



# Acquisition of elements of Ulster Bank business

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Permanent TSB Group Holdings PLC  
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## **PERMANENT TSB GROUP HOLDINGS PLC**

### **ACQUISITION OF CERTAIN ELEMENTS OF THE ULSTER BANK RETAIL & SME BUSINESS**

#### **PTSB CEO Eamonn Crowley**

"This is a decisive step in transforming Permanent TSB to be Ireland's best personal and small business bank."

Further to the Memorandum of Understanding announced on 23 July 2021, and following completion of a due diligence process and negotiation and agreement of final terms, Permanent TSB Group Holdings plc ("PTSBGH") announces that Permanent TSB plc ("Permanent TSB" or the "Bank"), a wholly owned subsidiary, has today entered into binding agreements with NatWest Group Plc ("NatWest") and Ulster Bank Ireland DAC ("Ulster Bank") for the acquisition of certain elements of the Ulster Bank Retail, SME and Asset Finance business in the Republic of Ireland (the "Transaction").

The Transaction remains subject to obtaining the required regulatory approvals, being both the Competition & Consumer Protection Commission (CCPC) and the Central Bank of Ireland. As the Transaction constitutes a Class 1 transaction for PTSBGH under the Irish listing rules, it is also subject to the approval of PTSBGH shareholders by a simple majority, which is expected to be sought in late H1 2022 at an Extraordinary General Meeting (EGM) which is anticipated to take place on the same date as the AGM. Subject to receiving all necessary approvals, all parties are working towards completing the acquisition of the performing non-tracker

residential mortgage business of Ulster Bank in Q4 2022 and it is currently anticipated that the acquisition of the Business Direct (micro-SME) and Lombard (Asset Finance) businesses will complete shortly thereafter, but in all cases no later than 30 June 2023. Further announcements will be made in the 2021 financial results which will be released in Q1 2022 and when the shareholder circular is issued in connection with the convening of the EGM.

### The Transaction

As at 30 June 2021, the Transaction includes approximately €7.6bn of assets and consists of the following parts of the Ulster Bank business;

- The performing non-tracker residential mortgage book of Ulster Bank (approximately €7.0 billion)<sup>[1]</sup>;
- The performing micro-SME ("Business Direct") loan book of Ulster Bank (approximately €230 million);
- The entire Lombard Asset Finance loan business of the Ulster Bank (approximately €400 million); and
- 25 branches in Ulster Bank's branch network (listed below).

Based on an expected portfolio size of c.€6.75bn at completion (anticipated range of €6.5bn - €7bn), the Bank will acquire the above portfolios for c.€6.4bn of cash consideration funded from internal resources and existing funding sources, in addition to the issue of PTSBGH ordinary shares to NatWest so that they hold 16.66% of the enlarged share capital of PTSBGH at completion, expected to be c.90.89m ordinary shares. Total consideration to be paid is equivalent to c.98% of par value and represents a discount to the fair value of the assets being acquired and is expected to result in the Bank recognising an accounting gain on the transaction at completion. The exact size of the portfolios and cash consideration payable will depend on movements in the portfolios up to completion. Following completion, the Bank expects to maintain a pro forma CET1 ratio of >14% and will not require additional new equity capital to complete the Transaction.

The assets being acquired in the Transaction will increase the Bank's mortgage book by c.40% from its end-2020 level and its branch network by c.30%. The Bank's business lending will triple in size relative to its end-2020 level when incorporating the micro-SME loans and the established Asset Finance business being acquired.

The acquisition is supportive of the Bank's financial objectives. Based on the expected portfolio size at completion, the Bank expects incremental gross interest income of c.€180m<sup>[2]</sup> (excluding discount unwind) in 2023, which will reduce over time as the portfolios redeem. Increased operational costs as a result of the Transaction are expected to be c.€50m per annum. As required under IFRS 9, the Bank will incur a Day 1 expected credit loss (ECL) charge as the loans migrate, which will impact the contribution of the Transaction at completion. The acquisition is facilitated by investment in the Bank's infrastructure over recent years. It is expected to reduce the Bank's cost income ratio and be earnings accretive, adding c.1.6% to RoE in the first full year of ownership. The Transaction is also expected to reduce the Bank's pro-forma non-performing exposure ratio to below 5%.

The information on the financial effects of the Transaction has been calculated on the basis that "IFRS 3: Business Combinations" ("Business Combination Accounting" or "BCA") will apply to the Transaction and that the accounting gain associated with the Transaction can be recognised at completion. Based on the current structure, the

Bank is confident that BCA is applicable to the Transaction and this will be continuously assessed up to completion. In the unlikely event that BCA was not applicable at completion then the Bank would engage with NatWest and all other relevant stakeholders to seek to restructure the Transaction to the extent possible and necessary to enable the Bank to proceed to completion. Any such restructured Transaction would remain subject to regulatory and likely shareholder approval.

PTSBGH will enter into a shareholder co-operation agreement with NatWest and the Minister for Finance of Ireland (the "Minister") in relation to a number of matters including orderly sale arrangements in relation to both the shares held by the Minister and the shares to be issued to NatWest (as partial consideration for the Transaction).

As part of the Transaction, the Bank has entered into a contractual arrangement with Ulster Bank whereby if required by Ulster Bank, the Bank will (i) establish a new trustee company to act as trustee and to hold and manage unclaimed balances which relate to closed Ulster Bank customer accounts on trust for the relevant customers; and (ii) take over management of Ulster Bank's NTMA Fund register requirements in respect of Ulster Bank's existing dormant accounts.

### **Employees**

It is expected that circa 450 Ulster Bank employees who are wholly or mainly assigned to the Retail, SME or Asset Finance businesses that are being acquired, will be entitled to transfer to Permanent TSB under the Transfer of Undertakings regulations. The final number of employees transferring will be confirmed as the deal completes.

It is currently envisaged that Permanent TSB will partner with Pepper Finance Corporation (Ireland) DAC trading as Pepper Asset Servicing ("Pepper") to support the servicing of the Ulster Bank mortgage book being acquired by Permanent TSB. This servicing arrangement will have no impact on customers and is subject to the completion of contractual and regulatory processes. Any employees who may have a right to transfer to Pepper will also be offered a role within Permanent TSB. Pepper Finance Corporation (Ireland) DAC trading as Pepper Asset Servicing ("Pepper") is regulated by the Central Bank of Ireland.

### **Customers**

Ulster Bank personal and business customers, whose loans are intended to transfer as part of this Transaction, do not need to take any action now. These customers will be provided with at least 60 days' notice prior to the transfer being completed. All legal and regulatory protections will transfer with the loans. While current accounts do not fall within the Transaction, Permanent TSB's easy-to-use digital account opening process will be available to any Ulster Bank personal customers looking to open a current account with us. This can be done via the Permanent TSB app. Customers can also contact the Permanent TSB team directly on our new customer information line on 0818 837 408 / 01 212 4022 or open an account in one of the Bank's nationwide branches.

Permanent TSB has created a dedicated customer hub on [permanenttsb.ie](https://permanenttsb.ie) to support Ulster Bank customers in keeping up to date with the latest Permanent TSB announcements regarding this Transaction. The hub also includes further information on how Ulster Bank customers can move their entire banking relationship to Permanent TSB.

As outlined above it is anticipated that completion of the first step in the Transaction will take place in Q4 2022 and in the interim Ulster Bank customers

should continue to engage with Ulster Bank in the usual way.

### Chief Executive Comment

Eamonn Crowley, Permanent TSB Chief Executive, said:

*"This is a decisive step in transforming Permanent TSB to be Ireland's best personal and small business bank. It will give us much greater scale and business model diversification, along with, many more customers and branches to fuel our ambition to grow and build a sustainable organisation for the future.*

*Reaching a binding agreement is a significant step forward and supports our strategy of growing organically while embracing this once in a generation opportunity to fast-track the growth of Permanent TSB.*

*We are looking forward to beginning the integration of Ulster Bank's businesses into our bank and to welcoming Ulster Bank customers to Permanent TSB - those whose loans are transferring as part of this transaction as well as Ulster Bank's current and deposit account customers who will need a new banking relationship. We also look forward to welcoming new colleagues to the Bank, bringing with them expertise, commitment and customer focus that will be invaluable.*

*To all of these customers and to our new colleagues, we offer an Irish bank with a strong community and customer service ethos that has evolved over its 200-year history; one that is investing heavily in branch and digital banking services; one that is building trust with customers; and one that is committed to bringing the best products and services to its customers in a sustainable way."*

**Ends**

*For further information, please contact:*

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#### **Note on forward-looking information:**

This Announcement contains forward-looking statements, which are subject to risks and uncertainties because they relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements referred to in this paragraph speak only as at the date of this Announcement. The Bank undertakes no obligation to release publicly any revision or updates to these forward-looking statements to reflect future events, circumstances, unanticipated events, new information or otherwise except as required by law or by any appropriate regulatory authority.

#### **Ulster Bank branches included in the Transaction (No change to those previously announced)**

COUNTY	BRANCH LOCATION

CAVAN	Ballyjamesduff Ballyconnell
CLARE	Shannon
CORK	Wilton
DONEGAL	Ballybofey Buncrana Donegal Town Killybegs
DUBLIN	Blackrock Blanchardstown Lucan Ranelagh Rochestown Avenue, Dun Laoghaire Pavilion Shopping Centre, Swords
GALWAY	Athenry 33 Eyre Square, Galway Tuam
KILDARE	Celbridge Kilcock
LOUTH	Ardee
MAYO	Belmullet Westport
MEATH	Trim
TIPPERARY	Thurles
WEXFORD	Enniscorthy

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[1] Within the non-tracker mortgage book, there is a small element of non-performing loans which, as at 30 June 2021, have nil arrears, are meeting contractual payments and are on a 12 month probation period (the probationary criteria). Subject to continued performance, these loans will be classified as performing at completion. Any assets within the portfolio at 30 June 2021 which subsequently become non-performing will form part of the portfolio of assets to be acquired in addition to performing non-tracker loans originated post 30 June 2021 and loans which meet the probationary criteria pre-completion.

[2] Gross Interest Income earned on the portfolio for the full year 2021 is estimated to be €225m.

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