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ANNUAL FINANCIAL RESULTS

FY 2019


# Annual Results 2019

## For The Year Ended 31 December 2019

# Forward Looking Statements

This document contains forward-looking statements with respect to certain of the Permanent TSB Group Holdings plc's (the 'Bank') intentions, beliefs, current goals and expectations concerning, among other things, the Bank's operational results, 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 Bank's present and future business strategies and the environment in which the Bank 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 Bank 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 Bank'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 Bank operates or in economic or technological trends or conditions.

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

The Bank expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in the Bank'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.

www.permanenttsbgroup.ie/investor-relations

ANNUAL FINANCIAL RESULTS

FY 2019

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# Agenda

## Business Update

Jeremy Masding, CEO

## Financial Performance

Eamonn Crowley, CFO

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ANNUAL FINANCIAL RESULTS

FY 2019


# Business Update

Jeremy Masding, CEO

# Continuing Commercial And Financial Progress

## FY 2019 Highlights

### Profit

- Profit Before Tax of €42m
- Net Interest Margin of 1.80%
- Cost discipline allowing reinvestment in the business

### Growth

- New Lending of €1.7bn, up 14% YoY
- Mortgage Market Share of 15.5%[1]; increased seven years in a row
- Net Growth in Performing Assets (+1%)

### Properties In Possession

- Stock of 400 Properties at 31 Dec 2019
- c.2,100 Properties sold since 2017

### NPLs

- NPLs of €1.05bn, 38% lower YoY
- €0.5bn NPL disposal in H2'19
- NPL Ratio 6.4%, Mid-Single Digit Ratio in sight

### Credit Rating

- Standards & Poor's upgraded credit rating to BBB-, the highest in over a decade
- Moody's upgraded credit rating by two notches to Baa2
- Investment Grade, first time since 2011

### Capital

- Proforma[2] CET1 Ratio (Fully Loaded) has increased by 100 basis points to 15.0%
- CET1 Ratio remains above Management and Regulatory minimum
- Management Long Term Target (Fully Loaded) is c.13.0%

1. BPFI data at 31 December 2019
2. CET1 Ratio Post Glas II Completion in February 2020.



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# Building Positive Momentum
## Financial Highlights FY 2019

### Financial Performance

**Profit Before Tax**
€42m ↑
FY 18 €3m

**Net Interest Margin**
1.80% ↑
FY 18 1.78%

**Operating Expenses[1]**
€283m ↓
FY 18 €284m

**Impairment Charge**
€10m ↓
FY 18 €17m

**Retail Deposits (Incl Current Accounts)**
€15.0bn ↑
Dec 18 €14.8bn

**Performing Loan Book[2]**
€15.3bn ↑
Dec 18 €15.3bn

**NPLs**
€1.1bn ↓
Dec 18 €1.7bn

**Pro-Forma CET1 Ratio (Fully Loaded)**
15.0% ↑
Dec 18 14.0%

1. Excluding Exceptional Items, Bank Levy and Regulatory Charges
2. Performing Loan Book increased by €0.1 billion YoY

# Growing New Business

## 14% Growth In Total New Lending

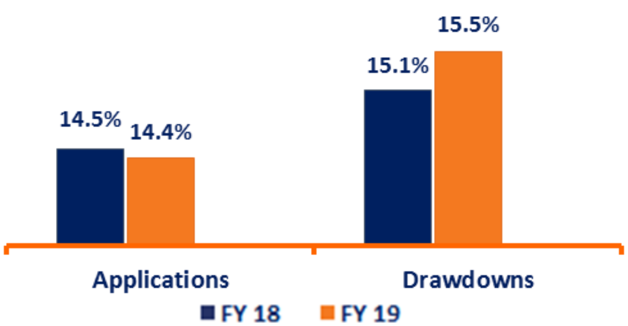
### Total Customer Lending (€m)

**1,484**
+13%
Mortgage Lending

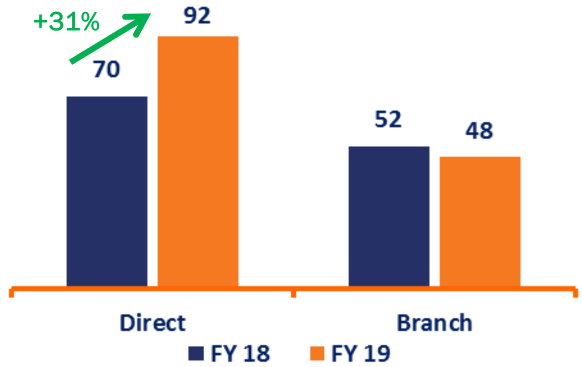
**140**
+15%
Personal Term Lending

**47**
+126%
SME Lending

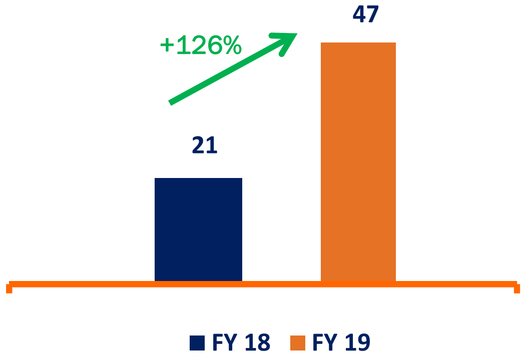
#### Mortgage Market Share (%)




#### Personal Term Lending Channels[1] (€m)




#### SME Lending (€m)




1. Direct Channels include Online and Voice



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# Managing To A Clear Business Model

## Focusing As A Source Of Competitive Advantage

**Governing Objective**
Maximising Sustainable Shareholder Value

**Vision**
To Be The Bank Of Choice For All Our Stakeholders

**Brand Purpose**
Deliver What Our Customers, Colleagues And Communities Need To Be Successful

**Participation Strategy**
Providing Financial Services To Irish Retail And SME Customers

### Competitive Strategy

| Offer Position | | | Price Position | Operating Position |
|---|---|---|---|---|
| Marketing Position | Service / Distribution Position | Product Position | Competitive Pricing.. | With Easy, Straightforward, End To End Processes |
| We Offer Modern, Personal, Easy Banking…. | With Strategically Positioned Physical Locations… | Simple Transparent Products And Features… | | |

**The Bank's Strategic Commitment Is To Offer Retail And SME Banking Services, In The Republic Of Ireland, Through A Multi-Channel Offering.**



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# Delivering Our Brand Purpose

## Meeting Customers Needs

### Customer

**NPS[1] - Joint 1st**
Customer Care and Value being the positive drivers

**Payment Card Transactions**
**Up 14%,** Year-On-Year

**New-To-Bank Mortgage Customers**
**38% of New Business**

Competitive Fixed Rate pricing strategy with cash back incentives

**34,000 New Current Accounts**

### Omni-Channel Service And Distribution

**Digital Activity**
**>80 million**
Successful Log-Ins on Mobile App & Desktop

**>360k**
Active App Customers
**+44% YoY**

**>35K**
Term Loans Applied for End To End Online
(2018 >10k)

- **Continuing Investment in Channels**
  - Branches, Voice and Digital
- **Strengthening Intermediary Relationships**
  - Mortgage Broker Portal Launched in 2019
- **Channels of Choice**
  - Enabling Customers to bank at any time and through a channel of their choice
- **Digital Maturity**
  - Term Loans and Credit Cards completed
  - Current Accounts & Overdrafts in 2020
- **Partnership with Irish Life**
  - Encouraging Financial Wellbeing
- **100 Mobile Consultants**
  - Meeting Customers at a time and place that suits them

1. Relationship Net Promoter Score (NPS) – an index ranging from -100 to 100 measuring the willingness of customers to recommend a company's products or services to others based on the Red C research commissioned by the Bank, December 2019

# Repositioning For Profitable Growth

## Delivering On Strategic Priorities

### Strategic Priorities

| Grow Income Profitability | Drive Digital Transformation | Advance Simplification And Efficiencies | Commit To Fair Customer Outcomes | Embed An Inclusive High Performance Culture |
|---|---|---|---|---|
| • Profit Before Tax of €42 million<br>• Mortgage Market Share 15.5%<br>• Pro-forma CET1 Ratio 15.0% Fully Loaded | • Delivery of Customer Onboarding Capabilities<br>• Introduction of new collaboration tools (Skype for Business)<br>• Coming Soon:<br>➢ Current Account Online<br>➢ Overdraft Online<br>➢ Apple Pay | • Cost Reduction Efficiency Gains – c.€20 million underlying savings<br>• Investing in Process Simplification<br>• Enhancing Capabilities:<br>➢ Document Uploader<br>➢ Document Verification<br>➢ Selfies | • Establishment of the Product Assurance Function<br>• Improved Focus on Complaints Management<br>• Actively Working with the Irish Banking Culture Board (IBCB) | • 83% Employee Engagement Score, +2%<br>• Developed Further the Bank's Diversity and Inclusion Strategy<br>• Colleague Led Resource Groups[1]; SEEN, PRISM & LIFE<br>• 6% increase in Women in Senior Leadership Positions from 24% in 2017 to 30% in 2019 |

### FY 2019 Progress

1. SEEN, an empowerment engagement network focused on achieving gender balance. PRISM, the LGBTQ + Network. LIFE, the work/home balance and support network.



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# Evolving For A Better Future

## Balance Of Opportunities And Challenges In Strategic Priorities

| Opportunities | Challenges | Strategic Priorities |
| --- | --- | --- |
| • Positioned Well for Commercial and Profitable Growth, Supported by a Strong Irish Economy | • Regulatory Requirements<br>• Prolonged Lower For Longer Interest Rates | • Grow Income Profitably<br>• Diverse Income Streams |
| • End To End Online Capability Progressing Well | • Cyber Security | • Build A Digital First Omni-Channel Bank |
| • Strong Capital & Earnings<br>• Solid Funding & Robust Liquidity | • Delivering Sustainable Cost Savings<br>• Investment Spend Within Banks Cost Envelope | • Transform The Operating Model<br>• Create An Efficient Business<br>• Reduce Cost Base |
| • Strengthened Asset Quality | • NPL Level (albeit now at circa 6%)<br>• Balance Sheet Scale | • Deepen Relationships<br>• Shared Understanding Of Fair Customer Outcomes |
| • Succession Planning In Place For Key Roles | • Attraction And Retention Of People | • Build A Culture Where All Colleagues Feel Valued<br>• Maximise Talent |



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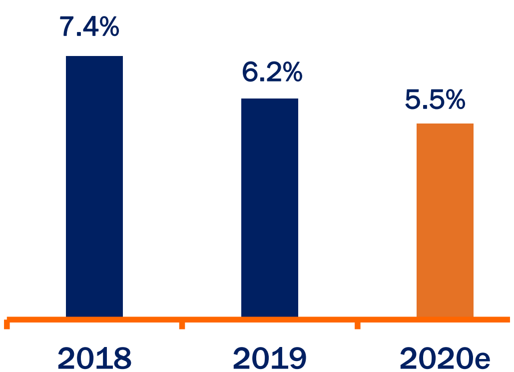
# Financial Performance

Eamonn Crowley, CFO

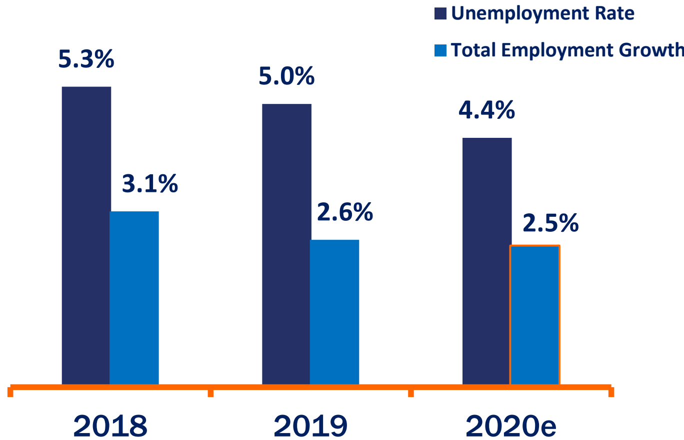
# Irish Economy Continues To Grow

## Strong KPIs Across The Board (Versus European Peer Economies)

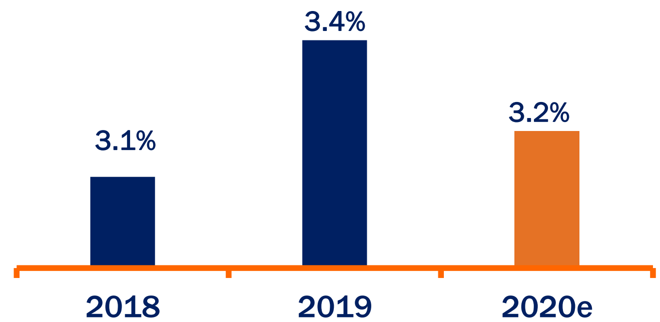
### GDP (Growth)



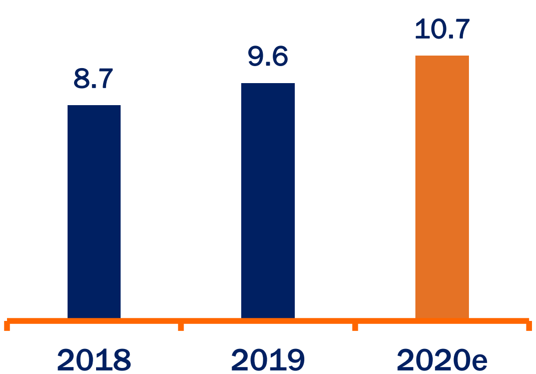

### Labour Market



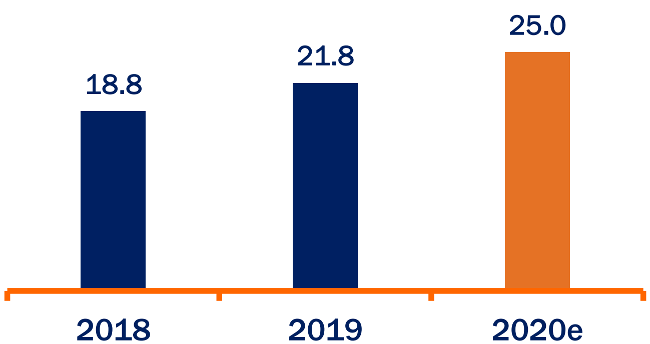

### Real Consumer Spending Growth



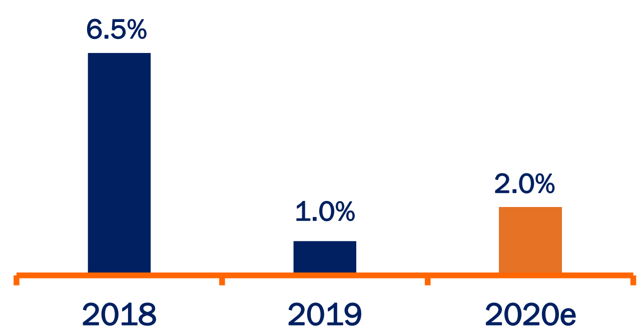

### Mortgage Market (€bn)




### Housing Completions (000s)




### House Price Growth






Source: Davy

# Income Statement
## Improving The Quality Of Earnings Year On Year

| | FY 19 €m | FY 18 €m | YoY €m | YoY % |
|---|---|---|---|---|
| NII (After ELG Fees) | 356 | 379 | (23) | -6% |
| Fees & Commissions | 37 | 39 | (2) | -5% |
| Net Other Income | 21 | 24 | (3) | -13% |
| Operating Income | 414 | 442 | (28) | -6% |
| Operating Expenses | (283) | (284) | +1 | -1% |
| Regulatory Charges | (47) | (47) | - | - |
| Pre-Impairment Profit | 84 | 111 | (26) | -23% |
| Impairment Charge | (10) | (17) | +7 | -41% |
| Profit Before Exceptional Items & Tax | 74 | 94 | (20) | -21% |
| Exceptional Items (Net)[1] | (32) | (91) | +59 | -65% |
| Profit Before Tax | 42 | 3 | +39 | - |

### FY 19 Vs FY 18

- 6% reduction in NII primarily due to lower income from NPLs (€36m) and Treasury Assets (€18m) offset by lower funding costs

- 5% reduction in Fees & Commissions due to lower overdraft fees

- Net Other Income of €21m primarily relates to the gains on the disposal of Properties in Possession together with some movement on Treasury instruments
- Prior year of €24m is primarily from one off gains from the closure of legacy treasury structures and sale of Treasury Assets (€25m)

- Operating Expenses are 1% lower as efficiency savings offset Investment and Inflationary pressures. Regulatory Charges remain in line with prior year
- The Bank continues to maintain good cost discipline

- A modest impairment charge of €10m. The underlying loan book is performing well reflecting the stability of the portfolio and the current macroeconomic environment

- Exceptional Items in primarily relate to:
  - Restructuring and Other Costs €16m
  - Costs from deleveraging Non Performing Loans of €16m

1. Exceptional Items (Net) for the 12 month to December 2019 included €16m NPL Deleveraging costs, Restructuring costs of €13m and a charge of €3m in relation to the Tracker Mortgage Examination Fine which was provided for in prior years and paid in 2019. Exceptional Items (Net) for the 12 months to December 2018 included €66m NPL deleveraging costs, provision of €20m in relation to legacy Tracker Mortgage related programme and restructuring and other costs of €5m.



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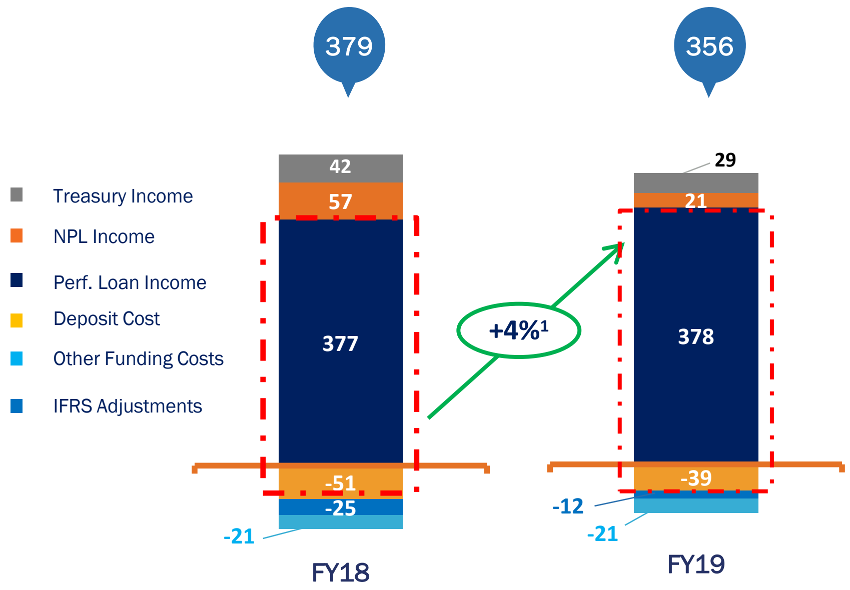
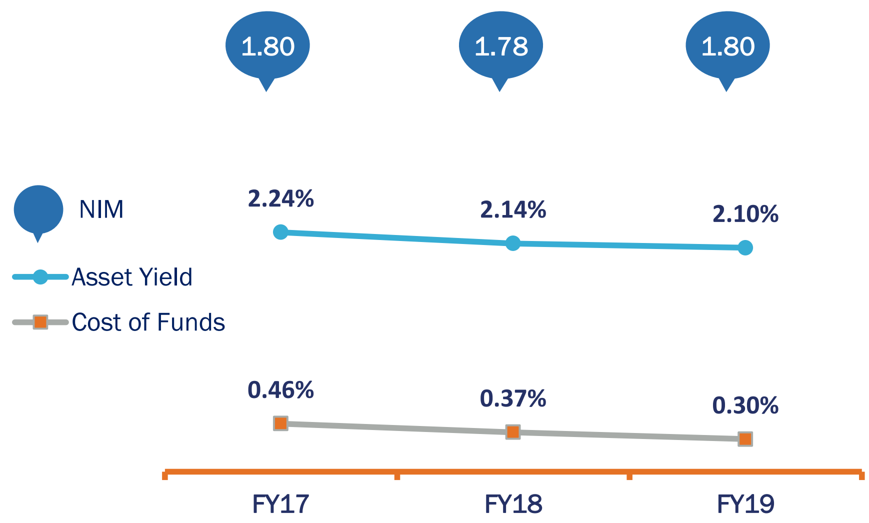
# NIM Stable, 2 Bps Higher Year-On-Year

## Lower Net Interest Income

### Net Interest Income (€m)




### Net Interest Margin (%)




- Treasury Income lower by €13m due to continued maturity of legacy higher yielding government gilts
- NPL income lower by €36m following deleveraging activity over the last 2 years
- MREL issuance of €0.3bn in Sep 19 marginally increasing cost of funds in 2019. Additional issuances of c.€0.5bn expected before 1 Jan 2021

- Lower YoY Cost of Funds primarily through continued active management of Deposit Costs, partially offset by additional MREL issuance in H2 19
- Reduction in Asset Yield due to maturities of high yielding legacy Treasury Assets together with the reductions to the Bank's Fixed Rate Mortgage products
- Assets Yields remain above 2%. NIM trajectory expected to be slightly lower in 2020 before increasing in 2021

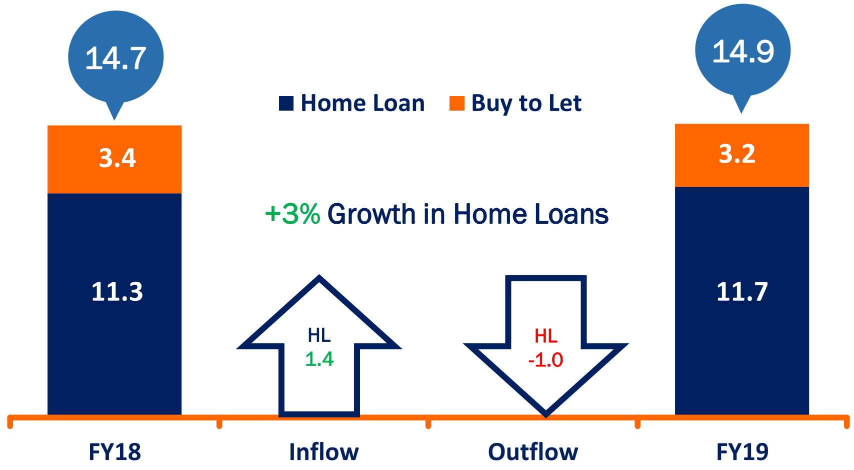


1. Net Lending Income = Performing Loan Income – Deposit Cost

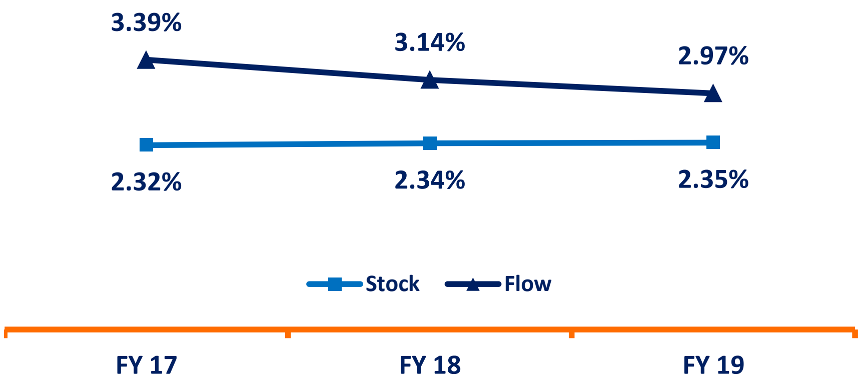
# Growth In Performing Loan Book

## Home Loan Mortgage Book Growth Of 3%

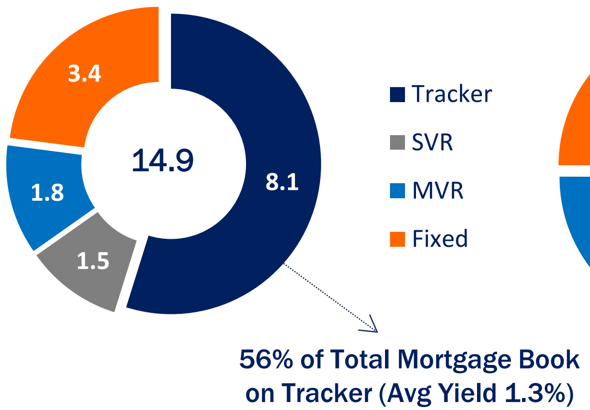
### Performing Mortgage Book Growth (€bn)



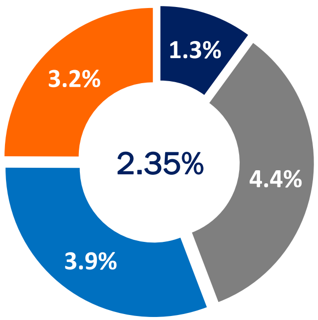

### Performing Mortgage Yield (%)




### Mortgage Book Mix (€bn)




### Mortgage Mix Yield (%)




- Uplift in Performing Book primarily driven by Mortgage Book growth
  - Home Loan Mortgage Book Growth of 3%
  - Buy To Let Book Reduced by 8%
- Competition continues to drive down new mortgage customer rates, average New Business Mortgage Yield of 2.97%
- 17% of the Performing Mortgage Book is on Interest Only, predominantly Buy To Let; engaging with customers to source capital repayment plans
- Asset Quality remains good



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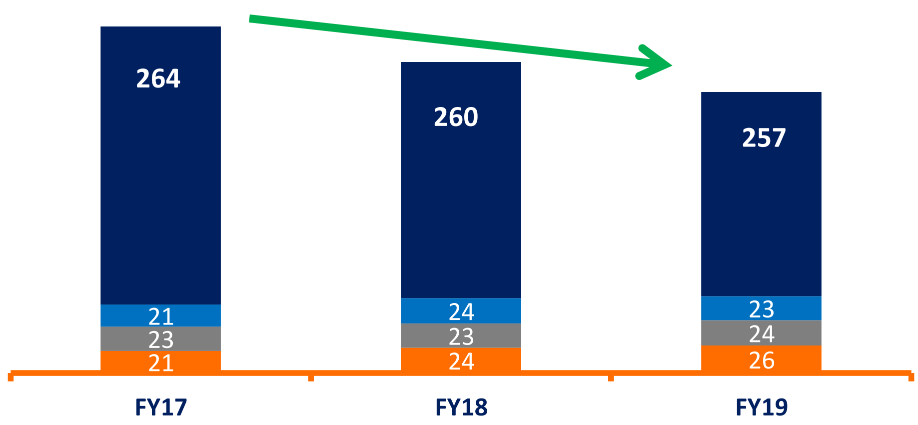
# Total Operating Expenses Reduced By 1%

## Cost Discipline Allowing Reinvestment In The Business

### Operating Expenses (€m)

| €m | FY17 | FY18 | FY19 | FY19 v FY18 |
|---|---|---|---|---|
| Staff Costs | 146 | 148 | 147 | -1% |
| Non Staff Costs[1] | 118 | 112 | 110 | -2% |
| **Operating Expenses** | **264** | **260** | **257** | **-1%** |
| Depreciation & Amortisation[1] | 21 | 24 | 26 | +8% |
| Regulatory Charges | 44 | 47 | 47 | - |
| **Total Operating Expenses** | **329** | **331** | **330** | **-1%** |
| **Cost Income Ratio[2]** | **64%** | **64%** | **68%** | |
| **Average Staff Numbers** | **2,447** | **2,418** | **2,386** | **-1%** |

### Movement In Operating Expenses (€m)




- **Operating Expenses before Depreciation, Amortisation & Regulatory Charges, the "Addressable Cost Base" was €257m in 2019, decreasing by €3m (1%) YoY and reducing by 3% since 2017**
- **Staff costs have reduced by 1%, with wage inflation of c.3% being offset by underlying payroll savings (c.4%)**
- **Non Staff Costs have reduced by 2% YoY, with on going cost savings initiatives allowing for reinvestment**
- **Underlying Depreciation & Amortisation has increased by 8% YoY**

- **Average underlying efficiency savings of c.€20m, 8-10% of Addressable Cost" Base, offsetting Wage Inflation, Investment and Inflationary pressure**
- **Addressable Costs are expected to continue to reduce over the Medium Term as the cost of investment is funded from sustainable operational efficiencies within the Bank's cost base**

1. To enable comparability with FY17 and FY 18, Non Staff Costs have been adjusted in FY19, increasing by the IFRS16 impact (€8m) with the equal and opposite adjustment to Depreciation & Amortisation.
2. Cost Income Ratio is calculated as Operating Expenses (excl. Regulatory Charges and Exceptional Items) divided by Total Operating Income



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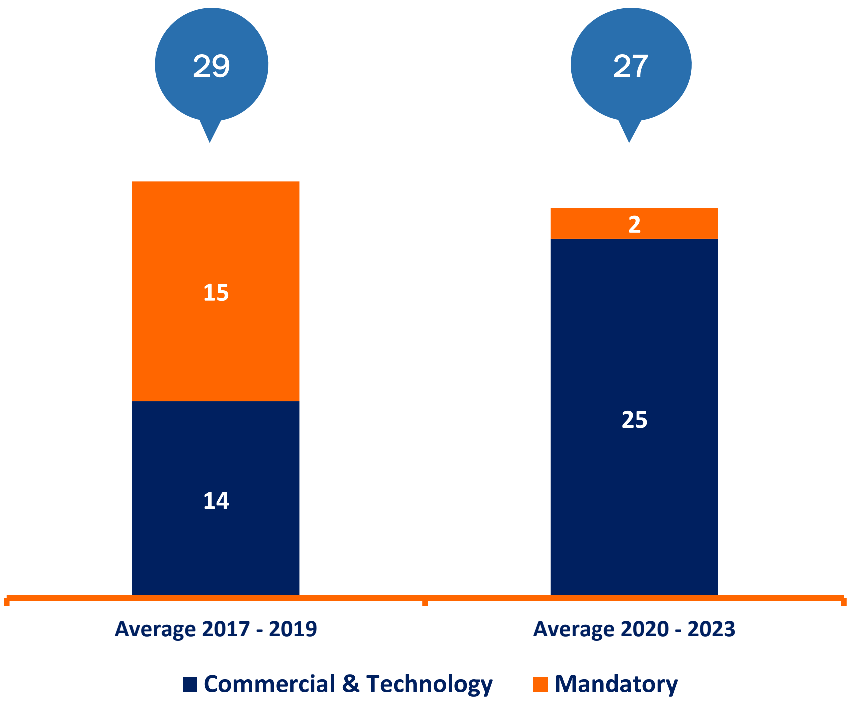
# Funding The Future

## Investing In Key Strategic Performance Priorities

### Average Annual Investment Spend (€m)




**Split of Investment Spend:**

- Average Capital Expenditure: 70%
- Average Operating Expenditure: 30%

### Commercial & Technology

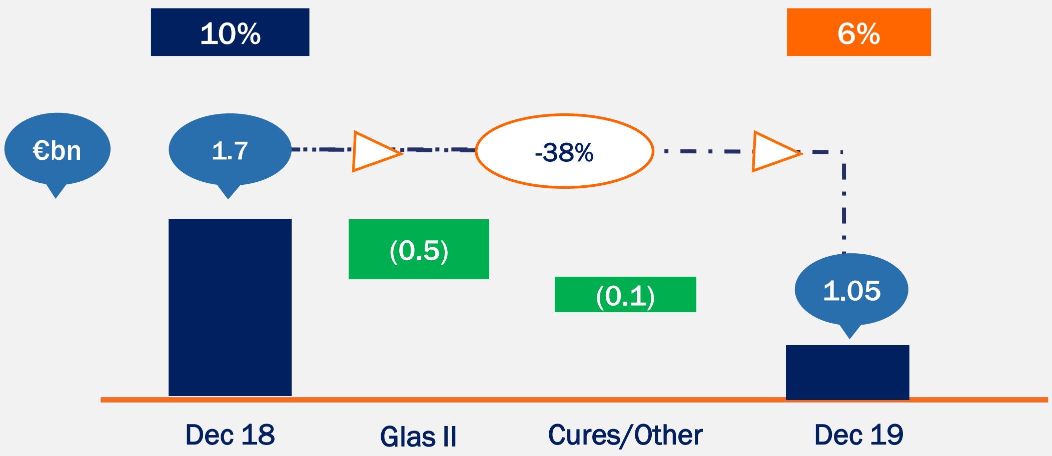
- Improved Customer Engagement Platforms
- Renovating and Integrating Existing Legacy Systems
- Introducing New Workplace Technology
- Identifying Partnership Opportunities
- Launch of SME Product and Service Proposition
- Cultural Development
- Continued Investment in Cyber Security
- New Payments & Management Information Platforms

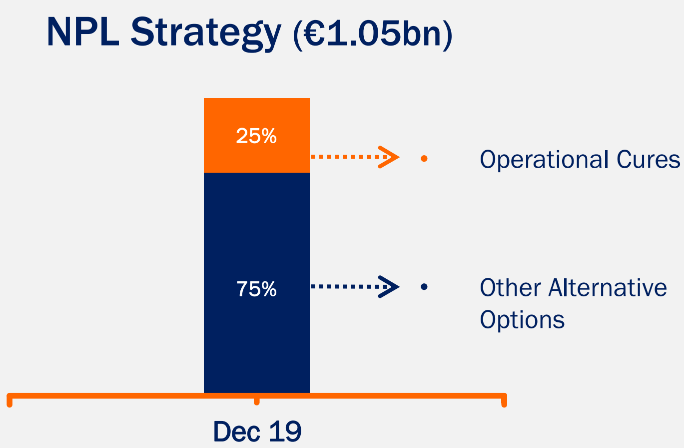
### Mandatory

- Ongoing Regulatory Agenda including 4th EU Anti Money Laundering, Open Banking, IFRS, and GDPR

# Improving NPL Ratio of 6.4%

## Mid Single Digit Ratio In Sight



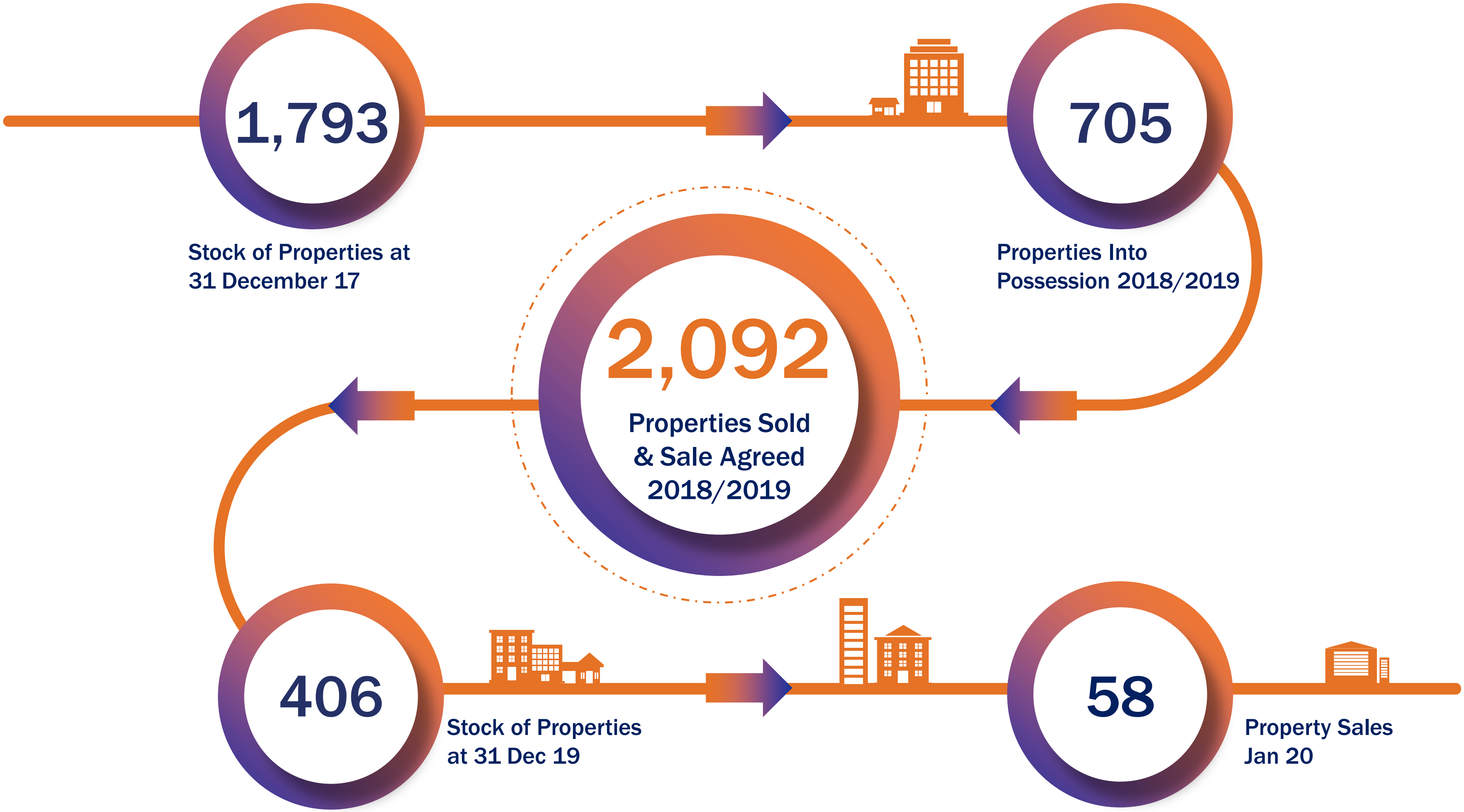




- Asset Quality Coverage remains appropriate
- Stage 3 Provision Coverage of 32%
- SREP guidance received on coverage levels for secured NPLs (over 7 years) of 40% from end 2020
- Cost of Credit expected to be < 20 bps

- Non Performing Loans of €1.05bn, 38% lower YoY
- Committed to Mid-Single Digit ratio;
  - 25% of NPLs are Organic and / or Technical Cures on a path to cure over the next 12 - 18 months
  - The balance will be assessed using other alternative options while protecting capital

# Properties In Possession

## Good Progress In Selling Properties



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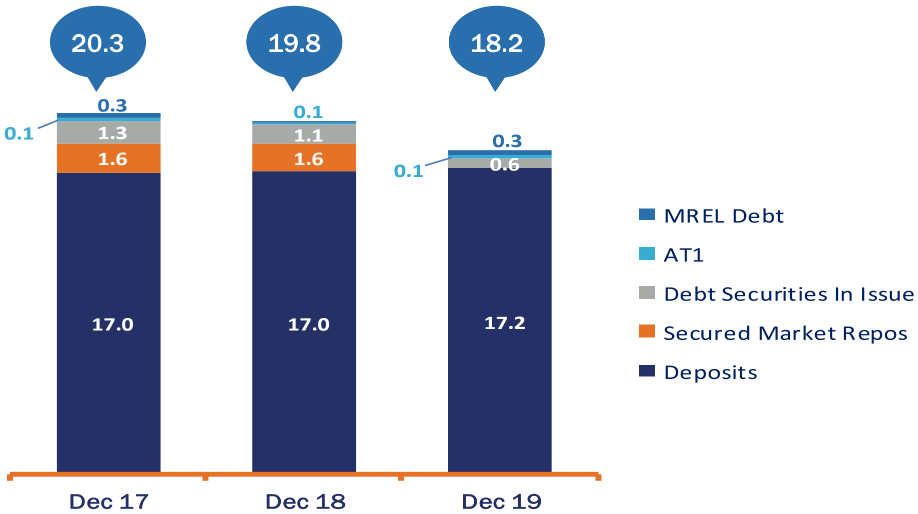
# Strong Funding And Liquidity Position

## Investment Grade Achieved

### Total Funding (€18.2bn)




### Liquidity And Funding Ratio Peer Comparison

| Ratio | PTSB (Dec 19) | European Bank Average | PTSB v European Peers |
|---|---|---|---|
| LCR[1] | 170% | 145% | 25% |
| NSFR[2] | 138% | 120% | 17% |
| LDR[3] | 91% | 117% | 26% |
| Encumbrance[4] | 6% | 28% | 22% |

- 95% funded by total Customer Deposits, 82% from Retail Deposits including Current Accounts, low attrition rate
- In September 2019, the Bank issued its inaugural MREL compliant €300m Senior Unsecured Bond from the Hold-Co entity. The bond was structured as a 5NC4 at a yield of MS +255bps (2.15% coupon)
- MREL indicative target has reduced by c.20% from €1.0 billion to c.€0.8 billion, by 1 Jan 2021
- Moody's, DBRS and S&P upgraded the Bank's credit rating in 2019, returning the Bank to Investment Grade, outlook is stable.

1. LCR sourced from the Supervisory Banking Statistics published by the ECB as at September 2019.
2. NSFR sourced from the ECB Report of the Basel III monitoring exercise on the European banking system (Oct 2019, data as at Dec 2018) using "Group 2" banks average
3. LDR sourced from the Supervisory Banking Statistics published by the ECB as at September 2019
4. Encumbrance Ratio was provided by EBA in its annual report on Asset Encumbrance (Sept 2019, data as at end-Dec 2018)



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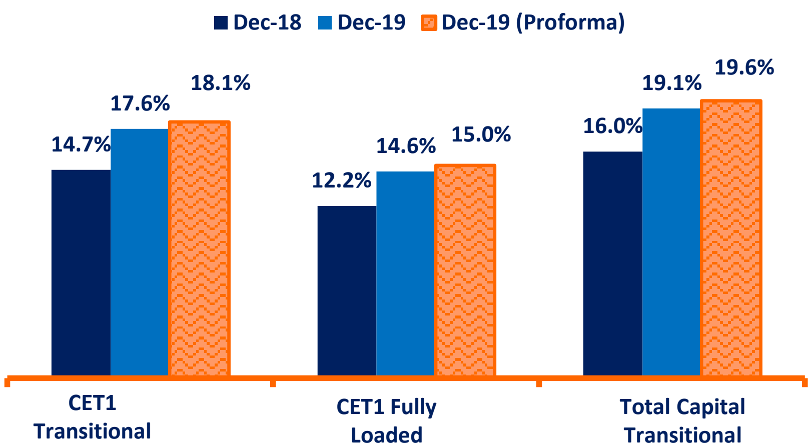
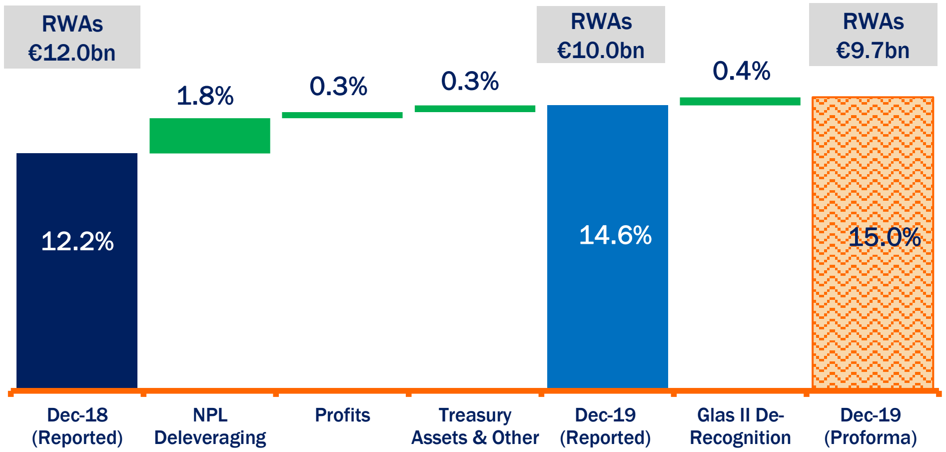
# Capital Remains Above Regulatory Requirements

## Pro-forma CET1 Fully Loaded Increases by 100 Basis Points

### Regulatory Capital Ratios (%)




### CET 1 Fully Loaded Ratio Movement




### Robust Leverage Ratios YoY

| Leverage Ratio | FY 17 | FY 18 | FY 19 |
|---|---|---|---|
| Tier 1 Capital (Fully Loaded) | 7.1% | 7.1% | 7.8% |
| Tier 1 Capital (Transitional) | 8.0% | 8.4% | 9.1% |

- Improving Fully Loaded CET1 ratio primarily due to:
  - Organic profits; and
  - Reduced risk weighting on retained Glenbeigh V-Note1 and de-recognition of underlying Glas loans[2]
- CET1 Minimum Regulatory Transitional Requirement of 11.45%. Increased in 2019 as a result of:
  - Capital Conservation Buffer (CCB) of 0.625%; and
  - Countercyclical Capital Buffer (CCyB) of 1.0%
- Timing of the Systemic Risk Buffer yet unknown
- Management CET1 (Fully Loaded) Long Term Target is c.13%

1. A risk weighting of 200% applied to Glenbeigh 5% securitisation in 2019, 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.
2. The Glas transaction was completed in July 2018 with underlying Glas loans de-recognised 6 months later in Q1 2019



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# 2020 Outlook

## Growth

- **Net Lending Growth** while maintaining commercial discipline on risk and pricing
- **Net Interest Income** will be lower as NPLs continue to reduce and higher yielding Treasury Assets mature
- **NIM** expected to fall slightly, we expect high 170bps in 2020
- Grow **Non Interest Income**

## Efficiency

- **Operating Expenses** will remain stable as we pay for investment and inflationary pressure through sustainable efficiency savings
- **NPLs** will reduce further, while protecting capital
- **Net Impairment Charge** < 20 Bps
- **Balance Sheet Management** as we meet 2020 MREL target

## Returns

- Continue to **maintain profitability** and generate organic **Capital**
- Prudent approach to **Capital Management**
- **Return On Equity** expected to reduce from 3% in 2019 to 2% in 2020, before increasing in 2021

# Continuing Commercial And Financial Progress

## 2019 Outturn and Medium Term Outlook

| | 2019 Outturn | Medium Term Outlook (2020 – 2023) |
|---|---|---|
| Growth | • Mortgage Market Share 15.5%<br>• €1.7 billion New Lending<br>• NIM 1.80%, +2 Bps<br>• Net Fee Income c.10% of Total Income | • Mortgage Market Share 16%-18%<br>• SME New Lending > €250m \| Consumer New Lending >€200m<br>• NIM > 1.90%<br>• Net Fee Income >10% of Total Income |
| Efficiency | • Operating Costs 1% Lower<br>• Average Underlying Savings c.€20 million (8-10% of Addressable Costs)<br>• NPLs reduced to 6.4% | • Sustainable Efficiency Savings, 10% of Addressable Costs<br>• 65% Cost Income Ratio<br>• NPLs reduced further while protecting capital<br>• Net Impairment Charge < 20 Bps |
| Returns | • Proforma CET1% (fully loaded) 15.0%, +100 Bps<br>• Return on Equity 3% | • CET1% (fully loaded) 13.0%<br>• Return on Equity 6% |

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ANNUAL FINANCIAL RESULTS

FY 2019


# Appendix

# Domestically Focused Retail And SME Bank

## Business Overview

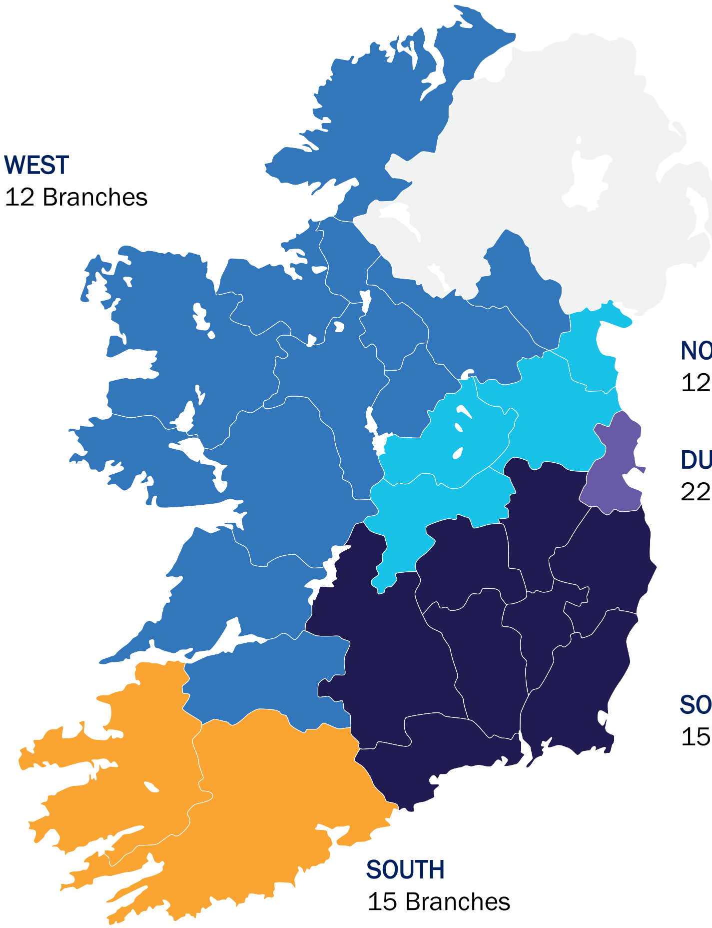
### Business

| €15.3bn | €4.7bn | €10.3bn |
|---|---|---|
| **Performing Loan Book** | **Current Account Balances[2]** | **Retail Deposit Balances[2]** |

### Market Share

| 15.5% | 12.1% | 11.1% |
|---|---|---|
| **Residential Mortgage Balances[1]** | **Current Account Balances[2]** | **Retail Deposit Balances[2]** |

## Our Physical Landscape




1. % Market Share of Stock of Mortgages for FY2019. Source: Banking Payments Federation of Ireland.
2. Data based on balances as at December 2019. Source: Central Bank Statistics.



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# Historical Financial Information – Income Statement

| €m | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 |
|---|---|---|---|---|---|
| Net Interest Income | 356 | 379 | 407 | 394 | 358 |
| Other Income | 58 | 63 | 38 | 71 | 34 |
| ELG Fees | - | - | (2) | (4) | (14) |
| **Total Operating Income** | **414** | **442** | **443** | **461** | **378** |
| Total Operating Expenses (Before Exceptional Items | (330) | (331) | (329) | (341) | (317) |
| **Pre-Impairment Profit / (Loss)** | **84** | **111** | **114** | **120** | **61** |
| Impairment (Charge) / Write-Back | (10) | (17) | (49) | 68 | (35) |
| **Profit / (Loss) Before Exceptional Items** | **74** | **94** | **65** | **188** | **26** |
| Exceptional Items (Net) | (32) | (91) | (13) | (414) | (460) |
| **Profit / (Loss) Before Tax** | **42** | **3** | **52** | **(226)** | **(434)** |

| **Key Metrics** | **FY 2019** | **FY 2018** | **FY 2017** | **FY 2016** | **FY 2015** |
|---|---|---|---|---|---|
| Net Interest Margin | 1.80% | 1.78% | 1.80% | 1.48% | 1.12% |
| Headline Cost Income Ratio [1] | 80% | 75% | 74% | 74% | 84% |



1. Cost Income Ratio is calculated as Operating Expenses (excl. Regulatory Charges and Exceptional Items) divided by Total Operating Income

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# Historical Financial Information – Balance Sheet

| €bn | Dec 2019 | Dec 2018 | Dec 2017 | Dec 2016 | Dec 2015 |
|---|---|---|---|---|---|
| **Total Loan Book (net)** | 15.6 | 15.9 | 18.4 | 18.9 | 23.0 |
| Treasury Assets | 3.6 | 3.8 | 3.5 | 3.9 | 5.5 |
| Other Assets | 1.1 | 2.1 | 0.9 | 0.8 | 0.8 |
| **Total Assets** | **20.3** | **21.8** | **22.8** | **23.6** | **29.3** |
| | | | | | |
| ROI Retail Deposits (Incl. Current Accounts) | 15.0 | 14.8 | 14.3 | 13.6 | 14.0 |
| Isle of Man Deposits | - | - | - | 0.4 | 0.5 |
| Corporate & Institutional | 2.2 | 2.2 | 2.7 | 3.0 | 4.0 |
| **Total Customer Deposits** | **17.2** | **17.0** | **17.0** | **17.0** | **18.5** |
| Wholesale Funding | 0.9 | 2.6 | 3.3 | 2.8 | 3.1 |
| ECB Funding | - | - | 0.2 | 1.4 | 4.7 |
| Other Liabilities | 0.2 | 0.2 | 0.2 | 0.3 | 0.6 |
| **Total Liabilities** | **18.3** | **19.8** | **20.7** | **21.5** | **26.9** |
| Total Equity (incl. AT1) | 2.0 | 2.0 | 2.1 | 2.1 | 2.4 |
| **Total Equity and Liabilities** | **20.3** | **21.8** | **22.8** | **23.6** | **29.3** |
| **Key Metrics:** | | | | | |
| NPLs | €1.1bn | €1.7bn | €5.3bn | €5.9bn | €6.6bn |
| LDR | 91% | 93% | 108% | 111% | 125% |
| CET1 Ratio (Fully Loaded Basis) | 14.6% | 12.2% | 15.0% | 14.9% | 15.0% |

# Interest Income Analysis

| | Average Balances (€bn) | | Yields | | Interest Income (€m) | |
|---|---|---|---|---|---|---|
| | FY 2019 | FY 2018 | FY 2019 | FY 2018 | FY 2019 | FY 2018 |
| Tracker | 9.4 | 11.8 | 1.3% | 1.1% | 115 | 135 |
| Fixed and Variable | 6.8 | 7.4 | 3.6% | 3.6% | 246 | 263 |
| Consumer Finance | 0.3 | 0.2 | 10.5% | 10.7% | 34 | 32 |
| CRE | 0.1 | 0.2 | 3.4% | 2.7% | 3 | 5 |
| Treasury Assets | 3.0 | 3.7 | 0.6% | 1.1% | 24 | 42 |
| Underlying Interest Income | | | | | 422 | 477 |
| Deferred Acquisition Costs and Accounting Adjustments | | | | | (21) | (22) |
| Total Interest Income | | | | | 402 | 455 |

# Interest Expenses Analysis

| | Average Balances (€bn) | | Cost of Funds | | Interest Expense (€m) | |
|---|---|---|---|---|---|---|
| | FY 2019 | FY 2018 | FY 2019 | FY 2018 | FY 2019 | FY 2018 |
| Current Accounts | 4.3 | 4.0 | 0.0% | 0.0% | 0 | 1 |
| Retail Deposits | 10.3 | 10.4 | 0.2% | 0.3% | 25 | 34 |
| Corporate Deposits | 2.4 | 2.5 | 0.5% | 0.6% | 13 | 16 |
| IOM Deposits | - | - | - | - | - | - |
| Wholesale Funding | 1.4 | 3.4 | 0.5% | 0.4% | 6 | 12 |
| ECB Funding | 0.0 | 0.0 | 0.0% | 0.0% | - | - |
| Underlying Interest Expense | | | | | 45 | 63 |
| Other | | | | | 1 | 13 |
| Total Interest Expense | | | | | 46 | 76 |

# Asset Quality

| Loans and Advances to Customers<br>Measured at Amortised Cost | 31-Dec 2019 €m | 31-Dec 2018 €m |
|---|---|---|
| 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** |
| *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 |
| Neither past due nor Stage 3 | 15,295 | 15,195 |
| Past due but not stage 3 | 44 | 25 |
| **Stage 3** | 1,050 | 1,696 |
| *Loss Allowance – Statement of Financial Position* | **16,389** | **16,916** |
| Stage 1 | 44 | 35 |
| Stage 2 | 439 | 411 |
| Stage 3 | 335 | 637 |
| Specific Provisions | - | - |
| IBNR Provisions | - | - |
| **Total Loss Allowance** | **818** | **1,083** |

# NPLs and NPAs

| 31-Dec-19 | Stage 3 Analysis<br>Home Loan<br>€m | Buy-To-Let<br>€m | Commercial<br>€m | Consumer Finance<br>€m | Total<br>€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 |
| Gross Loans | 12,260 | 3,598 | 165 | 366 | 16,389 |
| NPLs as % of gross loans | 5.0% | 10.5% | 24.8% | 4.9% | 6.4% |

| 31-Dec-18 | Stage 3 Analysis<br>Home Loan<br>€m | Buy-To-Let<br>€m | Commercial<br>€m | Consumer Finance<br>€m | Total<br>€m |
|---|---|---|---|---|---|
| NPL is < 90 Days | 654 | 336 | 29 | 3 | 1022 |
| 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 |
| Gross Loans | 12,413 | 4,003 | 165 | 335 | 16,916 |
| NPLs as % of gross loans | 8.9% | 12.8% | 33.3% | 7.5% | 10.0% |



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

# Regulatory Capital

| | 31 Dec 19 Transitional €m | 31 Dec 19 Fully Loaded €m | 31 Dec 18 Transitional €m | 31 Dec 18 Fully Loaded €m |
|---|---|---|---|---|
| **Risk Weighted Assets** | 10,012 | 9,996 | 11,990 | 11,966 |
| **Capital Resources:** | | | | |
| Common equity tier 1 | 1,765 | 1,464 | 1,768 | 1,456 |
| **Additional Tier 1**[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 |
| | | | | |
| **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**[2] | 9.1% | 7.8% | 8.4% | 7.1% |

| | 31 Dec 19 Transitional €m | 31 Dec 19 Fully Loaded €m | 31 Dec 18 Transitional €m | 31 Dec 18 Fully Loaded €m |
|---|---|---|---|---|
| **Total Equity** | 1,997 | 1,997 | 1,980 | 1,980 |
| Less: AT1 Capital | (122) | (122) | (122) | (122) |
| Captive Insurance Equity[3] | - | - | (9) | (9) |
| Adjusted Capital | 1,875 | 1,875 | 1,849 | 1,849 |
| **Prudential Filters:** | | | | |
| Intangible Assets | (66) | (66) | (41) | (41) |
| Deferred Tax | (170) | (337) | (143) | (344) |
| IFRS 9 Transitional Adjustment[4] | 134 | - | 111 | - |
| Others | (8) | (8) | (8) | (8) |
| **Common Equity Tier 1 Capital** | 1,765 | 1,464 | 1,768 | 1,456 |

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.
2. The leverage ratio is calculated by dividing Tier 1 Capital by gross balance sheet exposure (total assets and off-balance sheet exposures).
3. Insurance entity outside the prudential scope of consolidation. In 2019, the captive entity was deconsolidated from the Group and hence no adjustment is required.
4. 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).

# 2011 – 2019: Our Transformation Journey

## Return To Profitable Growth

| | €bn / % | Year | 2019 |
|---|---|---|---|
| LDR | 227% | 2011 | 91%[1] |
| System Funding | €19.5bn / 39% | 2011 | Zero |
| Total New Lending | €0.1bn | 2012 | c.€1.7bn |
| Mortgage Market Share | c. 2% | 2012 | 15.5%[2] |
| Financial Loss / Profit | Loss €1bn | 2012 | Profit €42m[3] |
| NIM | 0.72% | 2013 | 1.80% |
| NPL | €8.6bn / 28% | 2013 | €1.1bn / 6.4% |
| Perf Loans Not Paying Full C&I | 42% | 2013 | 16% |
| Capital | 11.3% | 2013 | 15.0% |
| EU Restructuring Plan | Entered | 2015 | Exited |
| Moody's Senior Unsecured Rating | Caa1 (Junk Status) | 2015 | Baa2 (Investment Status) |

1. Based on IFRS 16 as at 31 December 2019
2. BPFI data at 31 December 2019
3. Profit = Profit Before Tax

# Notes