CCyB of 1%. The year-on-year increase in the Group's minimum requirement of (+1.62%) was due to the final annual phase-in of the CCB (+0.62%) and the introduction of the CCyB (+1.0%) in July 2019.

The 2019 Total Capital ratio minimum requirement of 14.95% (December 2018: 13.33%) consists of a Pillar 1 CRR requirement of 8% and the P2R, CCB and CCyB as set out above. These requirements exclude Pillar 2 Guidance which is not publicly disclosed.

36. Capital management (continued)

The following table summarises the composition of regulatory capital and the ratios of PTSB, the primary regulated entity of the Group as at 31 December 2019 and 31 December 2018 which are calculated in accordance with CRD IV regulatory capital requirements.

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

	31 December 2019* €m	31 December 2018 €m
Common Equity Tier 1 capital		
Share capital and share premium	**561**	561
Reserves	**1,314**	1,281
Prudential filters	**(110)**	(74)
Total qualifying CET1 capital	**1,765**	1,768
Additional Tier 1 capital	**85**	87
Total qualifying Tier 1 capital	**1,850**	1,855
Tier 2 capital		
Subordinated liabilities	**10**	12
Other	**51**	54
Total qualifying Tier 2 capital	**61**	66
Total own funds	**1,911**	1,921
Risk weighted assets		
Total risk-weighted assets	**10,012**	11,990
- Credit Risk (including CVA)	**9,317**	11,331
- Operational Risk	**695**	659
Capital Ratios		
Common Equity Tier 1 capital ratio (transitional basis)	**17.6%**	14.7%
Total capital ratio (transitional basis)	**19.1%**	16.0%

The CET1 and Total Capital ratios are calculated and reported to the CBI on a quarterly basis.

The movement in the Group's regulatory capital is summarised below:

	2019 €m	2018 €m
Balance as at 1 January	**1,921**	1,954
Operating profit after tax*	**30**	3
Other intangible assets deduction	**(25)**	(2)
Deferred tax assets deduction	**(27)**	(40)
IFRS 9 phase-in	**24**	-
Other movements	**(12)**	6
Balance as at 31 December	**1,911**	1,921

* The full year profits recognised in the year-end capital ratios remain subject to approval by the Regulator.

37. Current/non-current assets and liabilities

The following table provides an analysis of certain asset and liability line items as at 31 December 2019 and 31 December 2018. The analysis includes amounts expected to be recovered or settled no more than 12 months after the SOFP date (current) and more than 12 months after the SOFP date (non-current).

	Note	31 December 2019			31 December 2018		
		Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Assets							
Cash and balances at central banks	14	**63**	**-**	**63**	65	-	65
Items in the course of collection	14	**15**	**-**	**15**	17	-	17
Debt securities	15	**449**	**1,556**	**2,005**	916	1,731	2,647
Equity Securities	16	**12**	**3**	**15**	-	13	13
Derivative assets	17	**1**	**-**	**1**	-	1	1
Loans and advances to banks	18	**1,556**	**-**	**1,556**	1,159	-	1,159
Loans and advances to customers	19	**1,793**	**13,851**	**15,644**	763	15,125	15,888
Assets classified as held for sale	42	**59**	**-**	**59**	150	-	150
Prepayments and accrued income	25	**49**	**-**	**49**	93	-	93
Other assets	24	**258**	**1**	**259**	1,227	-	1,227
Liabilities							
Deposits by banks (including Central Banks)	26	**-**	**-**	**-**	1,552	-	1,552
Customer accounts	27	**15,587**	**1,603**	**17,190**	14,834	2,186	17,020
Debt securities in issue	28	**9**	**914**	**923**	382	713	1,095
Derivative liabilities	17	**1**	**1**	**2**	12	2	14
Accruals		**5**	**-**	**5**	5	-	5
Other liabilities	29	**84**	**34**	**118**	69	-	69
Provisions	30	**10**	**31**	**41**	52	22	74

38. Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets that consist of loans and advances to customers. In accordance with note 1.5 (vii), the transferred financial assets continue to be either recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

The Group transfers financial assets primarily through the following transactions:
(i) sale and repurchase of securities; and
(ii) securitisation activities in which loans and advances to customers are sold to Structured Entities (SEs) that in turn issue notes to investors which are collateralised by purchased assets.

(a) Transferred financial assets that are not derecognised in their entirety

Sale and repurchase agreements

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the SOFP as loans and advances to customers (note 19) and debt securities (note 15) because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. As the Group sells the contractual rights to the cash flows of the securities it does not have the ability to use or pledge as collateral the transferred assets during the term of the arrangement.

38. Transfer of financial assets (continued)

Securitisations

The Group sells loans and advances to customers to SEs that in turn issue notes to investors that are collateralised by the purchased assets. For the purpose of disclosure in this note, a transfer of such financial assets may arise if the Group sells assets to a consolidated SE, the transfer of financial assets is from the Group (that includes the consolidated SE) to investors in the notes issued by the SE. The transfer is in the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes.

Although the Group does not own more than half of the voting power of the Fastnet entities, it has the power to control the relevant activities of the SE and the ability to affect the variable returns of the investee and hence these SEs are consolidated. In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised. The investors in the notes have recourse only to the cash flows from the transferred financial assets.

When the Group transfers assets as part of the securitisation transactions it does not have the ability to use or pledge as collateral the transferred assets during the term of the arrangement.

The table below sets out an overview of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and associated liabilities.

	31 December 2019		31 December 2018	
	Sale and repurchase agreements €m	Securitisations €m	Sale and repurchase agreements €m	Securitisations €m
Carrying amount of assets	-	**571**	1,689	1,049
Carrying amount of associated liabilities	-	**615**	1,552	1,077
Liabilities that have recourse only to the transferred financial assets				
Fair value of assets	-	**539**	1,692	1,052
Fair value of associated liabilities	-	**616**	1,552	1,078
Net position	-	**(77)**	140	(26)

(b) Transferred financial assets that are derecognised in their entirety

The Group has not transferred any financial assets that were derecognised in their entirety where the Group has continuing involvement in a transferred asset.

39. Offsetting financial assets and financial liabilities

In accordance with IAS 32, Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the SOFP only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The tables on the following page provide the impact of master netting agreements on all derivative financial instruments that are subject to master netting agreements or similar agreements, but do not qualify for netting on the balance sheet.

The tables highlight the amounts that have been offset on the SOFP and those amounts covered by collateral placed with or by counterparties to these trades. It does not highlight where right of offset is available in the event of a default, as allowed under ISDA master agreements.

39. Offsetting financial assets and financial liabilities (continued)

The tables below provide analysis of derivative financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar agreements:

31 December 2019

	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross financial assets/ (liabilities) recognised €m	Gross financial (liabilities)/ assets offset €m	Net amounts reported on the statement of financial position €m	Financial instruments €m	Cash collateral €m	Net amount €m
Assets						
Derivative assets	**1**	**-**	**1**	**-**	**-**	**1**
Total	**1**	**-**	**1**	**-**	**-**	**1**
Liabilities						
Derivative liabilities	**(2)**	**-**	**(2)**	**-**	**1**	**(1)**
Repurchase agreements	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(2)**	**-**	**(2)**	**-**	**1**	**(1)**

31 December 2018

	Effect of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross financial assets/ (liabilities) recognised €m	Gross financial (liabilities)/ assets offset €m	Net amounts reported on the statement of financial position €m	Financial instruments €m	Cash collateral €m	Net amount €m
Assets						
Derivative assets	1	-	1	-	-	1
Total	1	-	1	-	-	1
Liabilities						
Derivative liabilities	(14)	-	(14)	-	13	(1)
Repurchase agreements	(1,551)	-	(1,551)	-	-	(1,551)
Total	(1,565)	-	(1,565)	-	13	(1,552)

40. Commitments and contingencies

The table below gives the contractual amounts of irrevocable capital commitments. Even though these obligations are not recognised in the SOFP they do involve credit risk. The maximum exposure to credit loss under commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

Credit commitments

	31 December 2019 €m	31 December 2018 €m
Guarantees and irrevocable letters of credit	**2**	2
Commitments to extend credit		
- less than 1 year	**782**	800
- 1 year and over	**89**	110
Total commitments to extend credit	**871**	910
Total credit commitments	**873**	912

40. Commitments and contingencies (continued)

Other contingencies

The Group, like all other banks, is subject to litigation in the normal course of its business. Based on legal advice, other than matters referred to in note 30, the Group does not believe that any such litigation will have a material effect on its income statement or SOFP.

A number of different statutory and regulatory bodies, including the CBI, commenced investigations into a series of transactions involving deposits placed by Irish Life Assurance plc with Irish Bank Resolution Corporation (formerly Anglo Irish Bank) on 31 March 2008, 26 September 2008, 29 September 2008 and 30 September 2008. While these investigations commenced a number of years ago, they were put on hold pending the determination of criminal proceedings against a number of individuals in respect of the same transactions. The Bank understands that those criminal proceedings have concluded and so the Bank is waiting to see if the investigations, which, from the Bank's perspective, have been dormant for some time will now be re-commenced.

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

41. Related parties

Related parties include individuals and entities that can exercise significant influence on operational and financial policies of the Group. The Group has a related party relationship with its Directors, Senior Executives, the Group's pension schemes, the Minister for Finance and with the Irish Government and Irish Government related entities on the basis that the Irish Government is deemed to have control over the Group.

(a) Directors' shareholdings

The interests of the Directors and the Company Secretary, including interests of their close family members in the share capital of the Company are as follows:

Number of beneficial ordinary shares held

	Position	31 December 2019 Ordinary shares	31 December 2018 Ordinary shares
Robert Elliot	Chairman	16,500	-
Jeremy Masding	Chief Executive	13,611	-
Eamonn Crowley	Chief Financial Officer	-	-
Michael Frawley (appointed 29 October 2019)	Chief Risk Officer	-	-
Stephen Groarke (retired 2 November 2018)	Chief Risk Officer	-	-
Conor Ryan	Company Secretary	10	10
Donal Courtney	Non-Executive Director	-	-
Julie O'Neill	Non-Executive Director	10,000	-
Ronan O'Neill	Non-Executive Director	4	4
Andrew Power	Non-Executive Director	-	-
Ken Slattery	Non-Executive Director	10,000	-
Ruth Wandhöfer	Non-Executive Director	-	-
Marian Corcoran (appointed 24 September 2019)	Non-Executive Director	-	-
Emer Daly (retired 16 May 2018)	Non-Executive Director	-	-
Richard Pike (retired 17 December 2019)	Non-Executive Director	12,975	-

Conor Ryan, as trustee of the employee benefit trust set up under the terms of the long-term incentive plan, has non-beneficial interest in 4,580 shares held in the plan (31 December 2018: 4,580).

There were no transactions in the above Directors' and Secretary's interests between 31 December 2019 and 25 February 2020.

Details of the Directors' remuneration is included in the Directors' Remuneration Report on pages 118 to 120.

41. Related parties (continued)

(b) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include Non-Executive Directors, Executive Directors and members of ExCo. The Executive Directors and members of the ExCo are listed below:

Members of the ExCo at 31 December 2019	
Jeremy Masding	Chief Executive
Eamonn Crowley	Chief Financial Officer
Michael Frawley	Chief Risk Officer
Patrick Farrell	Retail Banking Director
Tom Hayes	Chief Technology Officer
Ger Mitchell	HR Director
Shane O'Sullivan	Director of Operations
Breege Timoney	Product Assurance Director
Andrew Walsh	Chief Legal Officer

During the year ended 31 December 2019, the following key management personnel changes occurred. Richard Pike retired as Non-Executive Director and Marian Corcoran was appointed as Non-Executive Director. Michael Frawley (CRO) was appointed as Executive Director.

Brendan Lynott, Mark Coan and Stephen Groarke were considered to be key management personnel during 2018 and their details have been included in the 2018 disclosures.

Non-Executive Directors are compensated by way of fees. In certain circumstances, expenses incurred by Non-Executive Directors during the normal course of business are paid by the Group and are included in taxable benefits. The compensation of Executive Directors and members of the ExCo comprises salary and other benefits together with pension benefits. Previously they also participated in the Group's profit sharing, share option schemes and long-term incentive plans. No awards have been issued under these schemes and plans since 2008.

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

	31 December 2019	31 December 2018
Non-Executive Directors	**8**	8
Executive Directors and Senior Management	**9**	9
	17	17

(b) (i) Total compensation to Executive and Non-Executive Directors is as follows:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Fees	**843**	744
Taxable benefits	**3**	3
Salary and other benefits	**1,040**	1,211
Pension benefits		
- defined contribution	**135**	135
Total	**2,021**	2,093

41. Related parties (continued)

Total compensation to other key management personnel is as follows:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Taxable benefits	**1**	1
Salary and other benefits	**2,208**	2,732
Pension benefits		
- defined contribution	**294**	265
Total	**2,503**	2,998

There were no connected persons to key management personnel employed by the Group during 2019 or 2018.

(b) (ii) Balances and transactions with key management personnel:

In the normal course of its business, the Group had loan balances and transactions with key management personnel and their connected persons. The loans are granted on normal commercial terms and conditions with the exception of certain home loans where Executive Directors and Senior Managers may avail of subsidised loans on the same terms as other eligible Management of the Group. All of the loans in the scope of the related party guidelines as outlined under the Companies Act 2014, the Central Bank Related Party lending code 2013 and IAS 24 Related party disclosures are secured, and all interest and principal due at the SOFP date has been repaid on schedule. Total outstanding balances of loans, credit cards, overdrafts and deposits are as follows:

	31 December 2019 €'000	31 December 2018 €'000
Balances		
Loans	**2,315**	2,134
Unsecured credit card balances and overdrafts	**10**	2
Deposits	**2,524**	1,109

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Transactions during the year		
Loan advances	**282**	482
Loan repayments	**101**	406
Interest received on loans	**53**	51
Interest paid on deposits	**(4)**	(3)

41. Related parties (continued)

Loans to Executive Directors

31 December 2019

	Balance as at 1 Jan €'000	Advances during year €'000	Principal repaid €'000	Balance as at 31 Dec €'000	Interest paid €'000	Maximum balance €'000
Jeremy Masding	**21**	**-**	**10**	**11**	**1**	**21**
Michael Frawley*	**-**	**-**	**-**	**-**	**-**	**-**
Eamonn Crowley	**-**	**-**	**-**	**-**	**-**	**-**
	21	**-**	**10**	**11**	**1**	**21**

*No comparative information has been presented in respect of Michael Frawley as he was appointed to the Board during 2019.

31 December 2018

	Balance as at 1 Jan €'000	Advances during year €'000	Principal repaid €'000	Balance as at 31 Dec €'000	Interest paid €'000	Maximum balance €'000
Jeremy Masding	30	-	9	21	2	30
Eamonn Crowley	-	-	-	-	-	-
	30	-	9	21	2	30

(c) Irish Government and Irish Government related entities

The Minister for Finance continues to be the majority shareholder of the Group (and the ultimate controlling party per IAS 24). The Irish Government is recognised as a related party as the Government is deemed to have control over the Group as defined by IAS 24. The Group has applied the amended IAS 24 which exempts an entity from the related party disclosure requirements in respect of the Government and Government related entities unless transactions are individually or collectively significant. In the normal course of business, the Group has entered into transactions with the Government and Government related entities involving deposits, senior debt and dated subordinated debt.

The following are transactions and balances between the Group and the Government and Government related entities that are collectively significant:

- The Group holds securities issued by the Government of €1,436m (31 December 2018: €2,391m).
- Customer accounts include deposits of €0.1bn placed by a Government institution (31 December 2018: €0.1bn). Further details on these deposits are provided in note 27.
- The Group entered into banking transactions in the normal course of business with local Government and Semi-State Institutions such as local authorities and county councils. These transactions principally include the granting of loans, the acceptance of deposits and clearing transactions.
- A bank levy imposed by the Government through the Finance Bill 2014 is payable in the second half of each calendar year. A bank levy payable to government, is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy. In 2019, the amount recognised in the income statement was €24m (31 December 2018: €23m). As announced by the Minister by Finance in October 2015, the bank levy was extended to 2021.
- During 2019, the Group also paid €14m DGS fees to the CBI (2018: €12m) as part of the DGS.
- During 2013, following the Transfer Order requested by the Central Bank and issued by the High Court dated 10 November 2013, the Group acquired certain assets, liabilities, books and records of NCU and all its employees transferred to the Group. As part of this transaction, along with the assets and liabilities of NCU, a cash financial incentive of €23m was paid from the Credit Institutions Resolution Fund, which forms part of the Financial Incentives Agreement (FIA) signed between the Central Bank and the Group dated 10 November 2013. It was also agreed in the FIA that the Central Bank will use the Credit Institution Resolution Fund to compensate the Group for 50% of any future impairment losses incurred on NCU loans and advances to customers. Similarly, it was also agreed that if any provision write-backs or future recoveries of previously written off NCU loans and advances to customers occurs, the Group will pay a cash amount equivalent to 50% of the provision write-back or the recoveries to the Credit Institutions Resolution Fund. As per the FIA, this arrangement will continue for ten years from the transfer date. At 31 December 2019, the Group had recorded a payable of €1.2m due under the FIA (31 December 2018: €0.9m).
- At 31 December 2019 the Company had an intercompany balance of €300m (31 December 2018: €nil) with its principal subsidiary PTSB plc relating to the MREL issuance.

41. Related parties (continued)

The Government also has a controlling interest in Allied Irish Bank plc including EBS Limited and also has significant influence over Bank of Ireland. Due to the Group's related party relationship with the Irish Government as described above, balances between these financial institutions and the Group are considered related party transactions in accordance with IAS 24.

The following table summarises the balances between the Group and these financial institutions:

		Loans and advances to Banks €m	Debt securities held €m	Derivative assets €m	Derivative liabilities €m	Deposits by banks €m
Allied Irish Banks plc						
	31 December 2019	**-**	**-**	**-**	**-**	**-**
	31 December 2018	5	-	-	-	-
Bank of Ireland						
	31 December 2019	**5**	**-**	**-**	**-**	**-**
	31 December 2018	5	-	-	-	-

42. Assets classified as held for sale

At 31 December 2019, assets classified as held for sale amounted to €59m (31 December 2018: €150m). This consists of the following:

1. €58m (31 December 2018: €148m) relates to collateral in possession, these properties are expected to be sold within the next 12 months.
2. €1m (31 December 2018: €2m) relates to two branch properties (31 December 2018: six branch properties) which are no longer occupied by the Group, the sale of these property is expected to complete within the next 12 months.

43. Sale of loans and advances to customers

Project Glas II

On 11 September 2019, the Group agreed the sale of a NPL portfolio ("Glas II") to the retail credit firm Start Mortgages DAC ("Start Mortgages"), supported by LSF Irish Holdings 101 DAC. The portfolio has a gross balance sheet value of €506m and a net book value of €274m.

In line with IFRS 9 the mortgage assets have been derecognised from the balance sheet and a receivable of €251m has been recorded for the cash consideration. Subsequent to the balance sheet date the loans were migrated to Start Mortgages and proceeds were received.

The loss on sale of the portfolio has been reported through the impairment line in the income statement as required by IFRS 9.

44. Principal subsidiary undertakings and interest in subsidiaries and structured entities

Under IFRS 10 'Consolidated financial statements', the Group has control over an entity when it has the power to direct relevant activities that significantly affect the investee return, it is exposed or has rights to variable returns from its involvement in the investee and has the ability to affect those returns through its powers over the entity.

A subsidiary is considered material if the value of the consolidated total assets at the end of the financial year of the subsidiary and the entities it controls (if any) is more than 1% of the total assets of the Group.

The key subsidiary of the parent meeting the criteria outlined above is:

Name and registered office

	Nature of business	Incorporated in	% of ordinary shares held
Held directly by the company:			
Permanent TSB plc 56-59 St. Stephen's Green, Dublin 2	Retail banking	Ireland	100

In presenting details of the principal subsidiary undertakings, the exemption permitted by section 315 (a) (i) of the Companies Act 2014 in relation to disclosing related undertaking net assets or profit or loss, has been availed of, and the Company will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

44. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

During the year, the Group lost control over certain subsidiary undertakings principally due to simplification of its group structure and are currently in the process of liquidation. These subsidiary undertakings were not material to the Group and lacked commercial value. The subsidiary undertakings over which the Group lost control are:

- Guinness & Mahon Ireland Limited;
- Erin Executor & Trustee Company Limited;
- Mars Nominees Limited;
- Blue Cube Personal Loans Limited;
- Kencarol Limited; and
- Irish Permanent Property Company Ltd DAC (IPPC).

The Group also liquidated Fastnet Securities 9 (DAC) during the year, as it was surplus to the Group's funding requirements.

The reporting date for each of the Group's principal subsidiary entities is 31 December.

The principal country of operation of each company is the country in which it is incorporated.

The registered office of Permanent TSB Group Holdings plc is 56-59 St. Stephen's Green, Dublin 2.

(a) Company's interest in subsidiary undertakings

The Company is the ultimate holding company of the Group while PTSB is a 100% subsidiary of the Company. The investment in PTSB is carried at the recoverable amount in the holding company SOFP. The investment amounted to €978m (31 December 2018: €978m). During 2019 the Group carried out an impairment assessment using a combination of internal group models and externally available data to inform their view of the recoverable amount of the investment. As the VIU is greater than the carrying value, in line with IAS 36, no impairment has been recognised on the investment. See Company SOFP on page 231 for further details.

(b) Structured entities (SEs)

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well defined objective with restrictions around their on-going activities. Depending on the Group's power to direct the relevant activities of the investee and its exposure or rights to variable returns from its involvement in the investee and the ability to use its power over the investee to affect the amount of the investor's return, it may consolidate the entity.

Control and voting rights

The Directors of the individual SEs are independent of the Group and neither the Group nor any of its subsidiaries have voting rights in the share capital of these entities. The Group initiated the setup of these SEs and, as architect dictated the terms relating to the operation of these SEs. The Group, as administrator, provides services to the individual SEs. The Group, as administrator, has power to:

- Exercise rights, powers and discretions of the issuers in relation to the mortgage loans and their related security and to perform its duties in relation to the mortgage loans and their related securities; and
- Do or cause to be done any and all other things which it reasonably considers necessary, convenient or incidental to the administrator of the mortgage loans and their related security or the exercise of such rights, powers and discretions.

The key activities performed by the Group's subsidiaries as administrator is:

- To manage the credit risk associated with the mortgages contained in the individual SEs; and
- To determine and set rates of interest applicable to loans on each rate setting date in accordance with the terms of the loans and negotiate the cost of funds associated with these mortgages which may result in a variable return in the entity.

These two items highlight the power the Group has to direct the relevant activities of these entities that significantly affect the investee returns and the ability to use its power to affect variable returns of investors.

44. Principal subsidiary undertakings and interest in subsidiaries and structured entities (continued)

The Group provides funding to each of these vehicles by way of a subordinated loan and has an entitlement to deferred consideration. Through the subordinated loan and the deferred consideration the Group is exposed to the variable returns of the SEs.

The Group currently has eight SEs in issue in the ROI the details of which are outlined below. During 2019, Fastnet 9 DAC was liquidated.

	Sub loan provided
SEs setup with Residential Mortgages	
- Fastnet 5 DAC	√
- Fastnet 6 DAC	√
- Fastnet 10 DAC	√
- Fastnet 11 DAC	√
- Fastnet 12 DAC	√
- Fastnet 13 DAC	√
- Fastnet 14 DAC	√
- Fastnet 15 DAC	√

Although the Group does not own more than half of the voting power, it has the power to control the relevant activities of the SE and the ability to affect the variable returns of the investee and hence these SEs are consolidated. In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised. The investors in the notes have recourse only to the cash flows from the transferred financial assets.

When the Group transfers assets as part of the securitisation transactions it does not have the ability to use or pledge as collateral the transferred assets during the term of the arrangement.

At 31 December 2019, restricted cash of €402m (31 December 2018: €432m) relates to cash held by the Group's securitisation entities.

45. Reporting currency and exchange rates

The consolidated financial statements are presented in millions of Euro.
The following tables show for the current year-end and prior year-end, the average and closing rates used by the Group:

	31 December 2019	31 December 2018
€ / £ exchange rate		
Closing	**0.8508**	0.8945
Average	**0.8760**	0.8860
€ / US$ exchange rate		
Closing	**1.1234**	1.1450
Average	**1.1194**	1.1791

46. Events after the reporting period

No events occurred between the reporting date 31 December 2019 and the date the consolidated financial statements were approved for issue by the Board of Directors being 25 February 2020 that may require adjustments to the disclosures in these consolidated financial statements. Subsequent to the balance sheet date, as outlined in note 43, the Glas II sale proceeds were received.

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Company Financial Statements and Notes to the Company Financial Statements

Company Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 €m	31 December 2018 €m
Assets			
Loans and advances to banks	B	**300**	-
Investments in subsidiary undertakings	C	**978**	978
Total assets		**1,278**	978
Liabilities			
Debt securities in issue	D	**300**	-
Total liabilities		**300**	-
Equity			
Share capital		**227**	227
Share premium		**333**	333
Retained earnings		**415**	415
Shareholders' equity		**975**	975
Other equity instruments		**3**	3
Total equity		**978**	978
Total liabilities and equity		**1,278**	978

On behalf of the Board:

Robert Elliott
Chairman

Jeremy Masding
Chief Executive

Eamonn Crowley
Chief Financial Officer

Conor Ryan
Company Secretary

Company Statement of Changes in Equity
For the year ended 31 December 2019

	Attributable to owners of the holding company				
	Share capital €m	Share premium €m	Retained earnings €m	Other equity instrument €m	Total €m
Company					
Balance as at 1 January 2018	1,257	333	(618)	3	975
Profit for the year ended 31 December 2018	-	-	5	-	5
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	5	-	5
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Cancellation of deferred share capital	(1,030)	-	1,028	-	(2)
Total contributions by and distributions to owners	(1,030)	-	1,028	-	(2)
Balance as at 31 December 2018	227	333	415	3	978
Loss for the year ended 31 December 2019	**-**	**-**	**-**	**-**	**-**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2019	**227**	**333**	**415**	**3**	**978**

Company Statement of Cash Flows
For the year ended 31 December 2019

	31 December 2019 €m	31 December 2018 €m
Cash flows from operating activities:		
Operating profit before taxation	**-**	5
Adjusted for non-cash items and other adjustments:	**-**	-
	-	5
Increase in operating assets:		
Loans and advances to banks	**(300)**	-
Increase in operating liabilities:		
Debt securities in issue	**300**	-
Other liabilities and accruals	**-**	(5)
Net cash flow from operating activities before tax	**-**	-
Tax paid	**-**	-
Net cash flow from operating activities	**-**	-
Cash flow from investing activities		
Net cash flow from investing activities	**-**	-
Cash flow from financing activities		
Net cash flow from financing activities	**-**	-
Increase in cash and cash equivalents	**-**	-
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents as at 1 January	**-**	-
Increase in cash and cash equivalents	**-**	-
Effect of exchange translation adjustments	**-**	-
Cash and cash equivalents as at 31 December	**-**	-

A. Accounting policies

The accounting policies adopted by Permanent TSB Group Holdings plc (the Company) are the same as those of the Group as set out in note 1 to the consolidated financial statements where applicable. These financial statements reflect the financial position of the Company only and do not consolidate the results of any subsidiaries.

The individual financial statements of the ultimate holding company, Permanent TSB Group Holdings plc have also been prepared in accordance with IFRS as adopted by the EU and comply with those parts of the Companies Act 2014 applicable to the company reporting under IFRS. In accordance with section 304(2) of the Companies Act 2014, the Company is availing of the exemption from presenting its individual income statement and related notes to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the financial year determined in accordance with IFRS was €0.06m (2018: profit: €5m).

B. Loans and advances to banks

	31 December 2019 €m	31 December 2018 €m
Held at amortised cost		
Funds placed with subsidiary, Permanent TSB plc	**300**	-
ECL allowance	**-**	-
Loans and advances to banks	**300**	-

Funds placed with the subsidiary, permanent TSB plc are stage 1 under IFRS 9. The ratings for PTSB plc are as follows:

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

The maximum exposure to credit risk for financial asset carried at amortised costs at 31 December 2019 is €300m.

The fair value of the loans and advances to banks closely equates to their amortised cost.

C. Investment in subsidiary

	31 December 2019 €m	31 December 2018 €m
At 1 January	**978**	978
Additions	**-**	-
At 31 December	**978**	978

Please see page 162 for the critical accounting estimates and judgements, which are outlined in note 2 of the consolidated financial statements.

The Company is the ultimate holding company of the Group while PTSB is a 100% subsidiary of the Company. The investment in PTSB is carried at the recoverable amount in the holding company statement of financial position. At 31 December 2019, the investment amounted to €978m (31 December 2018: €978m).

D. Debt securities in issue

	31 December 2019 €m	31 December 2018 €m
At amortised cost		
Bonds and medium term notes	**300**	-
	300	-
Maturity analysis		
Repayable in less than 1 year	**1**	-
Repayable in greater than 2 years but less than 5 years	**299**	-
	300	-

Bonds & Medium Term Notes (MTNs)

In September 2019, PTSBGH issued €0.3bn of senior unsecured 2.125% notes maturing on 26 September 2024. Interest is payable on the nominal amount annually in arrears on the coupon date.

The interest rate profile of the intercompany loan is materially consistent with the repayment profile of the debt securities in issue.

For additional information on the liquidity risk, refer to note 35 of the consolidated financial statements of PTSBGH.

E. Share capital and reserves

The share capital of Permanent TSB Group Holdings plc is detailed in note 32 of the consolidated financial statements, all of which relates to Permanent TSB Group Holdings plc.

F. Related parties

Related parties include individuals and entities that can exercise significant influence on operational and financial policies of the Group. The Group has a related party relationship with its Directors, Senior Executives, the Group's pension schemes, the Minister for Finance and with the Irish Government and Irish Government related entities on the basis that the Irish Government is deemed to have control over the Group.

Related parties of Permanent TSB plc include subsidiary undertakings, associated undertakings, joint undertakings, post-employment benefit schemes, Key Management Personnel and connected parties. The Irish Government is also considered a related party by virtue of its effective control of Permanent TSB. See note 41 of the consolidated financial statements for further details.

At 31 December 2019 the Company had an intercompany balance of €300m (31 December 2018: €nil) with its principal subsidiary PTSB relating to the MREL issuance.

G. Audit Fees

€nil audit fees were paid to the auditors, PwC, for services relating to the audit of the financial statements of PTSBGH during the year to 31 December 2019.

APPENDIX

Alternative performance measures

The financial performance of the Group is assessed by Management using various financial measures, some of which are not defined by IFRS and do not have a standard guidance for calculation. Therefore, these measures may not be directly comparable to other peers. Management believes that these measures provide useful information in assessing the Group's financial performance. Preference should be given to IFRS measures over non-IFRS measures when assessing financial performance of the Group.

Following the mandatory adoption of IFRS 16 from 1 January 2019, the Group has adopted the standard using the modified retrospective approach. Therefore the APMs are not directly comparable with the prior period. To provide a meaningful comparative, the results have also been presented under IAS 17 'Leases'.

1. Underlying profit

The underlying profit is the measure of adjusted profits realised by the Group. This measure is used by the Group for strategic planning process and reflects the true economic substance of Group's financial performance. The table below details the calculation of underlying profit. Exceptional and other non-recurring items are excluded from the operating expenses as Management considers these items as non-reflective of core operating costs.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17* €m	31 December 2018 Based on IAS 17 €m
Total operating income	**413**	**413**	442
Total operating expenses (excluding exceptional and other non-recurring items)	**(329)**	**(329)**	(331)
Underlying profit before impairment	**84**	**84**	111
Impairment charge on loans and advances to customers	**(10)**	**(10)**	(17)
Underlying profit	**74**	**74**	94

2. Exceptional costs

Exceptional costs are unusually large non-recurring items that distort the financial performance of the Group. The table below details the exceptional costs incurred by the Group in 2019 and 2018 allowing users to understand the nature of items that Management considers to be outside of the normal course of business.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17* €m	31 December 2018 Based on IAS 17 €m
Restructuring Charges*	**13**	**13**	5
Legacy legal compliance CBI investigations costs*	**3**	**3**	-
Provision relating to legacy tracker mortgage issues*	**-**	**-**	20
Impairment charge arising from deleveraging of loans	**16**	**16**	66
Exceptional costs	**32**	**32**	91

* These exceptional costs are adjusted in operating expenses for the calculation of underlying profit above.

3. Adjusted cost income ratio

Operating expenses (excluding exceptional, other non-recurring items and regulatory charges) divided by total operating income. Management considers adjusted cost income ratio to be an important metric to assess the profitability of the Group after adjusting for non-controllable costs.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17* €m	31 December 2018 Based on IAS 17 €m
Total operating expenses (after exceptional, other non-recurring items and regulatory charges)	**361**	**361**	422
Exceptional and other non-recurring items	**(32)**	**(32)**	(91)
Bank levy	**(24)**	**(24)**	(23)
Regulatory charges	**(23)**	**(23)**	(24)
Total operating expenses (excluding exceptional, other non-recurring items and regulatory charges)	**282**	**282**	284
Total operating income	**413**	**413**	442
Adjusted cost income ratio	**68%**	**68%**	64%

*On adoption of IFRS 16 in 2019, the incremental depreciation charged was €8m and the finance charge incurred was €1m. The operating lease expense that would have been otherwise charged in 2019 as an operating expense was €8m. Therefore, the resulting net impact on 2019 APMs due to the adoption of the new accounting standards is immaterial.

Alternative performance measures
(continued)

4. Headline cost income ratio

Total operating expenses (excluding exceptional and other non-recurring items) divided by total operating income. The difference between adjusted cost to income ratio and headline cost income ratio is due to regulatory charges and bank levy.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17* €m	31 December 2018 Based on IAS 17 €m
Total operating expenses	**361**	**361**	422
Exceptional and other non-recurring items	**(32)**	**(32)**	(91)
Total operating expenses (excluding exceptional and other non-recurring items)	**329**	**329**	331
Total operating income	**413**	**413**	442
Headline cost income ratio	**80%**	**80%**	75%

*On adoption of IFRS 16 in 2019, the incremental depreciation charged was €8m and the finance charge incurred was €1m. The operating lease expense that would have been otherwise charged in 2019 as an operating expense was €8m. Therefore, the resulting net impact on 2019 APMs due to the adoption of the new accounting standards is immaterial.

5. CET 1 fully loaded basis*

Total CET 1 capital on a fully loaded basis divided by total RWAs on a fully loaded basis. CET1 ratio provides an insight into how well the Bank can withstand financial stress and remain solvent.

	31 December 2019 Based on IFRS 16 Fully Loaded €m	31 December 2019 Based on IAS 17 Fully Loaded €m	31 December 2018 Based on IAS 17 Fully Loaded €m
Common equity tier 1	**1,464**	**1,464**	1,456
Risk weighted assets	**9,996**	**9,956**	11,966
CET 1 fully loaded	**14.6%**	**14.7%**	12.2%

*The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

6. CET 1 transitional basis*

Total CET 1 capital on a transitional basis divided by total RWAs on a transitional basis. CET1 ratio provides an insight into how well the bank can withstand financial stress and remain solvent.

	31 December 2019 Based on IFRS 16 Transitional €m	31 December 2019 Based on IAS 17 Transitional €m	31 December 2018 Based on IAS 17 Transitional €m
Common equity tier 1	**1,765**	**1,765**	1,768
Risk weighted assets	**10,012**	**9,972**	11,990
CET 1 transitional	**17.6%**	**17.7%**	14.7%

*The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

7. Leverage ratio*

The leverage ratio is calculated by dividing Tier 1 capital by the leverage ratio exposure measure (total assets and off balance sheet exposures). Leverage ratios give an insight to the Group's financial health and its capability to meet its financial liabilities and obligations.

	31 December 2019				31 December 2018	
	Transitional Based on IFRS 16 €m	Transitional Based on IAS 17 €m	Fully Loaded Based on IFRS 16 €m	Fully Loaded Based on IAS 17 €m	Transitional Based on IAS 17 €m	Fully Loaded Based on IAS 17 €m
Tier 1 Capital	**1,850**	**1,850**	**1,567**	**1,567**	1,855	1,551
Gross balance sheet exposures						
Leverage Ratio Exposure Measure	**20,389**	**20,349**	**20,087**	**20,047**	22,003	21,803
Leverage ratio	**9.1%**	**9.1%**	**7.8%**	**7.8%**	8.4%	7.1%

*The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

8. Liquidity coverage ratio (LCR)

Calculated based on the Commission Delegated Regulation (EU) 2015/61. The Group uses this measure to assess the resistance of the liquidity profile of the Group over a 30 day stressed horizon.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Liquidity coverage ratio	**170%**	**170%**	160%

9. Net stable funding ratio (NSFR)

Defined as the ratio of available stable funding to required stable funding. The NSFR is a liquidity standard requiring banks to hold sufficient stable funding over a 1 year time horizon. A minimum 100% requirement becomes binding in June 2021.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Net stable funding ratio (minimum 100%)	**138%**	**138%**	120%

10. Loan to deposit ratio (LDR)

Ratio of loans and advances to customers compared to customer accounts as presented in the statement of financial position. LDR reflects the Group's ability to cover loans losses and withdrawals by its customers. Management considers LDR to be an important metric for assessing liquidity.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Loans and advances to customers	**15,644**	**15,644**	15,888
Customer accounts	**17,190**	**17,190**	17,020
Loan to deposit ratio	**91%**	**91%**	93%

11. Net interest margin (NIM)

NIM is derived by dividing the net interest income by the average interest-earning assets. Management considers NIM to be an important operating metric and reflects the differential yield over the average interest earning assets and cost of funding those assets.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Net interest income	**356**	**356**	379
Total average interest-earning assets	**19,704**	**19,704**	21,297
Total	**1.80%**	**1.80%**	1.78%

12. Non-performing loans (NPLs)

NPLs are loans which are credit impaired or loans which are classified as defaulted in accordance with the Group's definition of default. Management considers NPLs to be an important metric as it reflects the risk profile of the Group.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Residential:			
-Home loans	**614**	**614**	1,100
-Buy to let	**377**	**377**	516
Commercial	**41**	**41**	55
Consumer finance	**18**	**18**	25
Non-Performing loans	**1,050**	**1,050**	1,696

13. Foreclosed Assets

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

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Foreclosed Assets	**58**	**58**	148

14. Non-performing assets (NPAs)

NPAs are NPLs plus foreclosed assets.

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

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Non-performing loans	**1,050**	**1,050**	1,696
Foreclosed assets	**58**	**58**	148
Non-Performing assets	**1,108**	**1,108**	1,844

15. Return on equity

Profit for the year after tax (before exceptional and other non-recurring items) expressed as a percentage of total average equity. Management considers return on equity to be an important metric for assessing profitability.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Profit for the year after tax	**30**	**30**	3
Exceptional and other non-recurring items	**32**	**32**	91
Profit for the period after tax (before exceptional and other non-recurring items)	**62**	**62**	94
Total average equity	**1,994**	**1,994**	2,107
Return on equity	**3.1%**	**3.1%**	4.5%

16. Risk weighted assets (RWAs)

RWAs are the Group's assets or off balance sheet exposures, weighted according to risk.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Risk weighted assets	**10,012**	**9,972**	11,990

17. Total capital ratio (fully loaded basis)*

The total capital ratio is the ratio of a bank's total capital (Tier 1 and Tier 2 capital) to its RWAs.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Tier 1 Capital	**1,567**	**1,567**	1,551
Tier 2 Capital	**61**	**61**	66
Total Capital	**1,628**	**1,628**	1,617
Risk weighted assets	**9,996**	**9,956**	11,966
Total capital ratio (fully loaded basis)	**16.3%**	**16.4%**	13.5%

*The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

18. Total capital ratio (transitional basis)*

The total capital ratio is the ratio of a bank's total capital (Tier 1 and Tier 2 capital) to its RWAs.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Tier 1 Capital	**1,850**	**1,850**	1,855
Tier 2 Capital	**61**	**61**	66
Total Capital	**1,911**	**1,911**	1,921
Risk weighted assets	**10,012**	**9,972**	11,990
Total capital ratio (transitional basis)	**19.1%**	**19.2%**	16.0%

*The full year profits recognised in the year end capital ratios remain subject to approval by the Regulator.

19. Average interest earning assets

Interest earning assets include loans and advances to banks, loans and advances to customers, debt securities and derivative assets.

Average balances on interest earning assets are calculated as the average of the monthly interest earning asset balances from December 2018 to December 2019, thirteen months in total.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Average interest earning assets			
Loans and advances to banks	**1,587**	**1,587**	1,287
Loans and advances to customers	**15,768**	**15,768**	17,551
Debt securities and derivative assets	**2,349**	**2,349**	2,459
Total average interest earning assets	**19,704**	**19,704**	21,297

20. Average interest bearing liabilities

Interest bearing liabilities include customer accounts, deposits by banks, debt securities in issue, derivative liabilities and lease liabilities.

Average balances on interest bearing liabilities are calculated as the average of the monthly interest bearing liabilities balances from December 2018 to December 2019, thirteen months in total.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Average interest bearing liabilities			
Customer accounts	**17,227**	**17,227**	17,019
Deposits by banks	**561**	**561**	2,050
Debt securities in issue and derivative liabilities	**862**	**862**	1,349
Lease liabilities	**44**	**-**	-
Subordinated liabilities	**-**	**-**	16
Total average interest bearing liabilities	**18,694**	**18,650**	20,434

21. Average yield on average interest earning assets

Average yield on average interest earnings assets is defined as average interest income on interest earning assets divided by the total average interest earning assets balances.

Average interest income on interest earning assets is calculated as the average of the interest income arising on each of the interest earning assets for December 2018 and December 2019, thirteen months in total.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Average interest income on interest earning assets			
Loans and advances to banks	**1**	**1**	-
Loans and advances to customers	**378**	**378**	413
Debt securities and derivative assets	**34**	**34**	42
Total average interest income on interest earning assets	**413**	**413**	455
Total average interest earning assets	**19,704**	**19,704**	21,297
Average yield on average interest earning assets	**2.10%**	**2.10%**	2.14%

22. Average rate on average interest bearing liabilities

Average rate on average interest bearing liabilities is defined as average interest expense on interest bearing liabilities divided by the total average interest bearing liabilities balances.

Average interest expense on interest bearing liabilities is calculated as the average of the interest expense arising on each of the interest bearing liabilities for December 2018 and December 2019, thirteen months in total.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Average interest expense on interest bearing liabilities			
Customer accounts	**40**	**40**	51
Deposits by banks	**1**	**1**	4
Loans and advances to banks	**4**	**4**	3
Debt securities in issue and derivative liabilities	**12**	**12**	18
Total average interest income on interest earning assets	**57**	**57**	76
Total average interest bearing liabilities	**18,694**	**18,650**	20,434
Average rate on average interest bearing liabilities	**0.30%**	**0.30%**	0.37%

23. NPLs as % of gross loans

NPLs as % of gross loans are defined as NPLs divided by gross loans and advances to customers. Management considers NPLs as % of gross loans to be an important metric as it reflects the risk profile of the Group.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Non-performing loans	**1,050**	**1,050**	1,696
Gross loans and advances to customers	**16,389**	**16,389**	16,916
NPLs as % of gross loans	**6.4%**	**6.4%**	10.0%

24. Average equity attributable to owners

This is an average of the equity position of each individual month beginning December 2018 to December 2019, thirteen months in total. Management considers average equity attributable to owners to be an important metric for assessing profitability and generation of returns from its investments.

	31 December 2019 Based on IFRS 16 €m	31 December 2019 Based on IAS 17 €m	31 December 2018 Based on IAS 17 €m
Average equity attributable to owners	**1,994**	**1,994**	2,107

Abbreviations

ALCO Asset and Liability Committee
AFS Available For Sale
AGM Annual General Meeting
ALM Asset Liability Management
AT1 Additional Tier 1
BAC Board Audit Committee
BCM Business Continuity Management
BITCI Business in the Community Ireland
BRCC Board Risk and Compliance Committee
BRRD Banking Recovery and Resolution Directive
CAC Capital Adequacy Committee
CBI Central Bank of Ireland
CCB Capital Conservation Buffer
CCF Credit Conversion Factor
CCMA Code of Conduct on Mortgage Arrears
CCyB Counter Cyclical Buffer
CDF Career Development Framework
CEO Chief Executive
CFO Chief Financial Officer
CET 1 Common Equity Tier 1
CFP Contingency Funding Plan
CODM Chief Operating Decision Maker
CPI Consumer Price Index
CRD IV Capital Requirements Directive IV
CRO Chief Risk Officer
CRR Capital Requirements Regulation
CSO Central Statistics Office
CSR Corporate Social Responsibility
CVA Credit Valuation Adjustment
DDI Debt to Disposable Income
DGS Deposit Guarantee Scheme
DoF Department of Finance
DTA Deferred Tax Asset
DVA Debit Valuation Adjustment
EAD Exposure at Default
EAR Earnings at Risk
EBA European Banking Authority
ECAI External Credit Assessment Institution
ECB European Central Bank
ECL Expected Credit Loss
EIR Effective Interest Rate
ELG Eligible Liabilities Guarantee
ESG Environmental Social Governance
EU European Union
EV Economic Valuation
EWI Early Warning Indicator
ExCo Executive Committee
FIA Financial Incentives Agreement
FLI Forward looking information
FTE Full Time Equivalent
FVOCI Fair value through other comprehensive income
FVTPL Fair value through profit or loss
FX Foreign Exchange
GCC Group Credit Committee
GDP Gross Domestic Product
GIA Group Internal Audit
GRC Group Risk Committee
GRMF Group Risk Management Framework
HPI House Price Index
HTC Hold to Collect
HTC&S Hold to Collect and Sell
HQLA High Quality Liquid Assets
IAS International Accounting Standards
IASB International Accounting Standards Board
IBCB Irish Banking Culture Board
ICAAP Internal Capital Adequacy Assessment Process
IFRIC International Financial Reporting Standards Interpretations Committee
IFRS International Financial Reporting Standards
IIA Institute of Internal Auditors
ILAAP Internal Liquidity Adequacy Assessment Process
IOB Institute of Banking
IOM Isle of Man
IPP Integrated Planning Process
IRB Internal rating based approach
IRRBB Interest Rate Risk in the Banking Book
ISA International Standards on Auditing
ISDA International Swaps and Derivatives Association
KPI Key Performance Indicator
KRI Key Risk Indicator
LCR Liquidity Coverage Ratio
LDR Loan to Deposit Ratio
LGD Loss Given Default
LSI Less Significant Institution
LTV Loan to value
MBS Mortgage Backed Securities
MCO Maximum Cumulative Outflow
MGC Model Governance Committee
MREL Minimum Requirement for own funds and Eligible Liabilities
MTM Mark to Market
MTN Medium Term Note
MTP Medium Term Plan
MVT Model Validation Team
NCU Newbridge Credit Union
NFC Non-Financial Corporate
NII Net Interest Income
NIM Net Interest Margin
NPL Non Performing Loan
NPS Net Promoter Score
NSFR Net Stable Funding Ratio
OCI Other Comprehensive Income
ODR Observed Default Rate
OTC Over the counter
P2R Pillar 2 Requirement
PAS Public Appointments Service
PBI Ltd. PBI Limited (formerly Permanent Bank International Limited)
PD Probability of Default
POCI Purchased or Originated Credit Impaired
PSD2 Payment Services Directive 2
PTSB Permanent TSB plc.
PTSBGH Permanent TSB Group Holding plc.
PwC PricewaterhouseCoopers
RAF Risk Appetite Framework
RAS Risk Appetite Statement
RCA Root Cause Analysis
RCSA Risk and Control Self-Assessment
RNPS Relationship Net Promoter Score
ROI Republic of Ireland
RP Restructuring Plan
RPPI Residential Property Price Index
RWA Risk Weighted Assets
SE Structured Entities
SEAI Sustainable Energy Authority of Ireland
SEAR Senior Executive Accountability Regime
SEI Social Entrepreneurs Ireland
SICR Significant increase in Credit Risk
SID Senior Independent Director
SME Small and medium sized enterprises
SOFP Statement of Financial Position
SPP Strategic Performance Priorities
SREP Supervisory Review & Evaluation Process
SSM Single Supervisory Mechanism
TCPID Trinity Centre for People with Intellectual Disabilities
TME Tracker Mortgage Examination
TRIM Targeted Review of Internal Models
TTC Through The Cycle
UK United Kingdom
VIP Values in Practice
VIU Value in Use

Definitions

The following information has not been subject to audit by the Group's Independent Auditor.

AFS Available for sale (AFS) are non-derivative financial investments that are designated as available for sale and are not classified as a (i) loan receivable (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

Arrears Arrears relates to any interest or principal payment on a loan which has not been received on its due date. When customers are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue, they are said to be in arrears.

Basel III Basel III is a global, voluntary regulatory framework on bank capital adequacy, stress testing and market liquidity risk.

Basis point One hundredth of a per cent (0.01%), so 100 basis points is 1%. It is the common unit of measure for interest rates and bond yields.

Brexit is an abbreviation of the term "British Exit". It refers to the United Kingdom's withdrawal from the European Union.

Buy-to-let Residential mortgage loan provided to purchase residential investment property to rent it out.

CET 1 ratio Ratio of a bank's core equity capital compared to its total risk-weighted assets.

Company Permanent TSB Group Holdings plc or PTSBGH

Commercial property Commercial property lending focuses primarily on the following property segments:
a) Apartment complexes;
b) Develop to sell;
c) Office projects;
d) Retail projects;
e) Hotels; and
f) Selective mixed-use projects and special purpose properties.

Common Equity Tier 1 Common Equity Tier 1 (CET1) capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; but may also include non-redeemable, non-cumulative preferred stock.

Concentration risk The risk that any single (direct or indirect) exposure or group of exposures has the potential to produce losses large enough to threaten the institution's health or its ability to maintain its core business.

Contractual Maturity Date on which a scheduled payment is due for settlement and payable in accordance with the terms of a financial instrument.

Cost to income ratio Total operating expense divided by total operating income.

Credit Default Risk The event in which companies or individuals will be unable to make the required payments on their debt obligations.

CRD Capital Requirements Directives (CRD) is statutory law implemented by the European Union for capital adequacy. CRD have introduced a supervisory framework in the European Union which reflects the Basel II and Basel III rules on capital measurement and capital standards.

Credit commitments Commitments to extend credit, standby letters of credit, guarantees, and acceptances that are designed to meet the requirements of the customers.

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

Credit Risk Mitigation Methods to reduce the credit risk associated with an exposure by the application of credit risk mitigants. Examples include: collateral; guarantee; and credit protection.

CVA Credit Valuation Adjustment (CVA) is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of counterparty's default.

Customer accounts Money deposited with the Group by counterparties other than banks and classified as liabilities. This includes various types of unsecured deposits, credit current and notice accounts.

Debt securities Instruments representing certificates of indebtedness of credit institutions, public bodies and other undertakings. Debt securities can be secured or unsecured.

Debt securities in issue Transferable certificates of indebtedness of the Group to the bearer of the certificates. They include commercial paper, certificates of deposit, bonds and medium-term notes.

Default When a customer fails to make timely payment of interest or principal on a debt security or to otherwise comply with the provisions of a bond indenture. Depending on the materiality of the default, if left unmanaged it can lead to loan impairment.

DVA Debt Valuation Adjustments (DVA) an adjustment made by an entity to the valuation of over-the-counter derivative liabilities to reflect, within fair value, the entity's own credit risk.

Eurozone The Eurozone, is a monetary union of 19 of the 27 European Union (EU) Member States which have adopted the euro (€) as their common currency and sole legal tender. The other eight members of the European Union continue to use their own national currencies. The Eurozone consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

Exposure at Default Exposure at default (EAD) is the gross exposure under a facility upon default of an obligor.

Fair value The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Forbearance Forbearance occurs when a borrower is granted a temporary or permanent concession, or agreed change to a loan, for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance strategies are employed in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such arrangements can include extended payment terms, a temporary reduction in interest or principal repayments, payment moratorium and other modifications.

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

Foreign currency exchange risk The risk of volatility in earnings resulting from the retranslation of foreign currency (e.g. Sterling and US dollar) denominated assets and liabilities from mismatched positions.

GDP Gross Domestic Product (GDP) is a monetary measure of the value of all final goods and services produced in a period of time (quarterly or yearly). GDP estimates are commonly used to determine the economic performance and standard of living of a whole country or region, and to make international comparisons.

Group Permanent TSB plc Group Holdings plc and its subsidiary undertakings.

Guarantee A formal pledge by the Group to pay debtor's obligation in case of default.

HTM Held to maturity (HTM) non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Home loan A loan provided by a bank, secured by a borrower's primary residence or second home.

Hybrid A combination of two or more forbearance arrangements.

ICAAP Internal Capital Adequacy Assessment Process (ICAAP) is a supervisory review and an evaluation process to assess the Group's own calculations and the adequate capital which Group considers necessary to cover the risks they take and which they are exposed to.

ILAAP Internal Liquidity Adequacy Assessment Process (ILAAP) is a supervisory review and an evaluation process to assess the Group's own calculations and the adequate liquidity which the Group consider necessary to cover the risks they take and which they are exposed to.

IRBA The Internal Ratings Based Approach (IRBA) allows banks to use their own estimated risk parameters for the purpose of calculating regulatory capital for credit risk to estimate probability of default (PD), loss given default (LGD), exposure at default (EAD), maturity (M) and other parameters required to arrive at the total risk weighted assets (RWA).

ISDA Master Agreements A standard agreement used in over-the-counter derivatives transactions. The ISDA Master Agreement, published by the International Swaps and Derivatives Association (ISDA), is a document that outlines the terms applied to a derivatives transaction between two parties. Once the two parties agree to the standard terms, they do not have to renegotiate each time a new transaction is entered into.

Loan to deposit ratio The ratio of loans and receivables compared to customer accounts, as presented in the statement of financial position.

LCR Liquidity Coverage Ratio (LCR) is the ratio to ensure that bank has an adequate amount of high quality liquid assets in order to meet short-term obligations under a stress scenario lasting for 30 days. The LCR minimum requirement is 100%.

LGD Loss Given Default (LGD) is the share of an asset that is lost when a borrower defaults on a loan.

Liquidity risk The risk that the Group may experience difficulty in financing its assets and/or meeting its contractual obligations as and when they fall due, without incurring excessive cost.

LTV Loan to Value (LTV) is a lending risk assessment ratio of mortgage amount to value of property.

Market risk The risk of change in fair value of a financial instrument due to adverse movements in equity prices, property prices, interest rates or foreign currency exchange rates.

Medium term notes Medium term notes (MTNs) are debt notes issued by the Group which usually mature in five to ten years. They can be issued on a fixed or floating coupon basis.

NII Net Interest Income (NII) is the difference between interest earned on assets and interest paid on liabilities.

NIM Net Interest Margin (NIM) is a performance metric that measures the difference between interest income generated on lending and the amount of interest paid on borrowings relative to the amount of interest-earning assets.

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

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

NSFR Net Stable Funding Ratio (NSFR) is designed to act as a minimum enforcement mechanism to complement the shorter term focused liquidity coverage ratio.

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

PD Probability of Default (PD) is a financial term describing the likelihood that a borrower will be unable to meet its debt obligations.

RMBS Residential Mortgage Backed Securities (RMBS) are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

RWAs Risk weighted assets (RWAs) is a measure of amount of bank's assets or off-balance sheet exposures which are weighted according to risk on prescribed rules and formulas as defined in the under Basel Banking Accord.

Securitisation Securitisation is the process of taking an illiquid asset, or group of assets, and through financial engineering, transforming them into a security.

Settlement Risk The risk that the Group delivers a sold asset or cash to a counterparty and then does not receive the corresponding cash or purchased asset as expected.

SSM The Single Supervisory Mechanism (SSM) is a mechanism which has granted the European Central Bank (ECB) a supervisory role to monitor the financial stability of banks based in participating states. The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe.

SPE/SPV Special purpose entity (SPE) is a legal entity which can be a limited company or a limited partnership created to fulfil specific or temporary objectives. SPEs are typically used by companies to isolate the firm from financial risk. This term is used interchangeably with SPV (Special Purpose Vehicle).

Stress testing A technique used to evaluate the potential effects on an institution's financial condition of an exceptional but plausible event and/or movement in a set of financial variables.

Structured securities Structured securities are complex lending arrangements created to meet needs that cannot be met from traditional financial instruments available in the markets, through the structuring of assets or debt issues in accordance with customer and/or market requirements. Structured debt securities have the potential to decrease risk, create liquidity, and increase yield.

Tier 1 capital A term used to describe the capital adequacy of a bank. Tier 1 capital is core capital; this includes equity capital and disclosed reserves.

Tier 2 capital Tier 2 capital is supplementary bank capital that includes items such hybrid instruments and subordinated term debt.

Tracker mortgage A mortgage which follows the base rate of interest set by the European Central Bank and will be fixed at a certain percentage above this rate.

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