THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Circular and what action you should take, you are recommended to consult your independent professional adviser, who is authorised or exempted under the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) or the Investment Intermediaries Act 1995 (as amended), if you are resident in Ireland, or who is authorised under the Financial Services and Markets Act 2000 (as amended), if you are resident in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland or the United Kingdom.

If you sell or otherwise transfer or have sold or otherwise transferred all of your Permanent TSB Group Holdings plc shares, please forward this Circular and the accompanying Form of Proxy to the purchaser or transferee of such shares or to the broker, custodian or nominee through whom the sale or transfer is/was effected for onward transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares in Permanent TSB Group Holdings plc, you should retain this Circular and the Form of Proxy and please consult the stockbroker, bank or other agent through or by whom the transfer or sale was effected.

The distribution of this Circular and/or the accompanying documents (in whole or in part) in jurisdictions other than the United Kingdom and Ireland may be restricted by the laws of those jurisdictions and therefore persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

PERMANENT TSB GROUP HOLDINGS PLC

(incorporated and registered in Ireland under the Companies Act 2014 with registered number 474438)

Proposed acquisition of the Target Business by Permanent TSB plc from Ulster Bank

and

Notice of Extraordinary General Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Chair of the Company set out on pages 10 to 18 of this Circular, which contains the unanimous recommendation of the Board to Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below. You should read this Circular in its entirety and consider whether or not to vote in favour of the Resolutions in light of the information contained in this Circular.

Notice of the Extraordinary General Meeting of Permanent TSB Group Holdings plc to be held at the Marker Hotel, Grand Canal Square, Dublin Docklands, Dublin, D02 CK38, Ireland on Friday, 24 June 2022 at 11:30am (Irish Time) is set out in this Circular accompanied by a Form of Proxy for use in connection with the resolutions at the EGM. To be valid, the Form of Proxy must be returned so as to

be received by the Company's Registrar, Link Registrars Limited (PTSBGH), P.O. Box 1110, Maynooth, Co. Kildare, Ireland not later than 11:30am (Irish Time) on Wednesday, 22 June 2022 in the manner set out in the notes attached to this notice. However, please note that persons holding shares through the Euroclear Bank or CREST (via CDI) systems must also comply with any additional voting deadlines imposed by the Euroclear Bank system (expected to be 10:30 am (Irish Time) on Wednesday, 22 June 2022) and the Broadridge system (expected to be two business days prior to Euroclear Bank's voting instruction deadline, as set out above, and is expected to be 6:59 pm (Irish Time) on Monday 20 June 2022). All persons affected are recommended to consult with their stockbroker or other intermediary at the earliest opportunity for further information on the processes and timelines for submitting proxy votes for the EGM through the respective systems.

The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting, or any adjournment thereof, should you wish to do so.

Alternatively, electronic proxy appointment is also available for the EGM, subject to the terms and conditions of electronic voting, via the internet by accessing the EGM page on the Company's website, www.permanenttsbgroup.ie or via the shareholder portal on Link Registrars Limited's website, www.signalshares.com and entering the Company name, Permanent TSB Group Holdings plc. You will need to register for Share Portal by clicking on "registration section" (if you have not registered previously) and following the instructions thereon. The proxy appointment must be received electronically by no later than 11:30am (Irish Time) on 22 June 2022.

Further instructions on how to appoint a proxy are set out in the notes to the Notice of EGM and on the Form of Proxy.

J&E Davy Unlimited Company (trading as "**Davy**"), which is regulated in Ireland by the Central Bank, is acting exclusively for the Company as financial adviser and sponsor in connection with the Transaction and for no one else (including the recipients of this Circular) and will not be responsible to any other person for providing the protections afforded to clients of Davy or for providing advice in relation to the Transaction, the contents of this Circular, or any other matter referred to in this Circular and neither Davy nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Davy in connection with this Circular, any statement contained herein or otherwise.

This Circular is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to purchase, sell, dispose of, acquire or subscribe for any security, including any shares in the Company to be issued in connection with the Transaction.

This Circular (including any document incorporated into it by reference) should be read as a whole and in conjunction with the accompanying Form of Proxy. The contents of this Circular should not be construed as legal, business or tax advice. Each Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

COVID-19 Notice

While we expect the EGM to proceed as planned on 24 June 2022, the health and safety of our shareholders, colleagues and advisers is a primary concern for the Company and its Board, who are closely monitoring developments relating to the COVID-19 pandemic ("**COVID-19**") and guidance issued by the Government of Ireland in relation to COVID-19. We will take all recommendations and applicable law into account in the conduct of the EGM.

Shareholder participation and engagement remains important to the Company and we note the ongoing risk of the COVID-19 pandemic. Therefore, we are pleased to be able to provide a teleconferencing and web based service facility for shareholders to view and listen to the business of the meeting. The details

for accessing and registering for such facilities will be provided on the Company's website, http://www.permanenttsbgroup.ie, in advance of the EGM. Please note that these facilities will allow you to listen to and watch the business of the EGM and submit questions or points only, you will not be able to use this facility to speak or vote (as noted above, voting is facilitated through the proxy service).

If you have any questions that you would like to raise and/or might otherwise have raised in person at the EGM, please submit those questions in writing by email together with evidence of your shareholding to AGM@permanenttsb.ie no later than 8am (Irish Time) on Friday, 24 June 2022 or by sending a letter and evidence of your shareholding at least four (4) business days prior to the EGM by post to the Company Secretary at the Company's registered office. Alternatively, questions can also be submitted during the meeting by those who choose to attend electronically by using the messaging functionality available on our web-based service. The procedures for question submissions are described in more detail in the notes to the Notice of the EGM.

The Company continues to monitor the impact of COVID-19 and any relevant updates regarding the conduct of the EGM, including any changes to the arrangements outlined in this Circular, will be announced via a Regulatory Information Service and will be available on the website of the Company at www.permanenttsbgroup.ie. Shareholders should monitor the Company's website for update announcements regarding the EGM in the event that circumstances change. Shareholders are also encouraged to keep up to date with the advice and guidance of the Government of Ireland and the Health Service Executive in relation to COVID-19.

Capitalised terms used in this Circular are defined in PART VII (*Definitions*) of this Circular.

The date of this Circular is 24 May 2022.

TABLE OF CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS	5
PRESENTATION OF INFORMATION	6
PART I – CHAIR'S LETTER	10
PART II - SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE TRANSACTION AND THE TRANSACTION DOCUMENTS	19
PART III - RISK FACTORS	24
PART IV - HISTORICAL FINANCIAL INFORMATION	34
PART V - UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	95
PART VI - ADDITIONAL INFORMATION	105
PART VII - DEFINITIONS	121
PART VIII - NOTICE OF AN EXTRAORDINARY GENERAL MEETING	135
APPENDIX – BRANCH PROPERTIES	144

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Shareholders should take note of the dates and times set forth in the table below in connection with the Transaction.

EVENT	TIME AND DATE
Announcement of the Transaction	17 December 2021
Publication of this Circular and Notice of Extraordinary General Meeting	24 May 2022
Posting of this Circular and the Form of Proxy	On or before 1 June 2022
Latest time and date for receipt of Form of Proxy	11:30am (Irish Time) on 22 June 2022
Voting record date for Extraordinary General Meeting	7pm (Irish Time) on 20 June 2022
Extraordinary General Meeting	11:30am (Irish time) on 24 June 2022
Target completion date for Principal Completion / Subscription Shares issued	On or around 7 October 2022
Admission of Subscription Shares	On or around 7 October 2022
Target completion date for acquisition of the Asset Finance Business	By no later than the end of Q1 2023
Indicative Long-Stop Date for Principal Completion / Receipt of Regulatory Approvals / Required Approval Date	30 November 2022
Target completion date for migration of the Branch Properties	By no later than the end of Q1 2023
Target completion date for the Business Direct Loans	By no later than the end of Q1 2023
Indicative Long-Stop Date for Final Completion	30 June 2023

Each of the times and dates in the table above are indicative only and assume that the Conditions to Completion have been satisfied before the date estimated for Principal Completion. All dates and times are based on the current expectations of the Company and are subject to change, which will depend, among other things, on the date on which the Conditions to Completion are satisfied. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement via a Regulatory Information Service to the extent that such a notification is required pursuant to applicable law.

The Company will make appropriate announcements to a Regulatory Information Service promptly after the EGM giving details of the results thereof.

PRESENTATION OF INFORMATION

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Circular (or incorporated by reference into it), oral statements made regarding the Transaction and other information published in connection with the Transaction constitute, or may be deemed to constitute "forward-looking statements". These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this Circular, including, without limitation, those regarding the PTSB Group's intentions, beliefs or current expectations concerning, amongst other things, their future financial condition and the performance and results of operations; their strategy, plans, objectives, prospects, growth, goals and targets; future developments in the industry and markets in which the PTSB Group participate or are seeking to participate; and anticipated regulatory changes in the industry and markets in which the PTSB Group operate. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "aims", "anticipates", "believes", "budget", "continue", "could", "estimates", "expects", "is expected to", "forecasts", "guidance", "intends", "may", "plans", "projects", "schedules", "should", "is subject to" or "will" or, in each case, their negative, or other variations or comparable terminology.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. These factors include the satisfaction of the Conditions, as well as factors such as future market conditions, currency fluctuations, 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 PTSB Group will operate or in economic or technological trends or conditions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

Shareholders are cautioned that forward-looking statements are not guarantees of future performance and that the PTSB Group's and, following Completion, the Enlarged Group's actual financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, may differ materially from the impression created by the forward-looking statements contained in this Circular. In addition, even if their financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, are consistent with the forward-looking statements contained in this Circular, those results or developments may not be indicative of results or developments in subsequent periods.

Forward-looking statements should, therefore, be construed in light of the foregoing risk factors and the other factors identified in PART III (*Risk Factors*) of this Circular. Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are made as at the date of this Circular and are not intended to give any assurance as to future results. None of the Company or any of its associates or directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Circular will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations, the Company is under no obligation, and the Company expressly disclaims any intention or obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Shareholders should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Circular. Information in this Circular will be updated as required by the Euronext Dublin Listing Rules, the Transparency Rules or other applicable law.

2. PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references in this Circular to "€", "euro" or "cent" are to the lawful currency of participating member states of the European Union. Unless otherwise indicated, all references in this Circular to "Sterling", "£" or "p" are to the lawful currency of the UK. Certain figures contained in this Circular or in the documents incorporated by reference herein, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables contained in this Circular or in the documents incorporated by reference herein may not conform exactly to the total figure given for that column or row.

This Circular references (i) Return on Equity; and (ii) cost-income ratio, which are non-IFRS measures. The Company believes these non-IFRS financial measures will provide Shareholders with useful supplemental information about the financial and operational performance of the Company, the Target Business and the Enlarged Group and enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by relevant management in operating its business, identifying and evaluating trends, and making decisions. Although the Company believes these financial measures are important in evaluating the Company, the Target Business and the Enlarged Group, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. They are not recognised measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of these measures may be provided for year-over-year comparison purposes, and Shareholders should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the operating results of the Company, the Target Business and/or the Enlarged Group.

Other than the Company's audited consolidated financial statements for the financial years ending 31 December 2021, 2020 and 2019 which are incorporated by reference into this Circular, the financial information set out in this Circular does not constitute statutory financial statements within the meaning of section 340 of the Companies Act 2014 and has been published to meet the requirements of the Listing Rules. The statutory financial statements for the years ended 31 December 2020 and 2019 and the report of the statutory auditor thereon have been delivered to the Registrar of Companies of Ireland. The statutory financial statements for the year ended 31 December 2021 and the report of the statutory auditor thereon were published on 1 March 2022 and will be delivered to the Registrar of Companies in Ireland by the deadline for doing so under Irish law. The matters referred to in the statutory auditor's reports were unqualified, and did not include references to any matters to which the statutory auditor drew attention by way of emphasis without qualifying the report.

2.1 Presentation of financial information relating to the PTSB Group

Unless otherwise indicated, the historical financial information relating to the PTSB Group included in this Circular has been extracted without material adjustment from the audited consolidated financial statements of the PTSB Group for the years ended 31 December 2021, 2020 and 2019.

Unless otherwise indicated, the historical financial information relating to the PTSB Group has been prepared in accordance with the requirements of the Companies Act 2014 and the International Financial Reporting Standards ("**IFRS**") adopted pursuant to Regulation (EU) No 1606/2002 as it applies in the European Union.

2.2 Presentation of the financial information relating to Ulster Bank

All financial information relating to Ulster Bank in respect of the Target Business contained in this Circular, unless otherwise stated, has been prepared in accordance with the basis of preparation set out in note 1.2 to the carve-out historical financial information of Ulster Bank in respect of the Target Business included in Section B of PART IV (*Historical Financial Information*) of this Circular using the accounting policies applied by the PTSB Group in its financial statements for the year ended 31 December 2021.

The carve-out historical financial information of Ulster Bank in respect of the Target Business as at and for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 have been reported on for the purposes of this Circular by EY and their accountant's report is included herein.

3. MARKET AND INDUSTRY DATA

Certain information in this Circular has been sourced from third parties. Where information in this Circular has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this Circular which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this Circular consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or the Company's own knowledge of its sales and markets.

4. PRO FORMA FINANCIAL INFORMATION

In this Circular, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited financial information contained in PART V (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this Circular.

The Unaudited Pro Forma Financial Information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the PTSB Group, the Target Business or the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies adopted by the PTSB Group in the audited consolidated financial statements of the PTSB Group for the year ended 31 December 2021 and in accordance with item 12.3.3 of the Euronext Dublin Listing Rules.

Future results of operations may differ materially from those presented in the Unaudited Pro Forma Financial Information due to various factors.

5. ROUNDING

Certain financial data, information and percentages have been rounded. As a result of such rounding, the totals of financial data, information and/or percentages presented in this Circular may vary slightly from the actual arithmetic totals of such data, information and percentages may not add up to 100%.

6. NO PROFIT FORECAST OR ESTIMATES

No statement in this Circular or incorporated by reference into this Circular is intended to be or is to be construed as a profit forecast or estimate for any period and no other statement in this Circular should be interpreted to mean that earnings for the PTSB Group or Ulster Bank, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings for the PTSB Group or Ulster Bank, as appropriate.

7. NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company's and Ulster Bank's websites or any hyperlinks accessible from those websites do not form part of this Circular and Shareholders should not rely on them.

8. DEFINITIONS

Certain terms used in this Circular, including capitalised terms and certain technical terms, are defined and explained in PART VII (*Definitions*).

9. NO OFFER OF SECURITIES

This Circular does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security, including the Subscription Shares to be issued as partial non-cash consideration in connection with the Transaction.

PART I – CHAIR'S LETTER

PERMANENT TSB GROUP HOLDINGS PLC
(Incorporated and registered in Ireland with limited liability under the Companies Act with registered number 474438)

Directors:		*Registered Office:*
Robert Elliott	*(Group Chair)*	Permanent TSB Group Holdings plc
Eamonn Crowley	*(Chief Executive Officer)*	56 - 59 St Stephen's Green
		Dublin 2
		Ireland
Ronan O'Neill	*(Senior Independent Non-Executive Director)*	
Ruth Wandhöfer	*(Independent Non-Executive Director)*	
Donal Courtney	*(Independent Non-Executive Director)*	
Ken Slattery	*(Independent Non-Executive Director)*	
Andrew Power	*(Independent Non-Executive Director)*	
Anne Bradley	*(Independent Non-Executive Director)*	
Celine Fitzgerald	*(Independent Non-Executive Director)*	
Marian Corcoran	*(Non-Executive Director)*	
Paul Doddrell	*(Non-Executive Director)*	
Conor Ryan	*(Company Secretary)*	

24 May 2022

To the holders of Shares in Permanent TSB Group Holdings plc

Dear Shareholder,

Proposed acquisition of the Target Business
by Permanent TSB plc from Ulster Bank
and
Notice of the Extraordinary General Meeting

1. Introduction

On 23 July 2021, the Company announced that Permanent TSB, a wholly owned subsidiary of the Company, had entered into a non-binding Memorandum of Understanding ("**MOU**") with NatWest and Ulster Bank regarding a potential acquisition of approximately €7.6bn (as of 30 June 2021) of assets from Ulster Bank, including certain elements of its retail, SME and asset finance business in the Republic of Ireland. On 17 December 2021, the Company announced that, following completion of a due diligence process and negotiation and agreement of final terms, Permanent TSB had entered into binding agreements with NatWest and Ulster Bank in respect of the Transaction and the acquisition of the Target Business.

Due to the size of the Transaction comparable to the Bank's existing business, the Transaction constitutes a Class 1 transaction for the Company under the Listing Rules and is therefore subject to, and conditional upon, the approval of Shareholders. In addition, the issuance of the Subscription Shares to the NatWest Group as partial non-cash consideration for the Transaction is subject to the approval of Shareholders. An EGM is being convened for this purpose and will be held at 11:30am (Irish Time) on Friday, 24 June 2022 at the Marker Hotel, Grand Canal Square, Dublin Docklands, Dublin, D02 CK38, Ireland. **A Notice of EGM and the Resolutions to be proposed and considered at the EGM is set out at the end of this Circular.**

The Board considers that the Transaction is in the best interests of Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the EGM.

The purpose of this Circular is to: (i) explain the background to and reasons for the Transaction; (ii) explain why the Board considers the Transaction to be in the best interests of Shareholders as a whole; and (iii) convene an EGM to seek shareholder approval for the Transaction and for the issuance of the Subscription Shares to the NatWest Group as partial non-cash consideration for the Transaction.

2. Background to the Transaction

In February 2021, NatWest announced that it would begin a phased withdrawal from the Republic of Ireland over the coming years. Following this, in July 2021, NatWest announced that Ulster Bank and NatWest had entered into the MOU with Permanent TSB for the proposed sale of the Target Business. Permanent TSB, Ulster Bank and NatWest subsequently entered into binding agreements for the acquisition of the Target Business by Permanent TSB in December 2021.

The Transaction complements Permanent TSB's growth strategy and is supportive of the Bank's financial objectives, which include increasing net interest margin, diversifying the business through the increase of other income, reducing the cost/income ratio, increasing operating profit and increasing the Group's Return on Equity. The Directors believe that it will accelerate the delivery of the Bank's ambition to become Ireland's best personal and small business bank. It provides Permanent TSB with greater scale and business model diversification together with an increased national footprint that will provide enhanced products and services to present and future customers. The Directors believe that the Transaction is a once in a generation opportunity to expedite the growth of the Bank with a strong community and customer service ethos that has evolved over its 200-year history. It is expected to reduce the Bank's cost income ratio and be earnings accretive. It also supports the investments that Permanent TSB is making in the transformation of its in-branch and digital banking services. Based on the expected portfolio size at completion, the Bank expects incremental annual gross interest income of c.€180m (excluding discount unwind) in 2023, which will reduce over time as the portfolios redeem. This additional income is the key driver in the expected reduction to the Bank's cost income ratio as it materially offsets the expected increased operational costs of c.€50m per annum. Transaction and implementation costs are estimated at c.€130m but these are once-off costs. The Bank's Return on Equity is expected to grow to c.5% by 2024, with a medium term target of c.9%. These returns are underpinned by the acquisition of the Target Business.

Permanent TSB is committed to growth and to supporting customers and communities in Ireland. The intention is that the Transaction will accelerate the Bank's growth, complementing its organic growth strategy and driving much needed competition in the Irish retail banking market. The Directors believe that the Transaction, together with the ongoing changes to the Irish banking market through the announced proposed exits by Ulster Bank and KBC Bank Ireland presents a unique opportunity for the Bank to maximise its potential and provide enhanced competition across all product lines. The Bank's share of the new mortgage market in Ireland, which continued to grow in 2021 reaching circa 18% (up over 2% in the twelve month period ending on 31 December 2021), represents further consolidation of the Bank's competitive proposition and its success in winning new mortgage customers with a combination of competitive and innovative products together with outstanding levels of service. The steady increase in mortgage market share that has been an established pattern over much of the last

decade is, in the Directors' opinion, a welcome reminder that this is an area of significant opportunity for the Bank, with more customers realising the strength of the Bank's competitive positioning. The Directors believe that Permanent TSB has an excellent platform from which it can build further and the Transaction offers scope to accelerate this building process, with expected continued growth in the mortgage book over the medium term. The Bank's SME lending for 2021 was €98m which was a 104% increase on the 2020 lending of €48m, which represents a year-on-year increase of 104%. The Bank recently announced plans to scale up its SME lending with the launch of a new €1 billion SME lending fund which Permanent TSB aim to deploy over the next 3 years. The Transaction will add significant momentum to the SME growth plans by adding asset finance and micro-SME lending businesses to the Bank's organic growth. As a result of the Transaction, Permanent TSB will become a bigger bank with many more customers and a branch presence in 25 more communities. This greater reach and scale will enable the Bank to compete even more strongly. Furthermore, the ongoing investment in the Bank's digital capabilities will ensure that the Bank is well positioned to offer customers the best of modern banking, combining outstanding personal service in branches and contact centres with the best digital banking services available in the market.

3. Information on the Target Business

The Target Business includes approximately €7.5 billion of gross loans as at 31 December 2021 and consists of the following parts of the Ulster Bank business:

- the entire performing non-tracker mortgage book (including undrawn facilities) of Ulster Bank as at 30 June 2021 together with such additional Underlying Loans as are originated between 30 June 2021 and Principal Completion (the "**Performing Loans**"). To the extent any Performing Loans subsequently become non-performing after 30 June 2021, such loans will not be removed from the Target Business and will be acquired by Permanent TSB as part of the Transaction;

- those non-performing loans within the non-tracker mortgage book of Ulster Bank that, as at 30 June 2021 or the date falling three months prior to the Principal Completion Date, have nil arrears, the customer is meeting contractual payments and is on a 12 month probation period (the "**Probationary Loans**");

- the entire performing micro-SME/business direct ("**Business Direct**") loan book (including undrawn facilities) of Ulster Bank as at 30 June 2021 and such additional Business Direct loans as are performing as at the date falling three months prior to the Principal Completion Date (the "**Business Direct Loans**");

- the entire asset finance business of Ulster Bank, details of which are set out below (the "**Asset Finance Business**"); and

- 25 branches in Ulster Bank's branch network, being the Branch Properties.

It is also expected that approximately 400-500 Ulster Bank employees who are wholly or mainly assigned to the Target Business, will be entitled to transfer to Permanent TSB (or its third party servicer, Pepper) under the TUPE Regulations. The final number of employees transferring will be agreed and confirmed in advance by the parties.

The Asset Finance Business is comprised of Lombard, which is the asset finance division of Ulster Bank's Commercial Banking division. The Asset Finance Business provides asset finance solutions to corporates, SMEs and consumers through three primary channels:

- **Business & Commercial**

    - This channel supports businesses to fund the assets they require to expand and grow.

- **Motor Finance**
    - This channel provides options to consumers and sole traders to purchase cars and other commercial vehicles, through financing arrangements such as hire purchase agreements and contract hire (e.g. operating lease agreements).
- **Unit Stocking**
    - This channel includes revolving working capital facility being offered to customers, which compliments the motor channel.

The tables below set out selected key financial information for the Target Business for the periods indicated as derived from the carve-out historical financial information as set out in Section B of PART IV (*Historical Financial Information*) of this Circular:

	Year ended 31 December 2021	**Year ended 31 December 2020**	**Year ended 31 December 2019**
	€m	**€m**	**€m**
Total operating income	**214**	211	202
Total operating expenses	**(184)**	(172)	(165)
Credit impairment releases / (losses)	**42**	(22)	13
Profit and total comprehensive income for the year	**72**	17	50

	As at 31 December 2021	**As at 31 December 2020**	**As at 31 December 2019**
	€m	**€m**	**€m**
Total assets	**7,509**	7,532	7,002

The Target Business has not comprised a separate legal entity or a separate group of entities for the years ended 31 December 2021, 2020, and 2019 (the "**Track Record Period**"). The Carve-out HFI has been prepared specifically for the purpose of this Circular. The assets and liabilities, results of operations and cash flows of the Target Business have been carved out from the accounting records of UBIDAC using the historical assets and liabilities, results of operations and cash flows of UBIDAC attributable to the Target Business. Consequently, the Carve-out HFI is prepared on a different basis from the statutory financial statements of UBIDAC for the comparable three years albeit both are prepared in accordance with IFRS.

The Carve-out HFI has been prepared in accordance with the accounting policies of the PTSB Group applied in its consolidated financial statements for the year ended 31 December 2021 and requirements of the Euronext Dublin Listing Rules and in accordance with this basis of preparation as set out in note 1.2 to the Carve-out HFI.

Further details on the basis of preparation of the Carve-out HFI is included in Section B of PART IV *(Historical Financial Information)* of this Circular.

4. Reasons for and financial effect of the Transaction

The Directors believe that the entry into and completion of the Transaction by Permanent TSB has a strong strategic and financial rationale as described below, creating a compelling investment opportunity for the Company and Shareholders as a whole.

This Transaction will position Permanent TSB for significant future growth in the personal and SME banking business in the Irish market and support customers as the country exits the COVID-19 pandemic. It will also provide certainty and continuity to the retail, SME and asset finance customers of Ulster Bank associated with this acquisition, along with the employees of Ulster Bank who are entitled to transfer to Permanent TSB (or its third party servicer, Pepper) under the TUPE Regulations.

Permanent TSB is committed to growth and to supporting customers and communities. The Transaction aligns with the Bank's ambition to be Ireland's best personal and small business bank and also supports the investments that Permanent TSB is making in the transformation of its in-branch and digital banking services. This will allow Permanent TSB to accelerate digital enhancements that will improve the experience of customers and thus its overall proposition. Following the Transaction, Permanent TSB will have the capabilities and scale required to be a leading provider within the SME retail market.

With over 200 years of history, Permanent TSB is a leading retail and SME bank within Irish communities. In April 2021, the Bank announced a further €50 million investment in its technology infrastructure and digital capability, allowing the Bank to prepare for a significant expansion of customers and services and bring an enhanced digital experience to customers. The Bank is in a strong position to take on customers from Ulster Bank as part of the Transaction and will provide an enhanced digital service offering to all customers.

The Bank's long-established retail and SME offerings, which serve over 1.1million customers, includes mortgages, personal lending and SME lending within the Irish market. As at 31 December 2021, the Bank had €19.1 billion of customer deposits, €14.2 billion residential loan portfolio and approximately €0.2 billion SME lending portfolio. The Bank has approximately an 18% share of the mortgage market in Ireland, up over 2% in the twelve-month period ending 31 December 2021. As a result of the Transaction, the Bank expects to generate a Return on Equity (RoE%) of circa 5% by FY24 and circa 9% over the medium term.

The main strategic highlights of the Transaction are as follows:

- increases scale and supports organic balance sheet growth, allowing Permanent TSB to achieve its current strategic goals in a shorter timeframe;
- increases market share in complementary products and provides significant growth in the micro-SME market;
- continued acceleration of digital enhancements through increased investment in IT infrastructure for the PTSB Group;
- transfer of approximately 400-500 new employees with new growth opportunities created for staff;
- diversification of revenue through the creation of an asset finance solution for Permanent TSB; and
- increased scale will create a more robust balance sheet with increased income, a stable funding profile and strong/improving capital and liquidity ratios.

The Target Business is highly complementary to the Bank's existing Irish business and is supportive of the Bank's financial objectives. Permanent TSB expects that the Transaction will:

- increase the Bank's mortgage book by approximately 40% from its position at 31 December 2021;

- increase the Bank's branch network by approximately 30% from its position at 31 December 2021;
- triple the Bank's business lending relative to its position at 31 December 2021 when incorporating the micro-SME loans and the established Asset Finance Business;
- increase the Bank's incremental gross interest income by approximately €180 million (excluding discount unwind) in 2023, which will reduce over time as the portfolios redeem;
- assist in reducing the Bank's cost-income ratio to approximately 60% by 2024;
- increase the Bank's return on equity to approximately 5% by 2024; and
- 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 Business Combination Accounting will apply to the Transaction and that the accounting gain associated with the discount received on the Target Business relative to its fair value can be recognised at Principal Completion and included within the Bank's capital ratios upon regulatory approval. Based on the current structure, the Company is confident that BCA is applicable to the Transaction and this will be continuously assessed up to Principal Completion.

5. Summary of the Transaction

On 17 December 2021, Permanent TSB, NatWest and Ulster Bank entered into the Framework Agreement for the purposes of setting out the overarching principles which will apply to the Transaction.

In addition, the parties entered into various binding agreements which provide for the acquisition of the Target Business, the orderly transfer and integration of the constituent parts and the consideration.

The Shareholder Co-operation Agreement will be entered into on or around Principal Completion between the Company, the Subscriber and the Minister to govern how the parties will co-operate with each other with regard to the orderly selling arrangements for the shares of Permanent TSB post-Completion.

For more information on the terms of the Transaction Documents, see PART II (*Summary of the Principal Terms and Conditions of the Transaction and the Transaction Documents*) of this Circular.

a. Conditions to the Transaction

The obligations of the parties in the Transaction Documents to complete the Transaction are subject to the satisfaction of the Conditions, which include:

- the approval of the Transaction as a Class 1 transaction by the Shareholders representing a simple majority of the votes represented in person or by proxy at the EGM;
- the approval of the Transaction by the CCPC;
- other approvals required by NatWest for the allotment of the Subscription Shares;
- the requisite approval being obtained by the Subscriber (being a subsidiary of NatWest) from the ECB (acting via the Central Bank) in relation to the Subscription Shares; and
- the requisite approval being obtained by Permanent TSB from the Central Bank and the ECB in relation to the Transaction.

In addition, completion under the Property Transfer Documents is also subject to the terms set out in the Agreement for Assignment and the Contract for Sale (as described in further detail in PART II (*Summary of the Principal Terms and Conditions of the Transaction and the Transaction Documents*) of this Circular.

b. Completion

Each of NatWest, Ulster Bank and Permanent TSB are committed to using all reasonable endeavours to achieve the timelines agreed between them in respect to completion of the Transaction. These timelines are subject to change for various reasons, including the requirement to satisfy the Conditions.

For details on the anticipated timeline of principal events up to and including Completion, please see the section of this Circular entitled "*Expected Timetable of Principal Events"* on page 5 of this Circular.

c. Financing / Consideration

Based on an expected portfolio size of approximately €6.75bn at Principal Completion (anticipated range of €6.5bn – €7bn), Permanent TSB will acquire the Target Business for €6.4bn of cash consideration funded from internal cash resources, existing funding sources including market and ECB liquidity operation, in addition to the issue of the Subscription Shares to the Subscriber (a subsidiary of NatWest) as partial non-cash consideration for the Transaction so that the Subscriber will hold 16.66% of the enlarged issued share capital of the Company at Principal Completion, expected to be approximately 90,893,627 Ordinary Shares of the Company. The total consideration to be paid by Permanent TSB to Ulster Bank is equivalent to approximately 98% of par value of the assets forming part of the Target Business and represents a discount to the fair value of the assets being acquired and is expected to result in Permanent TSB recognising an accounting gain on the Transaction at Principal Completion.[1] The exact size of the portfolios and cash consideration payable will depend on movements in the portfolios up to Principal Completion. Following Principal Completion, Permanent TSB expects to maintain a pro forma Common Equity Tier 1 ratio of >14% and will not require additional new equity capital to complete the Transaction.

In addition, there are various incentive payments set out in the Framework Agreement, which, depending on the circumstances, could become payable by either (i) Permanent TSB (further details of which are set out in paragraph 5 of Section A of PART III (*Risk Factors*) of this Circular); or (ii) Ulster Bank, in circumstances where it fails to meet timelines agreed in the Framework Agreement with regards to delivery of loan file documentation to enable effective customer transfer, a one-off incentive fee will become payable to Permanent TSB.

d. Key Terms

The Subscription Shares to be issued to the NatWest Group as partial non-cash consideration pursuant to the Transaction will be issued as fully paid and free of any pre-emptive rights and liens and will rank *pari passu* in all respects with the existing Shares then in issue, including in respect of the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, in each case, by reference to a record date falling on or after the date of allotment. The Subscription Shares will be issued in registered form, will trade under the same ISIN number as the existing Shares (IE00BWB8X525) and will be capable of being held in uncertificated form. Fractions of Subscription Shares will not be allotted or issued to the Subscriber. Subject to the passing of the Resolutions by Shareholders at the EGM, the Subscription Shares will be issued on the Principal Completion Date as partial non-cash consideration for the Transaction. The exact timeline of events after the EGM is not fully ascertainable at this time and will depend, *inter alia*, upon the satisfaction of the Conditions, as described in paragraph 5.a (*Conditions to the Transaction*) of this letter.

It is expected that approximately 400-500 Ulster Bank employees who are wholly or mainly assigned to the Target Business, will be entitled to transfer to Permanent TSB (or its third party service provider,

[1] The fair value estimates for loans and advances to customers applied in calculating the expected accounting gain and expected CET1 ratio following completion of the Transaction is based on discounted cash flow models prepared by PTSB Group management, using available loan level information and related interest rate assumptions over the expected full term of those loans. This is the approach that will be applied by the Company in calculating fair value at Completion.

Pepper) under the TUPE Regulations. The final number of employees transferring will be agreed and confirmed in advance by the parties. It is currently envisaged that Permanent TSB will partner with Pepper to support the servicing of the Ulster Bank mortgage book being acquired. 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. Permanent TSB has commenced a consultation process with Ulster Bank and the applicable employee representatives in relation to the impact of the transfer on the Employees. Permanent TSB will comply with its obligations under the TUPE Regulations, which provide for the protection of existing contractual and statutory employment rights following a transfer.

6. Shareholder Support

The Minister, who holds 340,661,653 Shares, representing approximately 74.92% of the existing issued share capital of the Company as at the Latest Practicable Date, has confirmed in writing to the Company that he is supportive of the Transaction.

In addition, the directors of the Company have irrevocably undertaken to vote or procure that the registered holders vote in favour of the Resolutions in respect of their beneficial holdings for which they have an aggregate interest amount of 76,504 Shares, representing approximately 0.02% of the existing issued share capital of the Company as at the Latest Practicable Date.

7. **General Meeting and the Resolutions**

Owing to its size, the Transaction constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional on the passing of the Resolutions at the EGM. Accordingly, an EGM has been convened for the purpose of approving the Transaction.

Notice of the EGM, which will be held at the Marker Hotel, Grand Canal Square, Dublin Docklands, Dublin, D02 CK38, Ireland at 11:30am (Irish Time) on Friday, 24 June 2022 is set out in PART VIII (*Notice of an Extraordinary General Meeting of Permanent TSB Group Holdings plc)* of this Circular. The full text of the Resolutions are set out in PART VIII (*Notice of an Extraordinary General Meeting*) of this Circular.

The EGM has been convened to consider and, if thought fit, to approve ordinary resolutions approving the Transaction and authorising the Directors to allot the Subscription Shares as partial non-cash consideration for the Transaction. If passed, the Resolutions will authorise the Transaction substantially on the terms and subject to the Conditions, summarised in paragraph 5.a (*Conditions to the Transaction*) of this letter.

The Resolutions will be proposed as ordinary resolutions requiring a simple majority of votes cast in favour. If you would like to vote on the Resolutions but cannot attend the EGM, you can appoint a proxy to exercise all or any of your rights to attend, vote and speak at the EGM by using one of the methods set out in the notes to the Notice of the EGM.

In the event that both the Resolutions are not passed, the Transaction will not proceed to Completion.

8. Risk Factors

Shareholders should consider fully and carefully the risk factors associated with the Transaction. For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Transaction, please refer to PART III (*Risk Factors*) of this Circular.

9. Action to be taken

Depending on your selected method of shareholder communication you will either find enclosed with this Circular (or will have received separately in the post) a Form of Proxy for use at the EGM or you can access the Form of Proxy form electronically. Whether or not you intend to be present at the EGM,

it is important that you complete the Form of Proxy (in accordance with the instructions printed thereon) and return it to the Company's registrar, Link Registrars Limited (PTSBGH), P.O. Box 1110, Maynooth, Co. Kildare, Ireland as soon as possible and in any event so as to be received by no later than 11:30am (Irish Time) on Wednesday, 22 June 2022 in the manner set out in the notes attached to the Notice of EGM. You may also submit your proxies electronically, subject to the terms and conditions of electronic voting, via the internet by accessing the EGM page on the Company's website, www.permanenttsbgroup.ie or via the shareholder portal on the Link Registrars Limited website www.signalshares.com.

However, please note that persons holding shares through Euroclear Bank or CREST (via CDI) must also comply with any additional voting deadlines imposed by those systems. Accordingly, Shareholders are strongly advised to review the explanatory notes to the Notice of EGM and familiarise yourself with the requirements and relevant deadlines for proxy vote submissions and consult with your stockbroker or other intermediary at the earliest opportunity.

The completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person if you wish to do so and are entitled.

Please refer to the notes to the Notice of EGM for guidance notes on the return of the Form of Proxy.

10. Further information

Your attention is drawn to the further information set out in this Circular. **Shareholders should read the whole of this Circular and not just rely on the key or summarised information set out in this letter.**

11. Recommendation to Shareholders

The Board considers the Transaction and the Resolutions to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions set out in the Notice of EGM.

The Directors of the Company have irrevocably undertaken to vote or to procure that the registered holders vote in favour of the Resolutions in respect of their beneficial holdings and Shares in respect of which they have an interest amounting to 76,504 Shares in aggregate, representing approximately 0.02% of the issued ordinary share capital of the Company as at the Latest Practicable Date.

Yours faithfully,

Robert Elliott
Chairman
For and on behalf of the Board

PART II - SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE TRANSACTION AND THE TRANSACTION DOCUMENTS

A summary of the essential terms of the Transaction is set out at paragraph 5 (*Summary of the Transaction*) of PART I (*Chair's Letter*) of this Circular. Further details of the key terms of the Transaction and the Transaction Documents are set out below.

1. **Overview**

1.1 On 17 December 2021, Permanent TSB, NatWest and Ulster Bank entered into the Framework Agreement, which sets out the overarching principles of the Transaction and the acquisition by Permanent TSB of the business and assets of Ulster Bank comprising the Target Business, which consists of:

(a) the Performing Loans;

(b) the Probationary Loans;

(c) the Business Direct Loans;

(d) the Branch Properties; and

(e) the Asset Finance Business.

1.2 The business and assets which do not form part of the Target Business and which will therefore not transfer from Ulster Bank to Permanent TSB or the Company on Completion are as follows:

(a) all non-performing loans as at 30 June 2021 other than the Probationary Loans and those forming part of the Asset Finance Business; and

(b) any performing non-tracker mortgage which is secured over property which also secures a tracker mortgage provided by Ulster Bank (i.e. cross-secured loans).

1.3 Whilst the Framework Agreement contains the overarching principles of the Transaction, the mechanics effecting the transfer of the Target Business are set out in the relevant Transaction Documents, further details of which are set out in paragraph 7 (*Material Contracts*) of PART VI (*Additional Information*) of this Circular.

2. **Consideration**

2.1 The total consideration payable by Permanent TSB to Ulster Bank for the sale and purchase of Ulster Bank's interests in the Target Business shall be the aggregate of:

(a) the Purchase Price (as same may be adjusted in accordance with the Framework Agreement), which is described in further detail at note 3 of Section A (*Unaudited Pro Forma Financial Information of the Enlarged Group at 31 December 2021*) of PART V (*Unaudited Pro Forma Financial Information Of The Enlarged Group*) of this Circular on page 98; and

(b) the Branch Properties Consideration, being a total consideration amount of €8,121,000.

2.2 The total consideration is made up of cash and non-cash consideration. The cash component will be paid over a period of time in accordance with the terms of the Transaction Documents and the non-cash component will be satisfied by way of the allotment of the Subscription Shares to the Subscriber (a subsidiary of NatWest) on

Principal Completion such that the Subscriber will hold 16.66% of the total issued share capital of the Company following Principal Completion.

2.3 In addition, there are various incentive payments set out in the Framework Agreement, which, depending on the circumstances, could become payable by either (i) Permanent TSB (further details of which are set out in paragraph 5 of Section A of PART III (*Risk Factors*) of this Circular); or (ii) Ulster Bank, in circumstances where it fails to meet timelines agreed in the Framework Agreement with regards to delivery of loan file documentation to enable effective customer transfer, a one-off incentive fee will become payable to Permanent TSB.

3. Conditions to Completion

3.1 Completion of the Transaction is conditional upon the satisfaction of certain conditions which include:

(a) the approval of the Transaction as a class 1 transaction by the Shareholders representing a simple majority of the votes represented in person or by proxy at the EGM;

(b) the approval of the Transaction by the CCPC;

(c) the requisite approval being obtained by the Subscriber (being a subsidiary of NatWest) from the ECB (acting via the Central Bank) in relation to the Subscription Shares; and

(d) the requisite approval being obtained by Permanent TSB from the Central Bank and the ECB in relation to the Transaction,

(the Conditions listed at paragraphs 3.1(b) to 3.1(d) being the "**Regulatory Approvals**").

3.2 Completion under the Property Transfer Documents is also subject to the terms set out in the Agreement for Assignment and the Contract for Sale. In particular, completion is subject to the satisfaction of standard conveyancing and assignment conditions, including landlord consent to assignment and certain works.

3.3 NatWest, Ulster Bank and Permanent TSB have agreed in the Framework Agreement to use all reasonable endeavours, subject to certain limitations, to procure satisfaction of the Conditions as soon as possible after the Signing Date. As part of the regulatory approval processes and/or the anti-trust clearance processes required to implement the Transaction, the CCPC, Central Bank and/or ECB may impose conditions to Completion or require changes to the terms of the Transaction, including conditions which are not commercially acceptable to the PTSB Group or the Ulster Bank Group. Pursuant to the terms of the Framework Agreement, Permanent TSB is obliged to provide any commitments that may be required by the CCPC, the Central Bank or the ECB as part of the regulatory approval processes and/or the anti-trust clearance processes, provided always that Permanent TSB shall not be obliged to offer any commitments which would be unreasonable or material in the circumstances.

4. Covenants

The principal material covenants included in the Transaction Documents are as follows:

4.1 **Pre-Completion Liabilities / Post-Completion Liabilities:** No liabilities or obligations of Ulster Bank or the Ulster Bank Group shall transfer or be assumed by Permanent TSB pursuant to the Transaction except those liabilities specifically identified in the Framework Agreement as forming part of the Target Business.

4.2 **Guarantee:** NatWest has given a guarantee to Permanent TSB in respect of all sums that are payable by Ulster Bank under the Transaction Documents.

4.3 **Business Combination Accounting:** Permanent TSB confirmed to Ulster Bank and NatWest, subject to specified assumptions, that Business Combination Accounting Treatment will apply to the Transaction.

4.4 **Business Direct Customers:** Permanent TSB is obliged to make available overdraft facilities to Business Direct customers in certain circumstances.

4.5 **Remediation/AML Outreach:** Ulster Bank has covenanted to carry out certain remediation actions in relation to a small, select number of impacted assets that form part of the Target Business and has also agreed to carry out certain steps for the purposes of collating certain required anti-money laundering documentation to enable Permanent TSB to satisfy its ongoing anti-money laundering obligations.

4.6 **Servicing/Origination:** Ulster Bank has agreed to provide certain customary covenants in respect of the servicing, management, administration and origination of the business and assets forming part of the Target Business in the period between the Signing Date and Completion.

4.7 **Restrictive Covenant:** A restrictive covenant, non-solicitation covenant and non-disparagement covenant in respect of the Asset Finance Business, which are customary for a transaction of this nature, is provided by NatWest and Ulster Bank to Permanent TSB in the BTA.

4.8 **Shareholder Co-operation Agreement:** The Shareholder Co-operation Agreement contains customary anti-concentration provisions, anti-dilution provisions, tag-along provisions and certain other commitments by the Company in relation to its listing on Euronext Dublin and the London Stock Exchange and the facilitation of any sell-down arrangements between the Minister and the Subscriber.

4.9 **Trustee Agreements**: At the election of Ulster Bank, Permanent TSB has agreed to act as trustee and provide certain account services for Ulster Bank customers who have not withdrawn their deposit or current account balances held with Ulster Bank prior the surrender of its licence. If Ulster Bank makes that election then, pursuant to the terms of the Trustee Agreements, Permanent TSB agrees to (a) act as trustee for certain current account holders; (b) hold and manage unclaimed balances which relate to closed Ulster Bank customer accounts on trust for the relevant customers; (c) act as account bank and accept the deposit by the trustee of the aggregate unclaimed balances; and (d) accept management of Ulster Bank's existing claimant database of funds passed by Ulster Bank to the NTMA Dormant Accounts Fund and any future pass-through of unclaimed balances from the trustee to the NTMA Dormant Accounts Fund.

5. Warranties and Indemnities

5.1 Pursuant to the Framework Agreement and other Transaction Documents, certain customary warranties are given by each party in relation to its ability to complete the Transaction.

5.2 Customary warranties are provided by Ulster Bank in favour of Permanent TSB in respect of (i) the Residential Mortgage Loans and the Business Direct Loans to be acquired by Permanent TSB pursuant to the MSD and MSD 2; (ii) the Asset Finance Business to be to be acquired by Permanent TSB pursuant to the BTA and BTA 2; and (iii) the employees who are entitled to transfer employment to Permanent TSB or Pepper under the TUPE Regulations.

5.3 The Transaction Documents contain customary indemnities for a transaction of this nature.

6. Limitations on Liability

Ulster Bank and Permanent TSB have negotiated detailed provisions in relation to the limits of their respective liabilities under each of the Transaction Documents, including in respect of the warranties and indemnities (as outlined above).

7. Employees

Each of Permanent TSB, Ulster Bank and NatWest acknowledge and agree that the TUPE Regulations apply to the Transaction and the Ulster Bank employees who are wholly or mainly assigned to the Target Business that is being acquired, will be entitled to transfer to Permanent TSB (or its third party service provider, Pepper) under the TUPE Regulations. The final number of employees transferring will be agreed and confirmed in advance by the parties.

8. Termination

8.1 **Framework Agreement**:

(a) If the Framework Agreement is terminated by Permanent TSB or Ulster Bank for any reason in accordance with its terms, including as a result of any Condition not being fulfilled and satisfied by the Long-Stop Date (as may be extended in accordance with the terms of the Framework Agreement), then each of the other Transaction Documents, to the extent they have been entered into between the parties at that time, shall simultaneously terminate.

(b) Ulster Bank has the ability to terminate and, in certain circumstances, rescind the Transaction Documents to the extent those documents have been entered into by the parties at the relevant time in the event that Permanent TSB fails to pay the Purchase Price to Ulster Bank on its due date for payment.

(c) Permanent TSB has the ability to terminate and, in certain circumstances, rescind the Transaction Documents to the extent those documents have been entered into by the parties at the relevant time in the event that Ulster Bank fails to deliver the items it is required to deliver under the Transaction Documents at the appropriate time.

8.2 **Other Transaction Documents:** Certain of the other Transaction Documents (including the Onboarding Agreement, Trustee Agreements and the Shareholder Co-operation Agreement) contain bespoke termination provisions including:

(a) **Onboarding Agreement**: By written notice by either party, upon material breach by Ulster Bank or upon failure of Permanent TSB to pay any charges properly due to and owing within thirty (30) days of the due date.

(b) **Trustee Agreements:** By written notice of either party in certain circumstances including material breach, non-payment or insolvency of another party or in order to ensure compliance with applicable law. However, with respect to a termination of the Trustee Agreements by Permanent TSB a successor for the Trustee Agreements will need to be appointed (subject to certain conditions) before such termination can take effect.

(c) **Shareholder Co-operation Agreement:** The Shareholder Co-operation Agreement shall terminate upon the Subscriber ceasing to hold Shares in the Company.

8.3 **Governing Law:** The Transaction Documents are governed by Irish law.

PART III - RISK FACTORS

The proposed Transaction may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations or prospects of the PTSB Group and following each Completion, the Enlarged Group. Accordingly, the risk factors should be afforded careful consideration together with all the other information set out in, or incorporated by reference into, this Circular in deciding whether to approve the Resolutions being put to Shareholders at the EGM.

The risks which the Directors consider to be material as at the date of this Circular are set out in this PART III . The risks described in this PART III are based on information known at the date of this Circular but may not be the only risks to which the PTSB Group and, following each Completion, the Enlarged Group, are or might be exposed.

Additional risks and uncertainties, which are currently unknown to the PTSB Group or that the PTSB Group does not currently consider to be material, may adversely affect the business of the PTSB Group and, following each Completion, the Enlarged Group and could have a material adverse effect on the business, financial condition, operating or financial results and future prospects of the PTSB Group and, following each Completion, the Enlarged Group. If any of the following risks were to materialise, the business, financial condition, operating or financial results and future prospects of the PTSB Group and, following each Completion, the Enlarged Group could be materially adversely affected and the value of Shares could decline and Shareholders could lose all or part of their investment in those Shares.

Shareholders should read this Circular as a whole and not rely solely on the information set out in this section.

SECTION A: MATERIAL RISKS RELATING TO THE TRANSACTION

1. **Completion is subject to the satisfaction of the Conditions and there may be an adverse impact on the Company's reputation if the Transaction does not proceed**

   Completion of the Transaction is conditional upon the satisfaction of the Conditions, as set out in the Transaction Documents and described in PART I (*Chair's Letter*) and PART II (*Summary of the Principal Terms and Conditions of the Transaction and the Transaction Documents*) of this Circular, including

   1.1 the approval of the Transaction as a class 1 transaction by the Shareholders representing a simple majority of the votes represented in person or by proxy at the General Meeting;

   1.2 the approval of the Transaction by the CCPC;

   1.3 the requisite approval being obtained by the Subscriber (being a subsidiary of NatWest) from the ECB (acting via the Central Bank) in relation to the Subscription Shares; and

   1.4 the requisite approval being obtained by Permanent TSB from the Central Bank and the ECB in relation to the Transaction.

   If the Conditions are not satisfied, the Transaction may be delayed or will not proceed, the benefits expected to result from the Transaction will not be achieved, none of the Subscription Shares will be issued and the market price of the Company's Shares may be adversely affected. Although NatWest, Ulster Bank and Permanent TSB have agreed in the Framework Agreement to use all reasonable endeavours, subject to certain limitations, to procure satisfaction of the Conditions as soon as possible after the Signing Date, the Conditions may fail to be satisfied. In addition, satisfying the Conditions may take longer, and could cost more, than NatWest, Ulster Bank and Permanent TSB expect. Any delay in completing the Transaction may adversely affect the synergies and other benefits that Permanent TSB expects to achieve if the

Transaction and the integration of the respective businesses and assets are not completed within the expected timeframe. In addition, NatWest's, Ulster Bank's and Permanent TSB's management would have spent significant time in connection with the Transaction, which could otherwise have been spent in connection with the other activities of the NatWest Group and PTSB Group, as applicable. Therefore, the aggregate consequences of a material delay in completing or failure to complete the Transaction may have a material adverse effect on the business, financial condition and operating or financial results of the PTSB Group and, in the case of a delay only, the Enlarged Group.

The regulatory approval processes and/or the anti-trust clearance processes required to implement the Transaction may take a lengthy period of time to complete, which could delay Completion beyond its currently anticipated date or result in the abandonment of the Transaction. In addition, as part of such approval processes, the CCPC may impose conditions to Completion or require changes to the terms of the Transaction, including conditions which are not commercially acceptable to the PTSB Group or the Ulster Bank Group. The terms and conditions of regulatory approvals that are granted, or any undertakings required from Permanent TSB or Ulster Bank in order for such approvals to be granted, may impose additional requirements, limitations or costs on the business of the Enlarged Group. Pursuant to the terms of the Framework Agreement, Permanent TSB is obliged to provide any commitments that may be required by the CCPC, the Central Bank or the ECB as part of the regulatory approval processes and/or the anti-trust clearance processes, provided always that Permanent TSB shall not be obliged to offer any commitments which would be unreasonable or material in the circumstances. To the extent that Permanent TSB is obliged and/or agrees to provide certain commitments, there can be no assurance that these terms, conditions or undertakings will not materially adversely affect the business of the Enlarged Group including, in particular, limiting the revenues of the Enlarged Group, increasing the costs of the Enlarged Group and reducing the ability of the Enlarged Group to achieve the anticipated cost synergies.

2. **The information on the financial effects of the Transaction has been calculated on the basis that Business Combination Accounting will apply to the Transaction**

The information on the financial effects of the Transaction has been calculated on the basis that Business Combination Accounting will apply to the Transaction and that the accounting gain on bargain purchase associated with the discount received on the Target Business relative to its fair value can be recognised at Principal Completion and included within Permanent TSB's capital ratios upon regulatory approval.

The transfer of an Organised Workforce to Permanent TSB as part of the Transaction and the migration of the Residential Mortgage Loans in the manner as materially contemplated in the Framework Agreement are key elements of the Transaction qualifying as a Business Combination for the purposes of Business Combination Accounting.

Achieving Business Combination Accounting allows Permanent TSB to complete the Transaction without the requirement of raising new equity capital. If Business Combination Accounting is not achieved, the accounting gain associated with the discount received on the Target Business relative to its fair value would not be recognised at Principal Completion and therefore would have a negative impact on Permanent TSB's capital ratios. This would result in Permanent TSB requiring equity capital in order to maintain its regulatory capital requirements if it were to proceed with the Transaction, which is not contemplated by Permanent TSB. Therefore if Business Combination Accounting was not achieved, Permanent TSB would not be in a position to proceed with the Transaction as planned and would seek to engage with NatWest and all other relevant stakeholders as outlined below.

In the event that Business Combination Accounting was determined by the Company not to be applicable at Principal Completion then the Company would engage with NatWest and all other relevant stakeholders to seek to restructure the Transaction to the extent possible and necessary to enable Permanent TSB to proceed to Completion. Any such restructured Transaction would

remain subject to regulatory approval, to the extent not already obtained, and would likely constitute a material change to the terms of the Transaction requiring further shareholder approval.

3. **The uncertainties about the effects of the Transaction could have a materially adverse effect on the PTSB Group, the Target Business, and, if the Transaction completes, the Enlarged Group**

Uncertainty about the effects of the Transaction, including effects on employees, partners, customers, vendors, distributors and suppliers, may have a material adverse effect on the business, financial condition and operating or financial results of the PTSB Group, the Target Business and, if the Transaction completes, the Enlarged Group. These uncertainties could cause parties that have business or other relationships with the PTSB Group or Ulster Bank to defer the completion of transactions or other decisions concerning the business of the PTSB Group or Ulster Bank and, if the Transaction completes, the Enlarged Group or to seek to change their terms of business. In addition, prior to and following each Completion, there is also a risk that some current and prospective employees may experience uncertainty about their future roles within the Enlarged Group, which may adversely affect the PTSB Group's, Ulster Bank's and, following each Completion, the Enlarged Group's ability to retain or recruit key managers and other employees.

4. **Permanent TSB may be obligated to complete the Transaction even if an adverse change to the Target Business were to occur prior to each Completion**

Permanent TSB may terminate the Framework Agreement and each other Transaction Document to the extent it has been entered into by the relevant parties thereto at that time, only in certain limited circumstances, including if, as a result of any Condition not being fulfilled and satisfied, Principal Completion has not occurred by the Long-Stop Date. Certain changes, events or developments may have a significant negative impact on the Target Business (including its size and/or credit quality) but nonetheless Permanent TSB may still be obligated to complete the Transaction pursuant to the terms of the Framework Agreement. Such changes, events or developments may include changes to global economic conditions, any failure by Ulster Bank to meet any internal or published projections or forecasts or the impact of entering into the Framework Agreement on Ulster Bank's relationships with employees, customers or suppliers. Due to the limited termination rights of Permanent TSB under the Framework Agreement, even if such adverse changes to the Target Business were to occur prior to Principal Completion, Permanent TSB may still be required to complete the Transaction, and the market price of the Enlarged Group's shares may suffer.

5. **Permanent TSB may be required to pay incentive fees in certain circumstances**

5.1 **Delay Incentive Fee**

To the extent that completion of the Asset Finance Business does not occur by the Target Lombard Date, with effect from the date falling four months after the Target Lombard Date, Permanent TSB will be obliged to pay a monthly incentive fee (being an amount equal to 40bps per annum on the amount of the gross outstanding balance of the loans forming part of the perimeter of the Asset Finance Business (calculated on a monthly basis) and increasing on a monthly basis by 5bps per annum thereafter up to a maximum of 60bps per annum) to Ulster Bank provided that Ulster Bank are not wholly or mainly at fault for the delay or the delay did not arise as a result of a delay in receipt of Regulatory Approvals.

Similarly in respect of the Business Direct Loans, to the extent that completion of the Business Direct Loans does not occur by the Target BD Date, with effect from the date falling two months after the Target BD Date, Permanent TSB will be obliged to pay a monthly incentive fee (being an amount equal to 40bps per annum on the amount of the gross outstanding balance of the Business Direct Loans (calculated on a monthly basis) and increasing on a monthly basis

by 5bps per annum thereafter up to a maximum of 60bps per annum) to Ulster Bank provided that Ulster Bank are not wholly or mainly at fault for the delay or the delay did not arise as a result of a delay in receipt of Regulatory Approvals.

5.2 **Non-Completion Incentive Fee**

In circumstances where the completion and migration of the Asset Finance Business and/or the Business Direct Loans has not been completed by the SC Long-Stop Date, Permanent TSB will be obliged to pay a once-off incentive fee of EUR10,000,000 to Ulster Bank in respect of each of the non-transferring business units (being a total amount of EUR20,000,000) (and any delay incentive fee paid will be deducted from this amount), however, this fee will not become payable in circumstances where Permanent TSB confirms, before the SC Long-Stop Date, that it will be in a position to complete and migrate the relevant non-transferring business units within 10 Business Days of the SC Long-Stop Date and, to the extent this confirmation is provided, the SC Long-Stop Date will, on one occasion only, automatically be extended and the fee shall not be payable provided completion and migration of the relevant unit(s) occur(s) by that extended date.

5.3 **Split-Completion Incentive Fee**

In circumstances where all of the Residential Mortgage Loans are not transferred and migrated on the Principal Completion Date, Permanent TSB will be obliged to pay an incentive fee of an amount equal to 15bps per annum on the amount of the gross outstanding balance of the Residential Mortgage Loans which have not transferred on the Principal Completion Date (calculated on a monthly basis) to Ulster Bank with effect from the Second Principal Completion Delay Date until the date on which the relevant Residential Mortgage Loans are transferred and migrated from Ulster Bank to Permanent TSB provided always that the fee will not become payable in circumstances where Ulster Bank is wholly or mainly at fault for the failure to complete and migrate the remainder of the Residential Mortgage Loans.

6. **The Transaction may be subject to litigation, which could delay the Transaction and prevent Completion**

Members of the PTSB Group and Ulster Bank may in the future be party to legal proceedings and claims related to the Transaction or the Transaction Documents. Legal challenges to the Transaction could result in an injunction, preventing or delaying Completion. Litigation could also result in the PTSB Group and, following each Completion, the Enlarged Group incurring defence costs and other liabilities.

7. **Permanent TSB's due diligence on the Target Business may not uncover all the risks associated with the Transaction**

Permanent TSB has conducted business, legal and financial due diligence in relation to the Target Business with the goal of identifying and evaluating material risks involved in the Transaction. However, the due diligence carried out may not have identified and/or evaluated all such risks. Whilst the Transaction Documents provide some contractual protection, any warranty claims will be subject to customary contractual limitations and common law rules which may restrict Permanent TSB's ability to recover all or a substantial proportion of any losses suffered (as described in PART II (*Summary of the Principal Terms and Conditions of the Transaction and the Transaction Documents*) of this Circular). A material level of defect in the performance of the business, legal and financial due diligence in relation to the Target Business could have an adverse impact on the Enlarged Group's ability to implement its business plan and could adversely impact the Enlarged Group's ability to realise the benefits of the Transaction or delay their realisation. As a result, Permanent TSB may not realise the expected benefits and/or synergies which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

8. **The Transaction Document contains customary limitations on liability for a transaction of this nature**

The liability of the NatWest Group and Ulster Bank pursuant to the Transaction Documents is limited in time and amount (as described in PART II (*Summary of the Principal Terms and Conditions of the Transaction and the Transaction Documents*) of this Circular). Accordingly, Permanent TSB may not have recourse against, or otherwise be able to recover from, NatWest and Ulster Bank in respect of material losses which it may suffer in respect of a breach of warranty or otherwise in respect of liabilities of NatWest and Ulster Bank.

9. **Landlord consent may not be granted in respect of the leasehold properties currently occupied by Ulster Bank and forming part of the Target Business**

Permanent TSB is to take an assignment of the occupational lease interests under which the 9 occupational leasehold properties and 1 ATM lease is held. Ulster Bank is required to take steps to (i) in circumstances where they are over-holding under the terms of expired occupational leases, extend the terms of the expired leases to a date not earlier than 31 May 2023 and not later than 31 December 2023 and include an option to renew the lease for a 5 year period, (ii) obtain landlord consent to assign the occupational leasehold properties; and (iii) obtain landlord consent to the proposed Permanent TSB works to be carried out. Permanent TSB and Ulster Bank have agreed that in the event that Ulster Bank did not complete steps (i), (ii) and (iii) as described above by 15 April 2022 (or such other later date as is applicable pursuant to the terms of the Transaction Documents) in respect of a particular occupational lease then either party may elect not to assign that occupational lease. Where this election is exercised (by either party), Permanent TSB is under an obligation to use all reasonable endeavours to find and sign a legally binding agreement by 1 November 2022 for alternative premises in the same town in Ireland as the relevant occupational lease premises, which must be suitable for opening and operating as a ground floor "on street" retail bank branch by Permanent TSB within 12 months of 15 April 2022. While there are a number of mitigants in place to ensure that these properties are transferred, there is a remote risk the non-assignment of such leases may have a material adverse effect on the operations and financial results of the Enlarged Group. As at the Latest Practicable Date, neither Permanent TSB or Ulster Bank has elected not to assign any of the occupational lease interests and it remains the intention of both parties to complete all assignments as contemplated in the Transaction Documents.

10. **The costs of the Transaction may exceed expectations**

The PTSB Group's transaction-related costs may exceed expectations. The Enlarged Group will also incur a number of costs in relation to the Transaction, including post-Completion costs, in order to successfully combine the operations of the PTSB Group and the Target Business. In addition, the PTSB Group will incur legal, accounting and other fees and costs relating to the Transaction, some of which are payable by the PTSB Group whether or not Completion occurs.

11. **The Transaction's success will be dependent upon Ulster Bank's organisational capacity being sufficient to undertake the Transaction**

Ulster Bank's intention to withdraw from the Irish market may have a negative impact on its workforce and lead to staff shortages and the need to reallocate and divert its staff to cater for the demands of the withdrawal. If Ulster Bank experiences an unplanned level of reduced organisational capacity prior to Completion, it may not have sufficient resources and capacity to, amongst other things, effectively migrate the Target Business from Ulster Bank to Permanent TSB (or its service providers).

SECTION B: MATERIAL RISKS RELATING TO THE ENLARGED GROUP AS A RESULT OF THE TRANSACTION

1. **The Enlarged Group's success will be dependent upon its ability to integrate the Target Business and deliver the value of the combined underlying businesses and assets; the full financial benefits and synergies expected from the Enlarged Group may not be fully achieved**

The success of the Enlarged Group will depend, in part, on the effectiveness of the integration process and the ability of the Enlarged Group to realise the anticipated financial benefits and synergies from combining the respective businesses and assets.

In particular, some of the key integration challenges of combining the businesses and assets include consolidation and co-ordinating services and operations, retaining key contracts, maintaining relationships with customers, suppliers, unions (both existing and new) and other employee representatives, harmonising business cultures, consolidating infrastructure, procedures, processes, facilities, systems and policies and compensation structures, aligning any gaps identified in respect of customer products, realising synergies, and retaining key employees of the Enlarged Group (as detailed further below). If the Enlarged Group does not properly manage these challenges, they may affect the effective running of the business in the ordinary course and the efficient allocation, including redeployment, of resources in the Enlarged Group.

While the Directors believe that the financial benefits and synergies of the Transaction and the costs associated with the Transaction have been reasonably estimated, unanticipated events or liabilities may arise or become apparent which result in a delay or reduction in the benefits anticipated to be derived from the Transaction, or in costs significantly in excess of those estimated. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits or realise any such benefits within the assumed timeframe, or that the costs to integrate and achieve the financial benefits and synergies will not be higher than anticipated.

Further, the demands that the integration process may have on management time could result in diversion of the attention of the PTSB Group's management and employees from ongoing operations, pursuing other potential business opportunities and may cause a delay in other projects currently contemplated by the PTSB Group. As a result, the underlying business may not perform in line with management expectations.

To the extent that the Enlarged Group is unable to efficiently integrate the operations of the PTSB Group and the Target Business, realise anticipated financial benefits and synergies, retain key personnel and avoid unforeseen costs or delay, there may be a material adverse effect on the business, financial condition, operating or financial results and/or prospects of the Enlarged Group.

2. **The Enlarged Group's success will be dependent on the capacity and resilience of its IT systems**

The Enlarged Group's future success depends upon the capacity and resilience of Permanent TSB's IT systems. The Enlarged Group's business is dependent on technology and its IT systems are critical for the effective management of its operations. The Enlarged Group will depend upon its IT systems having the capacity to support the onboarding activities and additional customer volumes expected as a result of the Transaction. Additionally, damage to the reputation and brand of the Enlarged Group may arise from such technology failures.

The Enlarged Group is exposed to risks in regard to the failure or outage of its IT systems, the risk of cybercrime and the unauthorised access to its IT systems. In order for the Enlarged Group to continue its operations effectively, it must maintain its systems in good working order.

If the Enlarged Group's IT systems fail, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis.

The occurrence of any failures, breaches or interruptions in the Enlarged Group's IT systems and operations infrastructure could cause significant disruption to its business, operations, or damage to its reputation resulting in a loss of revenue and potentially higher costs in the future, which could have an adverse effect on its business, financial condition, results of operations and/or prospects.

3. **The Enlarged Group will be reliant on third party providers of services**

Following Completion, the Enlarged Group will rely on Pepper to provide loan servicing and support functions in respect of the Target Business. Any interruption in the services to be provided by Pepper or deterioration in performance of the outsourced service could impair the timing and quality of the Enlarged Group's services to its customers.

Furthermore, if the contract with Pepper were to be terminated, the Enlarged Group might not be able to find alternative service providers on a timely basis or on as favourable terms or may suffer disruption as a result of the transition of functions to one or more new service providers. The occurrence of any of these events could have an adverse effect on the PTSB Group's and, following Completion, the Enlarged Group's business, reputation, results of operations, regulatory and financial condition.

4. **The Enlarged Group's success will be dependent on the organisational capacity of Permanent TSB to manage the migration and integration of the Target Business**

The Target Business is highly complementary to Permanent TSB's existing Irish business and is supportive of Permanent TSB's financial objectives, however, Permanent TSB will be required to maintain sufficient organisational resources and capacity in order to manage the migration and integration of the Target Business. There may be financial, operational, regulatory, customer and reputational implications if Permanent TSB fails (either wholly or in part) to meet its objectives and could place strain on the operational capacity of the Enlarged Group. The scale and nature of the Transaction may cause disruption to resourcing through heightened uncertainty, increased workloads and short-term resource stretch.

5. **As a result of the Transaction the Enlarged Group may fail to retain key management or other personnel**

The calibre and performance of the PTSB Group and the senior management and other key employees that will transfer from Ulster Bank to Permanent TSB as part of the Transaction, once a part of the Enlarged Group, will be critical to the success of the Enlarged Group. Such employees have key relationships with clients, knowledge of key IT systems and processes, among other skills, and are key to the successful operations and prospects of the Enlarged Group. Maintaining good relationships with employees, unions (both existing and new) and other employee representatives will be crucial in this regard. There can be no assurance that key personnel will not leave the PTSB Group, Ulster Bank or the Enlarged Group, following the Transaction, either as a result of the Transaction or for other reasons. Such attrition may take place either before the Transaction is completed or during the Enlarged Group's integration process following the Transaction, or thereafter. Failure of the Enlarged Group to incentivise or otherwise remunerate employees appropriately could result in a loss of key personnel. The loss of a significant number of management or key employees could adversely affect the Enlarged Group's ability to run its businesses (through an inability to execute business operations and strategies effectively) and could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

6. **The acquisition of the Asset Finance Business may increase Permanent TSB's risk profile**

The Asset Finance Business being acquired from Ulster Bank as part of the Transaction is a new business line for Permanent TSB. Such expansion of Permanent TSB's business activities and the introduction of new products exposes Permanent TSB to a number of risks and challenges. Permanent TSB may have limited or no experience in the new business activities and may not compete effectively in these areas. In addition, the new business activities may not meet expectations for profitability.

Permanent TSB is, in relation to the Asset Finance Business, subject to all of the risks and uncertainties associated with any new business enterprise which could have an adverse effect on Permanent TSB's financial condition, results of operations and prospects, with a consequential adverse effect on returns to Shareholders and the market value of the Shares.

As Permanent TSB is not involved in the Asset Finance Business, Permanent TSB has not yet adopted policies or procedures in relation to the management of such a portfolio. This creates a risk that the integration of the Asset Finance Business by Permanent TSB will increase its risk profile.

In addition, the Asset Finance Business is not currently regulated by the Central Bank, however, this is subject to change, thereby creating a risk for the Enlarged Group that it will be required to adhere to certain regulatory requirements that are not currently understood. This may expose the Enlarged Group to increased regulatory risk.

7. **The Trustee Agreement may increase Permanent TSB's risk profile**

At the election of Ulster Bank, Permanent TSB has agreed to act as trustee and provide certain account services for Ulster Bank customers who have not withdrawn their deposit or current account balances held with Ulster Bank prior the surrender of its licence. If Ulster Bank makes that election, the provision of such trustee services for ex-Ulster Bank customers will be a new service for Permanent TSB and may therefore expose Permanent TSB to additional risks. It is expected that Permanent TSB will be taking on two roles: (a) trustee service provider and (b) account holder / paying bank. Permanent TSB is required to perform the obligations under the Trustee Agreement with limited experience in this area. Permanent TSB is also subject to all of the risks and uncertainties associated with any new business enterprise which could have an adverse effect on Permanent TSB's financial condition, results of operations and prospects, with a consequential adverse effect on returns to Shareholders and the market value of the Shares. The significant duration of the Trustee Agreement and the requirement to appoint a successor upon termination of the agreement by Permanent TSB in order for the termination to take effect (subject to certain conditions) further increases Permanent TSB's risk profile.

8. **The use of Permanent TSB's existing cash resources in connection with the Transaction may affect the Enlarged Group's business flexibility in the longer term**

The consideration to be paid by Permanent TSB to Ulster Bank for the Target Business shall be made up of cash and non-cash consideration. Permanent TSB intends to use its existing cash resources to part-finance the cash element to be paid by Permanent TSB to Ulster Bank. In the longer term, the use by Permanent TSB of its existing cash reserves could have the effect, among other things, of reducing the Enlarged Group's flexibility to respond to changing business and economic conditions and could also reduce funds available for the Enlarged Group's investments in capital expenditures, further M&A activities, share repurchases and other activities and may create competitive disadvantages for the Enlarged Group relative to other companies.

9. **Permanent TSB's use of liquidity operations to finance the Transaction may increase the risk of a liquidity regulatory breach by the Enlarged Group in the short term**

Permanent TSB's intended use of ECB liquidity operations in the short-term to support the financing of the cash element of the consideration to be paid by Permanent TSB to Ulster Bank in connection with the Transaction could trigger a breach in Permanent TSB's, and following Principal Completion, the Enlarged Group's liquidity regulatory requirements. A breach of Permanent TSB's, and following Principal Completion, the Enlarged Group's liquidity regulatory requirements could result in regulatory action by a Governmental Authority including penalties, a fine and increased liquidity regulatory requirements.

10. **The Transaction is expected to have an initial adverse impact on the Enlarged Group's capital ratios, reducing the level of capital headroom above regulatory obligations and/or market expectations**

As a result of the Transaction, the Enlarged Group's capital ratios will be reduced (relative to the PTSB Group's) and, as a result, this increases the risk of the Enlarged Group failing to meet its regulatory capital obligations. Additionally, this could restrict its ability to invest in capital expenditures, carry out further M&A activities, share repurchases and other activities and may create competitive disadvantages for the Enlarged Group relative to other companies.

As a result, the Enlarged Group may need to obtain additional capital in the future which may not be available on commercially favourable terms, or at all. Moreover, should the Enlarged Group's capital ratio fall close to regulatory minimum levels, the Enlarged Group may need to adjust its business practices, including reducing the risk and leverage of certain activities or undertaking asset disposals. If the Enlarged Group is unable to maintain satisfactory capital ratios, its credit ratings may be lowered and its cost of funding may therefore increase. The Enlarged Group may also become subject to regulatory sanctions. Any of these factors could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

11. **Permanent TSB's deposit acquisition strategy may not achieve its objectives and may affect the Enlarged Group's profitability in the longer term**

Permanent TSB intends to utilise a combination of market and ECB liquidity operations to support the initial financing of the cash element of the consideration to be paid by Permanent TSB to Ulster Bank in connection with the Transaction. This funding is expected to be replaced by customer deposits over a 12-18 month time horizon post-acquisition. There is a risk that this funding may need to be replaced by external third party debt in the event that Permanent TSB's deposit acquisition strategy does not fully achieve its objectives. The requirement to rely on third party debt could have the effect, among other things, of reducing the Enlarged Group's future profitability while increasing its refinancing risk and could also reduce funds available for the PTSB Group's, and following Principal Completion, the Enlarged Group's investments in capital expenditures, further M&A activities, share repurchases and other activities and may create competitive disadvantages for the Enlarged Group relative to other companies with lower debt levels.

12. **The Enlarged Group may be subject to increased regulatory scrutiny**

The integration of the Target Business into the PTSB Group may expose Permanent TSB to risks associated with the demands of meeting increasing regulatory expectations. Increased regulatory requirements and future regulatory initiatives may expose Permanent TSB to increased regulatory scrutiny, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

13. **Increased complexity for the Enlarged Group in respect of anti-money laundering and counter terrorism regulation**

The PTSB Group and, following each Completion, the Enlarged Group, is subject to laws and regulations aimed at preventing money laundering, corruption and the financing of terrorism. These laws and regulations are constantly changing and monitoring compliance with these areas requires significant technical ability and may result in additional financial costs. The PTSB Group's and, following each Completion, the Enlarged Group's obligations in this regard following each Completion may become more onerous given the scale and complexity of the Transaction.

Although the PTSB Group and, following each Completion, the Enlarged Group, has policies and procedures that it believes are sufficient to comply with currently applicable anti-money laundering, anti-corruption and sanctions rules and regulations, and best practices, it cannot guarantee that such policies and procedures completely prevent, especially as its business expands, situations of money laundering or corruption, including actions by the Group's employees, agents, merchants, third-party suppliers or other related persons for which the Group might be held responsible. Such events may have severe consequences, including litigation, sanctions, administrative measures, fines, penalties and reputational consequences, which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

14. **The Enlarged Group may be required to carry out remediation in respect of the Target Business Loans which could have an adverse impact on the Enlarged Group**.

As part of the Transaction, Ulster Bank is required to remediate certain defined categories of issues in respect of the Target Business either in advance of the Completion Date or as soon as possible after the relevant Completion Date. Notwithstanding this, the PTSB Group and, following each Completion, the Enlarged Group, may receive claims or complaints from customers in respect of these issues (or other unidentified issues that ought to be remediated). As a result, the Enlarged Group may be required to remedy these issues (notwithstanding Ulster Bank's obligations) and such issues could result in (i) restrictions or limitations on the Enlarged Group's operations, (ii) adverse publicity or negative perceptions regarding the Enlarged Group; and/or (iii) diverting attention from the day-to-day management of the business.

PART IV - HISTORICAL FINANCIAL INFORMATION

SECTION A: ACCOUNTANTS' REPORT ON THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF ULSTER BANK RELATING TO THE TARGET BUSINESS

The Directors
Permanent TSB Group Holdings plc
56-59 St. Stephen's Green
IE-D2 Dublin, Leinster
Ireland

24 May 2022

Dear Sirs

The assets and business of Ulster Bank Ireland DAC that are to be transferred to Permanent TSB Group Holdings plc (the "Target Business").

The Target Business includes (i) the entire performing non-tracker mortgage book (including undrawn facilities) and those non-performing probationary loans within the non-tracker mortgage book, (ii) the entire performing micro-SME/business direct loan book (including undrawn facilities), (iii) the entire asset finance loan business, including the rights in the Lombard IT platform and the non-performing loans within the Lombard business, (iv) branch properties and (v) transfer of employees to support the acquired business.

We report on the financial information set out in Section B of PART IV of the circular dated 24 May 2022 of Permanent TSB Group Holdings plc (the "**Circular**") for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 (the "**Financial Information**").

This report is required by Listing Rule 12.5.21 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 12.4.1 (6), consenting to its inclusion in the Circular.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Circular dated 24 May 2022, a true and fair view of the state of affairs of the Target Business as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1.2 to the Financial Information.

Responsibilities

The Directors of Permanent TSB Group Holdings plc are responsible for preparing the Financial Information in accordance with the basis of preparation set out in note 1.2 to the Financial Information.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of Preparation

The Financial Information has been prepared for inclusion in the Circular on the basis of the accounting policies set out in note 1.2 to the Financial Information.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions Relating to Going Concern

In performing our work on the Financial Information, prepared on the basis that the acquisition of the Target Business by Permanent TSB Group Holdings plc completes, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Information is appropriate.

Based on the work we have performed, we have not identified any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt on the Target Business' ability to continue as a going concern for a period of at least twelve months from the date of the Circular.

Yours faithfully

Ernst & Young Chartered Accountants

SECTION B: HISTORICAL FINANCIAL INFORMATION `

Income Statements

For the years ended 31 December 2021, 2020 and 2019

	Note	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Interest income	4	**214**	216	208
Interest expense	4	**(1)**	(6)	(7)
Net interest income		**213**	210	201
Fees and commission income		**1**	1	1
Total operating income		**214**	211	202
Administrative, staff and other expenses (excluding exceptional items)	5	**(149)**	(150)	(141)
Bank levy and other regulatory charges	6	**(35)**	(20)	(16)
Depreciation of property and equipment	11	**(1)**	(1)	(1)
Impairment of property and equipment	11	**1**	-	(1)
Exceptional items	7	**-**	(1)	(6)
Total operating expenses		**(184)**	(172)	(165)
Operating profit before credit impairment and taxation		**30**	39	37
Credit impairment releases/(losses)				
Loans and advances to customers	10	**42**	(22)	13
Total credit impairment losses		**42**	(22)	13
Operating profit before taxation		**72**	17	50
Taxation	8	**-**	-	-
Profit and total comprehensive income for the year		**72**	17	50
Attributable to:				
Equity holders of the parent*		**72**	17	50

*The Target Business is not a separate legal entity and has no separate equity. UBIDAC is considered the parent entity of the Target Business.

The Target Business had no recognised income or expense in the financial years presented other than those dealt with in the Income Statement.

Statements of Financial Position
As at 31 December 2021, 2020 and 2019

	Note	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Assets				
Loans and advances to customers	9	**7,494**	7,521	6,990
Property and equipment	11	**8**	8	9
Other assets	17	**6**	2	2
Prepayments and accrued income	17	**1**	1	1
Total assets		**7,509**	7,532	7,002
Liabilities				
Other liabilities and accruals	12	**25**	21	22
Provisions	13	**4**	3	7
Total liabilities		**29**	24	29
Equity				
Invested capital		**7,480**	7,508	6,973
Total equity		**7,480**	7,508	6,973
Total liabilities and equity		**7,509**	7,532	7,002

Statements of Changes in Equity
For the years ended 31 December 2021, 2020 and 2019

	Invested capital attributable to equity owners of the parent			
	Balance as at 1 January	Total comprehensive income for the year	Increase / (decrease) in funding liability to parent entity	Balance as at 31 December
	€m	€m	€m	€m
2021 financial year	**7,508**	**72**	**(100)**	**7,480**
2020 financial year	6,973	17	518	7,508
2019 financial year	5,952	50	971	6,973

Statements of Cash Flows
For the years ended 31 December 2021, 2020 and 2019

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Cash flows from operating activities			
Operating profit before taxation for the year	**72**	17	50
Adjusted for non-cash items and other adjustments:			
Depreciation, amortisation and impairment of property, equipment and intangibles	**-**	1	2
Impairment (write-back)/charge on:			
- Loans and advances to customers	**(42)**	22	(13)
Other provisions	**2**	-	(1)
	32	40	38
(Increase)/decrease in operating assets			
Other assets	**(4)**	-	4
Prepayments and accrued income	**-**	-	3
Loans and advances to customers	**69**	(553)	(1,005)
Increase/(decrease) in operating liabilities			
Other liabilities and accruals	**4**	(1)	-
Provisions	**(1)**	(4)	(10)
	68	(558)	(1,008)
Net cash flow from operating activities before tax	**100**	(518)	(970)
Tax paid	**-**	-	-
Net cash flow from operating activities	**100**	(518)	(970)
Cash flows from investing activities			
Purchase of property and equipment	**(1)**	-	(1)
Sale of property and equipment	**1**	-	-
Net cash flows from investing activities	**-**	-	(1)
Cash flows from financing activities			
(Decrease)/increase in invested capital	**(100)**	518	971

Net cash flows from financing activities	**(100)**	518	971
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	**-**	-	-
Cash and cash equivalents as at 31 December	**-**	-	-

1. General information, basis of preparation and significant accounting policies

1.1 General information

Ulster Bank Ireland Designated Activity Company ("**UBIDAC**"), a wholly owned subsidiary of NatWest Group plc ("**NatWest**"), is incorporated as a designated activity company and registered in the Republic of Ireland, and together with its subsidiary and associated undertakings is referred to as "UBIDAC Group".

In February 2021, NatWest announced that it would begin a phased withdrawal from the Republic of Ireland over the coming years. As part of this process, in December 2021 Permanent TSB plc ("**PTSB**"), UBIDAC and NatWest entered into binding agreements for the proposed sale (the "**Transaction**") of the Target Business, as defined below.

The "Target Business" is defined as the following parts of the UBIDAC business:

- the entire performing non-tracker mortgage book (including undrawn facilities) of UBIDAC;
- those non-performing probationary loans within the non-tracker mortgage book of UBIDAC that have nil arrears, the customer is meeting contractual payments and is on a 12-month probation period;
- the entire performing micro-SME/Business Direct ("**Business Direct**") loan book (including undrawn facilities) of UBIDAC;
- the entire asset finance loan business of UBIDAC including the rights in the Lombard IT platform and the non-performing loans within the Lombard business; and
- 25 branches in UBIDAC's branch network, being the Branch properties.

It is also expected that 400-500 UBIDAC employees who work wholly or mainly to support the Target Business will be entitled to transfer to PTSB under the TUPE regulations. The final number of employees transferring will be agreed and confirmed in advance by the parties.

No liabilities or obligations of UBIDAC or UBIDAC Group other than those related to the Target Business shall transfer or be assumed by PTSB pursuant to the Transaction.

1.2 Basis of preparation

Statement of compliance

The Target Business has not comprised a separate legal entity or a separate group of entities for the years ended 31 December 2021, 2020 and 2019 ("**Track Record Period**"). The carve out historical financial information of the Target Business ("**Carve-out HFI**") has been prepared specifically for the purpose of the Class 1 Circular prepared in connection with the Transaction. The assets and liabilities, results of operations and cash flows of the Target Business have been carved out from the accounting records of UBIDAC using the historical assets and liabilities, results of operations and cash flows of UBIDAC attributable to the Target Business. Consequently, the Carve-out HFI is prepared on a different basis from the statutory financial statements of UBIDAC for the corresponding three years albeit both are prepared in accordance with IFRS.

The Carve-out HFI has been prepared in accordance with the accounting policies of PTSB applied in its consolidated financial statements for the year ended 31 December 2021, the requirements of the Euronext Dublin Listing Rules and in accordance with this basis of preparation.

The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards and interpretations issued by the IFR Interpretations Committee (IFRIC) as adopted by the EU (together "**IFRS**"), except as described below. IFRS does not provide for the preparation of carve out financial information, and accordingly, in preparing the Carve-out HFI, certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 Standards. for Investment Reporting applicable to public reporting engagements on historical financial information issued by the UK Financial Reporting Council have been applied. The application of these conventions results in the following material departures from IFRS. In all other material respects, IFRS has been applied.

- The Carve-out HFI of the Target Business is not prepared on a consolidated basis and therefore does not comply with the requirements of IFRS 10 Consolidated Financial Statements. The Carve-out HFI has been prepared on a basis that combines the results and assets and liabilities of each of the elements that constitutes the Target Business, derived from the accounting records of UBIDAC Group, by applying the principles underlying the consolidation procedures of IFRS 10.

- The Carve-out HFI does not constitute a set of general-purpose financial statements under paragraph 3 of IAS 1 Presentation of Financial Statements and consequently there is no explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1.

The following summarises the key accounting and other principles applied in preparing the Carve-out HFI:

Mortgages

The key criterion for inclusion of historical financial information throughout the Track Record Period is the identification of a customer's mortgage accounts that are associated with the performing non-tracker mortgage book or probationary non-performing non-tracker mortgages with no arrears. Any mortgage accounts containing tracker sub-accounts in combination with non-tracker sub-accounts are excluded. Furthermore, certain mortgages subject to customer complaints procedures have been excluded.

Loans to customers include all gross loans, accrued interest and deferred fees that relate to the Target Business perimeter. Loss allowances for expected credit losses ("**ECL**") have been recognised based on the specific customer loans in the Target Business. Interest income and fee income are directly attributable to the assets of the Target Business.

Asset finance loan business (Lombard)

The Lombard business loans included in the Carve-out HFI represent the entire Lombard business throughout the Track Record Period. The Lombard IT platform is not recognised in the UBIDAC financial statements hence there is no value attributed to the Lombard IT platform in the Carve-out HFI.

The Lombard business is ring fenced on the UBIDAC ledger and therefore the loans to customers, interest income and ECL information which are directly attributable to the Target Business are taken directly from the ledger without allocation.

Business Direct loans

The Business Direct loans included in the Carve-out HFI are based on the performing loans throughout the Track Record Period.

Loans to customers includes all gross loans, accrued interest and deferred fees that relate to the Business Direct performing loan book. The loan balances are taken directly from the management information system for Commercial lending (which is reconciled to the ledger) on a monthly basis. Associated ECL

provisions are apportioned by the Credit Risk team based on data inputs. Interest income has been extracted directly from the system for the loans which relate to the Business Direct performing loan book.

Interest payable / funding charge

The Target Business was historically funded and hedged on a UBIDAC Group basis and therefore there are no funding instruments, balances or hedging relationships directly attributable to the Target Business. The funding charge for the Target Business was apportioned on the basis of the invested capital of the Target Business as a proportion of the funding liabilities for UBIDAC.

Operating costs allocation

Expenses include those which are directly attributable to the Target Business and an apportionment of central overhead expenses based on appropriate product, portfolio or other size metrics reflective of the nature of the allocated costs.

Historically, the central overhead expenses have included those of executive senior management and non-customer facing support teams. Whilst these amounts are apportioned based on appropriate product, portfolio or other size metrics, they are not necessarily representative of the amounts that would have been incurred by the Target Business as a standalone entity. Actual costs that may have been incurred if the Target Business had been a standalone entity would depend on a number of factors, including the chosen organisational structure, functions outsourced or performed by employees and strategic decisions made.

The costs of the staff who will be entitled to transfer to PTSB under the TUPE Regulations have been attributed 100% to the Carve-out HFI. Any associated payroll balances that are not separately identifiable have been allocated based on attributable staff costs as a proportion of overall staff costs.

Allocation of conduct provisions

UBIDAC conduct provisions have been assessed to determine whether the provisions have elements attributable to the Target Business. In the case of those which have attributable elements, an exercise has been undertaken to determine the number of accounts in the Target Business as a proportion of the total accounts assessed under the provision.

Property, plant and equipment

Branch properties that are included in the Target Business perimeter are being transferred as locations only. The assets, including the cash balances and fixtures and fittings, held in those locations are not part of the sale process and as such will not be included in the Carve-out HFI.

Property balances are based on 25 in-scope branch properties. Directly attributable property costs include depreciation and impairment costs plus appropriately allocated costs from UBIDAC to reflect the true cost base. Property provisions costs are also included where appropriate.

Taxation

Current tax charges or credits are based on the profit or loss shown in the Carve-out HFI income statement. As the Target Business does not represent a legal entity, tax owing to/from Revenue Commissioners will not be shown on the balance sheet. Similarly, tax losses are not transferring as part of the Transaction and belong to the UBIDAC legal entity in as a whole. Although it is not possible to attribute a specific quantum of the tax losses to the Target Business, any current tax charge computed that is attributable to the Target Business is deemed to be offset by tax losses available to UBIDAC in the Track Record Period, that would have been applied to the Target Business.

Invested capital

The Target Business did not form a separate legal entity or group of entities throughout the Track Record Period and as described above, a number of items in the income statement and on the balance sheet are presented as allocations of transactions of the wider UBIDAC Group. In addition, the Transaction is primarily a sale of loan assets and as such there are no directly connected liabilities, funding or equity subject to transfer. Therefore, it is not possible to compute an equity or a funding balance, and both equity and funding will be represented by a balancing Invested Capital line in the balance sheet which would also include a combination of the overall intra-group receivables and payables with UBIDAC Group, which cannot be separately identified or allocated throughout the Track Record Period.

Cash

There is no cash associated with the Transaction and the cash held in the Branch properties is not in scope as the branches are being sold as locations only. Therefore, there is no cash on the balance sheet of the Carve-out HFI, the cash flow statements have opening and closing balances of zero and any cash flow activity associated with the due to/from remaining UBIDAC entity is shown as movements in the invested capital.

Accruals and other liabilities

Liabilities include those which are directly attributable to the Target Business, an allocation of other liabilities and accruals where an identifiable element relates to the Target Business and an apportionment of central overhead related liabilities based on an appropriate product, portfolio or other metric reflective of the associated costs.

The principal accounting polices applied in the preparation of the Carve-out HFI are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of measurement

The Carve-out HFI has been prepared on the historical cost basis.

Functional and presentation currency

This Carve-out HFI is presented in Euro, which is the functional currency of the Target Business. Except where otherwise indicated, financial information presented in Euro has been rounded to the nearest million (m).

Going concern

This Carve-out HFI has been prepared on a going concern basis. PTSB management has considered the planned acquisition of the Target Business and expects that the appropriate funding will be available for future operations after the acquisition occurs. PTSB management expects that following acquisition, the Target Business will continue operating. The forecasts and projections of the Target Business, taking account of possible changes in trading performance, and including stress testing and scenario analysis, show that the Target Business will be able to operate at adequate levels of both liquidity and capital for the foreseeable future.

1.3 Summary of significant accounting policies

(i) Foreign currencies

Foreign currency transactions are translated into the functional currency of the Target Business, being the currency of the primary environment in which the Target Business operates at the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. 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.

(ii) 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 effective interest rate ("**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 financial assets that 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 Expected Credit Loss ("**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.

Other fees and commission income are recognised as the related services are performed.

(c) 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 material restructuring costs.

(d) Bank levy and other regulatory charges

Bank levy and other regulatory charges consist of Deposit Guarantee Scheme ("**DGS**") fees, Central Bank Industry Funding levy, BRRD levy, ECB fees and a bank levy.

A bank levy, payable to the Government by the parent of the Target Business, is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy and allocated as described in Note 1.2.

(iii) Employee Benefits

(a) Defined contribution pension plan

The Target Business participates in a defined contribution pension scheme, under which the Target Business 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.

(b) Defined benefit pension plan

The Target Business contributes to a number of defined benefit pension schemes in respect of its employees. As the plans are not operated by the Target Business, the contributions payable are recorded as an expense under administration, staff and other expenses. As these defined benefit schemes are not operated by the Target Business and do not form part of the Transaction, no pension assets or liabilities are recognised on the balance sheet of the Target Business.

(c) 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 Target Business has a legal or constructive obligation to employees that can be reliably measured.

(d) Termination payments

Termination benefits may be payable when employment is terminated by the Target Business before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Target Business recognises termination benefits at the earlier of the following dates: (a) when the Target Business 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.

(iv) Current and deferred taxation

Taxation comprises both current and deferred tax and is recognised in the income statement.

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).

As the Target Business does not represent a legal entity, tax losses are not transferring as part of the Transaction and belong to the UBIDAC legal entity as a whole. Therefore deferred tax in respect of these losses has not been recognised on the Target Business balance sheet. Although it is not possible to attribute a specific quantum of the tax losses to the Target Business, any current tax charge computed that is attributable to the Target Business is deemed to be offset by tax losses available to UBIDAC in the Track Record Period that would have been applied to the Target Business.

(v) 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.

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 Target Business 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.

Debt instruments

Debt instruments, including loans and advances to customers, 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 Target Business' 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 Target Business manages the assets in order to generate cash flows. That is, whether the objective of the Target Business 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 Target Business 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 Target Business Executive Committee;
- 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 Target Business 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 Target Business 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 Target Business carries out the SPPI test based on an assessment of the contractual features of each product on origination and subsequently at every reporting period.

Based on the above assessments, the Target Business classifies its loans and advances to customers at amortised cost.

Loans and advances to customers 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 measured at amortised cost are presented net of allowance for ECL in the SOFP.

(b) Impairment of financial assets

The Target Business recognises loss allowances for ECL for the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost; and
- Loan commitments.

Measurement

ECL is measured by the Target Business 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.

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 significant increase in credit risk (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; and
- 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 Target Business has adopted an ECL framework that reflects a component approach using Probability of Default ("**PD**"), Exposure At Default ("**EAD**") and Loss Given Default ("**LGD**")

components calibrated for IFRS 9 purposes. To adequately capture life-time expected losses, the Target Business 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 Target Business' normal recovery strategy, cash flows from this source are not considered a part of the ECL calculation.

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.

Expected life

When measuring ECL, the Target Business must consider the maximum contractual period over which the Target Business 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 instruments in Stage 2 or Stage 3, loss allowances will cover ECL over the expected remaining life of the instrument.

Expert Credit Judgement

The Target Business' ECL accounting framework methodology, in line with the requirements of the standard, requires the Target Business 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 Target Business in measuring ECL is the EIR 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.

Modification Policy for Financial Assets

The Target Business sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Target Business assesses whether or not the new items are substantially different to the original terms. The Target Business 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 Target Business 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 Target Business 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 Target Business 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.

Write-off policy

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

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

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.

Off-balance sheet credit risks include certain undrawn lending commitments.

(c) Derecognition of Financial instruments

Financial assets

The Target Business 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 Target Business 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.

(vi) 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.

(vii) Leases

(a) Classification of Leases

At inception of a contract, the Target Business 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 Target Business 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 Target Business has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Target Business has the right to direct the use of the asset. The Target Business 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 Target Business has the right to direct the use of the asset if either:

    - the Target Business has the right to operate the asset; or

    - the Target Business 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 Target Business 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 and accruals.

As a lessee

The Target Business 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.

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;
- The exercise price under a purchase option that the Target Business is reasonably certain to exercise, lease payments in an optional renewal period if the Target Business is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Target Business 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 Target Business' estimate of the amount expected to be payable under a residual value guarantee, or if the Target Business 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 Target Business 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 Target Business 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 Target Business 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 Target Business 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 Target Business considers certain indicators such as, whether the lease is for the major part of the economic life of the asset.

When the Target Business 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 Target Business applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Target Business applies IFRS 15 to allocate the consideration in the contract.

The Target Business 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 Target Business as a lessor throughout the Track Record Period were not different from IFRS 16. The Target Business presents right-of-use assets in property and equipment and lease liabilities in other liabilities and accruals in the SOFP.

(viii) Property and equipment

Property and 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.

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 Target Business 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.

The estimated useful lives are as follows:

Freehold Buildings	50 years
Leasehold Buildings	50 years or term of lease if less than 50 years

(ix) Provisions

A provision is recognised if, as a result of a past event, the Target Business 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 Restructuring Plan, 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 exceeds 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.

1.4 **Application of new and revised IFRSs**

In 2021, the Target Business assessed the impact of new and revised pronouncement of IFRSs which took effect during the year. The changes to IFRS during 2021 did not have a material impact on the Target Business Carve-out HFI. The Target Business has not early adopted any of the changes described below.

1.5 **Impact of other accounting standards with effective periods beginning on or after 1 January 2022**

Accounting Standard Update	Description of Change	Key effects for the Target Business	Effective Date
Annual Improvements to IFRS Standards 2018– 2020 Cycle	Minor amendments to IFRS 1, IFRS 9, IAS41 and IFRS 16.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2022
Amendments to IAS 8 - Definition of Accounting Estimates	The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	Updates certain references to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	Requires amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2022
Amendment to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	Specifies which costs to include when assessing whether a contract will be loss-making.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2022

Accounting Standard Update	Description of Change	Key effects for the Target Business	Effective Date
Amendment to IAS 1 - Classification of Liabilities as Current or Non-current	Clarifies that the classification of liabilities as current or non- current should be based on rights that exist at the end of the reporting period.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2	Amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	Distinguishes between accounting policies and accounting estimates.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2023
Amendments to IAS 12 – Deferred Tax	Clarifies how to account for deferred tax on transactions such as leases and decommissioning obligations.	This amendment is expected to have no significant impact on the Historical Financial Information or future reporting.	Annual periods beginning on or after 1 January 2023

2. **Critical accounting estimates and judgements**

The preparation of this carve out HFI, in conformity with IFRS, requires management of the Target Business to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities and the related disclosures.

Due to the inherent uncertainty in making estimates, actual results in future periods may differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

Critical accounting estimates and judgements made by management of the Target Business are set out below.

(a) Carve out principles (note 1.2, basis of preparation)

(b) 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.

Government-led customer support initiatives in response to the pandemic have weakened established relationships between model inputs and outputs, reducing the ability to forecast using models alone. In addition, models are constructed based on a single economic cycle. As a result a greater level of management judgement is required to reflect the nature and uncertainty of the economic outlook.

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

Determination of significant increase in credit risk (SICR)

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

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 expected credit losses in any accounting period.

The Target Business has relied on a number of measures including delinquency, forborne status, change in remaining lifetime PD and PD at maturity to determine SICR.

Forward Looking Information

The Target Business has adopted an ECL framework that reflects a component approach using PD, EAD and LGD.

Judgement is combined with statistical evidence in determining which forward-looking variables are relevant for the Target Business' loan portfolios. The estimation and application of forward looking information ("**FLI**") requires significant judgement. In its calculation of ECL, the Target Business considers multiple scenarios and possible outcomes together with their probability of occurrence. Scenarios are designed to capture a range of possible outcomes. Each macroeconomic scenario in the Target Business' ECL calculation includes a projection of all relevant macroeconomic variables applied in the models for a five year period.

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

Four scenarios are currently considered in the Target Business' calculation of ECL. The base scenario is used for financial planning purposes. The Target Business considers one scenario that represents a macroeconomic environment that is more favourable to the central scenario, one scenario that represents a macroeconomic environment that is less favourable to the central scenario and one more extreme downside scenario.

The following table details the key macroeconomic variables applied to model credit losses and probability weightings for Stages 1 and 2 at 31 December 2021. Macroeconomic scenarios were most recently updated in December 2021. The update in the Base Case Scenario reflects the improvement in the outlook for the Irish economy in future years, with higher forecast HPI and GDP growth, and headwinds as a result of higher forecast inflation.

	2021			
	Upside %	**Base case %**	**Downside %**	**Extreme downside %**
GDP - CAGR[(2)]	**4.4**	**3.7**	**2.9**	**1.6**

Unemployment rate[3] - average	**4.2**	**5.2**	**6.8**	**9.3**
House price inflation - total change	**30.3**	**23.4**	**16.3**	**4.6**
ECB Refi rate - average	**0.8**	**0.1**	**0.2**	**-**
Probability weight	**30.0**	**45.0**	**20.0**	**5.0**

	2020			
	Upside %	**Base case %**	**Downside %**	**Extreme downside %**
GDP - CAGR[2]	**4.2**	**3.5**	**3.0**	**1.6**
Unemployment rate[3] - average	5.6	7.5	9.3	11.2
House price inflation - total change	21.1	13.3	6.8	(7.0)
ECB Refi rate - average	0.1	-	-	-
Probability weight	20.0	40.0	30.0	10.0

(1) The five-year period starts after Q3 2021 for 2021 and Q3 2020 for 2020.
(2) Compound Annual Growth Rate
(3) The unemployment rate in table above and following tables corresponds to the mid-point of the Irish Central Statistics Office lower and upper bound unemployment rate measures.

GDP - annual average growth	**Upside %**	**Base case %**	**Downside %**	**Extreme downside %**
2021	15.1	15.1	15.1	15.1
2022	8.9	6.8	2.9	(5.0)
2023	5.8	4.1	3.8	5.3
2024	3.0	3.1	3.3	3.1
2025	2.9	3.1	3.1	3.2
2026	2.8	2.7	2.7	3.1

Unemployment rate(1) - annual average	**Upside %**	**Base case %**	**Downside %**	**Extreme downside %**
2021	11.2	11.2	11.2	11.2
2022	4.5	5.5	8.8	13.7
2023	4.1	5.3	7.2	10.2
2024	4.0	5.1	6.3	8.4
2025	4.0	5.0	5.7	7.5
2026	4.0	5.0	5.5	7.0

House price inflation - annual average growth	**Upside %**	**Base case %**	**Downside %**	**Extreme downside %**
2021	12.9	12.9	12.9	12.9
2022	12.2	5.1	(3.0)	(18)
2023	3.4	4.0	2.0	(5.0)
2024	2.6	3.3	4.1	16.1
2025	3.4	3.4	5.9	6.8
2026	3.3	3.0	4.4	4.9

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

Base scenario (referred to as the "Base Case Scenario")

Projected continued health of the recovery in the near term reflects the ongoing post-lockdown pickup in economic activity, the release of pent-up demand, supportive fiscal and monetary policy settings, a broadly favourable global backdrop, continued buoyancy in multi-national sectors including pharmaceuticals and technology, and the assumption of no further major tightening of public health

restrictions. The pace of recovery is then projected to ease over the medium term to more sustainable rates of growth with house price inflation moderating, reflecting expected further improvement in supply, while unemployment returns to pre-pandemic levels.

Upside scenario

This scenario features a stronger recovery, capturing a more favourable outlook for the domestic and world economies which mainly reflects a stronger near-term performance in 2022/23 amid much-reduced uncertainty post the pandemic. The result is a marked further strengthening in business and consumer confidence and an associated boost to activity, spending and labour and housing market conditions.

Downside scenario

The recovery is thrown off course by the combination of adverse virus developments requiring the re-introduction of restrictions amplified by the effects of a sharper, more sustained burst of domestic and global inflation pressures. Faster inflation erodes spending power and real economic activity and also triggers the need for central bank monetary policy tightening to address the resulting un-anchoring of inflation expectations. In time, recovery is re-established as the COVID-19 containment measures are eased and the policy tightening brings inflation back down which then allows for monetary policy to be eased once again.

Extreme Downside scenario

This scenario features a very sharp downturn based on a COVID-19 resurgence and highly severe outcomes for the Irish economy, reflecting the assumed crystallisation of several prominent downside risks spanning several key areas of vulnerability. These include a highly adverse COVID-19 impact occurring in early 2022, marked weakness in the international economic environment across Ireland's Key Trading Partners and adverse impacts of global tax reform on Ireland. The post-downturn recovery is incomplete with residual scarring remaining across output, unemployment and property prices.

The Target Business applies statistical techniques combined with expert credit judgement to formulate an unbiased probability weighted estimate of ECL at the reporting date. Given the relative sizes of the portfolios, the key judgemental area for the Target Business is in relation to the level of ECL calculated for the residential mortgage portfolio.

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

If the Target Business were to only use its Base Case Scenario for the measurement of ECL for the secured mortgage portfolio, excluding management's adjustment to modelled outcomes, the ECL impairment allowance would be €1m less than reported at 31 December 2021.

Similarly, excluding management's adjustment to modelled outcomes, if the Target Business were to only apply its Upside Scenario for the measurement of ECL for the secured mortgage portfolio, the ECL impairment allowance would be €1m less than reported at 31 December 2021. Whereas, if the Target Business were to only use its Downside Scenario and Extreme Downside Scenario, the ECL impairment allowance would be €2m and €7m greater than reported at December 2021, respectively. Sensitivity analysis is not presented for 2020 and 2019 financial years as it is regarded as both qualitatively and quantitatively immaterial.

Management's adjustment to modelled outcomes

The adequacy of ECL allowance is reviewed by the Management of the Target Business on a half-yearly basis. At 31 December 2021, the total impairment provision included €5m of management's

adjustments to modelled outcomes (31 December 2020: €28m) which primarily comprises the following:

- €3m of management's adjustment deferring the beneficial impact of updates to economic scenarios at 31 December 2021. This adjustment reflects management concerns with respect to possible impacts of the Omicron variant of SARS-CoV-2 on portfolio performance.

- €2m of management's adjustment reflecting concerns that losses arising from projected defaults in 2022 will be higher than modelled.

At December 2021, management judgement has been applied to specified non-standard mortgages classified as Stage 1 by Impairment models and these loans were transferred to Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is a €79m increase in Stage 2 volumes.

3. Operating segments

The Target Business reports one operating segment based in Ireland.

4. Net interest income

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Interest income			
Loans and advances to customers	**214**	216	208
	214	216	208
Interest expense	**(1)**	(6)	(7)
Net interest income	**213**	210	201

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

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Staff costs (as detailed below)	**74**	79	74
Other general and administrative expenses	**75**	71	67
Administrative, staff and other expenses (excluding exceptional items)	**149**	150	141

Staff costs

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Wages and salaries (including commission payable to sales staff)	**57**	60	61
Temporary and contractor costs	**2**	2	2
Social insurance	**6**	7	7
Pension costs			
- Payments to defined benefit pension schemes	**7**	9	2
- Payments to defined contribution pension schemes	**2**	1	2
Total staff costs	**74**	79	74

Staff redundancy costs associated with exceptional items for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 are included as part of note 7 exceptional items.

Staff numbers

The number of staff attributable to the Target Business is broken down by geographical location for 31 December 2021, 31 December 2020, and 31 December 2019 in the table below:

	Closing staff numbers			Average staff numbers		
	2021	2020	2019	2021	2020	2019
Ireland	**910**	993	971	**929**	1,017	996

The staff numbers are inclusive of 400-500 UBIDAC employees who work wholly or mainly to support the Target Business entitled to transfer to PTSB under the TUPE regulations, as detailed in note 1.1.

6. Bank levy and other regulatory charges

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Bank levy	17	11	9
Other regulatory charges	18	9	7
Bank levy and other regulatory charges	35	20	16

For the year ended 31 December 2021, other regulatory charges include €5m for the Deposit Guarantee Scheme (DGS) (31 December 2020: €4m, 31 December 2019: €3m), €10m for the Single Resolution Fund (SRF) (31 December 2020: €3m, 31 December 2019: €2m), €2m for the Central Bank Industry Funding Levy (31 December 2020: €1m, 31 December 2019: €1m) and €1m related to other regulatory charges (31 December 2020: €1m, 31 December 2019: €1m).

7. Exceptional items

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Restructuring and other charges – redundancy costs	-	1	6

8. Taxation

(a) Analysis of taxation charge

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Current taxation			
Charge for current year	-	-	-
Deferred taxation			
Origination and reversal of temporary differences	-	-	-
Deferred taxation recognised in the income statement	-	-	-
Taxation (credited)/charged to income statement	-	-	-
Effective tax rate	-	-	-

(b) Reconciliation of standard to effective tax rate

	Year ended 31 December 2021 €m	Year ended 31 December 2020 €m	Year ended 31 December 2019 €m
Profit on the Target Business activities before tax	**72**	**17**	**50**
Tax calculated at standard ROI corporation tax rate of 12.5% (2020, 2019: 12.5%)	**9**	**2**	**6**
Tax effect of non-deductible expenses and non-trading income	**3**	**2**	**3**
Unrecognised losses brought forward and utilised	**(12)**	**(4)**	**(9)**
Taxation charged to income statement	**-**	**-**	**-**

9. Loans and advances to customers

Loans and advances by category are set out below:

	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
- Residential mortgages	**6,893**	6,932	6,337
Commercial lending (term loans/other)	**600**	626	656
Gross loans and advances to customers	**7,493**	7,558	6,993
Less: provision for impairment (note 10)	**(31)**	(73)	(40)
Deferred fees, discounts and fair value adjustments	**32**	36	37
Net loans and advances to customers	**7,494**	7,521	6,990

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

	Gross loans and advances to customers			Net loans and advances to customers		
	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Variable rate	**1,303**	1,602	1,991	**1,295**	1,580	1,970
Fixed rate	**6,190**	5,956	5,002	**6,167**	5,905	4,983
	7,493	7,558	6,993	**7,462**	7,485	6,953
Deferred fees, discounts and fair value adjustments	**32**	36	37	**32**	36	37
Total	**7,525**	7,594	7,030	**7,494**	7,521	6,990

	Non-credit impaired		Credit impaired	Total
	Stage 1	Stage 2	Stage 3	
	€m	€m	€m	€m
Balance as at 1 January 2021	6,933	516	109	**7,558**
New assets originated*	534	9	32	**575**
Stage Transfers:				
Transfers from Stage 1 to Stage 2	(200)	200	-	-
Transfers to Stage 3	(1)	(12)	13	-
Transfers from Stage 2 to Stage 1	386	(386)	-	-
Transfers from Stage 3	7	67	(74)	-
Net movement arising from transfer of Stage	192	(131)	(61)	-
Redemptions and repayments	(561)	(63)	(16)	**(640)**
Balance as at 31 December 2021	7,098	331	64	**7,493**

*Loan originations are net of repayments in the year.

	Non-credit impaired		Credit impaired	Total
	Stage 1	Stage 2	Stage 3	
	€m	€m	€m	€m
Balance as at 1 January 2020	6,484	351	158	6,993
New assets originated*	963	45	88	1,096
Stage Transfers:				
Transfers from Stage 1 to Stage 2	(529)	529	-	-
Transfers to Stage 3	(1)	(17)	18	-
Transfers from Stage 2 to Stage 1	357	(357)	-	-
Transfers from Stage 3	5	78	(83)	-
Net movement arising from transfer of Stage	(168)	233	(65)	-
Redemptions and repayments	(346)	(113)	(72)	(531)
Balance as at 31 December 2020	6,933	516	109	7,558

*Loan originations are net of repayments in the year.

	Non-credit impaired		Credit impaired	Total
	Stage 1	Stage 2	Stage 3	
	€m	€m	€m	€m
Balance as at 1 January 2019	5,420	379	101	5,900
New assets originated*	1,244	56	152	1,452
Stage Transfers:				
Transfers from Stage 1 to Stage 2	(251)	251	-	-
Transfers to Stage 3	(4)	(11)	15	-
Transfers from Stage 2 to Stage 1	299	(299)	-	-
Transfers from Stage 3	3	49	(52)	-
Net movement arising from transfer of Stage	47	(10)	(37)	-
Redemptions and repayments	(227)	(74)	(58)	(359)
Balance as at 31 December 2019	6,484	351	158	6,993

*Loan originations are net of repayments in the year.

10. Impairment provisions

(a) Loans and advances to customers

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

The non-performing loan balance as at 31 December 2021 was €62m (31 December 2020: €103m and 31 December 2019: €138m). Refer to note 16 for further details.

				ECL provisions				
31 December 2021	Loans and advances to customers	NPLs	NPL % of total loans	Stage 1	Stage 2	Stage 3	Total	Total ECL provisions as % of total loans
	€m	€m	%	€m	€m	€m	€m	%
Residential:								
-Home loans	**6,747**	49	0.7%	5	8	8	21	0.3%
-Buy-to-let	**146**	2	1.4%	-	-	-	-	-
Commercial lending:								
-Term loans/other	**600**	11	1.8%	3	1	6	10	1.7%

Total gross loans	**7,493**	62	0.8%	8	9	14	31	0.4%
Impairment provision	**(31)**							
Deferred fees, discounts and fair value adjustments	**32**							
Balance as at 31 December 2021	**7,494**							

				ECL provisions				
31 December 2020	**Loans and advances to customers €m**	**NPLs €m**	**NPL % of total loans %**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**Total €m**	**Total ECL provisions as % of total loans %**
Residential:								
-Home loans	6,764	89	1.3%	14	22	23	59	0.9%
-Buy-to-let	168	2	1.2%	-	1	-	1	0.6%
Commercial lending:								
-Term loans / other	626	12	1.9%	4	5	4	13	2.1%
Total gross loans	7,558	103	1.4%	18	28	27	73	1.0%
Impairment provision	(73)							
Deferred fees, discounts and fair value adjustments	36							
Balance as at 31 December 2020	7,521							

				ECL provisions				
31 December 2019	**Loans and advances to customers €m**	**NPLs €m**	**NPL % of total loans %**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**Total €m**	**Total ECL provisions as % of total loans %**
Residential:								
-Home loans	6,148	132	2.1%	4	7	23	34	0.6%
-Buy-to-let	189	3	1.6%	-	1	-	1	0.5%
Commercial lending:								
-Term loans / other	656	3	0.5%	4	1	-	5	0.8%
Total gross loans	6,993	138	2.0%	8	9	23	40	0.6%
Impairment provision	(40)							
Deferred fees, discounts and fair value adjustments	37							
Balance as at 31 December 2019	6,990							

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

2021	Residential mortgages €m	Commercial lending €m	Total €m
Total by portfolio			
ECL as at 1 January 2021	60	13	**73**
Redemptions and repayments	(6)	(2)	**(8)**
Net remeasurement of loss allowance	(42)	(1)	**(43)**
Loan originations	9	-	**9**
Net movement	(39)	(3)	**(42)**
ECL as at 31 December 2021	21	10	**31**
Net movement (from above)			**(42)**
Other movements			**-**
Impairment release on customer loans and advances for the year ended 31 December 2021			**(42)**

2020	Residential mortgages €m	Commercial lending €m	Total €m
Total by portfolio			
ECL as at 1 January 2020	35	5	40
Redemptions and repayments	(9)	5	(4)
Net remeasurement of loss allowance	16	3	19
Loan originations	18	-	18
Net movement	25	8	33
ECL as at 31 December 2020	60	13	73
Net movement (from above)			33
Other movements			(11)
Impairment charge on customer loans and advances for the year ended 31 December 2020			22

2019	Residential mortgages €m	Commercial lending €m	Total €m
Total by portfolio			
ECL as at 1 January 2019	34	11	45
Redemptions and repayments	(11)	(6)	(17)
Net remeasurement of loss allowance	(9)	-	(9)
Loan originations	21	-	21
Net movement	1	(6)	(5)
ECL as at 31 December 2019	35	5	40
Net movement (from above)			(5)
Other movements			(8)
Impairment release on customer loans and advances for the year ended 31 December 2019			(13)

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2021	18	28	27	**73**
Transfer to Stage 1	21	(17)	(4)	-
Transfer to Stage 2	(1)	11	(10)	-
Transfer to Stage 3	-	(2)	2	-
Stage transfers	20	(8)	(12)	-
Redemptions and repayments	(3)	(2)	(3)	**(8)**
Net remeasurement of loss allowance	(29)	(10)	(4)	**(43)**
Loan originations	2	1	6	**9**
Net movement	(30)	(11)	(1)	**(42)**
ECL as at 31 December 2021	8	9	14	**31**
Net movement (from above)				**(42)**
Other movements				-
Impairment release on customer loans and advances for the year ended 31 December 2021				**(42)**

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2020	8	9	23	40
Transfer to Stage 1	12	(8)	(4)	-
Transfer to Stage 2	(2)	9	(7)	-
Transfer to Stage 3	-	(1)	1	-
Stage transfers	10	-	(10)	-
Redemptions and repayments	-	(1)	(3)	(4)
Net remeasurement of loss allowance	(2)	18	3	19
Loan originations	2	2	14	18
Net movement	-	19	14	33
ECL as at 31 December 2020	18	28	27	73
Net movement (from above)				33
Other movements				(11)
Impairment charge on customer loans and advances for the year ended 31 December 2020				22

Total by stage	Stage 1 €m	Stage 2 €m	Stage 3 €m	Total €m
ECL as at 1 January 2019	7	15	23	45
Transfer to Stage 1	3	(3)	-	-
Transfer to Stage 2	-	5	(5)	-
Transfer to Stage 3	-	(1)	1	-
Stage transfers	3	1	(4)	-
Redemptions and repayments	(1)	(5)	(11)	(17)
Net remeasurement of loss allowance	(1)	(4)	(4)	(9)
Loan originations	-	2	19	21
Net movement	(2)	(7)	4	(5)
ECL as at 31 December 2019	8	9	23	40
Net movement (from above)				(5)
Other movements				(8)
Impairment release on customer loans and advances for the year ended 31 December 2019				(13)

Modified Financial Assets

At 31 December 2021 there have been no significant modified financial assets for which the loss allowance has changed from lifetime to 12-month ECL.

11. Property and equipment

		Right-of-use assets*	
2021	**Held at cost land and buildings** **€m**	**Leased buildings** **€m**	***Total*** ***€m***
Cost			
At 1 January	18	8	**26**
Additions	1	-	**1**
Disposals and write-offs	(9)	-	**(9)**
At 31 December	10	8	**18**
Accumulated depreciation			
At 1 January	(11)	(7)	**(18)**
Provided in the year	(1)	-	**(1)**
Disposals	8	-	**8**
Impairment	1	-	**1**
At 31 December	(3)	(7)	**(10)**
Net book value at 31 December	7	1	**8**

*For further details on right-of-use assets refer to note 14.

The €1m impairment write-back is recognised in the income statement.

2020	Held at cost land and buildings €m	Right-of-use assets* Leased buildings €m	Total €m
Cost			
At 1 January and 31 December	18	8	26
Accumulated depreciation			
At 1 January	(10)	(7)	(17)
Provided in the year	(1)	-	(1)
At 31 December	(11)	(7)	(18)
Net book value at 31 December	7	1	8

*For further details on right-of-use assets refer to note 14.

2019	Held at cost land and buildings €m	Right-of-use assets* Leased buildings €m	Total €m
Cost			
At 1 January	17	8	25
Additions	1	-	1
At 31 December	18	8	26
Accumulated depreciation			
At 1 January	(9)	(6)	(15)
Provided in the year	(1)	-	(1)
Impairment	-	(1)	(1)
At 31 December	(10)	(7)	(17)
Net book value at 31 December	8	1	9

The net book value of land and buildings includes the following:

	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Land	**4**	4	4
Buildings - freehold cost	**3**	3	4
Buildings – leasehold	**1**	1	1
	8	8	9

The historic cost of land and buildings is €10m (31 December 2020: €18m and 31 December 2019: €18m).

12. Other liabilities and accruals

	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Amounts falling due within one year			
PAYE and social insurance	**3**	3	4
Other taxation including deposit interest retention tax (DIRT)	**11**	6	5
Other	**9**	10	10
Lease liability (See note 14 for further information on lease liabilities)	**-**	-	-
Total amounts falling due within one year	**23**	19	19
Amounts falling due greater than one year			
Lease liability (See note 14 for further information on lease liabilities)	**2**	2	3
Total amounts falling due greater than one year	**2**	2	3
Total other liabilities and accruals	**25**	21	22

Other includes accruals for sundry creditors of €5m at 31 December 2021 (31 December 2020: €5m, 31 December 2019: €7m) and miscellaneous liabilities.

13. Provisions

2021	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m
As at 1 January	2	1	**3**
Provisions made during the year	2	-	**2**
Provisions used during the year	(1)	-	**(1)**

As at 31 December	3	1	**4**

2020	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m
As at 1 January	7	-	7
Provisions made during the year	-	1	1
Write-back of provisions during the year	(1)	-	(1)
Provisions used during the year	(4)	-	(4)
As at 31 December	2	1	3

2019	Provision for legacy, legal and compliance liabilities €m	Other €m	Total €m
As at 1 January	18	-	18
Write-back of provisions during the year	(1)	-	(1)
Provisions used during the year	(10)	-	(10)
As at 31 December	7	-	7

The provision at 31 December 2021 is €4m (31 December 2020: €3m, 31 December 2019: €7m) which is comprised of the following:

Provision for legacy, legal and compliance liabilities

As at 31 December 2021, the Target Business has provisions of €3m relating to legal, compliance and other costs of on-going disputes in relation to legacy business issues (31 December 2020: €2m, 31 December 2019: €7m).

Management has exercised judgment in arriving at the estimated provision in respect of the potential liabilities. Assumptions relating to these are inherently uncertain and the ultimate financial impact may be different from the amount provided. Customer remediation across these issues has progressed in 2021. The Target Business expects the majority of this provision to be utilised within the next 12 months.

Other

As at 31 December 2021, the provision of €1m (31 December 2020: €1m, 31 December 2019: €Nil) primarily relates to property provisions.

14. Leases

Right-of-use assets	Land and buildings €m

As at 1 January 2021	1
Balance as at 31 December 2021	1

Right-of-use assets	Land and buildings €m
As at 1 January 2020	1
Balance as at 31 December 2020	1

Right-of-use assets	Land and buildings €m
As at 1 January 2019	2
Impairment of right-of-use assets	(1)
Balance as at 31 December 2019	1

Lease liabilities	Land and buildings €m
As at 1 January 2021	(2)
Balance as at 31 December 2021	(2)

Lease liabilities	Land and buildings €m
As at 1 January 2020	(3)
Repayment of lease liabilities	1
Balance as at 31 December 2020	(2)

Lease liabilities	Land and buildings €m
As at 1 January 2019	(3)
Balance as at 31 December 2019	(3)

Lease liabilities	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Maturity analysis - contractual undiscounted cash flows			
Less than one year	-	-	-
One to five years	**(1)**	(1)	(2)

More than five years	**(1)**	(1)	(1)
Total undiscounted lease liabilities	**(2)**	(2)	(3)
Lease liabilities included in the statement of financial position	**(2)**	(2)	(3)
Current lease liability	**-**	-	-
Non-current lease liability	**(2)**	(2)	(3)

Amounts recognised in income statement*

	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Impairment of right-of-use assets	-	-	(1)
Total charge in profit or loss	-	-	(1)

Amounts recognised in statement of cash flow

	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Cash outflow for leases	-	-	-
Total	-	-	-

15. Measurement basis and fair values of financial instruments

(a) Measurement basis and fair value of financial instruments

31 December 2021	Note	Held at amortised cost €m	Fair value €m
Financial assets			
Loans and advances to customers	9	**7,494**	**7,547**

31 December 2020	Note	Held at amortised cost €m	Fair value €m
Financial assets			
Loans and advances to customers	9	7,521	7,579

31 December 2019	Note	Held at amortised cost €m	Fair value €m

Financial assets			
Loans and advances to customers	9	6,990	7,025

The following table sets out the fair value of financial instruments that the Target Business holds during the Track Record Period. 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 inputs including quoted prices of financial instruments themselves or quoted prices of similar instruments in either active or inactive markets.

Level 3 – financial assets and liabilities measured using valuation techniques which use non-observable inputs.

Basis and fair values of financial instruments

31 December 2021	Note	Total carrying Value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Loans and advances to customers	9	**7,494**	-	-	**7,547**	**7,547**

31 December 2020	Note	Total carrying Value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Loans and advances to customers	9	7,521	-	-	7,579	7,579

31 December 2019	Note	Total carrying Value €m	Level 1 €m	Level 2 €m	Level 3 €m	Total fair value €m
Financial assets						
Loans and advances to customers	9	6,990	-	-	7,025	7,025

(b) Fair value measurement principles

The accounting policy on valuation of financial instruments is described in note 1 which contains details on the 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, fair value is calculated using observable market prices in an active market. Where market prices are not available, fair values are determined using valuation techniques. These techniques are subjective in nature and may involve assumptions which are based upon management's view of market conditions at year end, which may not necessarily be indicative of any subsequent fair value. Any 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 financial position of the Target Business and, therefore, are advised to exercise caution in interpreting these fair values.

Loans and advances to customers

Loans and advances to customers are carried net of impairments. A discounted cash flow valuation model is used to estimate the fair value for the residential mortgages and commercial lending. 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 Business Direct portfolio is considered equal to its fair value due to its maturity profile.

16. 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 Target Business' financial assets as at the statement of financial position date.

	Note	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Loans and advances to customers	9	**7,494**	7,521	6,990
Commitments and contingencies	18	**193**	188	164
		7,687	**7,709**	7,154

The following tables outline the Target Business' exposure to credit risk by asset class

(i) Loans and advances to customers

Gross customer loans and advances

The tables below outline total loans and advances to customers for the Target Business analysed by home loan, buy-to-let and commercial lending.

Measured at amortised cost	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Residential mortgages:			
Home loan	**6,747**	6,764	6,148
Buy-to-let	**146**	168	189
Total residential mortgages	**6,893**	6,932	6,337

Commercial lending	**600**	626	656
Total measured at amortised cost	**7,493**	7,558	6,993
Analysed by ECL staging:			
Stage 1	**7,098**	6,933	6,484
Stage 2	**331**	516	351
Stage 3	**64**	109	158
Total measured at amortised cost	**7,493**	7,558	6,993
Of which at the reporting date			
Neither past due nor Stage 3	**7,294**	7,316	6,713
Past due but not Stage 3	**135**	133	122
Stage 3	**64**	109	158
Total measured at amortised cost	**7,493**	7,558	6,993
Of which are reported as non-performing loans	**62**	103	138
Deferred fees, discounts and other adjustments	**32**	36	37

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

31 December 2021	Home loans €m	Buy-to-let €m	Total €m
0-30 days	57	2	**59**
31-60 days	28	2	**30**
61-90 days	5	-	**5**
Total past due not Stage 3	90	4	**94**
Fair value of collateral held	90	4	**94**

Fair value of collateral held

31 December 2021	Home loans €m	Buy-to-let €m	Total €m
0-30 days	57	2	**59**
31-60 days	28	2	**30**
61-90 days	5	-	**5**
Total past due not Stage 3	90	4	**94**

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 loan balance .

31 December 2020	Home loans €m	Buy-to-let €m	Total €m
0-30 days	52	2	54
31-60 days	28	2	30
61-90 days	5	-	5
Total past due not Stage 3	85	4	89
Fair value of collateral held	85	4	89

Fair value of collateral held

31 December 2020	Home loans €m	Buy-to-let €m	Total €m
0-30 days	52	2	54
31-60 days	28	2	30
61-90 days	5	-	5
Total past due not Stage 3	85	4	89

31 December 2019	Home loans €m	Buy-to-let €m	Total €m
0-30 days	51	3	54
31-60 days	16	2	18
61-90 days	5	-	5
Total past due not Stage 3	72	5	77
Fair value of collateral held	72	5	77

Fair value of collateral held

31 December 2019	Home loans €m	Buy-to-let €m	Total €m
0-30 days	51	3	54
31-60 days	16	2	18
61-90 days	5	-	5
Total past due not Stage 3	72	5	77

Non-performing loans

Non-performing loans ("**NPLs**") are loans which are credit impaired or loans which are classified as defaulted in accordance with the definition of default. The 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 European Banking Authority ("**EBA**") guidance on the definition of forbearance.

31 December 2021	Stage 3			
	Home loans	Buy-to-let	Commercial lending	Total
	€m	€m	€m	€m
NPL is < 90 days	5	-	4	**9**
NPL is > 90 days and < 1 year past due	8	1	4	**13**
NPL is 1-2 years past due	5	-	3	**8**
NPL is 2-5 years past due	7	1	-	**8**
NPL is > 5 years past due	24	-	-	**24**
Non-performing loans	49	2	11	**62**
NPLs as % of gross loans	0.7%	1.4%	1.8%	**0.8%**

31 December 2020	Stage 3			
	Home loans	Buy-to-let	Commercial lending	Total
	€m	€m	€m	€m
NPL is < 90 days	-	-	4	4
NPL is > 90 days and < 1 year past due	4	-	4	8
NPL is 1-2 years past due	13	-	4	17
NPL is 2-5 years past due	14	-	-	14
NPL is > 5 years past due	58	2	-	60
Non-performing loans	89	2	12	103
NPLs as % of gross loans	1.3%	1.2%	1.9%	1.4%

31 December 2019	Stage 3			
	Home loans	Buy-to-let	Commercial lending	Total
	€m	€m	€m	€m
NPL is < 90 days	-	-	1	1
NPL is > 90 days and < 1 year past due	12	1	1	14
NPL is 1-2 years past due	7	-	1	8
NPL is 2-5 years past due	19	1	-	20
NPL is > 5 years past due	94	1	-	95
Non-performing loans	132	3	3	138
NPLs as % of gross loans	2.1%	1.6%	0.5%	2.0%

Non-performing loans as a percentage of total loans and advances were 0.8% at 31 December 2021, a decrease from 1.4% at 31 December 2020 and a decrease from 2.0% at 31 December 2019.

Total portfolio loss allowance: statement of financial position

The tables below outline the ECL loss allowance total throughout the Track Record Period in respect of total customer loans and advances.

The impairment reversal in respect of the total loans and advances for year ended 31 December 2021 was €42m, compared to an impairment charge of €22m for the year ended 31 December 2020 and impairment reversal of €13m for the year ended 31 December 2019.

	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Loss allowance - statement of financial position			
Stage 1	**8**	18	8
Stage 2	**9**	28	9
Stage 3	**14**	27	23
Total loss allowance	**31**	73	40

	31 December 2021 %	31 December 2020 %	31 December 2019 %
Provision coverage ratio*			
Stage 1	**0.1**	0.3	0.1
Stage 2	**2.7**	5.4	2.6
Stage 3	**21.9**	24.8	14.6
Total provisions/total loans	**0.4**	1.0	0.6

*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:

	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance	Number	Balance
31 December 2021		€m		€m
1998 and before	845	11	35	1
1999	733	15	28	1
2000	952	27	51	2
2001	1,085	35	33	1
2002	1,456	51	48	2
2003	1,711	83	71	4
2004	1,874	131	59	4
2005	2,387	241	89	10
2006	1,661	217	44	6
2007	1,565	238	36	8
2008	729	108	19	3
2009	538	72	6	1

2010	185	18	2	-
2011	409	43	4	-
2012	1,219	122	9	1
2013	1,334	145	5	-
2014	2,105	243	7	1
2015	3,207	409	14	2
2016	4,035	624	11	1
2017	3,804	668	4	1
2018	4,245	837	6	1
2019	5,251	1,111	5	1
2020	3,851	901	-	-
2021	2,360	543	2	-
Total	**47,541**	**6,893**	**588**	**51**

	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance	Number	Balance
31 December 2020		€m		€m
1998 and before	1,109	14	61	1
1999	820	19	47	1
2000	1,085	32	62	2
2001	1,491	43	68	3
2002	1,587	62	82	4
2003	1,857	99	95	6
2004	2,002	151	119	10
2005	2,535	268	133	16
2006	1,781	242	79	11
2007	1,655	259	68	12
2008	761	117	44	8
2009	570	79	27	5
2010	202	21	4	1
2011	443	47	3	1
2012	1,285	136	10	1
2013	1,428	164	8	2
2014	2,265	275	9	1
2015	3,395	449	9	1
2016	4,290	701	11	2
2017	3,993	737	6	1
2018	4,395	912	2	1
2019	5,433	1,197	7	1
2020	3,866	908	-	-

Total	**48,248**	**6,932**	**954**	**91**

	Residential mortgages portfolio		Stage 3 residential mortgages portfolio	
	Number	Balance	Number	Balance
31 December 2019		€m		€m
1998 and before	1,354	19	66	2
1999	951	23	51	2
2000	1,536	38	70	3
2001	1,620	51	66	3
2002	1,664	71	110	6
2003	1,891	107	101	7
2004	2,015	159	167	17
2005	2,581	281	184	25
2006	1,803	253	128	21
2007	1,664	269	130	25
2008	769	121	44	11
2009	580	82	30	5
2010	216	22	8	1
2011	458	51	5	1
2012	1,336	148	6	1
2013	1,494	178	8	1
2014	2,345	297	15	2
2015	3,377	467	5	1
2016	4,463	767	7	1
2017	4,123	790	1	-
2018	4,469	958	1	-
2019	5,445	1,185	1	-
Total	46,154	6,337	1,204	135

Loan-to-value profile

Loan-to-value (LTV) of mortgage lending (index linked):

The LTV ratio is calculated at a property level and is the average of indexed property values in proportion to the outstanding loan balance. LTV is a key input to the impairment provisioning process. The tables below outline the composition of this ratio for the residential loan portfolio.

Actual and average LTVs across principal mortgage portfolios:

The tables below outline the weighted average LTVs for the total residential mortgage portfolios analysed across home loan and buy-to-let facilities by value. The weighted average LTV on the residential mortgage portfolios is 43% at 31 December 2021 compared to 47% at 31 December 2020 and 45% at 31 December 2019.

31 December 2021	Home loans %	Buy-to-let %	Total %
Less than 50%	56%	82%	**57%**
51% to 70%	28%	12%	**28%**
71% to 90%	15%	5%	**14%**
91% to 100%	1%	1%	**1%**
Total	100%	100%	**100%**
Weighted average LTV:			
Stock of residential mortgages	43%	30%	**43%**
New residential mortgages	57%	47%	**57%**
Stage 3 mortgages	35%	29%	**34%**

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	50%	74%	51%
51% to 70%	27%	16%	27%
71% to 90%	20%	7%	19%
91% to 100%	2%	1%	2%
Subtotal	99%	98%	99%
101% to 110%	1%	1%	1%
111% to 120%	-	1%	-
Subtotal	1%	2%	1%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	47%	33%	47%
New residential mortgages	64%	48%	64%
Stage 3 mortgages	43%	41%	43%

31 December 2019	Home loans %	Buy-to-let %	Total %
Less than 50%	53%	73%	53%
51% to 70%	27%	17%	27%
71% to 90%	18%	6%	18%
91% to 100%	1%	2%	1%
Subtotal	99%	98%	99%

101% to 110%	1%	1%	1%
111% to 120%	-	1%	-
Subtotal	1%	2%	1%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	45%	34%	45%
New residential mortgages	64%	49%	64%
Stage 3 mortgages	48%	36%	48%

Analysis by LTV of the Target Business' residential mortgage lending which is neither past due nor Stage 3:

The tables below illustrate that 100% of residential home loan mortgages (31 December 2020: 99%, 31 December 2019: 99%) and 100% of residential buy-to-let mortgages (31 December 2020: 98%, 31 December 2019: 98%) that are neither past due nor Stage 3 are in positive equity as at 31 December 2021.

31 December 2021	**Home loans %**	**Buy-to-let %**	**Total %**
Less than 50%	55%	82%	**57%**
51% to 70%	29%	12%	**28%**
71% to 90%	15%	5%	**14%**
91% to 100%	1%	1%	**1%**
Total	100%	100%	**100%**

31 December 2020	**Home loans %**	**Buy-to-let %**	**Total %**
Less than 50%	50%	75%	50%
51% to 70%	27%	16%	27%
71% to 90%	20%	6%	20%
91% to 100%	2%	1%	2%
Subtotal	99%	98%	99%
101% to 110%	1%	1%	1%
111% to 120%	-	1%	-
Subtotal	1%	2%	1%
Total	100%	100%	100%

31 December 2019	Home loans %	Buy-to-let %	Total %
Less than 50%	53%	73%	54%
51% to 70%	27%	17%	27%
71% to 90%	18%	6%	17%
91% to 100%	1%	2%	1%
Subtotal	99%	98%	99%
101% to 110%	1%	1%	1%
111% to 120%	-	1%	-
Subtotal	1%	2%	1%
Total	100%	100%	100%

Analysis by LTV of the Target Business' residential mortgage lending which are classified as Stage 3:

The tables below illustrate that 98% of residential home loan mortgages (31 December 2020: 93%, 31 December 2019: 91%) and 100% of residential buy-to-let mortgages (31 December 2020: 100%, 31 December 2019: 92%) that are classified as Stage 3 are in positive equity as at 31 December 2021.

31 December 2021	Home loans %	Buy-to-let %	Total %
Less than 50%	69%	75%	**69%**
51% to 70%	20%	25%	**20%**
71% to 90%	7%	-	**7%**
91% to 100%	2%	-	**2%**
Subtotal	98%	100%	**98%**
101% to 110%	1%	-	**1%**
111% to 120%	1%	-	**1%**
Subtotal	2%	-	**2%**
Total	100%	100%	**100%**
	€m	**€m**	**€m**
Stage 3	49	2	**51**

31 December 2020	Home loans %	Buy-to-let %	Total %
Less than 50%	58%	55%	58%
51% to 70%	18%	27%	18%
71% to 90%	13%	18%	13%
91% to 100%	4%	-	4%

Subtotal	93%	100%	93%
101% to 110%	3%	-	3%
111% to 120%	2%	-	2%
121% to 130%	2%	-	2%
Subtotal	7%	-	7%
Total	100%	100%	100%
	€m	**€m**	**€m**
Stage 3	89	2	91

31 December 2019	**Home loans %**	**Buy-to-let %**	**Total %**
Less than 50%	50%	52%	50%
51% to 70%	19%	20%	19%
71% to 90%	17%	16%	17%
91% to 100%	5%	4%	5%
Subtotal	91%	92%	91%
101% to 110%	4%	4%	4%
111% to 120%	2%	-	2%
121% to 130%	2%	-	2%
131% to 140%	1%	-	1%
Greater than 180%	-	4%	-
Subtotal	9%	8%	9%
Total	100%	100%	100%
	€m	**€m**	**€m**
Stage 3	132	3	135

(ii) Additional disclosures on forborne loans

The Target Business operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties.

The tables below set out the asset quality and volume of loans for which the Target Business has entered formal temporary and permanent forbearance arrangements with customers for the years ended 31 December 2021, 31 December 2020 and 31 December 2019. The number and balances of loans in forbearance arrangements for residential home loan mortgages and buy-to-let residential mortgages are analysed below.

(a) Weighted Average – LTV

LTV on total portfolio in forbearance

The tables below illustrate that 95% of residential home loan mortgages (31 December 2020: 94%, 31 December 2019: 89%) and 100% of residential buy-to-let mortgages (31 December 2020: 100%, 31 December 2019: 100%) that are in forbearance are in positive equity as at 31 December 2021.

	Home loans	Buy-to-let	Total
31 December 2021	**%**	**%**	**%**
Less than 50%	42%	100%	**42%**
51% to 70%	29%	-	**29%**
71% to 90%	20%	-	**20%**
91% to 100%	4%	-	**4%**
Subtotal	95%	100%	**95%**
111% to 120%	1%	-	**1%**
121% to 130%	1%	-	**1%**
131% to 140%	3%	-	**3%**
Subtotal	5%	-	**5%**
Total	100%	100%	**100%**
Weighted average LTV:			
Stock of residential mortgages	51%	25%	**50%**
New residential mortgages	6%	-	**6%**
Stage 3 mortgages	51%	25%	**49%**

	Home loans	Buy-to-let	Total
31 December 2020	**%**	**%**	**%**
Less than 50%	55%	50%	55%
51% to 70%	18%	50%	18%
71% to 90%	16%	-	16%
91% to 100%	5%	-	5%
Subtotal	94%	100%	94%
101% to 110%	4%	-	4%
111% to 120%	1%	-	1%
121% to 130%	1%	-	1%
Subtotal	6%	-	6%
Total	100%	100%	100%

Weighted average LTV:			
Stock of residential mortgages	47%	52%	47%
New residential mortgages	75%	-	75%
Stage 3 mortgages	45%	52%	45%

	Home loans	Buy-to-let	Total
31 December 2019	**%**	**%**	**%**
Less than 50%	48%	100%	49%
51% to 70%	22%	-	22%
71% to 90%	13%	-	13%
91% to 100%	6%	-	6%
Subtotal	89%	100%	90%
101% to 110%	5%	-	5%
111% to 120%	2%	-	1%
121% to 130%	2%	-	2%
131% to 140%	1%	-	1%
Greater than 180%	1%	-	1%
Subtotal	11%	-	10%
Total	100%	100%	100%
Weighted average LTV:			
Stock of residential mortgages	50%	12%	48%
New residential mortgages	105%	-	105%
Stage 3 mortgages	49%	12%	48%

(b) Forbearance arrangements - residential mortgages

The Target Business operates a number of mechanisms which are designed to assist borrowers experiencing credit and loan repayment difficulties. These are set out in the table below.

Residential mortgages

The tables below set out the volume of loans for which the Target Business has entered formal temporary and permanent forbearance arrangements with customers as at 31 December 2021, 31 December 2020 and 31 December 2019.

(i) Residential home loan mortgages:

The incidence of the main type of forbearance arrangements for residential home loan mortgages are analysed below:

31 December 2021	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	**5**	**1**	**-**	**-**
Reduced payment (less than interest only)	**11**	**2**	**1**	**-**
Reduced payment (greater than interest only)	**37**	**4**	**9**	**1**
Payment moratorium	**1**	**-**	**-**	**-**
Arrears capitalisation	**10**	**1**	**4**	**1**
Term extension	**12**	**1**	**7**	**-**
Hybrid*	**31**	**5**	**19**	**3**
Split mortgages	**1**	**-**	**1**	**-**
Total	**108**	**14**	**41**	**5**

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

31 December 2020	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Interest only	6	-	-	-
Reduced payment (less than interest only)	9	2	-	-
Reduced payment (greater than interest only)	30	4	5	1
Payment moratorium	3	-	-	-
Arrears capitalisation	101	10	91	9
Term extension	49	4	38	3
Hybrid*	27	3	2	-
Total	225	23	136	13

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

31 December 2019	All loans		Stage 3	
	Number	Balances €m	Number	Balances €m
Reduced payment (less than interest only)	9	1	-	-
Reduced payment (greater than interest only)	8	1	-	-
Arrears capitalisation	202	22	199	21
Term extension	54	4	53	4
Hybrid*	23	3	23	3

Total	296	31	275	28

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

(ii) Residential buy-to-let mortgages:

The incidence of the main type of forbearance arrangements for residential buy-to-let mortgages only is analysed below:

	All loans		Stage 3	
	Number	Balances	Number	Balances
31 December 2021		€m		€m
Reduced payment (greater than interest only)	1	-	1	-
Payment moratorium	1	-	1	-
Total	2	-	2	-

	All loans		Stage 3	
	Number	Balances	Number	Balances
31 December 2020		€m		€m
Arrears capitalisation	1	-	1	-
Term extension	1	-	1	-
Total	2	-	2	-

	All loans		Stage 3	
	Number	Balances	Number	Balances
31 December 2019		€m		€m
Reduced payment (greater than interest only)	1	-	-	-
Arrears capitalisation	1	-	1	-
Total	2	-	1	-

(c) 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

	Residential mortgages					
	Home loans cases	Home loans balances	Buy - to-let cases	Buy-to-let balances	Total cases	Total balances
31 December 2021		€m		€m		€m

Opening balance 1 January 2021	**225**	**23**	**2**	**-**	**227**	**23**
New forbearance extended during the year*	**94**	**13**	**2**	**-**	**96**	**13**
Exited forbearance	**(211)**	**(22)**	**(2)**	**-**	**(213)**	**(22)**
Closing balance of loans in forbearance as at 31 December 2021	**108**	**14**	**2**	**-**	**110**	**14**

*Balance movements are stated net of portfolio re-classification.

	Residential mortgages					
31 December 2020	**Home loans cases**	**Home loans balances €m**	**Buy - to-let cases**	**Buy-to-let balances €m**	**Total cases**	**Total balances €m**
Opening balance 1 January 2020	296	31	2	-	298	31
New forbearance extended during the year*	199	20	2	-	201	20
Exited forbearance	(270)	(28)	(2)	-	(272)	(28)
Closing balance of loans in forbearance as at 31 December 2020	225	23	2	-	227	23

*Balance movements are stated net of portfolio re-classification.

	Residential mortgages					
31 December 2019	**Home loans cases**	**Home loans balances €m**	**Buy - to-let cases**	**Buy-to-let balances €m**	**Total cases**	**Total balances €m**
Opening balance 1 January 2019	211	18	12	2	223	20
New forbearance extended during the year*	293	30	2	-	295	30
Exited forbearance	(208)	(17)	(12)	(2)	(220)	(19)
Closing balance of loans in forbearance as at 31 December 2019	296	31	2	-	298	31

*Balance movements are stated net of portfolio re-classification.

(ii) Reconciliation of movement in forborne loans Stage 3

31 December 2021	**Home loan cases**	**Home loan balances €m**	**Buy-to-let cases**	**Buy-to-let balances €m**	**Total cases**	**Total balances €m**
Opening balance 1 January 2021	**136**	**13**	**2**	**-**	**138**	**13**
New Stage 3 forbearance extended during the year*	**38**	**5**	**2**	**-**	**40**	**5**
Exited forbearance	**(133)**	**(13)**	**(2)**	**-**	**(135)**	**(13)**
Closing balance of loans in forbearance as at 31 December 2021	**41**	**5**	**2**	**-**	**43**	**5**

*Balance movements are stated net of portfolio re-classification.

31 December 2020	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Total cases	Total balances €m
Opening balance 1 January 2020	275	28	1	-	276	28
New Stage 3 forbearance extended during the year*	130	12	2	-	132	12
Exited forbearance	(269)	(27)	(1)	-	(270)	(27)
Closing balance of loans in forbearance as at 31 December 2020	136	13	2	-	138	13

*Balance movements are stated net of portfolio re-classification.

31 December 2019	Home loan cases	Home loan balances €m	Buy-to-let cases	Buy-to-let balances €m	Total cases	Total balances €m
Opening balance 1 January 2019	154	13	3	1	157	14
New Stage 3 forborne during the year*	275	28	1	-	276	28
Exited forbearance	(154)	(13)	(3)	(1)	(157)	(14)
Closing balance of loans in forbearance as at 31 December 2019	275	28	1	-	276	28

*Balance movements are stated net of portfolio re-classification.

Interest rate risk and liquidity risk management

Interest rate risk is the risk of losses arising from a movement in the absolute level of interest rates, the spread between rates, the shape of the yield curve or in any other interest rate relationship. The risk may be subdivided into gap, option and basis risk.

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

The Target Business is not a separate legal entity and operated as part of UBIDAC Group during the Track Record Period. Consequently the Target Business was incorporated into the overall interest rate risk and liquidity risk management processes of UBIDAC.

To manage interest rate exposure within its risk appetite UBIDAC aggregates interest rate positions and hedges its residual exposure, primarily with interest rate swaps. Structural hedging aims to reduce gap risk and the sensitivity of earnings to interest rate shocks. It also provides some protection against prolonged periods of falling rates.

Interest rate risk can be measured from either an economic value-based or earnings-based perspective, or a combination of the two. UBIDAC uses Value at Risk as its value-based approach and sensitivity of net interest earnings as its earnings-based approach.

UBIDAC maintains a prudent approach to the definition of liquidity resources. UBIDAC manages its liquidity to ensure it is always available when and where required, taking into account regulatory, legal and other constraints.

17. Current/non-current assets and liabilities

The following table provides an analysis of certain asset and liability line items as at 31 December 2021, 31 December 2020 and 31 December 2019. The analysis includes amounts expected to be recovered or settled no more than 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current).

		31 December 2021			31 December 2020			31 December 2019		
	Note	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
		€m	€m	€m	€m	€m	€m	€m	€m	€m
Assets										
Loans and advances to customers	9	**515**	**6,979**	**7,494**	485	7,036	7,521	496	6,494	6,990
Prepayments and accrued income		**1**	**-**	**1**	1	-	1	1	-	1
Other assets		**6**	**-**	**6**	2	-	2	2	-	2
Liabilities										
Other liabilities and accruals	12	**23**	**2**	**25**	19	2	21	19	3	22
Provisions	13	**4**	**-**	**4**	3	-	3	7	-	7

18. Commitments and contingencies

The table below gives the contractual amounts of credit commitments. The maximum exposure to credit loss under commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless. The amounts shown do not, are not intended to, provide any indication of the Target Business expectation of future loss.

Credit commitments	31 December 2021 €m	31 December 2020 €m	31 December 2019 €m
Guarantees and irrevocable letters of credit	**3**	3	3
Commitments to extend credit			
- less than 1 year	**136**	141	132
- 1 year and over	**54**	44	29
Total commitments to extend credit	**190**	185	161
Total credit commitments	**193**	188	164

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

19. Related parties

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Ulster Bank Ireland DAC (UBIDAC). The Target Business operates under the direction of UBIDAC key management. Key management personnel include Non-Executive Directors, Executive Directors and members of the Executive Committee.

Total compensation to directors and other members of key management personnel for UBIDAC legal entity was as follows:

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Short-term benefits	**5,358**	4,277	5,068
Share-based benefits	**786**	1,053	627
Post-employment benefits	**412**	338	300
Total	**6,556**	5,668	5,995

The value of the UBIDAC key management compensation apportioned as an expense to the Target Business was €2,540k for the 2021 financial year (2020: €2,239k, 2019: €2,133k).

UBIDAC recognised a fee payable to a fellow NatWest Group subsidiary for the provision of key management personnel services of €130k in 2020 and €274k in 2019, there was no fee payable recognised in 2021. The value of the fee payable apportioned as an expense to the Target Business was €51k for the 2020 financial year and €98k for 2019.

20. Capital management

The Target Business operated as part of UBIDAC Group during the Track Record Period and its capital was not managed separately. UBIDAC maintains capital management policies and controls to ensure it has sufficient capital and other loss absorbing instruments to operate effectively, including meeting minimum regulatory requirements. The capital of the Target Business is included in the Invested Capital line in the balance sheet, as described in note 1.2.

21. Post balance sheet events

There have been no significant adjusting or non-adjusting events between the financial year end and the date of approval of the Carve-out HFI which would require a change to or additional disclosure in the Carve-out HFI.

PART V - UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma statement of financial position of the Enlarged Group and footnotes thereto (the "**Unaudited Pro Forma Financial Information**") as at 31 December 2021 has been prepared to illustrate the effect of the Transaction on the net assets of the PTSB Group as if the acquisition had taken place on 31 December 2021. It has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation. It therefore does not represent the PTSB Group's actual financial position or results or what the Enlarged Group's actual financial position would have been if the Transaction had been completed on the date indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date.

The Unaudited Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies adopted by the PTSB Group in preparing its audited consolidated financial statements for the year ended 31 December 2021.

The Unaudited Pro Forma Financial Information does not reflect the effect of anticipated synergies and efficiencies (or the related costs of achieving these synergies) that may result from the Transaction.

Furthermore, the Unaudited Pro Forma Financial Information set out in this PART V does not constitute financial statements within the meaning of section 293 of the Companies Act. Shareholders should read the whole of this Circular and not rely solely on the summarised financial information contained in this PART V (*Unaudited Pro Forma Financial Information of the Enlarged Group*). PricewaterhouseCoopers' report on the unaudited pro forma financial information is set out in Section B of this PART V .

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AT 31 DECEMBER 2021

			Adjustments		
	PTSB Group as at 31 December 2021	**Target Business**	**PPA**	**Financing**	**Pro forma net assets as at 31 December 2021**
	€m	**€m**	**€m**	**€m**	**€m**
Notes	(1)	(2)	(3)	(4)	
Assets					
Cash at bank	57	-	-	-	57
Items in the course of collection	20	-	-	-	20
Loans and advances to banks	4,174	-	(7,091)	3,564	647
Derivative assets	1	-	-	-	1
Other assets	310	-	-	-	310
Assets classified as held for sale	28	-	-	-	28
Debt securities	2,494	-	-	-	2,494
Equity securities	26	-	-	-	26
Prepayments and accrued income	205	-	-	-	205
Loans and advances to customers	14,256	7,494	195	-	21,945
Interests in associated undertakings	2	-	-	-	2
Property and equipment	190	8	-	-	198
Intangible assets	122	-	-	-	122
Deferred taxation	350	-	-	-	350
Total assets	**22,235**	**7,502**	**(6,896)**	**3,564**	**26,405**
Liabilities					
Deposits by banks	347	-	-	3,564	3,911
Customer accounts	19,089	-	-	-	19,089
Debt securities in issue	524	-	-	-	524
Other liabilities	170	2	-	-	172
Accruals	8	-	-	-	8
Current tax liability	1	-	-	-	1
Provisions	55	-	-	-	55
Subordinated liabilities	252	-	-	-	252
Total liabilities	**20,446**	**2**	**-**	**3,564**	**24,012**
Equity					
Share capital	227	-	45	-	272
Share premium	333	-	100	-	433
Other reserves	(787)	-	-	-	(787)
Retained earnings	1,893	-	459	-	2,352
Shareholders' equity	**1,666**	**-**	**604**	**-**	**2,270**
Other equity instruments	123	-	-	-	123
Total equity	**1,789**	**-**	**604**	**-**	**2,393**
Total liabilities and equity	**22,235**	**2**	**604**	**3,564**	**26,405**
Invested capital	**-**	**7,500**	**(7,500)**	**-**	**-**

Notes:

1. **PTSB Group**

The net assets position of the PTSB Group as at 31 December 2021 has been extracted without material adjustment from the consolidated statement of financial position included in its published Annual Report 2021, which is incorporated by reference in PART VI (*Additional Information*) of this Circular.

2. **Target Business**

The net assets position of the Target Business as at 31 December 2021 has been extracted as follows from the historical financial information set out in PART IV (*Historical Financial Information*) of this Circular.

The "Target Business" comprises the following parts of the Ulster Bank business:

- the entire performing non-tracker mortgage book (including undrawn facilities) of Ulster Bank;
- those non-performing probationary loans within the non-tracker mortgage book of Ulster Bank that have nil arrears, the customer is meeting contractual payments and is on a 12 month probation period;
- the entire performing micro-SME/Business Direct loan book (including undrawn facilities) of Ulster Bank;
- the entire asset finance loan business of Ulster Bank including the rights in the Lombard IT platform and the non-performing loans within the Lombard business; and
- 25 branches in Ulster Bank's branch network, being the branch properties.

		As presented €m	Not being acquired €m	Adjusted position €m
	Assets			
	Loans and advances to customers	7,494	-	7,494
	Property and equipment	8	-	8
	Other assets	6	(6)	-
	Prepayments and accrued income	1	(1)	-
	Total assets	**7,509**	**(7)**	**7,502**
	Liabilities			
	Other liabilities	25	(23)	2
	Provisions	4	(4)	-
	Total liabilities	**29**	**(27)**	**2**
	Equity			
(i)	Invested capital	7,480	20	7.500
	Total equity	**7,480**	**20**	**7.500**
	Total liabilities and equity	**7,509**	**(7)**	**7.502**

(i) Other liabilities being acquired represent lease liabilities on right-of-use assets, as described in note 14 of the historical financial information set out in PART IV (*Historical Financial Information*) of this Circular.

(ii) The Target Business was historically funded and hedged on an Ulster Bank Group basis and therefore there are no direct funding instruments, balances or hedging relationships directly attributable to or being acquired as part of the Target Business.

3. **Preliminary purchase consideration and allocation**

The Directors have considered the requirements of IFRS 3 and IFRS 9 and believe that PTSB Group should account for the Transaction as one overall transaction from a business combination perspective due to the following:

(a) The constituent transactions, while governed by a number of legal agreements, are linked by one overarching framework agreement.

(b) All transaction documents are signed at the same time, with the same counterparty and each such document contemplates completion of the others.

(c) The Transaction becomes unconditional at the date of transfer of the mortgage book and the PTSB Group has no option other than to complete the Transaction.

(d) There is a substantive business need to structure the Transaction in the way proposed by the parties, in order to facilitate the operational complexities involved in migrating loan portfolios of such size and scale.

(e) In substance, the entire Transaction relates to the purchase of a certain part of Ulster Bank's Irish banking business by the PTSB Group.

(f) This is collectively considered by the Directors to constitute a business (in accordance with the definition set out in Appendix A of IFRS 3) on the basis that (i) the acquired loan assets and branches meet the definition of inputs, (ii) the processes acquired are substantive, embodied in certain key individuals transferring (including credit risk, underwriting and customer relationship management) and (iii) together these are capable of being managed as a business from the perspective of a market participant.

The acquisition will be accounted for as a business combination using the acquisition method of accounting in accordance with IFRS. Under this method, the Target Business assets acquired and liabilities assumed have been recorded based on preliminary estimates of fair value. In accordance with IFRS, the PTSB Group measures fair value 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. The purchase price allocation has been undertaken on a preliminary basis utilising the information that was made available to management at this stage of the transaction, including limited access to Ulster Bank. Once further information is made available, which may be pre or post-close, the PPA will be updated and the allocation of the fair value adjustment between the various asset and liability categories and goodwill may change. It is not possible to quantify the impact of any potential reallocation at this stage.

Purchase Price

The estimated Purchase Price is calculated as set out below, based on the reported position at 31 December 2021. Subject to the specific provisions of the Transaction Documents (including agreed limits on the level of the Actual Net Capital Support Amount below), a reduction of €100m in the Actual Gross Loan Balance acquired reduces the resultant expected capital uplift (subject to regulatory approval) on the Transaction by approximately €6m.

	31 December 2021 €m
Purchase consideration	

(i)	Loans and advances to customers - gross	7,493
(ii)	Less: Branch Transfer Consideration	(5)
	Principal Completion Gross Loan Balance Amount	**7,488**
(iii)	Less: Actual Capital Support Amount	(568)
(iv)	Plus: Actual Cash Offset Amount	127
	Actual Net Capital Support Amount	**(441)**
(v)	Subsequent Completion Purchase Price	-
(v)	Reconciliation Amount	-
(vi)	Contribution Amount	1
	Adjusted Cash Purchase Price	**7,048**
(vii)	**Equity Consideration**	**145**
(viii)	**Equity Cash Component Amount**	**35**
(ii)	Branch Transfer Consideration	5
(viii)	Eyre Square Consideration	3
	Branch Properties Consideration	**8**
	Purchase Price	**7,236**

(i) This represents the gross loans and advances to customers of the Target Business at 31 December 2021, summarised in note 9 of the historical financial information set out in PART IV (*Historical Financial Information*) of this Circular.

(ii) The Branch Transfer Consideration is fixed at €5.221m. It forms part of the Branch Properties Consideration below.

(iii) This is equal to the greater of:

1. 7.885% of the Actual Gross Loan Balance in note 3(ii) above; and

2. €513m.

The Actual Gross Loan Balance excludes Par Assets, namely new assets originated from the cut-off date (30 June 2021). Par Assets have been estimated as 50% of new assets originated in 2021, as disclosed in note 9 (€575m in total) of the historical financial information set out in PART IV (*Historical Financial Information*) of this Circular. This assumes no redemptions or repayments on those estimated Par Assets from 1 July 2021 to 31 December 2021. The actual value of Par Assets will be calculated at the relevant Completion Dates, in accordance with the terms of the Transaction Documents.

	€m
Gross loans and advances to customers (note 3(i) above)	7,493
Less: Par Assets - estimate	(288)
Actual Gross Loan Balance	**7,205**
Actual Capital Support Amount	**568**

(iv) This is equal to the greater of:

1. 1.762% of the Actual Gross Loan Balance in note 3(ii) above; and

2. €115m.

	€m
Loans and advances to customers - gross (note 3(i) above)	7,493
Less: Par Assets - estimate (note 3(iii) above)	(288)
Actual Gross Loan Balance	**7,205**
Actual Cash Offset Amount	**127**

(v) This is assumed to be nil for the purposes of this pro forma financial information, as the Actual Net Capital Support Amount has already been determined in note 3(iii) and note 3(iv) above, on the basis that the pro forma financial information has been presented as if the acquisition had taken place on 31 December 2021.

(vi) Permanent TSB has agreed to pay €1.0m to Ulster Bank on the Principal Completion Date (as a component of the Principal Completion Purchase Price), being a contribution to certain costs to be incurred by Ulster Bank in connection with the Transaction.

(vii) As part of the Purchase Price, Ulster Bank will receive 16.66% of the entire issued share capital of the Company as at the final Completion Date. At 31 December 2021 this was determined as follows:

	Number
Ordinary shares in issue at 31 December 2021	454,695,492
Ulster Bank entitlement, based on 16.66% of the resultant position	90,893,627
Ordinary shares in issue following allotment of Equity Consideration	545,589,119

	€m
Par value (at 50 cent per share)	45
Share premium	100

The resultant share premium has been calculated based on a market price of €1.60, being the closing share price on 31 December 2021.

(viii) This is an amount equal to the product of (i) the volume weighted average price of an ordinary share in the Company by reference to the period commencing on the Principal Completion Date and terminating 60 days thereafter (the "**VWAP Period**") and (ii) such number of shares as is equal to 4.04% of the issued share capital of the Company immediately following the allotment of Equity Consideration. For the purposes of this pro forma financial information a share price of €1.60 has been used, being the closing share price on 31 December 2021.

	Number
Ordinary shares in issue following allotment of Equity Consideration	545,589,119
4.04% of the above	22,056,373

	€m
At an equivalent price of €1.60 per share	35

(ix) The Eyre Square Consideration is fixed at €2.9m.

Purchase Price Allocation

The preliminary allocation of Purchase Price to estimated fair value of acquired assets and liabilities is as follows:

		31 December 2021		
		Book value €m	**Fair value estimate €m**	**Fair value vs gross loan book €m**
(x)	**Loans and advances to customers - gross**	**7,493**	**7,689**	102.6%
	Provision for impairment	(31)	-	
	Deferred fees, discounts and fair value adjustments	32	-	
	Loans and advances to customers - net	**7,494**	**7,689**	
(xi)	Property and equipment	8	8	
(xii)	Other (net)	(2)	(2)	
(xiii)	Resultant negative goodwill - gain on bargain purchase	-	(459)	
	Total Purchase Price allocation	**7,500**	**7,236**	

(x) The fair value estimates for loans and advances to customers have been based on discounted cash flow models prepared by Permanent TSB management, using available loan level information and related interest rate assumptions over the expected full term of those loans. This is considered appropriate for the purposes of this pro forma financial information, as the approach used to determine the fair value disclosures in note 15(a) of the historical financial information set out in Part IV (Historical Financial Information) of this Circular was based on a wider Ulster Bank portfolio approach applying a weighted average interest rate only.

(xi) Branch properties are not expected to be materially different to the related book values, based on preliminary property valuations performed by the Permanent TSB Property Management Team.

(xii) The carrying value of the remaining Target Business assets and liabilities being acquired (see note 2 above) are considered to approximate to fair value.

(xiii) No material intangibles have been identified as part of the preliminary fair value exercise.

4. **Financing:**

The Purchase Price of the Transaction will be paid as a combination of cash and equity shares in Permanent TSB Group Holdings plc issued to NatWest. It is envisaged that this will represent a discount of the estimated fair value of the net identifiable assets and other items within the Transaction perimeter as at the Principal Completion Date.

	€m
Adjusted Cash Purchase Price	7,048
Equity Cash Component Amount	35
Branch Properties Consideration	8
Payable in cash	**7,091**
Equity Consideration	145
Estimated Purchase Price at 31 December 2021	**7,236**

The cash element of the Purchase Price is proposed to be funded through a mix of customer deposits, debt securities, reduction in loans and advances to banks and ECB funding. For the purposes of the pro forma financial information the entire cash element of the Purchase Price has been assumed to be financed through utilising existing CBI deposits (€3.527bn) and draw down of available ECB funding (€3.564bn).

5. **Common Equity Tier 1 Regulatory Capital**

Any gain on bargain purchase (arising from the identifiable assets and other items with the Transaction perimeter being acquired at a discount) is recognised in the income statement (under business combination accounting) and therefore qualifies as CET1 regulatory capital (subject to regulatory approval). In accordance with section 71(5) of the Companies Act any gain on bargain purchase (received in respect of the allotment of shares in excess of the nominal value) is required to be reclassified from retained earnings to share premium.

As set out in note 3 above, the Transaction results in a €459m gain on bargain purchase, based on the assumptions outlined in this pro forma financial information had the Transaction been completed on 31 December 2021. This, combined with the related Equity Consideration (€145m), would have been included (subject to regulatory approval) in Common Equity Tier 1 regulatory capital at 31 December 2021.

6. **Other Matters**

No account has been made of any trading or other activity post 31 December 2021, for either the PTSB Group or the Target Business.

SECTION B: REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Directors
Permanent TSB Group Holdings plc
56-59 St Stephen's Green
Dublin 2

J&E Davy Unlimited Company
Davy House
49 Dawson Street
Dublin 2

24 May 2022

Dear Ladies and Gentlemen

Permanent TSB Group Holdings plc (the "Company")

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in Section A of PART V of the Company's circular dated 24 May 2022 (the "**Circular**").

This report is required by item 12.3.3 of the Euronext Dublin Listing Rules (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the Directors of the Company to prepare the Pro Forma Financial Information in accordance with item 12.3.3 of the Listing Rules.

It is our responsibility to form an opinion, as required by item 12.3.3 of the Listing Rules, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

No reports or opinions have been made by us on any financial information of the Target Business used in the compilation of the Pro Forma Financial Information. In providing this opinion we are not providing any assurance on any source financial information of the Target Business on which the Pro Forma Financial Information is based beyond the above opinion.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for

the purposes of complying with item 12.4.1(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed acquisition of the Target Business by the Company might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2021.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council. We are independent in accordance with Irish Auditing & Accounting Supervisory Authority's Ethical Standard for Auditors (Ireland) 2020 as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PART VI - ADDITIONAL INFORMATION

1. INCORPORATION AND REGISTERED OFFICE

1.1 The Company was incorporated and registered in Ireland as a public limited company on 24 August 2009 with registered number 474438 under the name Acquilani Public Limited Company.

1.2 The Shares have been admitted to listing on the Official Lists and to trading on the main markets for listed securities of Euronext Dublin (formerly the Irish Stock Exchange) and the London Stock Exchange since 5 May 2015. The Company changed its name to Irish Life & Permanent Group Holdings plc on 29 September 2009 and to its current name, Permanent TSB Group Holdings plc, on 22 May 2012.

1.3 The registered office of the Company is 56/59 Saint Stephen's Green, Dublin 2, Dublin, D02 H489, Ireland. The Company's main telephone number is + 353 1 800 687 687.

1.4 The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

2. RESOLUTION

2.1 As described in paragraph 7 (*General Meeting and the Resolutions*) of PART I (*Chair's Letter*) of this Circular, and as further described in PART VIII (*Notice of an Extraordinary General Meeting*) of this Circular, the Resolutions will be proposed at the EGM. The Resolutions propose that the Transaction, and any ancillary or associated agreements, be approved and the Directors be authorised to take all steps and enter all agreements and arrangements necessary, desirable or expedient to implement the Transaction.

2.2 The Resolutions will be proposed as ordinary resolutions, meaning they must be approved by Shareholders who together represent a simple majority of the Shares being voted (whether in person or by proxy) at the EGM. The Transaction will not proceed unless the Resolutions are passed.

3. RESPONSIBILITY STATEMENT

The Company and the Directors, whose names are set out in paragraph 4.1 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

4. DIRECTORS

4.1 Directors & Company Secretary

The Directors & Company Secretary of the Company as at the Latest Practicable Date and their respective roles are set out below:

Name	**Position**
Robert Elliott	Chair
Eamonn Crowley	Chief Executive Officer

Name	Position
Ronan O'Neill	Senior Independent Non-Executive Director
Ken Slattery	Independent Non-Executive Director
Andrew Power	Independent Non-Executive Director
Donal Courtney	Independent Non-Executive Director
Ruth Wandhofer	Independent Non-Executive Director
Celine Fitzgerald	Independent Non-Executive Director
Anne Bradley	Independent Non-Executive Director
Marian Corcoran	Non-Executive Director
Paul Doddrell	Non-Executive Director
Conor Ryan	Company Secretary

4.2 Share interests

The interests of the Directors and the Company Secretary, including interests of their close family members in the share capital of the Company as at 31 December 2021 are as follows:

Name	Shares Held
Robert Elliott	16,500
Eamonn Crowley	50,000
Conor Ryan	10
Ronan O'Neill	4
Ken Slattery	10,000

4.3 Share awards

No share options were granted in 2021 or 2020. There were no share options in existence at the end of the period ending on 31 December 2021 and the Company does not have any share option schemes currently in place.

4.4 Directors' service contracts and letters of appointment

Executive Directors

	Date of appointment to the Board
Eamonn Crowley	10 May 2017

Executive Director Remuneration:

Directors' remuneration for 2021 was implemented in accordance with the Company's Directors' Remuneration Policy, as approved by the shareholders at the 2020 annual general meeting, no derogations from the policy were availed of during the year and no deviations from the procedure for the implementation of the policy were applied. The policy was designed – to the extent possible given the remuneration restrictions in place as a result of the agreements and commitments in place with the

Government of Ireland – to ensure alignment between our approach to reward and our business strategy and to promote long-term sustainable success.

However, the nature and scope of the agreements with the Government of Ireland and commitments limit to a significant degree the Company's ability to apply the policy as intended and challenge the Company's capacity to achieve the required linkage between reward and performance. Within those constraints, it remains Company policy to ensure that the Company rewards and retains key talent of the calibre required to develop, lead and deliver the Company long-term strategy. In line with certain agreements and commitments in place with the Government of Ireland, during 2021 all Bank employees were subject to a salary cap of €500,000 per annum. In addition, the Company 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 2021 or 2020.

		2021								
		1. Fixed Remuneration			2. Variable Remuneration					
Name of Executive Director, Position		Base Salary	Fees	Fringe Benefits	One-year variable	Multi-year variable	3. Extraordinary items	4. Pension Expense	5. Total Remuneration	6. Proportion of Fixed and Variable Remuneration
Eamonn Crowley, CEO	1	€480,000	€0	€20,120	€0	€0	€0	€72,000	€572,120	100% Fixed
Michael Frawley, CRO	2, 3	€335,755	€0	€20,000	€0	€0	€0	€50,366	€406,141	100% Fixed

Notes:
1.Fringe Benefits consist of car allowance benefits (€20k) and benefit in kind (€0.1k).
2.Fringe Benefits consist of care allowance benefits (€20k).
3. The information contained in this table has been updated as at the Latest Practicable Date and is therefore unaudited.
4. Michael Frawley stepped down from the Board on 31 March 2022

Basic salary

During 2021, in response to the continuing challenges to business performance presented by the COVID-19 pandemic, the Remuneration Committee recommended the implementation of a pay freeze for 2021. This consisted of a full suspension of standard pay increases for colleagues at management level, including the Executive Directors, and the granting of relatively modest increases for staff at all other grades.

As in previous years, pay increases to eligible staff were based on each individual staff member's performance and salary position versus the relevant market median. The increases ranged from 0% up to 5% with an average increase of 1.3% and all increases were effective from 1 January 2021.

Pensions

The current Executive Director is a member of the Company's defined contribution scheme. The Company contributed up to 15% of basic salary into this pension scheme during 2021. Other than basic salary, there are no other elements of Director's remuneration which are pensionable.

Benefits

During 2021, 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 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 2021 or 2020. Neither were there any long term incentive arrangements in place for Executive Directors in 2021 or 2020.

Loss of Office Payments

The remuneration policy requires that any payments on termination of employment are made in accordance with the provisions of CRD V 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 payments for loss of office were made to Executive Directors during 2021. In 2020, and in order to fulfil the contractual obligations arising upon the departure of the former Chief Executive Officer, contractual payments of €575,859 were made to him (including, in line with the Company's approved policy, payment in lieu of notice relating to basic salary, pension and benefits and payment in lieu of holidays).

Payments to Former Directors

No such payments were made to former Executive Directors during 2021.

Directors' Fees from another Company

The Company operates established polices, practices and procedures that are designed to identify, document and manage conflicts of interest. It is the policy of the Company that where an executive director of the Company 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.

Executive Director Service Contracts

The RemCo is responsible for the review of the remuneration proposals for the Executive Directors prior to them being submitted to the Board for formal approval. Existing Executive Directors' contracts provide for a rolling 11.5 month notice period to be provided, however, this was reduced to six months for all executive director Board appointments from 2020. 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.

Executive Director contracts do not 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.

Non-Executive Directors	**Date of appointment**
Robert Elliott	31 March 2017
Ken Slattery	30 August 2013
Ronan O'Neill	26 July 2016
Andrew Power	26 September 2016
Donal Courtney	03 October 2018
Ruth Wandhöfer	30 October 2018
Anne Bradley	30 March 2021
Celine Fitzgerald	30 March 2021

Non-Executive Directors	**Date of appointment**
Marian Corcoran	24 September 2019
Paul Doddrell	26 November 2020

In January 2022, the Chair Robert Elliott advised the Board that he will not seek an extension to his term of office which is due to expire in March 2023 and a recruitment and selection process has commenced to identify his successor.

Non-Executive Director Remuneration:

The level of fees paid to the Chair and Non-Executive Directors in 2021 is outlined in the table below. Aggregate fees paid to Non-Executive Directors increased from €807,941 (2020) to €947,993 as a consequence of the timing variations in the appointment and cessation of Non-Executive Directors and the remuneration arrangements attaching to the establishment of a new Board subcommittee tasked with overseeing the Ulster Bank transaction (the "**Project Sun Oversight Committee**").

		2021									
		1. Fixed Remuneration				2. Variable Remuneration					6. Proportion of Fixed and Variable Remuneration
Name of Director, Position	Note (10)	Base Salary	Basic Fees	Fees Paid	Fringe Benefits	One-year variable	Multi-year variable	3. Extraordinary items	4. Pension Expense	5. Total Remuneration	
Robert Elliott		€0	€290,000	€290,000	€0	€0	€0	€0	€0	€290,000	100% Fixed
Ken Slattery	1	€0	€54,675	€71,510	€375	€0	€0	€0	€0	€71,885	100% Fixed
Andrew Power	2	€0	€54,675	€67,175	€0	€0	€0	€0	€0	€67,175	100% Fixed
Ronan O'Neill	3	€0	€54,675	€109,050	€375	€0	€0	€0	€0	€109,425	100% Fixed
Donal Courtney	4	€0	€54,675	€92,773	€435	€0	€0	€0	€0	€93,208	100% Fixed
Ruth Wandhöfer	5	€0	€54,675	€67,175	€435	€0	€0	€0	€0	€67,610	100% Fixed
Marian Corcoran	6	€0	€54,675	€71,550	€355	€0	€0	€0	€0	€71,905	100% Fixed
Paul Doddrell	7	€0	€54,675	€70,925	€0	€0	€0	€0	€0	€70,925	100% Fixed
Celine Fitzgerald	8	€0	€54,675	€48,854	€0	€0	€0	€0	€0	€48,854	100% Fixed
Anne Bradley	9	€0	€54,675	€57,006	€0	€0	€0	€0	€0	€57,006	100% Fixed

Notes:

1. Additional fees paid as chair of the Remuneration Committee, member of the Board Audit Committee (ceased 30 March 2021) and member of the Nomination, Culture and Ethics Committee. Fringe benefits comprise Benefit in Kind €375 relating to the payment of professional body subscriptions.
2. Additional fees paid as member of the Board Audit Committee and member of the Remuneration Committee.
3. Additional fees paid as chair of the Board Risk and Compliance Committee (ceased 2 November 2021), chair of the Board Audit Committee (appointed 2 November 2021), member of the Board Nomination, Culture and Ethics Committee and Senior Independent Director and member of Project Sun Oversight Committee (appointed 1 June 2021). Fringe benefits comprise Benefit in Kind €375 relating to the payment of professional body subscriptions.
4. Additional fees paid as chair of the Board Audit Committee (ceased 2 November 2021), member of the Board Risk and Compliance Committee (ceased 2 November 2021), chair of the Board Risk and Compliance Committee (appointed 2 November 2021), member of the Board Nomination, Culture and Ethics Committee (ceased 30 March 2021) and member of Project Sun Oversight Committee (appointed 1 June 2021). Fringe benefits comprise Benefit in Kind €435 relating to the payment of professional body subscriptions.
5. Additional fees paid as member of the Board Risk and Compliance Committee and member of the Remuneration Committee. Fringe benefits comprise Benefit in Kind €435 relating to the payment of professional body subscriptions.
6. Additional fees paid as member of the Board Risk and Compliance Committee, member of the Remuneration Committee (ceased 30 March 2021), member of the Board Nomination, Culture and Ethics Committee (appointed 30 March 2021) and member of Project Sun Oversight Committee (appointed 1 June 2021). Fringe benefits comprise Benefit in Kind €355 relating to the payment of professional body subscriptions.
7. Additional Fees paid as member of the Board Risk and Compliance Committee, Board Audit Committee and Project Sun Oversight Committee (Appointed 1 November 2021).
8. Appointed on 30 March 2021. Additional fees paid as member of the Remuneration Committee and Nomination, Culture and Ethics Committee.
9. Appointed on 30 March 2021. Additional fees paid as member of the Board Audit Committee and Board Risk and Compliance Committees (appointed 30 March 2021) and member of Project Sun Oversight Committee (Appointed 1 June 2021).
10. The information contained in this table has been updated as at the Latest Practicable Date and is therefore unaudited.

Non-Executive Director Service Contracts:

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 2018 UK Corporate Governance Code, all Directors are required to seek reappointment by election at the Company's 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.

Non-Executive members of the Board receive a base fee and are not entitled to any pre-determined compensation on termination.

The Chair is proposed for reappointment by the Directors on an annual basis. The term of office of the Chair is normally six years.

5. SHARE OWNERSHIP POSITION

The Company is listed on Euronext Dublin and the London Stock Exchange (standard listing).

In 2011, the Minister then became the owner of 99% of the Shares of the PTSB Group which reduced to circa 75% following the successful capital raise in 2015.

Total number of Shares	454,695,492
Shareholding Minister	340,661,653
Treasury Shares (as at the Latest Practicable Date)	NIL

6. MAJOR SHAREHOLDERS

As at the Latest Practicable Date, the Company had been notified of the interests in the Shares as set out in columns A and B below, in each case amounting to more than 3% of its issued share capital. Certain indicative interests of these shareholders in the Shares as at Completion are set out in columns C and D below:

	A	**B**	**C**	**D**
Name	**Number of Shares at date of Notification(2)**	**Reported Holding as a percentage of current issued share capital**	**Number of Shares at Completion(3)**	**Reported Holding as a percentage of issued share capital at Completion (3)**
Minister (1)	340,661,653	74.92%	340,661,653	62.44 %
Janus Henderson Group plc	17,181,881	3.77%	17,181,881	3.15 %
RBS AA Holdings (UK) Limited	N/A	N/A	90,893,627	16.66%

(1) Figures are based on the fully diluted ordinary share capital of the Company, excluding any out of the money options. Figures assume that the number of Shares held by the relevant Shareholder will not change between the date of such shareholder's disclosure and Completion.

(2) Figures are indicative only and such shareholders' interests in the Shares as at Completion are likely to differ from the interests set out in this table.

(3) If the Transaction becomes effective, it is expected that up to 90,893,627 Subscription Shares will be issued to the Subscriber (a subsidiary of NatWest) as partial non-cash consideration for the Transaction. Columns C and D above also show the Shareholders who, based on the interests disclosed as at the Latest Practicable Date, would be interested in 3% or more of the Company's enlarged issued ordinary share capital at Completion taking into account the newly issued Subscription Shares.

7. MATERIAL CONTRACTS

7.1 *Material contracts to which a member of the PTSB Group is a party*

Set out below is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the PTSB Group is a party, for the two years immediately preceding the date of this Circular as well as a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the PTSB Group which contains any provision under which any member of the PTSB Group has any obligation or entitlement which is material to the PTSB Group as at the date of this Circular (to the extent such contracts are information which shareholders would reasonably require to make a properly informed decision on how to vote on the Resolutions):

(a) the Framework Agreement, which was entered into on 17 December 2021 between Permanent TSB, NatWest and Ulster Bank for the purposes of setting out the overarching principles which will apply to the Transaction;

(b) the MSD and MSD 2, which were entered into on 17 December 2021 between Permanent TSB and Ulster Bank and provide the mechanics pursuant to which Ulster Bank has agreed to sell and Permanent TSB has agreed to purchase the Residential Mortgage Loans and the Business Direct Loans;

(c) the BTA and BTA 2, which were entered into on 17 December 2021 between Permanent TSB, Ulster Bank and NatWest and provide the mechanics pursuant to which Ulster Bank has agreed to sell and Permanent TSB has agreed to purchase the Asset Finance Business;

(d) the Interim Migration and Integration Agreement, which was entered into on 17 December 2021 between Permanent TSB and Pepper to govern the migration and integration activities that Pepper will provide during the period from signing until the execution of a loan servicing agreement, which will subsequently address all aspects of the loan servicing relationship between Permanent TSB and Pepper. In addition, the parties also entered into the Employee Data Sharing Agreements on 8 March 2022 in order to govern the processing of any Transferring Personal Data by Pepper;

(e) the Equity Consideration Subscription Agreement, which was entered into on 17 December 2021 between the Company and the Subscriber in connection with the subscription by the Subscriber for, and the allotment by the Company of, the Subscription Shares, as partial non-cash consideration for the performance by Ulster Bank of its obligations to complete the sale and transfer of the Target Business to Permanent TSB on the terms of the Transaction Documents;

(f) the Shareholder Co-operation Agreement, which shall be entered into between Permanent TSB, the Subscriber and the Minister on or around Principal Completion in order to record the terms upon which the parties will co-operate with each other with regard to the orderly selling arrangements for the shares of Permanent TSB and other matters in connection with the Transaction;

(g) the Onboarding Agreement, which shall be entered into between Permanent TSB and Ulster Bank on or around Principal Completion in order to govern operational and other arrangements in relation to the provision by Ulster Bank of certain services to Permanent TSB on a transitional basis in order to facilitate the orderly transfer of the Target Business, including services in respect of (i)

payments and reconciliations; (ii) account maintenance and general administration; (iii) complaints and errors handling; (iv) reporting; (v) Central Credit Register reporting; (vi) anti-money laundering; (vii) regulatory reporting and communications; and (viii) customer services;

(h) the Trustee Agreements or part thereof, may, at the election of Ulster Bank be entered into between Permanent TSB, Ulster Bank, NatWest and the trustee to be appointed, pursuant to which (i) Ulster Bank will transfer the Trust Assets to the trustee who will declare a trust over and administer the Trust Assets in favour of former customers of Ulster Bank; and (ii) Permanent TSB will provide certain services to NatWest and Ulster Bank in respect of the Dormant Assets;

(i) the Agreement for Assignment and the Contract for Sale, which were entered into on 17 December 2021 between Permanent TSB and Ulster Bank (and, in respect of the Agreement for Assignment only, UBHROIL) and provide for the acquisition of the Branch Properties pursuant to the terms of the Property Transfer Documents to be entered into by the relevant parties on the relevant Subsequent Completion Date.

7.2 ***Material contracts which relate to the undertaking, business and/or assets being acquired from Ulster Bank in connection with the Transaction***

The Transaction Documents listed at 7.1(a) to (c) and 7.1(e) to (i) above, the terms of which are summarised in PART II (*Summary of the Key Terms and Conditions of the Transaction and the Transaction Documents*) of this Circular, are the only material contracts (other than contracts entered into in the ordinary course of business) which relate to the undertaking, business and/or assets being acquired by the PTSB Group from Ulster Bank in connection with the Transaction

8. LITIGATION AND ARBITRATION PROCEEDINGS

8.1 ***Litigation/Arbitration to which the Company is a party***

(a) Save as set out in this paragraph 8.1, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this Circular which may have, or have had in the recent past, significant effects on the Company and/or the PTSB Group's financial position or profitability.

(b) Tracker Mortgage Related Litigation

(i) In December 2015, the Central Bank announced an industry-wide review of tracker mortgages (the "**Tracker Mortgage Examination**" or "**TME**").

(ii) The Bank has completed its work in response to the TME and the Central Bank has concluded its related enforcement investigation. The majority of redress and compensation payments have been made to impacted customers.

(iii) However, Permanent TSB is involved in a number of cases in the Circuit Court and in the High Court and is dealing with complaints to the Financial Services and Pensions Ombudsman from customers who were impacted by TME or who consider themselves to have been

impacted by the loss of a tracker rate mortgage entitlement. In these cases and complaints, the customers are either seeking further redress and compensation beyond that offered by Permanent TSB as part of the TME or an entitlement to a tracker mortgage in circumstances where they were not deemed impacted by Permanent TSB in its response to the TME. Permanent TSB is currently reviewing the applicability of one decision, issued by the Financial Services and Pensions Ombudsman in which the customer's complaint was upheld, to other customers, which may give rise to redress and compensation payments being made to said customers that Permanent TSB has made provision for. Separately, the Bank recently appealed two determinations of the Financial Services and Pensions Ombudsman to the High Court where the Financial Services and Pensions Ombudsman found in favour of the customers. The appeals relate to claims by individual customers that were not deemed impacted as part of the TME in terms of having an entitlement to tracker mortgage interest rates on their loans. The appeals were commenced in November 2021 and January 2022 respectively. Whilst the appeals are progressing, their outcome is unknown. However, if Permanent TSB's appeals are unsuccessful, it may materially impact Permanent TSB and result in customers of Permanent TSB and the Enlarged Group currently deemed not impacted to be remediated.

(c) Litigation involving a small number of minority shareholders and the Minister

(i) The PTSB Group (including Permanent TSB) is involved in a series of related litigation cases arising from challenges brought by a small group of minority shareholders in the Company to the capitalisation of the Company in 2011 by the Minister pursuant to the provisions of the Credit Institutions (Stabilisation) Act 2010 (the "**2010 Act**") and a related direction order made by the High Court in July 2011. The minority shareholders are substantially the same persons across the different cases.

(ii) The respondent in a number of the cases is the Minister as the applicants are challenging decisions of the Minister to seek certain direction orders from the High Court and to take certain other steps in respect of the shareholding in the Company. In those cases, the Company and the Bank are notice parties to those proceedings.

(iii) There are two related sets of proceedings in the High Court in which certain minority shareholders are challenging the constitutionality of provisions of the 2010 Act. The Company and Permanent TSB are also notice parties to these proceedings.

(iv) There are also three sets of proceedings in the High Court involving the Company and Permanent TSB, certain current and former directors of the PTSB Group and certain minority shareholders which relate to the interaction between the minority shareholders and the directors as well as corporate governance of the PTSB Group.

(v) There is also one other set of proceedings which relate to an application by the Company to the High Court seeking to have certain deferred shares cancelled.

8.2 ***Litigation/Arbitration which relate to the undertaking, business and/or assets being acquired from Ulster Bank in connection with the Transaction***

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Ulster Bank is aware) during the 12 months prior to the date of this Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the undertaking, business and/or assets being acquired from Ulster Bank in connection with the Transaction.

9. SUBSCRIPTION SHARES

9.1 Resolution 2 in the Notice of EGM seeks to grant the Directors authority to allot the Subscription Shares (being Shares up to an aggregate nominal value of €45,446,813.50 representing 16.66% of the total ordinary share capital of the Company in issue as at the Latest Practicable Date (being 90,893,627 ordinary shares with a nominal value of €0.50 each in the share capital of the Company)) to NatWest as partial non-cash consideration for the Transaction, which authority shall be without prejudice to all existing allotment authorities given to the Directors. If adopted, the authority conferred by Resolution 2 shall expire (unless previously revoked or varied by the Company in a general meeting) on the Long-Stop Date. If approved by Shareholders, the Directors intend to exercise this authority for the purpose of allotting the Subscription Shares to NatWest as partial non-cash consideration in connection with the Transaction on Completion.

9.2 Application will be made to Euronext Dublin and the UK Listing Authority for the Subscription Shares to be admitted to the Official Lists, and to Euronext Dublin and the London Stock Exchange for the Subscription Shares to be admitted to trading on the main markets for listed securities of each of Euronext Dublin and the London Stock Exchange. It is currently expected that the Subscription Shares will be issued on the Principal Completion Date as partial non-cash consideration for the Transaction and it is currently expected that Admission of the Subscription Shares will become effective and dealings on Euronext Dublin and the London Stock Exchange will commence at 8:00am (Irish Time) on or around the Principal Completion Date. However, the exact timeline of events after the Extraordinary General Meeting is not fully ascertainable at this time and will depend, *inter alia*, upon the satisfaction of the Conditions as described in paragraph 5.a (*Conditions to the Transaction*) of PART I (*Chair's Letter*) of this Circular.

9.3 The Subscription Shares will be Ordinary Shares in the Company and will rank *pari passu* in all respects with the existing Ordinary Shares, including in respect of dividends and voting rights. The Subscription Shares may be held in uncertificated form, as Belgian law rights through the Euroclear Bank system or as CDIs through the CREST system. Link Registrars Limited are registrars to the Company and are responsible for keeping its register of members.

10. WORKING CAPITAL

The Company is of the opinion that, taking into account the facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least twelve months following the date of publication of this Circular.

11. TREND INFORMATION

Current trading and prospects

On 3 May 2022, the Company issued the Q1 Trading Statement which contained the following statement and key highlights (extracted without material adjustment) on the its current trading:

"Business and financial performance remained strong through the first three months of this year. New lending volumes and transactional banking income were both higher than the same period last year, with a strong pipeline of activity. Although the economic consequences of the devastating events in Ukraine have tempered the post-pandemic recovery, the fundamentals of the Irish economy remain robust, and the Bank's outlook remains promising."

Key Points:

- The Bank maintains a strong capital position; fully loaded CET1 capital ratio of 15.3%; regulatory CET1 capital ratio 16.7%.
- Strong new lending of €0.5 billion Q1'22; 11% higher compared to Q1 of 21,
- New business mortgage market share of 17%[2], compares to 17.9% at March 2021.
- Net interest income is in line with expectations.
- Underlying Net Interest Margin (NIM) of 1.76%[3], in line with prior year.
- Operating costs of €83m, 12% higher year-on-year ("YoY"), in line with management expectations.
- Customer deposits of €19.4 billion, an increase of 2% (€0.3 billion) in the first quarter of 2022.
- Non-performing loans (NPLs) of €0.8 billion at 31 March 2022 remain in line with balances reported at December 2021; the NPL Ratio remains at 5.5%.

Since that date, the Group's trading performance continues to be in line with the Board's expectations based on current business performance expectations and macroeconomic assumptions. Net Interest Margin is expected to grow YoY but the Exit NIM will remain in the low c.150 basis points range due to retaining higher levels of excess liquidity with negative yields until Q4 2022. Operating costs are expected to be approx. 12% higher than 2021 as the Group continues to invest in the business. Capital remains strong and following a range of stress scenarios the Group is confident that the CET1 ratio will remain above the Company's minimum regulatory requirements.

The performance of the Target Business remains stable with no changes on pricing, retention rates remaining high and continued margin stability.

12. SIGNIFICANT CHANGE

12.1 *Company*

The Q1 Trading Statement of the Company, dated 3 May 2022, has been incorporated by reference into this document.

Save as set out in the Q1 Trading Statement, there has been no significant change in the financial position or financial performance of the PTSB Group since 31 December 2021 (being the date to which the Company's last group audited statutory financial statements were prepared).

[2] Based on BPFI data as at 31 March 2022

[3] Underlying Net interest Margin refers to the Bank's NIM before the 32bps cost of holding excess liquidity at negative yields

12.2 ***The Target Business being acquired from Ulster Bank in connection with the Transaction***

There has been no significant change in the financial position or financial performance of the Target Business being acquired from Ulster Bank since 31 December 2021 (being the date to which Ulster Bank's carve out historical financial information included in Section B of PART IV (*Historical Financial Information*) of this Circular was prepared).

13. RELATED PARTY TRANSACTIONS

Related parties include individuals and entities that can exercise significant influence on operational and financial policies of the Company. The Company has a related party relationship with its Directors, senior executives, the Company's pension schemes, the Minister and with the Government of Ireland, and entities related to the Government of Ireland on the basis that the Government of Ireland is deemed to have control over the Company.

The information provided below is correct as at 31 December 2021.

Share Interests

The interests of the Directors and the Company Secretary, including interests of their close family members in the share capital of the Company are set out at paragraph 4.2 (*Share Interests*) above.

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.

Transactions with key management personnel

In the normal course of its business, the Company has 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 Company. All of the loans in the scope of the related party guidelines as outlined under the Companies Act, the Central Bank Related Party lending code 2013 and IAS 24 related party disclosures are secured, and all interest and principal due at the statement of financial position date has been repaid on schedule.

Director Loans

As of 31 December 2021, there are no loans outstanding between the Directors and the Company.

The Government of Ireland and entities related to the Government of Ireland

The Minister is the majority shareholder of the Company (and the ultimate controlling party per IAS 24). The Government of Ireland is recognised as a related party as the Government of Ireland is deemed to have control over the Company as defined by IAS 24. The Company has applied the amended IAS 24 which exempts an entity from the related party disclosure requirements in respect of the Government of Ireland and entities related to the Government of Ireland unless transactions are individually or collectively significant. In the normal course of business, the Company has entered into transactions with the Government of Ireland and entities related to the Government of Ireland involving deposits and senior debt.

The following are transactions and balances between the Company and other Group entities and the Government of Ireland and entities related to the Government of Ireland that are collectively significant.

- The PTSB Group holds securities issued by the Government of Ireland of €1,463,000,000 as of 31 December 2021 (and €1,488,000,000 as of 31 December 2020).

- In May 2021, Permanent TSB borrowed €250,000,000 from the PTSB Group at a fixed rate of 3% per annum plus a margin of 0.181% per annum which mature on 19 August 2031. The loan is subordinated and ranks as Tier 2 capital notes with interest paid annually in arrears on 19 August.

- The PTSB Group made an investment in associated undertakings of €2,000,000 for the year ended 31 December 2021 involving participants that are deemed related parties due to the common ownership by the Government of Ireland.

- The Company entered into banking transactions in the normal course of business with local Government of Ireland 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 of Ireland through the Finance Act 2014 is payable in the second half of each calendar year. A bank levy payable to the Government of Ireland, is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy. In 2021, the amount recognised in the income statement was €22,000,000 as of 31 December 2021 (31 December 2020: €24,000,000). As announced by the Minister in October 2015, the bank levy was extended to 2021.

- During 2021, the PTSB Group also paid €17,000,000 in fees to the CBI as part of the Deposit Guarantee Scheme (€15,000,000 in fees were paid to the CBI in 2020).

- During 2013, following the transfer order requested by the Central Bank and issued by the High Court dated 10 November 2013, the PTSB Group acquired certain assets, liabilities, books and records of NCU and all of its employees transferred to the PTSB Group. As part of this transaction, along with the assets and liabilities of NCU, a cash financial incentive of €23,000,000 was paid from the Credit Institutions Resolution Fund, which forms part of the FIA signed between the Central Bank and the PTSB 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 PTSB 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 PTSB 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 2021, the PTSB Group had recorded a payable of €2,000,000 due under the FIA (31 December 2020: €700,000).

- At 31 December 2021, the Company had an intercompany balance of €352,000,000 (31 December 2020: €351,000,000) with its principal subsidiary Permanent TSB relating to the MREL issuance.

- In November 2020, the Company made an additional investment of €123,000,000 in Permanent TSB. This investment was through the issuance of Additional Tier 1 securities by the Company.

The Government of Ireland also has a controlling interest in Allied Irish Bank plc including EBS Limited. Due to the Company's related party relationship with the Government of Ireland as described above, balances between these financial institutions and the PTSB Group are considered related party transactions in accordance with IAS 24. There were no balances between these entities as at 31 December 2021 or 31 December 2020.

As at 31 December 2021, the Government of Ireland no longer has significant influence over Bank of Ireland Group plc. As at 31 December 2020, the PTSB Group had €2,000,000 in loans and advances to banks which was held by Bank of Ireland Group plc.

14. CONSENTS

14.1 EY has given and not withdrawn its written consent to the inclusion of its report in Section A of PART IV (*Historical Financial Information*) of this Circular and its name in this Circular, in each case in the form and context in which they are included.

14.2 Davy has given and has not withdrawn its written consent to the inclusion in this Circular of its name in the form and context in which it is included.

14.3 PricewaterhouseCoopers has given and has not withdrawn its written consent to the inclusion of its report in Section B of PART V (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this Circular and references to its name in the form and context in which they are included.

14.4 Arthur Cox LLP has given and has not withdrawn its written consent to the inclusion in this Circular of its name in the form and context in which it is included.

15. INFORMATION INCORPORATED BY REFERENCE

The following documents, which have been filed with or notified to Euronext Dublin and are available for inspection in accordance with paragraph 16 (*Documents Available for Inspection*) of this PART VI (*Additional Information*) of this Circular, contain information about the PTSB Group which is relevant to this Circular:

- the Company's audited consolidated financial statements and annual report for the year ended 31 December 2021, together with an audit report in respect of that period and a discussion of the Company's financial performance;
- the Company's audited consolidated financial statements and annual report for the year ended 31 December 2020, together with an audit report in respect of that period and a discussion of the Company's financial performance; and
- the Company's audited consolidated financial statements and annual report for the year ended 31 December 2019, together with an audit report in respect of that period and a discussion of the Company's financial performance;
- announcement dated 17 December 2021, accessible at https://otp.tools.investis.com/clients/uk/permanent_tsb/rns/regulatory-story.aspx?cid=121&newsid=1537174;
- announcement dated 3 May 2022, accessible at https://otp.tools.investis.com/clients/uk/irish/rns/regulatory-story.aspx?cid=121&newsid=1579046; and
- Circular dated 24 May 2022, accessible at https://www.permanenttsbgroup.ie/investors/shareholders/shareholder-meetings.

The following table indicates where information required pursuant to the Euronext Listing Rules to be disclosed in this Circular can be found in the documents incorporated by reference referred to above. The information incorporated by reference that is not referred to in the table below is considered additional information and is not required pursuant to the Euronext Listing Rules. Prospective investors should read this Circular and the documents incorporated herein by reference in their entirety before making any decision.

Reference Document	Information incorporated by reference into this Circular	Page number(s) in reference document
PTSBGH 2021 Annual Report and Accounts	Independent Auditors Report…….	152
	Consolidated Income Statement……	160
	Consolidated Statement of Comprehensive Income……	161
	Consolidated Statement of Financial Position…	162
	Consolidated Statement of Changes in Equity…	163
	Consolidated Statement of Cash Flows…….	164
	Notes to the Consolidated Financial Statements…….	166
	Principal subsidiary undertakings and interest in subsidiaries and structured entities…….	253
	Company Financial Statements and Notes to the Company Financial Statements……..	256
	Directors' Report……	96
	Term of Office……..	121
	Director's Report on Remuneration……..	146
PTSBGH 2020 Annual Report and Accounts	Independent Auditors Report…….	138
	Consolidated Income Statement……	146
	Consolidated Statement of Comprehensive Income……	147
	Consolidated Statement of Financial Position…	148
	Consolidated Statement of Changes in Equity…	149
	Consolidated Statement of Cash Flows…….	150
	Notes to the Consolidated Financial Statements…….	152
	Company Financial Statements and Notes to the Company Financial Statements……..	241
PTSBGH 2019 Annual Report and Accounts	Independent Auditors Report…….	125
	Consolidated Income Statement……	132
	Consolidated Statement of Comprehensive Income……	133
	Consolidated Statement of Financial Position…	134
	Consolidated Statement of Changes in Equity…	135
	Consolidated Statement of Cash Flows…….	136
	Notes to the Consolidated Financial Statements…….	138
	Company Financial Statements and Notes to the Company Financial Statements……..	230

Any statement contained in this Circular or in a document incorporated by reference into this Circular will be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in any subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Circular, except as modified or superseded.

Information contained on the Company's website https://www.permanenttsbgroup.ie/ shall not form part of this Circular unless specifically incorporated by reference.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) at the registered office of the Company or at the offices of Arthur Cox, Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland and (other than the documents listed at limb (g) below) on the Company's website (https://www.permanenttsbgroup.ie/) for the period from the date of this Circular up to the conclusion of the EGM:

(a) the Constitution;

(b) the documents which are incorporated by reference in this Circular, as set forth at paragraph 15 (Information Incorporated by Reference) of this PART VI ;

(c) this Circular;

(d) the Form of Proxy;

(e) the report of EY on the carve-out historical financial information of Ulster Bank in respect of the Target Business in Section A of PART IV (Historical Financial Information) of this Circular;

(f) the report of PricewaterhouseCoopers on the Unaudited Pro Forma Financial Information set out in Section B of PART V (Unaudited Pro Forma Financial Information of the Enlarged Group) of this Circular;

(g) the Framework Agreement, BTA, BTA 2, MSD, MSD 2, the Contract for Sale, the Agreement for Assignment and the Equity Consideration Subscription Agreement; and

(h) the written consents referred to on page 118.

This Circular is dated 24 May 2022.

PART VII - DEFINITIONS

The following definitions shall apply throughout this Circular unless the context requires otherwise:

"**2010 Act**"	shall have the meaning given to such term in paragraph 8.1(c)(i) of PART VI (*Additional Information*) of this Circular;
"**Actual Capital Support Amount**"	an amount equal to the greater of: 1. 7.885% of the Actual Gross Loan Balance; and 2. €513,000,000;
"**Actual Cash Offset Amount**"	an amount equal to the greater of: 1. 1.762% of the Actual Gross Loan Balance; and 2. €115,000,000;
"**Actual Gross Loan Balance**"	an amount equal to the aggregate Current Balances (as at the relevant Completion Date) of each of the Target Business Loans (excluding any Par Assets) actually transferred to Permanent TSB (whether on the Principal Completion Date or any Subsequent Completion Date) pursuant to the terms of the Transaction Documents;
"**Actual Net Capital Support Amount**"	an amount equal to: 1. the Actual Capital Support Amount; *less* 2. the Actual Cash Offset Amount;
"**Actual Required Approval Date**"	the date on which the final Required Approval has been obtained in circumstances where such date is earlier than the Required Approval Date;
"**Actually Transferred**"	for the purposes of determining the Principal Completion Gross Loan Balance Amount, a transfer of the legal and economic interest; in the relevant Underlying Loan(s);
"**Adjusted Cash Purchase Price**"	an amount equal to: 1. the Principal Completion Purchase Price; plus 2. any and all Subsequent Completion Purchase Price(s); plus 3. the Reconciliation Amount; plus 4. the consideration payable under the Lombard BTA2; plus 5. the consideration payable under the MSD2;
"**Admission**"	the admission of the Subscription Shares to (i) listing on the primary listing segment of the Official List of Euronext Dublin and on the standard listing segment of the Official List of the FCA, and (ii) trading on the Euronext Dublin market operated by Euronext Dublin and the London Stock Exchange's main market for listed securities;
"**Affiliate**"	in relation to any person, a subsidiary of that person or a holding company of that person or any other subsidiary of that holding company;

"**Agreement for Assignment**"	the Agreement for Assignment dated 17 December 2021 between (1) Ulster Bank Ireland DAC, (2) Permanent TSB plc and (3) UBHROIL;
"**Anticipated Employees**"	the employees of Ulster Bank and/or NatWest, who at the date of the MSD, MSD2, BTA and BTA2, Ulster Bank reasonably anticipated will be entitled to transfer employment pursuant to the TUPE Regulations to Permanent TSB or Pepper, as appropriate;
"**Articles of Association**"	the articles of association of the Company as filed with the Registrar of Companies;
"**Asset Finance Business**"	shall have the meaning given to such term in paragraph 3 of PART I (*Chair's Letter*) of this Circular;
"**Asset Finance Facilities**"	the financial products and other credit facilities, including hire purchase products, leases (including finance leases), contract hire operating leases, stock financing products, or similar products and each an "**Asset Finance Facility**";
"**Base Case Scenario**"	has the meaning given to that term in note 2 of Section B of PART IV (*Historical Financial Information*) of this Circular;
"**BCA**" or "**Business Combination**" or "**Business Combination Accounting**" or "**IFRS 3: Business Combinations**"	a transaction or other event in which an acquirer obtains control of one or more businesses, as set out in "IFRS 3 Business Combinations";
"**Board**"	the board of Directors of the Company;
"**Borrower**"	the borrower or borrowers in respect of the Target Business Loans;
"**Branch Properties**"	the properties of Ulster Bank listed in the Appendix to this Circular;
"**Branch Properties Consideration**"	the Branch Transfer Consideration and the Eyre Square Consideration;
"**Branch Transfer Consideration**"	Five million two hundred and twenty one thousand euros (€5,221,000);
"**Broadridge**"	Broadridge Financial Solutions Limited;
"**BTA**" or "**Lombard BTA**"	the business transfer agreement between Permanent TSB, NatWest and Ulster Bank entered into on 17 December 2021 in respect of the Asset Finance Business;
"**BTA 2**" or "**Lombard BTA2**"	the business transfer agreement entered into between Permanent TSB and Ulster Bank on 17 December 2021 in respect of the Asset Finance Business;
"**Business Combination Accounting Treatment**"	the application of Business Combination accounting to the acquisition by Permanent TSB of the Target Business;
"**Business Day**"	a day, other than a Saturday, Sunday or public holiday in Dublin and London;

"**Business Direct**"	shall have the meaning given to such term in paragraph 3 of PART I (*Chair's Letter*) of this Circular;
"**Business Direct Loans**"	shall have the meaning given to such term in paragraph 3 of PART I (*Chair's Letter*) of this Circular;
"**Carve-out HFI**"	shall have the meaning given to such term in note 1.2 of Section B of PART IV (*Historical Financial Information*) of this Circular;
"**CCPC**"	the Competition and Consumer Protection Commission;
"**CDI**"	a Crest Depositary Interest held through the CREST system;
"**Central Bank**" or "**CBI**"	the Central Bank of Ireland;
"**Circular**"	this Circular dated 24 May 2022 (including, for the avoidance of doubt, the accompanying Notice of EGM and Form of Proxy);
"**Companies Act**"	the Companies Act 2014 of Ireland, as amended, and the regulations made thereunder;
"**Company**"	Permanent TSB Group Holdings plc, a public limited company incorporated in Ireland with registration number 474438, whose registered office is at 56-59 St. Stephen's Green, Dublin 2, D02 H489, Ireland;
"**Company's Registrar**"	the registrar to the Company, being Link Registrars Limited;
"**Completion**"	Principal Completion and/or any Subsequent Completion, as the context may require;
"**Completion Date**"	the Principal Completion Date and/or any Subsequent Completion Date, as the context may require;
"**Conditions**"	the conditions to the implementation of the Transaction which are set out in the Framework Agreement (and "**Condition**" shall mean any one of them);
"**Constitution**"	the constitution of the Company as in effect from time to time, consisting of the Memorandum of Association and the Articles of Association;
"**Contract for Sale**"	the contract for sale dated 17 December 2021 between Ulster Bank and Permanent TSB;
"**Contribution Amount**"	an amount of €1,000,000 payable by Permanent TSB to Ulster Bank on the Principal Completion Date (as a component of the Principal Completion Purchase Price) being a contribution to certain costs to be incurred by Ulster Bank in connection with the Transaction;
"**COVID-19**"	shall have the meaning given to such term in the Notes to the Notice of EGM;
"**CRD V**"	the Capital Requirements Directive (Directive (EU) 2019/878);

"**Credit Institution Resolution Fund**"	the Credit Institutions Resolution Fund, which forms part of the FIA;
"**CREST**"	the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;
"**Current Balances**"	in respect of a Target Business Loan, the gross outstanding loan balance of such Target Business Loan (i.e. before any fair value adjustment) at Principal Completion, Subsequent Completion or Target Subsequent Completion Date, as appropriate, but less always the amount of any Warehoused Balance to the extent relevant in respect of a Target Business Loan;
"**Cut-Off Date**"	23.59 on 30 June 2021;
"**Directors**"	the directors of the Company whose names appear in paragraph 4.1 of PART VI (*Additional Information*) of this Circular;
"**Disclosure Letter**"	the disclosure letter dated 17 December 2021 from Ulster Bank to Permanent TSB;
"**Dormant Assets**"	the dormant assets the subject of the Trust Agreements;
"**EB Participants**"	shall have the meaning given to such term in the Notes to the Notice of EGM;
"**EB Services Description**"	shall have the meaning given to such term in the Notes to the Notice of EGM;
"**ECB**"	European Central Bank;
"**ECL**"	shall have the meaning given to such term in note 1.2 in Section B of PART IV (*Historical Financial Information*) of this Circular;
"**EIR**"	shall have the meaning given to such term in note 1.3(ii)(a) in Section B of PART IV (*Historical Financial Information*) of this Circular;
"**Employee Data Sharing Agreements**"	the employee data sharing agreements between (i) Permanent TSB and Ulster Bank entered into on 1 March 2022; and (ii) Permanent TSB and Pepper entered into on 8 March 2021;
"**Employees**"	the employees of Ulster Bank or NatWest who are entitled to transfer employment to Permanent TSB or Pepper under the TUPE Regulations;
"**Enlarged Group**"	the PTSB Group following each Completion;
"**Equity Cash Component Amount**"	an amount equal to the product of (i) the volume weighted average price of an ordinary share in the Company by reference to the VWAP Period and (ii) such number of shares as is equal to 4.04% of the issued share capital of the

	Company immediately following the allotment of Equity Consideration;
"**Equity Consideration**"	such number of ordinary shares in the Company, immediately following their issuance, which equates to 16.66% of the entire issued share capital of the Company;
"**Equity Consideration Subscription Agreement**"	the agreement pursuant to which the Subscriber is allotted the Equity Consideration;
"**EUI**"	shall have the meaning given to such term in the Notes to the Notice of EGM;
"**EU**"	the European Union;
"**Euro**" or "**EUR**" or "**€**"	euro, the lawful currency of Ireland;
"**Euroclear Bank**"	shall have the meaning given to such term in the Notes to the Notice of EGM;
"**Euroclear Nominees**"	shall have the meaning given to such term in the Notes to the Notice of EGM;
"**Euronext Dublin**"	the Irish Stock Exchange plc, trading as Euronext Dublin;
"**Euronext Dublin Listing Rules**"	the Euronext Dublin Listing Rules for companies published by Euronext Dublin;
"**Executive Directors**"	the Executive Directors of the Company as set out in paragraph 4.4 of PART VI (*Additional Information*) of this Circular;
"**Expected Capital Support Amount**"	an amount equal to the greater of: 1. 7.885% of the Expected Gross Loan Balance; and 2. €513,000,000.
"**Expected Cash Offset Amount**"	an amount equal to the greater of: 1. 1.762% of the Expected Gross Loan Balance; and 2. €115,000,000.
"**Expected Gross Loan Balance**"	an amount equal to the aggregate Current Balances (as at the Principal Completion Date) of each of the Target Business Loans (excluding any Par Asset(s)) expected to be transferred to Permanent TSB pursuant to the terms of the Transaction Documents;
"**Expected Net Capital Support Amount**"	an amount equal to: 1. the Expected Capital Support Amount; *less* 2. the Expected Cash Offset Amount;
"**Extraordinary General Meeting**" or "**EGM**" or "**General Meeting**"	the extraordinary general meeting of the Company to, among other matters, approve the Transaction, to take place at 11:30am (Irish Time) on 24 June 2022;
"**EY**"	Ernst & Young Chartered Accountants;
"**Eyre Square Consideration**"	two million nine hundred thousand euros (€2,900,000);

"**FCA**"	the Financial Conduct Authority;
"**FIA**"	the Financial Incentives Agreement signed between the Central Bank and the Company dated 10 November 2013;
"**Final Completion**"	the date on which the final Subsequent Completion occurs;
"Financial Information"	shall have the meaning given to such term in Section A of PART IV (*Historical Financial Information*) of this Circular;
"**Form of Proxy**"	the personalised form of proxy accompanying this Circular for use by the Shareholders in connection with the Extraordinary General Meeting;
"**Framework Agreement**"	the framework agreement between Permanent TSB, NatWest and Ulster Bank entered into on 17 December 2021;
"**FSMA**"	the Financial Services and Markets Act 2000 (as amended) of the United Kingdom;
"**Governmental Authority**"	any governmental department, agency, institution, authority, regulatory body, court or tribunal, foreign or domestic, and includes any tax authority (including the Revenue Commissioners of Ireland), as well as arbitration bodies, whether governmental, private or otherwise;
"**High Court**"	the High Court of Ireland;
"**IAS**"	International Accounting Standards;
"**IFRS**"	has the meaning given to that term in paragraph 2.1 of the section titled "*Presentation of Information*" of this Circular;
"**Interim Migration and Integration Agreement**"	the interim migration and integration agreement entered into by Permanent TSB and Pepper at the same time as entry into the Framework Agreement so as to facilitate the provision by Pepper to Permanent TSB of certain migration and related services subject to appropriate contractual protections for Permanent TSB;
"**Introduction Date Disclosure Letter**"	the letter(s) from Ulster Bank to Permanent TSB to be delivered on each Transfer Date;
"**Ireland**"	the island of Ireland, excluding Northern Ireland and the word "**Irish**" shall be construed accordingly;
"**IT Sub Contractor Agreement**"	the IT subcontractor agreement entered into between Permanent TSB and Ulster Bank dated 18 January 2022;
"**Latest Practicable Date**"	20 May 2022, being the latest practicable date prior to publication of this Circular;
"**Listing Rules**"	the Euronext Dublin Listing Rules and/or the UK Listing Rules, as applicable;
"**London Stock Exchange**"	London Stock Exchange plc, a public limited company incorporated in England with registered number 02075721,

	whose registered office is at 10 Paternoster Square, London, EC4M 7LS;
"**Long-Stop Date**"	a date being either: 1. 30 November 2022 (the "**Required Approval Date**") in circumstances where all of the Required Approvals have not been obtained by such date; or 2. the earlier of: 2.1 three months after the Required Approval Date in circumstances where the Required Approvals have been obtained by the Required Approval Date but Principal Completion has not occurred by such date; and 2.2 three months after the Actual Required Approval Date in circumstances where Principal Completion has not occurred by such date provided always that in such circumstances where the Long-Stop Date was to fall in the period between 07 and 31 December 2022 or January 2023 (together the "**Blackout Periods**"), it shall automatically be extended to the equivalent date in February 2023 or, if such date is not a Business Day, the next Business Day;
"**Memorandum of Association**"	the memorandum of association of the Company as filed with the Registrar of Companies;
"**Migration Principles**"	the migration principles agreed between Permanent TSB, Ulster Bank and NatWest;
"**Minister**"	the Minister for Finance of Ireland from time to time;
"**MOU**"	shall have the meaning given to such term in paragraph 1 of PART I (*Chair's Letter*) of this Circular;
"**MREL**"	Minimum Required Eligible Liabilities;
"**MSD**"	the mortgage sale deed between Permanent TSB and Ulster Bank entered into on 17 December 2021;
"**MSD 2**"	the mortgage sale deed between Permanent TSB and Ulster Bank entered into on 17 December 2021;
"**NatWest**"	NatWest Group Plc, a public limited company incorporated in Scotland with registration number SC045551, whose registered office is at 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland;
"**NatWest Group**"	NatWest and each of its Affiliates;
"**NCU**"	Newbridge Credit Union;
"**New Assets**"	means: 1. each Par Asset; and

	2. each asset which was excluded from the Target Business at the Cut-Off Date by virtue of being a Non-Performing Arrangement but which is a Qualifying Non-Performing Arrangement at the time of the relevant Completion Date, (each a "**New Asset**");
"**Non-Executive Directors**"	the Non-Executive Directors of the Company as set out in paragraph 4.4 of PART VI (*Additional Information*) of this Circular;
"**Non-Performing Arrangement**"	an arrangement entered into between the relevant Borrower and Ulster Bank pursuant to which the relevant Borrower is classified by Ulster Bank as non-performing in accordance with the European Banking Authority definition of non-Performing Loans, being loans or exposures that satisfy the following criteria: 1. material exposures that are more than 90 days past due; or 2. the Borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due;
"**Notice of EGM**"	the notice of the Extraordinary General Meeting of the Company to be held on 24 June 2022 which forms part of this Circular;
"**Official List**"	the Official List of Euronext Dublin and the Official List of the FCA;
"**Onboarding Agreement**"	the onboarding agreement to be entered into by Permanent TSB, NatWest and Ulster Bank on Principal Completion;
"**Ordinary Shares**"	the ordinary shares of €0.50 each in the share capital of the Company;
"**Organised Workforce**"	1. the roles, currently held by Anticipated Employees, who have the necessary skills, knowledge or experience to perform the process (or group of processes) transferring as described in "**IFRS 3 Business Combinations**" in respect of the Residential Mortgage Loans; and 2. the roles, currently held by the Anticipated Employees who have the necessary skills, knowledge or experience to perform the process (or group of processes) transferring as described in "IFRS 3 Business Combinations" in respect of the Business Direct Loans and Asset Finance Business;
"**Par Asset**"	has the meaning given to such term in the MSD or BTA, as appropriate;
"**Pepper**"	Pepper Finance Corporation (Ireland) DAC (trading as Pepper Asset Servicing), a designated activity company incorporated in Ireland with registration number 34927,

	whose registered office is at Fourth Floor, Two Park Place, Upper Hatch Street, Dublin 2, D02 NP94, Ireland;
"**Performing Loans**"	shall have the meaning given to such term in paragraph 3 of PART I (*Chair's Letter*) of this Circular;
"**Permanent TSB**" or the "**Bank**"	Permanent TSB plc, a public limited company incorporated in Ireland with registration number 222332, whose registered office is at 56-59 St. Stephen's Green, Dublin 2, D02 H489, Ireland;
"**Principal Completion**"	the simultaneous completion of the Framework Agreement, the MSD, the MSD 2 and the Equity Consideration Subscription Agreement;
"**Principal Completion Date**"	the date on which Principal Completion occurs;
"**Principal Completion Gross Loan Balance Amount**"	an amount equal to the aggregate Current Balances (as at the Principal Completion Date) of each of the Target Business Loans (including any New Asset(s)) Actually Transferred to Permanent TSB on the Principal Completion Date on the terms of the Transaction Documents less an amount equal to the Branch Transfer Consideration;
"**Principal Completion Purchase Price**"	the aggregate of: 1. the Principal Completion Gross Loan Balance Amount; less 2. the Expected Net Capital Support Amount; plus 3. the Contribution Amount;
"**Probationary Loans**"	shall have the meaning given to such term in paragraph 3, PART I (*Chair's Letter*) of this Circular;
"**Project Sun Oversight Committee**"	shall have the meaning given to such term in paragraph 4.4 of PART VI (*Additional Information*) of this Circular;
"**Property Transfer Documents**"	the deed of conveyance, deed of transfer, deed of assurance, deed of conveyance and assignment, agreement for assignment, and each a "**Property Transfer Document**" and all documentation required to substitute Permanent TSB for Ulster Bank in respect of any subsisting court proceedings in relation to the acquisition of a reversionary lease to the Blanchardstown branch property, if applicable, at the Completion Date;
"**PTSB Group**"	the Company and each of its Affiliates;
"**Purchase Price**"	an amount equal to the aggregate of: 1. the Adjusted Cash Purchase Price; plus 2. the issue of the Equity Consideration to the Subscriber; ***plus*** 3. the Equity Cash Component Amount;
"**Q1 Trading Statement**"	the trading statement of the Company dated 3 May 2022 and accessible at

	https://otp.tools.investis.com/clients/uk/irish/rns/regulatory-story.aspx?cid=121&newsid=1579046
"**Qualifying Non-Performing Arrangement**"	a Non-Performing Arrangement in respect of which, as at the Cut-Off Date or the date falling three months prior to the Principal Completion Date: 1. the Borrower has nil arrears; 2. the Borrower is meeting its contractual payments to Ulster Bank; and 3. the Borrower is on a 12 month probationary period;
"**Reconciliation Amount**"	an amount equal to the difference between the Expected Net Capital Support Amount and the Actual Net Capital Support Amount;
"**Registrar of Companies**"	Registrar of Companies of Ireland;
"**Regulatory Approvals**"	shall have the meaning given to such term in paragraph 3.1 of PART II (*Summary of the Principal Terms and Conditions of the Transaction and the Transaction Documents*) of this Circular;
"**Regulatory Information Service**"	an electronic information dissemination service permitted by Euronext Dublin and the London Stock Exchange;
"**Relevant PRA Date**"	the date the approval of the Transaction by the CCPC is received other than in circumstances where Permanent TSB can demonstrate to the reasonable satisfaction of Ulster Bank, whether through supporting correspondence or otherwise, that engagement is ongoing with the Central Bank and/or the ECB in relation to the satisfaction of the Regulatory Approvals in which case the Relevant PRA Date shall be the date on which each of Permanent TSB and Ulster Bank, acting reasonably, are satisfied that the Regulatory Approvals have been obtained;
"**Remuneration Committee**"	the Board Remuneration Committee which consists of independent Non-Executive Directors with delegated responsibility for setting the remuneration for all Executive Directors and the Chair;
"**Required Approval Date**"	the meaning given to such term in the definition of the term Long-Stop Date;
"**Required Approvals**"	the Regulatory Approvals and the approval of the Transaction by the requisite majority of the shareholders of the Company at the EGM;
"**Residential Mortgage Loans**"	the Performing Loans and the Probationary Loans;
"**Resolutions**"	the resolutions to approve the Transaction and the allotment of the Subscription Shares as partial non-cash consideration for the Transaction, to be proposed at the Extraordinary General Meeting, the full text of which is set out in the Notice of EGM;

"**Return on Equity**"	a measure of financial performance calculated by dividing net income by shareholders' equity;
"**SC Long-Stop Date**"	in the case of any Subsequent Completion, the earlier of: 1. the date falling six months after the Principal Completion Date; and 2. 30 June 2023, provided always that the SC Long-Stop Date shall be deemed to be automatically extended to 31 August 2023 in circumstances where the the approval of the Transaction by the CCPC is not satisfied by 31 August 2022;
"**Second Principal Completion Delay Date**"	a date falling two months after the Principal Completion Date provided always that in circumstances where the Second Principal Completion Delay Date was to fall in the Blackout Periods, it shall automatically be extended to the equivalent date in February 2023, or if such date is not a Business Day, the next Business Day;
"**Services Agreement**"	the services agreement between, amongst others, Ulster Bank as settlor, Permanent TSB as account bank and the trustee to be appointed relating to the provision of the trustee and account bank services by Permanent TSB or its nominee;
"**Shareholder Co-operation Agreement**"	the shareholder co-operation agreement between the Company, the Minister and NatWest to be entered into on Principal Completion;
"**Shareholders**"	the holders of Shares;
"**Shareholder Co-operation Agreement**"	the shareholder co-operation agreement between the Company, the Minister and NatWest to be entered into on Principal Completion;
"**Shares**"	the Ordinary Shares in the share capital of the Company;
"**Signing Date**"	17 December 2021;
"**SME**"	small and medium-sized enterprises;
"**Sterling**" or "**£**"	the lawful currency of the United Kingdom;
"**Subscriber**"	RBS AA Holdings (UK) Limited, a private limited company incorporated in England with company number 02717209, whose registered office is at 250 Bishopsgate, London, EC2M 4AA;
"**Subscription Shares**"	such number of Shares that comprises 16.66% of the entire issued share capital of the Company immediately after Admission (which, on the basis that there are no changes to the issued share capital of the Company from 17 December 2021, will be 90,893,627), to be issued by the Company to the Subscriber as partial non-cash consideration for the Transaction;

"**Subsequent Completion**"	the meaning given to such term in the relevant Transaction Documents;
"**Subsequent Completion Date**"	the date on which a Subsequent Completion occurs in accordance with the terms of a Transaction Document;
"**Subsequent Completion Portfolio**"	each portfolio of Target Business Loans which will transfer to Permanent TSB on a Subsequent Completion Date, details of which will be provided by Ulster Bank to Permanent TSB no later than 70 days prior to the proposed Subsequent Completion Date;
"**Subsequent Completion Purchase Price**"	in respect of any Subsequent Completion Portfolio, an amount equal to the aggregate Current Balances (as at the relevant Subsequent Completion Date) of each of the Target Business Loans (including any New Assets) forming part of such Subsequent Completion Portfolio;
"**Target BD Date**"	the meaning given to such term in the definition of Target Subsequent Completion Dates;
"**Target Business**"	the assets and business of Ulster Bank that are to be transferred to Permanent TSB pursuant to the Transaction Documents;
"**Target Business Loans**"	each of the Underlying Loans that shall be transferred from Ulster Bank to Permanent TSB pursuant to the terms of the MSD and the MSD2 and each of the Asset Finance Facilities that shall be transferred from Ulster Bank to Permanent TSB pursuant to the terms of the Lombard BTA and the Lombard BTA2;
"**Target Lombard Date**"	the meaning given to such term in the definition of Target Subsequent Completion Dates;
"**Target Subsequent Completion Dates**"	in respect of: 1. the Asset Finance Business, 11 November 2022 (the "**Target Lombard Date**"); and 2. the Business Direct Loans, 10 February 2023 (the "**Target BD Date**");
"**Track Record Period"**	shall have the meaning given to such term in paragraph 3 of PART I (*Chair's Letter*) of this Circular;
"**Tracker Mortgage Examination**" or "**TME**"	shall have the meaning given to such term in paragraph 8.1(b)(i) of PART VI (*Additional Information*) of this Circular;
"**Transaction**"	the acquisition by Permanent TSB of the Target Business from Ulster Bank pursuant to the Transaction Documents;
"**Transaction Documents**"	each of the following:- 1. the Framework Agreement; 2. the MSD; 3. the MSD2; 4. the Contract for Sale;

	5. the Agreement for Assignment; 6. the Property Transfer Documents; 7. the Lombard BTA; 8. the Lombard BTA2; 9. the Onboarding Agreement; 10. the Introduction Date Disclosure Letter; 11. the Trustee Agreements; 12. the Equity Consideration Subscription Agreement; 13. the Disclosure Letter; 14. the Shareholder Co-operation Agreement; 15. the IT Sub Contractor Agreement; and 16. such other documents that fall within the definition of "**Transaction Documents**" in the Framework Agreement;
"**Transfer Date**"	the date that the legal ownership of the Ulster Bank facilities (including any guarantee and any security connected to such guarantee) has transferred to Permanent TSB;
"**Transferring Personal Data**"	any personal data in the possession of Permanent TSB, as received from Ulster Bank, which is transferred to Pepper pursuant to the Employee Data Sharing Agreement;
"**Transparency Rules**"	the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) and the Central Bank (Investment Market Conduct) Rules 2019, each as amended from time to time;
"**Trust Assets**"	the assets the subject of the Trust Agreements;
"**Trustee Agreements**"	(i) the Services Agreement; and (ii) the Trust Declaration, to be executed by the parties to those documents in accordance with the Framework Agreement;
"**Trust Declaration**"	the declaration of trust between, amongst others, Ulster Bank and NatWest as settlors, Permanent TSB and the original trustee appointed under the Trustee Agreements;
"**TUPE Regulations**"	the European Communities (Protection of Employees on Transfer of Undertakings) Regulations 2003 (as amended), the Transfer of Undertakings (Protection of Employment) Regulations 2006 in the United Kingdom; and/or the Service Provision Change (Protection of Employment) Regulations (Northern Ireland) 2006 (as amended) in Northern Ireland, as applicable;
"**UBHROIL**"	Ulster Bank Holdings (ROI) Limited, company registration number 156344;
"**UK Listing Authority**"	the FCA's primary market functions;
"**UK Listing Rules**"	the Listing Rules made by the FCA under Part VI of FSMA;
"**Ulster Bank**" or "**UBIDAC**"	Ulster Bank Ireland DAC, a company incorporated under the laws of Ireland with registration number 25766 and whose

	registered office is at Ulster Bank Head Office, Block B, Leopardstown, Dublin 18, D18 N153, Ireland;
"**Ulster Bank Group**" or "**UBIDAC Group**"	Ulster Bank and its Affiliates;
"**Unaudited Pro Forma Financial Information**"	the unaudited pro forma financial information in respect of the Enlarged Group prepared to illustrate the effect of the Transaction on the PTSB Group;
"**Underlying Loans**"	the loans and other credit facilities advanced to the Borrowers to be acquired by Permanent TSB as part of the Transaction;
"**United Kingdom**" **or** "**UK**"	the United Kingdom of Great Britain and Northern Ireland;
"**VWAP Period**"	the period commencing on the Principal Completion Date and terminating 60 days thereafter; and
"**Warehoused Balance**"	that portion of the Actual Gross Loan Balances, as identified on the relevant data tapes prepared by Ulster Bank under the "warehousing/modified mortgage" column, which Ulster Bank has agreed to waive in circumstances where the relevant obligor satisfies certain specified conditions.

Notes:

(i) Unless otherwise stated in this Circular, all reference to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

(ii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

PART VIII - NOTICE OF AN EXTRAORDINARY GENERAL MEETING

OF

PERMANENT TSB GROUP HOLDINGS plc

(the "Company")

NOTICE is hereby given that an Extraordinary General Meeting ("**EGM**") of the Company will be held at the Marker Hotel, Grand Canal Square, Dublin Docklands, Dublin, D02 CK38, Ireland on Friday, 24 June 2022 at 11:30am (Irish Time) for the following purposes:

To consider and, if thought fit, to pass the following resolutions as **ordinary resolutions:**

1. **THAT** the proposed acquisition by Permanent TSB plc, a wholly owned subsidiary of the Company, of certain elements of the Ulster Bank business (the "**Transaction**"), substantially in the manner and on the terms and subject to the conditions of the Transaction Documents (as defined in, and particulars of which are summarised in the circular of the Company, dated 24 May 2022 (the "**Circular**"), of which this notice convening the Extraordinary General Meeting (the "**Notice**") forms part), together with all other agreements and ancillary arrangements contemplated by the Transaction Documents, be and are hereby approved and that the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised to make any such amendments, variations, waivers or extensions to the terms of the Transaction (provided that such amendments, variations, waivers or extensions do not materially change the terms of the Transaction or the Transaction Documents for the purpose of Listing Rule 10.5.2 of the Euronext Dublin Listing Rules) and any documents (including the Transaction Documents) or arrangements relating thereto which they in their absolute discretion consider necessary, appropriate or desirable and to take all such steps and to do all such things which they consider necessary, appropriate or desirable to implement, or in connection with, the Transaction.

2. **THAT**, subject to and conditional upon the passing of Resolution 1 set out in this Notice, and in addition, and without prejudice, to all existing authorities given to the directors of the Company for the purposes of section 1021 of the Companies Act 2014, the directors of the Company (or any duly authorised committee thereof) be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 1021 of the Companies Act 2014) up to an aggregate nominal amount of €45,446,813.50 (representing 90,893,627 ordinary shares with a nominal value of €0.50 each in the share capital of the Company (the "**Ordinary Shares**"), being the Ordinary Shares to be issued pursuant to the Transaction. The authority conferred by this Resolution shall expire (unless previously revoked or varied by the Company in a general meeting) on the Long-Stop Date (as defined in the Circular), save that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation and the directors of the Company (or any duly authorised committee thereof) may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired or been revoked or varied.

By order of the Board

Conor Ryan
Group Secretary
Registered Office:
56-59 St. Stephen's Green,
Dublin 2,
D02 H489

24 May 2022

EGM NOTICE: NOTES

The following information is provided to members in accordance with Section 1103 of the Companies Act 2014.

1. **COVID-19**

1.1 While we expect the EGM to proceed as planned on 24 June 2022, the health and safety of our shareholders, colleagues and advisers is a primary concern for the Company and its Board, who are closely monitoring developments relating to the COVID-19 pandemic ("**COVID-19**") and guidance issued by the Government of Ireland in relation to COVID-19. We will take all recommendations and applicable law into account in the conduct of the EGM.

1.2 Shareholder participation and engagement remains important to us and we note the ongoing risk of the COVID-19 pandemic. Therefore, we are pleased to be able to provide a teleconferencing and web based service facility for shareholders to view and listen to the business of the meeting. The details for accessing and registering for such facilities will be provided on the Company's website, http://www.permanenttsbgroup.ie, in advance of the EGM. Please note that these facilities will allow you to listen to and watch the business of the EGM and submit questions or points only, you will not be able to use this facility to speak or vote (as noted above, voting is facilitated through the proxy service). Please see note 6 below for further information on viewing and listening to the business of the meeting via the teleconferencing and web based service facility.

1.3 If you have any questions that you would like to raise and/or might otherwise have raised in person at the EGM, please submit those questions in writing by email together with evidence of your shareholding to AGM@permanenttsb.ie no later than 8am (Irish Time) on Friday, 24 June 2022 or by sending a letter and evidence of your shareholding at least four 4 business days prior to the EGM by post to the Company Secretary at the Company's registered office. Alternatively, questions can also be submitted during the meeting by those who choose to attend electronically by using the messaging functionality available on our web based service. The procedures for question submissions are described in more detail in the Notes to the Notice of the EGM.

1.4 The Company continues to monitor the impact of COVID-19 and any relevant updates regarding the conduct of the EGM, including any changes to the arrangements outlined in this Circular, will be announced via a Regulatory Information Service and will be available on the website of the Company at www.permanenttsbgroup.ie. Shareholders should monitor the Company's website for update announcements regarding the EGM in the event that circumstances change. Shareholders are also encouraged to keep up to date with the advice and guidance of the Government of Ireland and the Health Service Executive in relation to COVID-19.

2. **ENTITLEMENT TO ATTEND AND VOTE**

Only those members registered on the register of members of the Company at 7.00pm (Irish Time) on 20 June 2022 or if the EGM is adjourned, at 7.00pm (Irish Time) on the day immediately preceding the date that falls 72 hours before the time appointed for the adjourned meeting shall be entitled to attend, speak, ask questions and in respect of the number of Ordinary Shares registered in their name, vote at the meeting, or if relevant, any adjournment thereof. Changes in the register after that time and date will be disregarded in determining the right of any person to attend and/or vote at the meeting or any adjournment thereof.

3. APPOINTMENT OF PROXIES

A member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend, speak, ask questions, vote and demand or join a demand for a poll on his or her or its behalf at the EGM or any adjourned EGM. The process for appointing a proxy depends on the manner in which you hold your interest in the Company (e.g. whether you hold a certificated (paper) or uncertificated (electronic) interest). Further detail in this respect is set out below. A member may appoint more than one proxy to attend, speak, ask questions, vote and demand or join a demand for a poll at the EGM or any adjourned EGM in respect of shares held in different securities accounts. A member acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees and such intermediary may cast votes attaching to some of the shares differently from other shares held by it. A proxy shall be bound by the Constitution of the Company. The appointment of a proxy will entitle the proxy to attend, speak, ask questions, vote, demand and join in a demand for a poll on the member's behalf at the EGM or at any adjournment of such EGM. A proxy need not be a member of the Company. If you wish to appoint more than one proxy please contact the Registrars of the Company, Link Registrars Limited on +353 1 5530050. The return of a proxy form will not preclude any member from attending the EGM, speaking, asking questions and voting in person should he/she wish to do so.

3.1 Certificated (paper) shareholders

(a) For shareholders whose name appears on the register of members of the Company (usually shareholders who hold their shares in certificated (paper) form i.e. not those shareholders holding interests in ordinary shares via the Euroclear Bank system or as CDIs through the CREST system), subject to the Constitution of the Company and provided it is received not less than 48 hours before the time appointed for the holding of the EGM or adjourned EGM or (in the case of a poll taken otherwise than at or on the same day as the EGM or adjourned EGM) at least 48 hours before the taking of the poll at which it is to be used, the appointment of a proxy may:

(i) be submitted by fax to +353 1 2240700, provided it is received in legible form; or

(ii) be submitted electronically, subject to the terms and conditions of electronic voting, via the internet by accessing the EGM page on the Company's website, www.permanenttsbgroup.ie or via the shareholder portal on the Link Registrars Limited website www.signalshares.com; or

(iii) by post to Link Registrars Limited (PTSBGH), P.O. Box 1110, Maynooth, Co. Kildare, Ireland; or

(iv) by hand during normal business hours to Link Registrars Limited (PTSBGH), Block C, Maynooth Business Campus, Maynooth, Co Kildare, W23 F854, Ireland.

(b) In the case of a corporation, the Form of Proxy must be either executed under its common seal, signed on its behalf by a duly authorised officer or attorney, or submitted electronically in accordance with note 3.1(a). In the case of an individual, the Form of Proxy must be signed by the appointor or his or her attorney or submitted electronically in accordance with note 3.1(a). Any original power of attorney or authority under which an individual or corporation executed the Form of Proxy must be submitted with the Form of Proxy in accordance with note 3.1(a).

(c) On any other business which may properly come before the EGM, or any adjournment thereof, and whether procedural or substantive in nature (including without limitation any motion to amend a resolution or adjourn the meeting) not specified in this Notice of EGM, the proxy will act at his/her discretion.`

(d) As the conditions and recommendations of the COVID-19 situation can change rapidly, please note that if you appoint someone other than the Chair of the meeting to be your proxy, that person may not be able to attend the meeting if the prevailing COVID-19 measures require the Company to conduct the EGM under constrained circumstances.

(e) If you intend to appoint a proxy other than the chair of the EGM, we would ask that, as a contingency measure, you would additionally appoint the chair of the EGM as an alternative in the event the initially intended proxy is unable to attend for any reason (and does not appoint a substitute). This will facilitate your vote being included in a wider range of contingent scenarios.

(f) In addition, a proxy shall be entitled, with your prior consent, to nominate and appoint a substitute (Substitute Proxy) for him or her for any of the purposes contemplated by the Form of Proxy with liberty to revoke any such appointment at his or her discretion. A proxy shall provide any Substitute Proxy with a copy (electronic or otherwise) of the Form of Proxy. A Substitute Proxy shall be bound, and act in all respects, as a proxy is and would in accordance with the terms of the Form of Proxy and, on appointment of a Substitute Proxy, all references to 'proxy' herein shall be construed as references to 'Substitute Proxy'.

3.2 **Uncertificated (electronic) shareholders**

Persons who hold their interests in ordinary shares as Belgian law rights through the Euroclear Bank system or as CDIs should consult with their stockbroker or other intermediary at the earliest opportunity for further information on the processes and timelines for submitting proxy votes for the EGM via the respective systems. For voting services offered by custodians holding Irish corporate securities directly with Euroclear Bank, please contact your custodian directly.

3.3 **Further information for EB Participants**

Participants in the Euroclear Bank system ("**EB Participants**") can submit proxy appointments (including voting instructions) electronically in the manner described in the document issued by Euroclear Bank SA/NV ("**Euroclear Bank**") in November 2021 and entitled "Euroclear Bank as issuer CSD for Irish corporate securities" (the "**EB Services Description**"). In accordance therewith, EB Participants can either send:

(a) electronic voting instructions to Euroclear Nominees Limited (as sole registered shareholder of all ordinary shares held through the Euroclear Bank system) ("**Euroclear Nominees**") to either itself, or by appointing the Chair of the EGM as proxy:

(i) vote in favour of all or a specific resolution(s);

(ii) vote against all or a specific resolution(s);

(iii) abstain from all or a specific resolution(s); or

(iv) give a discretionary vote to the Chair of the EGM in respect of one or more resolution(s) being put to a vote of the shareholders; or

(b) a proxy voting instruction to appoint a third party (other than Euroclear Nominees / the Chair of the EGM) to attend the meeting and vote for the number of ordinary shares specified in the proxy voting instruction.

Euroclear Bank will, wherever practical, seek a voting instruction deadline of one hour prior to the Company's proxy appointment deadline. Your attention is drawn to the EB Services Description in this regard.

Voting instructions cannot be changed or cancelled after Euroclear Bank's voting instruction deadline. Neither is there a facility to offer a letter of representation or appoint a corporate representative other than via the process of appointing a third party proxy described at note 3.3(b) above.

EB Participants are strongly encouraged to familiarise themselves with the new arrangements with Euroclear Bank including voting deadlines and procedures.

3.4 **Further information for CREST members holdings CDIs**

(a) Euroclear UK & International ("**EUI**"), the operator of the CREST system has arranged for voting instructions relating to CDIs held in CREST to be received via a third party service provider, Broadridge Financial Solutions Limited ("**Broadridge**"). Further details on this service are set out in the "All you need know about SRD II in Euroclear UK & International" which can be found at this webpage https://my.euroclear.com/users/en/login.html – once registered, please see in particular the section entitled "CREST International Service – Proxy voting". CREST members can complete and submit proxy appointments (including voting instructions) electronically through Broadridge.

(b) If you hold CDIs you will be required to make use of the Euroclear UK & International proxy voting service facilitated on EUI's behalf by Broadridge Global Proxy Voting service in order to receive meeting announcements and send back voting instructions as required.

(c) To facilitate client set up, if you hold CDIs and wish to participate in the proxy voting service, you will need to complete the following documentation which can be found at the following web address: https://my.euroclear.com/users/en/login.

(d) Completed application forms should be returned to EUI by an authorised signatory with another relevant authorised signatory copied in for verification purposes using the following email address: eui.srd2@euroclear.com.

(e) Fully completed and returned applications forms will be shared with Broadridge by EUI. This will enable Broadridge to contact you and share further detailed information on the service offering and initiate the process for granting your access to the Broadridge platform.

(f) The voting service will process and deliver proxy voting instructions received in respect of CDIs on the Broadridge voting deadline date to Euroclear Bank by its cut-off and to agreed market requirements. The same voting options as described above for EB Participants will be available (i.e. electronic votes by means of Chair proxy appointments or appointing a third party proxy). Broadridge's voting instruction submission deadline will accordingly be

earlier than the Euroclear Bank voting instruction submission deadline as set out above.

(g) Voting instructions cannot be changed or cancelled after Broadridge's voting deadline. Neither is there a facility to offer a letter of representation or appoint a corporate representative other than through the submission of third party proxy appointment instructions.

(h) CREST members with holdings of CDIs are strongly encouraged to familiarise themselves with the new arrangements with Broadridge, including the new voting deadlines and procedures and to take, as soon as possible, any further actions required by Broadridge before they can avail of this voting service.

4. PROXY VOTING INSTRUCTION DEADLINES FOR ALL SHAREHOLDERS

All proxy voting instructions (whether submitted directly or through the Euroclear Bank system or the CREST system (for those holding CDIs) must be received by the Company's Registrar not less than 48 hours before the time appointed for the EGM or any adjournment of the EGM. However, persons holding through the Euroclear Bank system or the CREST system will also need to comply with any additional voting deadlines imposed by the respective service offerings. All persons affected are recommended to consult with their stockbroker or other intermediary at the earliest opportunity.

5. VOTING RIGHTS AND TOTAL NUMBER OF ISSUED SHARES

5.1 The total number of issued Ordinary Shares on the date of this Notice of EGM is 454,695,492. Each Ordinary Share carries one vote. On a vote on a show of hands, every Shareholder present in person and every proxy has one vote (but no individual shall have more than one vote). On a poll every Shareholder shall have one vote for every Ordinary Share of which he or she is the holder. The resolutions to be proposed at the EGM will be determined on a poll and will require to be passed by a simple majority of votes cast by those Shareholders who vote in person or by proxy.

5.2 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

6. TELECONFERENCING SERVICE

For your convenience, we will provide access to the EGM proceedings via teleconference and web services. You will need to visit www.permanenttsbgroup.ie using your smartphone, tablet or computer. Click on the '**EGM**' icon on the homepage and thereafter follow the instructions. To listen to the EGM live please use the conference call details provided on the website. To view a live webcast of the EGM and/or submit questions during the event, please visit our website where you will be prompted to enter your unique '**Login Code'** and '**PIN**'. Your Login Code is your 11 digit Investor Code (IVC), including any leading zeros. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder. Your IVC can be found on the proxy voting form that was issued to you by post, your share certificate, or Signal Shares users (www.signalshares.com) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link Registrars Limited, by calling +353 1 553 0050. Access to the EGM will be available from 15 minutes before start of event.

7. QUESTIONS AT THE EGM

While we will have the facility to take some questions on the day of the EGM, we also invite you to submit, in advance, any questions you would like to have asked at the EGM in writing by email together with evidence of your shareholding to agm@permanenttsb.ie no later than 8am (Irish Time) on 24 June 2022 or by sending a letter and evidence of your shareholding at least four (4) business days prior to the EGM by post to the Company Secretary at the Company's registered office.

Under Section 1107 of the Companies Act 2014, the Company must answer any question which a member may ask relating to the business being dealt with at the EGM unless:

(a) answering the question would interfere unduly with the preparation of the EGM or the confidentiality and business interests of the Company;

(b) the answer has already been given on the Company's website in a question and answer format; or

(c) it appears to the Chair of the EGM that it is undesirable in the interests of good order of the meeting that the question be answered.

8. MEMBERS' RIGHT TO TABLE DRAFT RESOLUTIONS AND TO PUT ITEMS ON THE AGENDA OF THE EGM

8.1 The EGM is being convened solely to consider the specific resolutions set out in this Notice of Extraordinary General Meeting. As the text of these resolutions is already set out in this Notice of Extraordinary General Meeting and as there is no other item on the agenda for this EGM, Section 1104(1)(b) of the Companies Act 2014 (which provides that a member or a group of members holding 3 per cent. of the issued share capital, representing at least 3 per cent. of the total voting rights of all members who have a right to vote at the meeting, have a right to table a draft resolution for an item on the agenda of an extraordinary general meeting) is accordingly limited to resolutions concerning the resolutions set out in this Notice of Extraordinary General Meeting, and in that regard subject to note 8.2 below.

8.2 In addition to the above, requests must be made in one of the following ways:

(a) a hard copy request which is signed by the member(s), stating the full name and address of the member(s) and is sent to the Company Secretary at the Company's Registered office; or

(b) a request which states the full name and address of the member(s) and is sent to AGM@permanenttsb.ie.

A requested item or draft resolution must not be such as would be incapable of being passed or otherwise be ineffective or redundant (whether by reason of inconsistency with any enactment or the Company's memorandum and Constitution, or on account of the substantive nature of other resolutions on the agenda of the EGM, or otherwise). Any requested item or draft resolution must not be defamatory of any person. Furthermore, where a resolution is proposed as a special resolution, no amendment to the resolution other than an amendment to correct a patent error may be considered.

8.3 Subject to the Companies Act 2014 and any provision of the Constitution, where a resolution is proposed as an ordinary resolution, no amendment to the resolution (other than an amendment to correct a patent error) may be considered or voted upon unless either at least forty-eight hours prior to the time appointed for holding the general

meeting or adjourned meeting at which the ordinary resolution is to be approved, notice in writing of the terms of the amendment and intention to move same has been lodged with the Company Secretary (at the Company's registered office), or the Chair in his absolute discretion decides that it may be considered or voted upon.

9. INFORMATION REGARDING THE EGM

9.1 Information regarding the EGM, including information required by Section 1103 of the Companies Act 2014, is available from www.permanenttsbgroup.ie.

9.2 The Company will take all appropriate safety measures as the Directors may in their absolute discretion determine from time to time, and in any individual case, to be necessary or desirable at, during or prior to the EGM to ensure the safety of any attendees and others involved with it and comply with applicable requirements. Such measures may include, without limitation, the restriction of the number of attendees, and health and/or compliance related checks and requirements.

9.3 During the EGM, members (or their duly appointed proxies) may not use cameras, smart phones or other audio, video or electronic recording devices, unless expressly authorised by the Chair of the EGM. This prohibition shall not apply to equipment being used by the Company for the purpose of projecting the EGM onto screens during the EGM or to photographs taken by accredited press photographers admitted to the EGM. Please note, such equipment may capture personal data. Such personal data shall be used for the purpose of the EGM and in full compliance with applicable data protection law. In addition, the Company may process your personal data for other legitimate interests of the Company or to meet further legal obligations.

10. ADDITIONAL INFORMATION

10.1 The date of publication of the Notice of the EGM, and all notices thereafter, on the Company's website, www.permanenttsbgroup.ie, will be deemed to be the publication date for the purposes of the 2018 UK Corporate Governance Code.

10.2 The ISIN for the Company's ordinary shares is IE00BWB8X525.

10.3 The unique identified code of the EGM for the purposes of Commission Implementing Regulation (EU) 2018/1212 of September 3, 2018 is available at www.permanenttsbgroup.ie/investors/shareholders/annual-general-meeting .

APPENDIX – BRANCH PROPERTIES

Part 1: Freehold Properties

1. Ulster Bank Branch, Main Street, Ballyconnell, Co Cavan;
2. Ulster Bank Branch, Chapel Street, Ballyjamesduff, Cavan;
3. Ulster Bank Branch, Main St, Killybegs, Co. Donegal;
4. Ulster Bank Branch, Main Street, Blackrock, Co. Dublin;
5. Ulster Bank Branch, Main Street, Blanchardstown;
6. Ulster Bank Branch, 63 Ranelagh, Ranelagh, Dublin 6;
7. Ulster Bank Branch, Rochestown Avenue, Dun Laoghaire, Co Dublin;
8. Ulster Bank Branch, The Square, Gorteenacra Athenry Galway;
9. Ulster Bank Branch 33 and 34 Eyre Square, Galway;
10. Ulster Bank Branch, Shop Street, Tuam, Co Galway;
11. Ulster Bank Branch, The Square, Commons East Kilcock, Co Kildare;
12. Ulster Bank Branch, Irish St, Ardee, Co. Louth;
13. Ulster Bank Branch, William Street, Belmullet, Co Mayo;
14. Ulster Bank Branch, North Mall, Westport, Co Mayo;
15. Ulster Bank Branch, High Street, Trim, Co Meath; and
16. Ulster Bank Branch, 49 Liberty Square, Thurles, Co Tipperary.

Part 2: Occupational Leasehold Properties

1. Ulster Bank Branch, Units A29 and A30 Shannon Sky Centre, Shannon, Co Clare;
2. Ulster Bank Branch, Unit 1 and 2 High Street, Wilton, Co. Cork;
3. Ulster Bank Branch, Units G1, G2 Ground Floor and F1 First Floor, Butt Hall Centre, Ballybofey, Co Donegal;

4. A Ulster Bank Branch 8 Ardaravan Square, Buncrana, County Donegal;

4. B Ulster Bank Branch (ATM) 43, 45 & 47 Lower Main Street, Buncrana, County Donegal;

5. Ulster Bank Branch Main Street, Donegal Town, Co. Donegal;
6. Ulster Bank Branch, Main Street, Lucan, Co. Dublin;
7. Ulster Bank Branch Unit G26, The Pavilions, Swords, Co. Dublin;
8. Ulster Bank Branch, Main Street, Celbridge, Co. Kildare; and
9. Ulster Bank Branch 22/23 Rafter Street, Enniscorthy, Co. Wexford