Your guide to

REPUBLIC OF IRELAND – SAVINGS RELATED SHARE OPTION SCHEME

Helping employees save direct from their net pay for a set period with an option to buy shares shares at a fixed and discounted price.

The Savings Related Share Option Scheme (otherwise known as Save As You Earn or Sharesave) is an all-employee tax-advantaged savings and share option scheme operated in the Republic of Ireland and approved by the Irish Revenue Commissioner ('IRC') in accordance with Schedule 12A of the Taxes Consolidation Act, 1997. Save As You Earn ('SAYE') was introduced as an Irish resident equivalent to the UK Sharesave (please refer to page 2 for a summary of the main differences) via the 1999 Finance Act and provides companies with a way for their employees to acquire shares in their employer on potentially advantageous terms.

A qualifying company must be in receipt of formal approval from the IRC before it can launch an SAYE to its employees and the cost of establishing the scheme can be deducted from the company's profits for corporation tax purposes.

How does it work?

SAYE must be made available to all employees who have been with the company for a qualifying period of time. The plan is a simple way for employees to save money from their net pay each month, over a set period of time, with an option to use these savings to buy shares in their employing company at the end of the saving contract. The price at which employees can buy the shares is fixed at the outset (and can by discounted by the company). There is no obligation to buy shares at the end of the saving period, employees can simply take back their savings if they prefer.

The fixed price at which employees can buy shares at the end of the saving period (known as the "Option Price" or "Exercise Price"), is set around the time invites are issued to eligible employees and can be discounted by up to 25% off the current market value at that time.

If applicable, a tax-free bonus will be added to the employees' savings at the end of the contract (known as 'maturity'). The bonus, together with the interest rate payable on early account closure is determined by the savings carrier and confirmed in the SAYE Prospectus that is circulated at the time of each invitation. These rates can vary over time but remain fixed once the saving contract has commenced.

In 2014 Yorkshire Building Society became a qualifying Institution for an SAYE Certified Contractual Savings Scheme under the Taxes Consolidation Act in Ireland.

Why introduce SAYE?

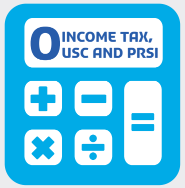
- To reward employees for the contribution they make to any success of the company
- To provide a convenient savings vehicle for employees (that helps instil good savings habits) with an option to buy shares in the longer term.
- It can encourage employees across various operating divisions to identify more closely with the overall performance of the company.
- Provides employees with an opportunity to take a stake in their employing company to help promote a culture of shared ownership and generate greater loyalty which helps with recruitment and retention objectives.
- It enables Reward Teams to deliver a low risk benefit, which is affordable to all and available to eligible employees on the same terms.

An opportunity to reward employee loyalty by providing them with a chance to buy shares at a discount of up to 25%.

Key features

- Must be made available to all employees who satisfy the eligibility criteria set by the company. Employers can specify a qualifying period of up to 3 years continuous employment.
- Invitations to apply are generally issued by companies following an announcement of results.
- Choice of 3 and / or 5 year savings contracts.
- Monthly savings limits are set by the IRC – currently between €12 and €500 per month (the maximum applies to all SAYE contracts an employee may have running at any one time).
- Employees cannot vary the saving amount or length of saving contract once their application has been accepted.
- Employee contributions to SAYE are taken from net salary by payroll each pay period and paid over to the employee's personal SAYE account held at Yorkshire Building Society.
- Employee contributions are eligible for protection under the Financial Services Compensation Scheme (subject to applicable limits and exclusions).
- The fixed price at which employees can buy shares at the end of their chosen saving contract is set at the outset and can be discounted by up to 25%.
- The maximum number of shares an employee can buy is determined by dividing the total savings at the end of the saving period by the fixed offer price (there may also be the currency exchange rate to consider if the Option Price is not set in Euro).
- Employees can either buy the shares or simply take back their savings at the end of their chosen saving period.
- Employees can close their account and take back their savings at any time during the saving period but they will lose the option to purchase shares immediately.
- Employees can take a payment holiday of up to 6 months during the saving period but the date on which they can buy shares will then be deferred by one month for each monthly payment they miss.
- If more than 6 payments are missed the employee loses the right to purchase shares, but the employee can still take back their savings.
- Employees may still be able to buy a reduced number of shares if they leave the company in certain circumstances (as specified in the Plan Rules) but the option to buy shares will lapse immediately for all employees leaving the company on a voluntary basis.

What about Tax?



Contributions to SAYE are made from after tax pay and so no income tax, universal social charge ('USC') or pay related social insurance ("PRSI") is payable whenever savings are withdrawn from the plan. Any bonus payable at the end of the saving period or interest payable on early account closure will not be subject to income tax, USC or PRSI either.

If the employee decides to exercise their option to purchase shares at the end of the saving contract they will not become liable for income tax but will be liable for USC (at a rate between 5% and 8% depending on their total level of income) as well as PRSI (currently at 4%) on the difference between the total market value of the shares acquired on exercise and the amount paid for the shares.

Capital Gains Tax

If the employee chooses to buy shares and then decides to sell them for a profit they may have to pay Capital Gains Tax (CGT) on part of that profit, if the gain (the difference between the sale price and the purchase price) takes them above the CGT exempt amount for that tax year. When calculating the gain they have made, employees are able to offset any costs of buying or the selling shares.

Quick Guide – main differences between approved SAYE Plans in the UK and Republic of Ireland

- The IRC must formally approve a new SAYE plan before it can be operated and the employee invitation and maturity documentation must be submitted to IRC for approval on each occasion. Since 6 April 2016 there has been no equivalent HMRC approval process in the UK, the requirement being replaced by a self-certification online filing system.
- The maximum amount that can be saved under all SAYE saving contracts in Ireland is €500, as opposed to £500 under a UK SAYE plan. The minimum amounts are €12 and £5 respectively.
- A discount of up to 25% off the current market value of the shares may be applied when setting the Option Price, as opposed to a maximum 20% discount under a UK SAYE plan.
- Maximum qualifying period which may be specified in Ireland is three years - as opposed to five in the UK.
- Participants can suspend contributions to their SAYE account for up to 6 months, as opposed to 12 months in the UK.
- The percentage shareholding that an employee is allowed to hold before being deemed to have a "material interest" and so not being eligible to participate is 15%. There is (since 17th July 2013), no such provision applying in respect of a UK SAYE plan.
- A retirement age between 60 and 66 must be specified in the plan rules in order to allow early exercise of the share option following retirement (or continuing in employment on reaching that age). Since 17th July 2013, no retirement age can be specified for a UK SAYE plan and early exercise is permitted on retiring at any time (provided the employer determines the employee has "retired").
- Employee social security contributions (PRSI and USC) will apply to the exercise of options. In the UK, there are no National Insurance Contributions to pay on the exercise of SAYE options.

YBS Share Plans Irish SAYE Services

- Act as both Administrator and Deposit Taker
- Dedicated account manager (single point of contact)
- Project planning and management
- Communication and engagement campaign management
- Onsite or webcast presentations and workshops
- Application and maturity instruction processing
- Employee helpline
- Employee online portal
- Receipt and allocation of employee contributions to individual accounts
- Payroll training & admin support
- Leaver administration
- Payment maintenance and closure reports
- Assistance with annual IRC returns
- Option register maintenance and movements reporting
- Access to online self-serve reporting suite
- Corporate Action management
- Annual statements
- Maturity share dealing and nominee services
- Financial education and wellbeing services
- Continual service enhancement through proactive use of client and customer feedback

WANT MORE INFORMATION?

If you want to learn more about YBS Share Plans and the types of share plans we administer you can:-

ybsshareplans.co.uk

business_development@ybs.co.uk

Beverley Johnson: + 44 (0) 7789 617 790

Michelle Merola: + 44 (0) 7734 459 980

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YBS Share Plans is part of Yorkshire Building Society.

YBS Share Plans, Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ **ybsshareplans.co.uk**

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YBS SHARE PLANS