



DETERMINATION OF MERGER NOTIFICATION M/21/076 – PTSB/ CERTAIN ASSETS OF ULSTER BANK

Section 21 of the Competition Act 2002

Proposed acquisition by Permanent TSB plc of certain assets of Ulster Bank Ireland DAC.

Dated: 09 May 2022

Introduction

1. On 21 December 2021, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (the “Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of the proposed transaction whereby Permanent TSB plc (“PTSB”) would acquire certain assets from Ulster Bank Ireland DAC (“Ulster Bank”), including: Ulster Bank’s performing non-tracker mortgage loans; a subset of Ulster Bank’s non-performing non-tracker loans; Ulster Bank’s performing micro SME business direct loan book; 25 properties in the Ulster Bank branch network; and Ulster Bank’s asset finance loan business (the “Target Assets”) (the “Proposed Transaction”).

The Proposed Transaction

2. PTSB, Ulster Bank and NatWest Group plc (“NatWest”) (the “Parties”) entered into a framework agreement dated 17 December 2021 (the “Framework Agreement”) and two mortgage sale deeds dated 17 December 2021 which contain the key commercial terms of the Proposed Transaction (the “MSDs”). In addition to the Framework Agreement and MSDs, the Parties have concluded other transaction documents including: an agreement to govern operational arrangements in relation to the migration of the assets from Ulster Bank to PTSB (the “On-Boarding Agreement”); two business transfer agreements relating to the asset finance business (the “BTAs”); and a contract for sale agreement relating to the transfer of certain properties.
3. Pursuant to the Framework Agreement, RBS AA Holdings (UK) Limited (“RBS AA”), a subsidiary of NatWest, will acquire a minority equity stake of 16.66% of the total issued ordinary share capital of Permanent TSB Group Holdings plc (“PTSB Holdings”), the



parent company of PTSB.¹ RBS AA will have only investor protections which are commensurate with the standard rights accorded to minority shareholders to protect their financial interests as investors but no additional rights in respect of the strategic commercial behaviour or control of PTSB Holdings.

4. The MSDs also provide for the transfer of Ulster Bank employees (“Anticipated Employees”) to PTSB, under the European Communities Transfer of Undertakings Regulations 2003 (the TUPE Regulations).
5. In sum, the Framework Agreement, the MSDs and the BTAs, together with the On-Boarding Agreement, provide for the transfer to PTSB of Ulster Bank’s rights, interests, obligations and benefits with respect to the Target Assets.
6. Following the implementation of the Proposed Transaction, PTSB will hold the rights, claims and obligations associated with the Target Assets and thus, have sole control over the Target Assets.

The Undertakings Involved

The Acquirer - PTSB

7. PTSB is wholly owned by PTSB Holdings, the shares of which are listed on Euronext Dublin and the London Stock Exchange. The National Treasury Management Agency (“NTMA”) as controller and manager of Irish Strategic Investment Fund is the beneficial owner of 74.92% of the ordinary shares of PTSB Holdings. The 100% beneficial owner of the NTMA is the Minister for Finance. The relationship between PTSB Holdings plc and the Minister for Finance is governed by a relationship agreement.
8. PTSB is a provider of retail and SME banking operating exclusively in the State. PTSB provides a range of banking products such as business and personal current accounts, overdrafts, mortgages, business and personal loans, credit cards and home insurance.
9. For the financial year ending 31 December 2020, PTSB’s worldwide turnover was €[...], all of which was generated in the State.

The Seller - Ulster Bank

10. Ulster Bank is a wholly-owned indirect subsidiary of NatWest. Ulster Bank is a full-service retail and commercial bank. Ulster Bank’s business is formed of two distinct divisions: personal banking and commercial banking.

The Target Assets

11. According to the Framework Agreement, the Target Assets include the following assets of Ulster Bank:
 - Ulster Bank’s entire performing non-tracker mortgage loans;

¹ The Commission understands from the notification that this stake is a means of PTSB partly paying for the Target Assets and it is NatWest’s stated intention to sell down its stake over time.



- A subset of Ulster Bank's non-performing non-tracker mortgage loans. The subset is those 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 entire performing Micro/SME business direct loan book of Ulster Bank;²
 - 25 properties in the Ulster Bank branch network; and,
 - the entire asset finance loan business of Ulster Bank.
12. The Target Assets do not include other products or services offered by Ulster Bank, such as:
- Ulster Bank current accounts;
 - Ulster Bank overdrafts;
 - Ulster Bank deposit accounts; and,
 - Ulster Bank loans for larger SMEs and corporate customers.
13. For the financial year ending 31 December 2020, the Target Assets generated worldwide turnover of €[...], all of which was generated in the State.

Investigation

14. On 31 January 2022, the Commission served two Requirements for Further Information ("RFIs"): one on PTSB, and a second on Ulster Bank/ Natwest, pursuant to section 20(2) of the Act. The service of the RFIs adjusted the deadline within which the Commission had to inform the notifying parties of the determination the Commission had made in respect of the Proposed Transaction in Phase 1. Upon compliance with the RFI, the "appropriate date" (as defined in section 19(6)(b)(i) of the Act) became 28 March 2022.³
15. During the Phase 1 investigation, the Commission requested and received further information and clarifications from the Parties.
16. The Commission also conducted market enquiries during the Phase 1 investigation and engaged with third parties in relation to its assessment of the competitive effects of the Proposed Transaction. This engagement included the sending of questionnaires to competitors of the Parties, regulators, and other industry stakeholders.

² Micro/SME refers to Ulster Bank business customers with turnover of less than €2 million and borrowings of less than €250,000.

³ The "appropriate date" is the date from which the time limits for making both Phase 1 and Phase 2 determinations begin to run.



Analysis

17. The Commission is unable, at this stage, to reach a determination that the result of the Proposed Transaction will not be to substantially lessen competition in any market for goods or services in the State. Accordingly, it intends to carry out a full investigation under section 22 of the Act in relation to the Proposed Transaction.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(b) of the Competition Act 2002, as amended (the “Act”), has determined that it intends to carry out a full investigation under section 22 of the Act in relation to the proposed transaction whereby Permanent TSB plc would acquire certain assets of Ulster Bank Ireland DAC.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission