2021

Bank of Ireland Group plc
Annual Report

Bank of Ireland

'In 2021 we delivered a strong rebound in financial performance, continued momentum in the execution of our National Champion bank strategy and agreed two transformational acquisitions. We are confident in our growth outlook for 2022 and beyond.'

Francesca McDonagh
Group Chief Executive

Inside this report

This is a true copy of the human readable layer of Bank of Ireland Group plc Annual Report prepared in accordance with Commission Delegated Regulation 2019/815 regarding the single electronic reporting format (ESEF) whereas this copy has not been prepared in accordance with ESEF.

The Statutory financial statements prepared in accordance with ESEF are included on the Group's website.

View this report online
This Annual Report and other information relating to Bank of Ireland is available at: ***www.bankofireland.com***

The Group's forward-looking statement can be found on page 375.

Strategic Report

2021 key performance highlights

Financial Performance

Profit before tax **€1,221m** (2020: €760m loss)

Underlying[1] profit before tax **€1,366m** (2020: €374m loss)

- Underlying[1] operating profit pre-impairment increased by 53% versus 2020 & 25% versus 2019.
- Adjusted ROTE[2] of 12.7%, reflecting a strong business performance and an impairment write-back; on path to deliver sustainable RoTE in excess of 10%.
- State sell down progressing; expect to be fully divested during 2022.
- Net interest margin of 1.86% (2020: 2.00%).

Asset Quality

NPE ratio **5.5%** (2020: 5.7%)

Net impairment gain **€0.2bn** (2020: €1.1bn loss)

- Net credit impairment write-back of €194m reflects improved economic outlook and limited loan loss activity.
- Asset quality remains strong despite impact of COVID-19; NPEs reduced by 20bps to 5.5% in 2021.
- Improvement in asset quality supported by NPE disposal of €0.3bn.

Transformation

Reduction in underlying operating expenses[3] **4%/€74m** (2020: 4% / €65m)

- 2021 cost target of €1.65bn achieved; 8th consecutive reporting period of cost reduction.
- Reaping benefits from UK restructuring; operating contribution[4] increased by 32%.
- Increased digital adoption drives 36% reduction in branch footprint on Island of Ireland.

Capital

Regulatory CET1 ratio **17.0%** (2020: 14.9%)

Fully loaded CET1 ratio **16.0%** (2020: 13.4%)

- Strong capital position; fully loaded CET1 ratio 16.0%.
- Fully loaded CET1 ratio increased by c.280bps[5] in 2021.
- Capital strength supporting c.200bps investment to execute agreed acquisitions of Davy and KBC Bank Ireland (KBCI) portfolios.
- Prudent and progressive distributions recommence; initial distribution of €104m, reflecting strong financial performance, strategic progress and positive outlook.

63%
employee engagement score *(up 14 points since first measured in 2017)*

55:45
male / female appointments to management and leadership positions

84%
reduction in carbon emissions intensity *(on 2011 baseline)*

79%
colleagues engaged in self-directed learning

13k
secondary school pupils participated in 'Money Smarts' programme and challenge

€3bn
increase in Sustainable Finance Fund to €5bn by 2024

Further information on financial measures referred to in our 2021 key performance highlights can be found in Alternative performance measures on page 376.

1 *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items of €145 million which are those items that the Group believes obscure the underlying performance trends in the business. For further details on the Group's non-core items see page 58.*
2 *For basis of calculation of Return on Tangible Equity (ROTE), see page 380.*
3 *Underlying costs of €1,646 million (2020: €1,720 million) include core transformation investment charges, exclude non-core items, levies and regulatory charges and impairment of intangible assets and goodwill, the calculation of which is set out on page 382. Including these items total costs were €312 million or 14% lower than 2020.*
4 *For definition of underlying divisional contribution, see page 381.*
5 *Excluding distributions.*

Chairman's review

We have the right people, portfolio of businesses and strategy to deliver for our shareholders.

Patrick Kennedy *Chairman*

Introduction

2021 was a very demanding year for so many, both personally and professionally. On behalf of the Board of Bank of Ireland, I would like to extend our sympathies to all who have been affected by the pandemic and acknowledge the considerable challenges that many of our customers and colleagues faced during the year and the resilience they demonstrated. Collectively, we look forward to a better year ahead.

Strategy & Performance

Despite the challenges presented by COVID-19, the substantial transformation the Bank has achieved in recent years was materially advanced in 2021 across multiple fronts:

- we exceeded the global financial services average scores for cultural embedding for the second year running;
- we continued to improve our technology offering to customers and our end-to-end processes;
- we made strong progress in delivering the transformation of our UK business;
- we materially restructured our branch network in the Republic of Ireland and Northern Ireland; and
- we reduced our cost[1] base by a further 4%, with our operating expenses now 13% lower than in 2017.

We also announced two significant acquisitions: KBCI's performing loan portfolios and deposits and J&E Davy (Davy). Completion of the acquisitions is conditional on the satisfaction of customary conditions including achieving all required approvals.

When we look at any acquisition, we consider two key things – if it offers value to our shareholders and if it is a good strategic fit for our business. These acquisitions will enhance the Group's already strong customer franchise. The KBCI portfolios acquisition will, all else being equal, increase the Group's share of the stock of mortgage credit outstanding in Ireland from c.20% to c.28%[2]. The acquisition of the market-leading Davy business will bolster our existing wealth proposition, strengthening the range of services available to our customers including in the high net worth and mass affluent categories. Davy also brings to the Group the leading capital markets business in Ireland.

Our transformation progress in recent years was evidenced in the strong financial performance of the Bank in 2021. Operating profit pre-impairment was 25% ahead of 2019 levels, the last pre-pandemic year.

The Group expects to hold an investor update during 2022, dependent on progress on acquisition approvals, at which it will set out refreshed medium-term targets.

Capital and Regulation

The Group saw very strong capital generation in 2021. The headroom that we have over minimum regulatory capital requirements leaves us with the flexibility to execute on our proposed acquisitions, continue to invest in transformation, meet evolving capital needs and recommence shareholder distributions.

COVID-19 was, in effect, a real life stress test. Throughout the pandemic our capital position remained robust, even after our taking a prudent and comprehensive view of the impact of the pandemic on our loan impairment charges, maintaining

1 The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business.

2 Source: Central Bank of Ireland mortgage data encompassing all Irish-resident banks, retail credit firms and credit servicing firms that hold or service performing and non-performing residential mortgage gross loans secured on properties located in the Republic of Ireland.

Related pages

CEO review (page 8)
Responsible & Sustainable Business at Bank of Ireland (page 20)
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investment in transformation and supporting customers through new lending.

As economic conditions normalise, regulatory capital requirements will evolve accordingly. As institutions, including this one, plan over a medium-to-long term cycle, we encourage as much visibility as possible from our regulators as to evolving future requirements.

Distributions

The Board recognises the importance of distributions to shareholders. Following the onset of the pandemic we outlined that our objective was for distributions to recommence as soon as possible based on our performance and capital position.

The acquisitions that we announced during 2021, which we believe will enhance future returns, merit the allocation of surplus capital to execute them. However, the headroom provided by our capital position provides optionality beyond these proposed deals.

The ECB's request for banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, lapsed on 30 September 2021.

Our strong capital position facilitates the reintroduction of distributions to shareholders. I am pleased to announce a proposed distribution of €104 million. €54 million of this will be distributed via a proposed dividend in respect of 2021 of 5 cent per share. A further €50 million will take the form of an ordinary share buyback in 2022, subject to regulatory approval.

Purpose and Culture

Last year I wrote about how our purpose, to enable our customers, colleagues and communities to thrive, was a clear North Star for the Group in responding to COVID-19. Today, our purpose continues to be highly visible through the efforts that colleagues across the Group are making.

Our core values – Customer Focused; One Group, One Team; Agile; and Accountable – are demonstrated on a daily basis.

Taken together, our purpose and values inform and guide the decisions and actions we take as a Group. Throughout the many challenges presented by the pandemic, our purpose and values have never been more important to our company, our colleagues and our customers.

Culture has been and will continue to be a key component of the Group's transformation journey. Colleague surveys continue to show the success we have made and, while issues of the past still impact today, we are fully committed to ongoing learning and development of our culture.

State Support

Between 2009 and 2011, Bank of Ireland received €4.8 billion of support from the Irish State. In June last year, the Minister for Finance announced his intention to sell part of the State's 13.9% remaining shareholding in Bank of Ireland and in November extended the share trading plan to this May. The shareholding is now below 6% and the State is no longer the largest shareholder in the Bank.

As I have said before, Bank of Ireland is very grateful to the Irish taxpayer for this support. It should never have been required. Bank of Ireland is unique amongst Irish banks in being the only institution to have repaid the Irish taxpayer fully, which we did by 2013. Since then, through dividend payments and the ongoing sell down of the State shareholding, the return to the Irish State has continued to increase, amounting to c.€6.2 billion by end 2021.

Remuneration

Since receiving State support almost 14 years ago, Bank of Ireland has been subject to a number of significant remuneration restrictions, including a ban on performance related pay and benefits which applies to all colleagues at all levels within the Group and a pay cap.

Since these restrictions were put in place, the European Banking Authority (EBA) has introduced remuneration guidelines which apply to banks across the Eurozone. These are much stricter than the guidelines that operated in the past, with a far greater emphasis on good risk management and financial sustainability.

As an employer, Bank of Ireland operates in an increasingly competitive landscape when it comes to the attraction and retention of talent. This is driven by a number of factors, including the significant growth in the technology sector in Ireland and the substantial increase in international financial services firms locating in the country, exacerbated by Brexit.

The remuneration restrictions which apply to Bank of Ireland are not replicated in any market in which the Group does business, creating an uneven playing field between the Bank and all other corporates – both banking and non-banking – with whom we compete for talent. This clear competitive disadvantage means that people risk at the Group has never been higher.

As the State sells down its remaining shareholding and Bank of Ireland returns fully to private ownership, potentially later this year, our view is that the current crisis-era restrictions should be replaced by the EBA guidelines, allowing the Group to implement a remuneration approach which is aligned to European norms and operates to the highest risk management and risk culture standards.

Responsible and Sustainable Business

The Group unveiled a new Responsible & Sustainable Business (RSB) strategy, 'Investing in Tomorrow', in last year's Annual Report.

We have demonstrated progress under all three pillars of the strategy: Enabling all Colleagues to Thrive; Enhancing Financial Wellbeing; and Supporting the Green Transition.

Also during 2021 and reflecting the increasing importance of environmental and social activities, the Board approved the establishment of a new standalone Board level RSB Committee, which was established during February 2022 and will be supported in its governance and oversight activities by the Group's recently appointed Chief Sustainability & Investor Relations Officer.

Ireland has a target to reduce greenhouse gas emissions by 51% by 2030 and to achieve a climate neutral economy by 2050. The achievement of this will require significant public and private sector investment. At Bank of Ireland, we are committed to doing all we can to support the national effort to combat climate change.

Board

The composition of the Board remained unchanged in 2021. The Board met in total on 21 occasions during the year, with heightened activity levels arising from the two acquisitions. There were also 66 Board Committee meetings during the year. I would like to acknowledge the very strong commitment of all of my fellow directors to the Group in 2021, as in prior years.

In September, Myles O'Grady informed the Board of his intention to step down as Group Chief Financial Officer (CFO) and Executive Director. Myles provided exceptional financial leadership to the Group and we wish him the very best for the future.

A process is underway to appoint a successor to the Group CFO, the outcome of which will be announced to the market when confirmed.

Tom Hayes

In November, Tom Hayes, our CEO of Corporate & Markets, very sadly passed away. Tom joined Bank of Ireland in 1979 and became CEO of Corporate Banking in 2006. There were few large business deals in Ireland over the last number of decades that Tom was not involved with and few colleagues in the Bank that he did not touch. These deep relationships, which were his hallmark, meant that his loss has been felt widely and deeply. To his wife Eimear and his daughters Sarah and Ciara, I reiterate the sympathies of all at Bank of Ireland.

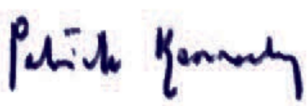
Outlook

The pandemic has accelerated the pace of change for the banking industry. Increased digitisation has led a marked evolution in business models and how customers seek to engage with providers of financial services. Sustainability has moved to the top of the policy agenda.

In our home market, we have a No. 1 or No. 2 market position in all principal product lines, to be further enhanced by our two acquisitions, as well as being Ireland's only universal bancassurer. Ireland's attractive demographics and strong economic base provide significant long-term opportunities for the Group. The recovery in housing activity and enhanced visibility offered by the Brexit deal augur well for credit formation as the economy recovers from the COVID-19 shock. In the UK, our strategic actions have delivered a significant improvement in performance.

The Group's net interest income is positively geared to the changing interest rate environment. In this regard, increased market expectations of higher interest rates may provide a further tailwind to revenues.

The outlook for the Group is positive, with forecasts pointing to 2022 being a year of strong economic growth in Ireland and the UK. We continue to be vigilant of risks, including the lingering effects of COVID-19 and geopolitical uncertainties. Looking to the longer term, the Board is confident that we have the right people, portfolio of businesses and strategy to deliver for our shareholders.



Patrick Kennedy
Chairman


Cliffs of Moher *Co. Clare*

Chief Executive's review

In 2021 we delivered a strong rebound in financial performance, continued momentum in the execution of our National Champion bank strategy and agreed two transformational acquisitions. We are confident in our growth outlook for 2022 and beyond.

Francesca McDonagh *Group Chief Executive*

2021 has been a year of recovery. The vaccine rollout has allowed the re-opening of the economies in our core markets. Customer sentiment has improved and business activity has been strong. In addition to a more positive macroeconomic backdrop, the ongoing execution of our strategy has further supported a 25% increase in operating profit pre-impairment compared to 2019, (i.e. pre-COVID-19).

In 2021, we grew income, reduced costs for the eighth consecutive reporting period and significantly increased capital ahead of the anticipated completion of the acquisitions of KBCI's loan and deposit portfolios and Davy. In line with this level of profitability and strong strategic momentum, we have proposed recommencement of distributions, in line with our prudent and progressive distribution policy, with a proposed distribution of €104 million.

We welcome the decision by Ireland's Department of Finance to sell down the State's shareholding in the Group. This holding was less than 6% as at 8 February 2022 and the State is no longer our largest shareholder. We remain the only Irish bank to have fully repaid the Irish taxpayer and we look forward to being the first Irish bank to return to full private ownership during 2022.

Bank of Ireland's strategic progress in 2021, together with the two agreed transformative acquisitions, significantly strengthens our core franchise and reinforces the achievement of our National Champion ambition. The Irish banking sector is undergoing significant change and our market leading position will enable us to serve our existing and new customers with our broad range of financial products and services.

Strong rebound in performance in 2021

2021 has seen a strong rebound in our financial performance despite the continued impact of COVID-19 restrictions for much of the year. The Group has reported an underlying[1] profit before tax of €1,366 million, supporting a material build in the Group's capital ratios and the proposed recommencement of distributions to shareholders.

Strategic progress

2021 has seen continued momentum in delivering our strategy, including:
- income growth of 12% in 2021 vs 2020;
- a further reduction in costs, down 4% vs 2020;
- a 25% increase in operating profit pre-impairment compared to 2019, pre-COVID-19 and up 53% vs 2020;
- new lending activity of €14.2 billion in 2021, while maintaining commercial discipline on risk and pricing;
- growth in our Wealth and Insurance business income of 24% vs 2020;
- a significant improvement in our UK business performance, with a 32% increase in operating contribution pre-impairment vs 2020, reflecting the strategic actions taken to improve returns;
- a 9% increase in operating contribution before impairment in our Retail Ireland business and a 21% increase in Corporate & Markets vs 2020;
- an accelerated shift to digital with c.80% of our Irish customers' everyday banking digital applications now unassisted;
- enabling economic recovery through accessible, responsible and sustainable lending. The bank remains Ireland's leading green mortgage provider with €1.8 billion drawn since launch in 2019;

[1] *The Group's financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business.*

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- a reduction in non-performing exposures (NPEs) of 20 basis points vs 2020 to 5.5%;
- healthy growth in capital ratios to support the expected acquisitions of the KBCI portfolios and Davy, with a fully loaded CET1 ratio increase of 280 basis points prior to distributions vs December 2020;
- an adjusted return on tangible equity of 12.7% reflecting a strong business performance and an impairment writeback of €194 million; and
- recommenced distributions with a proposed distribution of €104 million including a dividend of €54 million and €50 million of an ordinary share buyback in 2022, subject to regulatory approval.

Digital banking
We have proactively supported changes in customer preferences, by investing in the transformation of our systems.

Our investment in end-to-end customer journeys has benefitted both our customers and the Group. Improvements in journeys including current account opening, mortgage and consumer loan applications delivered c.€70 million in savings with customer journey times typically 50% faster in 2021 than previously. Most recently, the introduction of card controls in our mobile app is estimated to reduce customer toil by over 12 million hours per annum and has been well received by customers.

Reflecting the tipping point in customer preference towards digital, we repositioned our branch footprint across the island of Ireland in 2021. We will continue to invest in and enhance the full range of our digital services so we can best serve our customers – both today and into the future.

Wealth and insurance
Growing our Wealth and Insurance business is a key strategic priority for the Group. The favourable economic and demographic trends in Ireland have supported a strong performance in 2021. Operating contribution has increased by 32% vs 2020 underpinned by a 25% increase in operating income, 14% growth in Assets Under Management (AUM) and a positive investment market performance of €34 million.

The Group has a unique position as the only bancassurer in the Irish market providing in-house product manufacturing and distribution. The announced acquisition of Davy, Ireland's leading provider of wealth management and capital markets services, is an excellent strategic fit, which we expect to complete in the second quarter of 2022. We have strong growth ambitions for this acquisition, which will broaden the range of services available to our wealth and corporate customers while supporting diversified growth in the Group's fee income.

Costs
Our ongoing relentless focus on efficiency and strategic cost reduction has resulted in reduced costs for the eighth successive reporting period. We have successfully met our 2021 cost target of less than €1.65 billion. Since 2017, we have delivered a cumulative net cost reduction of 13% while absorbing wage inflation and investing in our business. We see additional opportunities to harness efficiencies and reduce costs further while investing in our people, systems, infrastructure and growth potential in the Irish market.

UK
The strategic decisions we have made since 2018 have underpinned the strong performance delivered by our retail business in the UK in 2021. Higher margins supported an 8% increase in net interest income supported by a strong market backdrop during the year. Lending volumes at December 2021 were £2.6 billion lower than the prior year as we make continued progress on our strategy to target value over volume in terms of our lending book. Bespoke new mortgage lending of £0.5 billion in 2021 was up 50% compared to 2020. A reduction in costs in 2021 of 7% further strengthened performance. Notwithstanding the intense competition in the mortgage market, our strategy to improve returns in the UK will continue to focus on higher new lending margins, a reduction in cost of deposits, a right sized cost base and a smaller more profitable balance sheet.

Strong economic outlook

The outlook for the Irish and UK economies is strong, complemented by the successful rollout of national vaccination programmes. We remain alive to COVID-19 risks, including the potential emergence of new variants and geo-political risks. However, the broad nature of the forecast economic expansion and market expectations of lower unemployment in both Ireland and the UK in 2022 provide reassurance of our positive outlook. Increased market expectations of higher interest rates, influenced by post COVID-19 inflationary pressures, may provide a further tailwind to revenues.

Purpose

The Group's purpose is to enable our customers, colleagues and communities to thrive.

Customers
We have continued to support economic recovery through €14.2 billion of new lending provided to our retail, business and corporate customers, while maintaining both risk and pricing discipline. In our home market of Ireland, we have taken a leading role in enabling the ongoing growth in the Irish residential mortgage market, providing €2.4 billion of new mortgage lending in 2021. At the same time, in 2021 our businesses in Ireland funded transactions totalling c.€0.9 billion which will deliver c.10,000 new homes, including c.2,000 homes for social housing units.

In Ireland, we have achieved the number one position for Financial Wellbeing nationally. This has been achieved through our award-winning advertising campaign, the 'F-word', along with a range of high-profile consumer awareness activities in respect of fraud prevention. Over the course of the year and consistent with our Financial Wellbeing strategy, the Group's Vulnerable Customer Unit also aided c.6,000 customers with a range of banking supports.

Colleagues
A positive culture is highly aligned with being a strong commercially minded entity. Our long-term cultural embedding trends have improved with our culture index at 75%, up 21 points since 2017 and above the global financial services benchmark of 73%.

During 2021, we launched a number of programmes aimed at supporting colleague wellbeing and mental health. As part of this, 1,900 colleagues received mental health training and over 50 'power down and recharge' events were held to help colleagues perform at their best during the pandemic. To progress the Group's Inclusion and Diversity ambitions, we launched dedicated female talent programmes and a range of initiatives to promote greater ethnic diversity. In 2021, the Group's gender ratio of senior management appointments was 45% female: 55% male, improving to 49:51 by Q4 2021. The Group remains committed to achieving a 50:50 ratio.

We announced a new hybrid working model to support flexible working on a permanent basis. This transition is underpinned by agile hubs, collaboration spaces, digitised meeting rooms and remote working options and has supported a further reduction in office space of 15% in 2021.

Communities
We are committed to supporting the communities where we live and work including our communities' transition to a greener economy. Green lending to our customers has increased and we were the first bank to issue 100% bio-sourced sustainable cards and have issued more than 100,000 of these as part of a rollout to all cardholders. Our €4 million philanthropy programme, Begin Together, continued to support community-focused initiatives with 59 community and 39 arts projects awarded grants. In addition, the Group's 'Money Smarts' programme and challenge, which promotes financial literacy, has had more than 13,220 secondary school students participate during 2021.

We continue to proudly support Irish rugby across the four provinces and the Emerald Warriors, Ireland's leading LGBTQ+ rugby club. We are key supporters of the IRFU Charitable Trust and Rugby Players Ireland. In February 2021, we also partnered with the Football Association of Ireland's community programme 'More than a Club' pledging our support to the grassroots of Irish football.

Responsible and Sustainable Business

We launched our Responsible and Sustainable Business strategy, 'Investing in Tomorrow' in March 2021 and we have continued to deliver under our three key pillars.

Enabling current and future colleagues to thrive

In 2021, we introduced strategic future skills programmes and pathways, upskilling colleagues across data, cloud, project management and digital. 13% of colleagues graduated from future skills pathways in 2021, a significant increase on 2020. We received the '2021 Age Friendly Business Award' and were the first Irish company to achieve Business Disability Forum accreditation.

Enhancing Financial Wellbeing
We have proactively engaged with customers who were only making minimum payments on their credit cards over a 12-month period to suggest alternative ways to manage their credit card debt. Customers who received targeted advice on reducing their long-term credit card debt were twice as likely to improve their financial wellbeing.

In December 2021, the Group committed to support financial health and inclusion through its products, services and other measures as a founding signatory to the UN Principles for Responsible Banking 'Commitment to Financial Health and Inclusion'.

Supporting the green transition
The Group's ongoing commitment to supporting the green transition is focused on a five point plan – providing sustainable finance, managing climate related risks, setting science-based targets, decarbonising our own operations and transparently reporting our progress.

In 2021, we increased the Group's Sustainable Finance Fund by €3 billion to €5 billion to help fund the green transition, reflecting our expectation of a material increase in customer demand in the coming years. Since the launch of our Green Mortgage in 2019, €1.8 billion has been drawn and green mortgages accounted for c.35% of mortgage lending in 2021 and c.45% in Q4 2021. Our green lending to our business and corporate customers also increased significantly in 2021 with business banking term lending up over 50% and non-property corporate commitments up over 100%. We issued €1.3 billion of green bonds in 2021 and remain on track to establish and publish science based targets. We will issue our first sustainability report during 2022.

Financial performance

The Group delivered an underlying profit before tax of €1,366 million in 2021 with total income 12% higher and operating profit pre-impairment 53% higher compared to 2020.

The Group's loan book decreased by €0.3 billion during 2021 (€2.6 billion lower on a constant currency basis). New lending of €14.2 billion, positive foreign exchange and other movements of €2.2 billion and an impairment credit of €0.1 billion were more than offset by the impact of redemptions of €16.5 billion and the Group's €0.3 billion Irish mortgage NPE transaction. UK deleveraging of €2.9 billion in the period was in line with strategy and a further reduction is planned in 2022. On a constant currency basis and excluding UK deleveraging and the NPE transaction, net lending increased by €0.6 billion, supported by activity across our Retail Ireland and Corporate portfolios.

Net interest income of €2,219 million was 5% higher than 2020. The benefits of reduced liability costs, higher UK margins and income benefits from participation in the TLTRO were partly offset by reduced yields on liquid assets and structural hedges. Liquid assets as a proportion of average interest earning assets increased to 35% in 2021 compared to 26% in 2020 primarily as a result of participation in the TLTRO and higher deposit balances. Net interest margin (NIM) was 1.86%, 14 basis points lower vs 2020. The Group's NIM reflects the positive impact from new lending margins and our strong commercial pricing discipline, more than offset by the impact of the Group's participation in TLTRO III (c.8 basis point negative impact in 2021), growth in liquid assets and lower structural hedge income. 2022 net interest income is expected to be broadly stable vs 2021.

Fees and other income arise from diversified business activities including wealth, bancassurance, foreign exchange and transactional banking fees. Business income of €641 million, including share of associates and joint ventures (JVs), was 15% higher vs 2020, notwithstanding the impact of continued restrictions during 2021. Additional gains, valuation and other items of €89 million were reported in 2021 compared to a loss of €56 million in 2020.

Business income includes Wealth and Insurance income which increased 24% vs 2020 due to higher new business and existing book income. Retail Ireland income increased 3% due to higher current account and card fee income. Corporate and Markets fee income increased by 13%, supported by higher customer activity and upfront fees. Share of associates and JV income continued to be affected by UK travel restrictions. 2022 business income is expected to be higher than 2021.

Operating expenses (excluding levies and regulatory charges and impairment of intangible assets and goodwill) reduced by 4% compared to 2020. Non-core charges of €145 million included €110 million in restructuring programme costs. 2022 operating expenses are expected to be lower than 2021 after absorbing inflation and excluding the announced acquisitions.

A net credit impairment gain of €194 million on financial instruments in 2021 compared to a charge of €1,133 million in 2020.

This gain reflected the impact on IFRS 9 models of Forward Looking Information from the Group's latest macro-economic outlook; movement in management adjustments; and actual loan loss experience and portfolio activity in the period. The impairment performance in 2021 was better than our expectations, reflecting the improved economic outlook in December 2021 compared to December 2020, combined with positive actual loan loss experience in the period. This was partly offset by a higher management adjustment. The impairment outlook is expected to remain benign in 2022 with charges expected to be below normalised levels. Subject to no material change in the economic conditions or outlook, we expect the 2022 impairment charge to be lower than 20 basis points.

NPEs reduced by €0.2 billion to €4.3 billion, equating to an NPE ratio of 5.5% of gross customer loans compared to 5.7% at end-2020. This improvement reflected the Group's €0.3 billion NPE securitisation transaction backed by Irish mortgages and continued work with customers to agree sustainable solutions, slightly offset by new flows into default.

Our regulatory CET1 capital ratio of 17% and fully loaded CET1 capital ratio of 16% at December 2021 were significantly ahead of regulatory requirements. Improvement in the ratios from the end of 2020 reflected organic capital generation combined with the benefit from impairment performance, balance sheet optimisation transactions and other movements. This was offset by the impact of investment in transformation and lending and a deduction for a foreseeable capital distribution. The Group's 17% regulatory CET1 capital ratio at December 2021 provides headroom of c.720 basis points to our 2021 regulatory requirements excluding P2G. The Group has sufficient capital resources to complete the agreed acquisitions with capital investment of c.200 basis points.

Outlook

2021 was a year of strong recovery and continued strategic execution. We delivered a significant rebound in financial performance with healthy growth in our capital ratios. This capital will support the expected completion of the KBCI portfolios and Davy acquisitions, which will further enhance the Group's Irish franchise and are financially attractive. Our organic strategy will see continued progress in our digital competitiveness, cost efficiency and profitable growth.

While uncertainties remain about the more enduring impacts of COVID-19 and geo-political developments, the outlook across our core markets is strong. We are committed to responsibly developing our long-term franchises. We see strong momentum as we execute our strategy, leading to positive outcomes for customers and colleagues and growth in sustainable returns for shareholders, supporting our target to deliver a return on tangible equity in excess of 10% in the medium term.

During 2022, we plan to provide an update on our strategy and outlook to 2024, including refreshed medium-term targets.

Francesca McDonagh
Group Chief Executive

Our Ambition, Purpose and Values

Amplified in response to COVID-19

Our ambition

Our ambition is to be the National Champion Bank in Ireland with UK and selective international diversification.

A National Champion is a consumer champion, a driver of economic growth with a strong market share and brand position and an employer of choice. As we work to deliver on this ambition, we continue to transform the Bank of Ireland experience for our customers, colleagues and communities.

2021 was an extremely important year for the Group. Despite the continued impact of COVID-19 restrictions in the markets where we do business, we saw a strong recovery in economic and business activity and in our financial performance.

Throughout the year we remained highly focused on our purpose, which is to enable customers, colleagues and communities to thrive. And we continued to deliver on our strategy, increasing income and reducing costs while announcing two landmark acquisitions. The progress made in the year is underlined by the ongoing sell down of the State's shareholding in the Group, which was announced by the Department of Finance in June.

Our purpose

Bank of Ireland's purpose is to enable our customers, colleagues and communities to thrive.

Customers are at the heart of our business and always come first. As the economies where we work moved between various stages of lock-down and reopening, we continued to provide a range of ongoing supports to our customers. Reflecting changes in consumer behaviours we made changes to our branch network, but through a partnership with An Post we ensured extensive access to local counter services for those who want them. We continued to invest heavily in a wide range of digital banking services. We strengthened our position as a leading advocate for customer financial wellbeing. And in March 2021 we published our inaugural Responsible and Sustainable Business Strategy 'Investing in Tomorrow'. As part of this we continue to develop a range of products to help customers reduce the carbon impact of their homes and businesses.

Colleagues keep our organisation working by innovating and adapting to meet our customers' needs. In 2021, our colleagues went above and beyond to deliver for our customers and each other at every stage of the pandemic. Given the challenges posed by COVID-19, we continued to place a strong emphasis on colleague wellbeing throughout the year, delivering programmes on the themes of Wellbeing, Workplace, Workday and Workload. We also provided suicide prevention training for all people managers in the Group. We launched our new hybrid working model including a network of remote hubs located outside large urban centres. We also invested in female talent and ethnic diversity initiatives to support greater inclusion and diversity in our business.

Communities are where we live and work and they include groups such as our customers, shareholders, regulators and governments. Throughout 2021, as well as helping our customers continue to navigate COVID-19, we also strongly supported economic recovery in the communities where we live and work. We set out clear commitments to support collective action against climate change. And, through our Begin Together campaign, we provided financial support to almost 100 community and arts initiatives working with people of all ages.

Our values

Our purpose is supported by four key values which guide us in everything we say and do and these values are embedded in how we run our business. Throughout 2021 we saw our values in action, informing and underpinning decision making across the Group.

Customer focused

We understand our customers well. We listen to them to ensure they feel valued and use our insights to consider how best to serve their needs. We take appropriate actions to deliver solutions to meet customers' changing requirements.

One Group, One Team

We know we work smarter when we come together behind our common purpose. We learn from each other and share ideas to expand our thinking. We build an open, trusting and supportive environment. We foster diversity of thought, ideas and experiences to spark creativity and innovation.

Agile

We embrace change with an open mind and a can-do attitude. We respond quickly and proactively seek different perspectives. We challenge ourselves to look for new and simplified ways to efficiently deliver the best solutions for our customers.

Accountable

We are empowered to take ownership and trusted to do the right thing to support our customers, colleagues and communities. We lead by example and challenge ourselves and each other to do our best work at all times. We learn from our mistakes and celebrate our successes together.

Our strategy

To transform the Bank, serve customers brilliantly and grow sustainable profits

Related pages

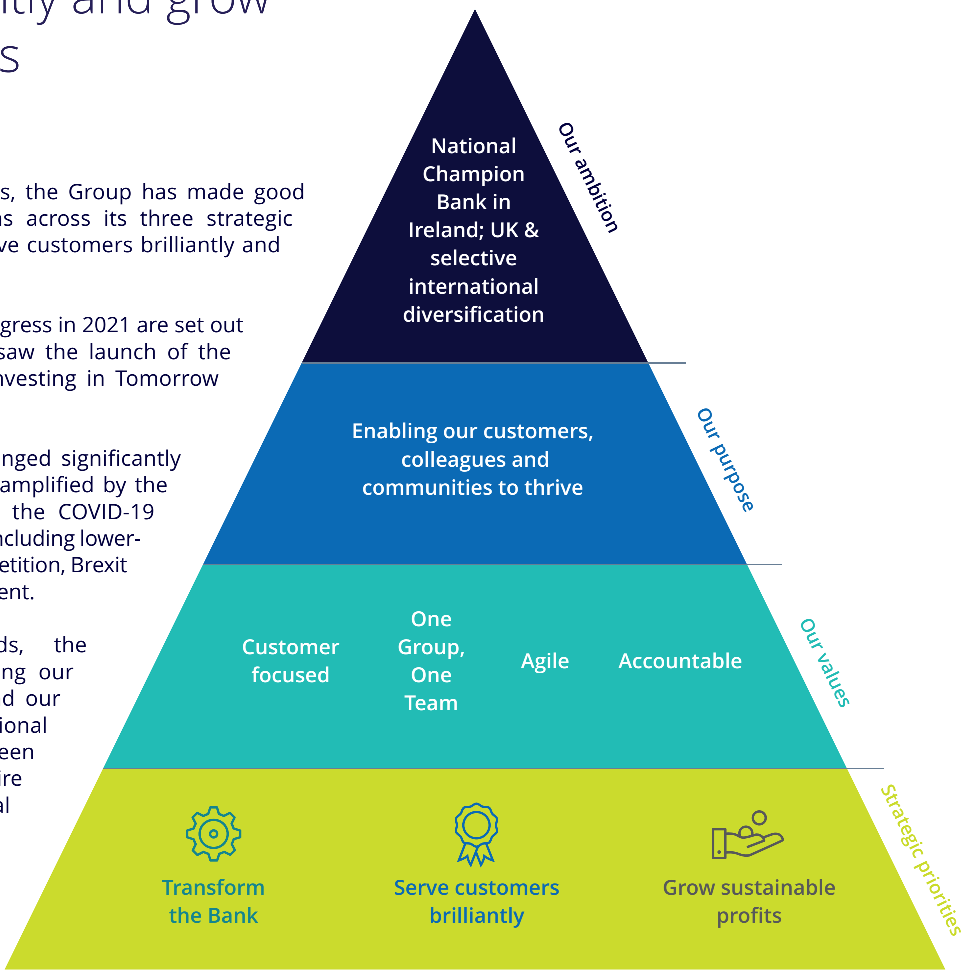
CEO review (page 8)
Responsible & Sustainable Business at Bank of Ireland (page 20)
Risk Management (page 37)
Divisional review (page 64)

As the 2018-2021 strategy concludes, the Group has made good progress, setting strong foundations across its three strategic priorities to transform the Bank, serve customers brilliantly and grow sustainable profits.

The key highlights of our strategic progress in 2021 are set out on the following pages. 2021 also saw the launch of the Group's first formal RSB strategy, Investing in Tomorrow (page 20).

Our operating environment has changed significantly since we set out our strategic plan, amplified by the continued challenges presented by the COVID-19 pandemic and other external factors including lower-for-longer interest rates, intense competition, Brexit and the evolving regulatory environment.

Notwithstanding these headwinds, the economic fundamentals underpinning our strategic plan remain supportive and our ambition to become the National Champion Bank in Ireland has been furthered by the agreements to acquire Ireland's leading wealth and capital markets provider, Davy and KBCI's performing loan portfolios and deposits. An update on our strategy, including refreshed medium term targets, will take place later in 2022.



Key achievements 2018-21

As the 2018-21 strategy concludes, we set out below some of our key achievements during that period:

Transform the Bank

We have materially improved our culture. Colleague engagement scores have increased to 63%, up 14 points since first measured in 2017 and our overall cultural health is now ahead of the global financial services benchmarks.

We have delivered business model change to materially enhance our efficiency, agility and productivity.

Strong progress has been delivered through organisational design, headcount reduction, a reduced branch and office footprint, re-entry to broker channels and reshaping of the UK business.

Serve customers brilliantly

We have repositioned our brand through the 'Begin' campaign.

We have delivered several new technologies to improve customer experience, including new digital channels, new payments infrastructure launched in 2020 and improved operational resilience.

We have continued to enhance and improve our new mobile app, launched in 2020, which in H2 2021 accounted for over 90% of digital channel traffic.

In the UK, we have created an award-winning bespoke mortgage proposition.

Grow sustainable profits

We have reduced operating costs[1] by 13% to c.€1.65 billion in 2021 (€1.9 billion in 2017), surpassing the original target of €1.7 billion by 2021.

Capital has been optimised, with sufficient capital to execute announced KBCI portfolios and Davy opportunities.

On a like for like basis, Return on tangible equity (ROTE) has increased c.2.5% over the period 2017-2021.

Through proactive management of the Group's NPE ratio, it has fallen to 5.5% as of December 2021 (8.3% in 2017).

[1] *Operating costs refers to underlying operating expenses (before levies regulatory charges and impairment of intangible assets and goodwill).*

Our strategy *(continued)*
Transform the Bank

We are transforming our culture, systems and business model to enable our customers, colleagues and communities to thrive.

Group CEO Francesca McDonagh meets with Community Youth worker Debbie O'Rourke from ChillOUT in Waterford *(a project supporting LGBTI+ young people)*

New ways of working

In April, the Group launched its updated hybrid working model offering colleagues greater flexibility as to how and where they work, supported by remote working hubs, collaboration spaces, digitised meeting rooms and remote working options. 11 agile hubs are now open in Republic of Ireland (RoI), with three more to open in in the UK in 2022.

Culture

We are on a multi-year culture transformation journey. Strengthening our culture will contribute to positive customer outcomes, long-term customer relationships, growth in sustainable revenue and improved staff engagement and talent acquisition.

Target outcomes

- Improved customer centricity.
- Best-in-class employee engagement.
- All management and leadership appointments will represent a 50-50 gender ratio.

How we performed in 2021

- The Group Colleague Culture Embedding Index is 75%, which is 21 points higher than when first measured in 2017 and remains ahead of the external global financial services benchmark by 2 points.
- Our colleague engagement score is 63% which is up 14 points since first measured in 2017 and down 4 points compared to last year's survey. This aligns with the overall sector, with the global financial services benchmark declining by 3 points in 2021.
- 2021 saw the launch of a number of programmes to support colleague wellbeing such as 'Power Down and Recharge', encouraging colleagues to switch off and recharge while promoting healthy work routines and flexible working arrangements. Mental health initiatives such as 'Show we Care' and partnerships with Ohana Zero Suicide Ireland and Zero Suicide Alliance UK were also launched.
- In 2021, the Group's gender ratio of management and leadership appointments was 45% female: 55% male, up from 41% female: 59% male in 2020. The Group remains committed to achieving a 50:50 ratio with dedicated gender diversity programmes, RISE and Accelerate, rolled out to almost 300 female colleagues in 2021.
- The Group has been recognised by the INvolve Organisation, global leaders in Diversity and Inclusion, with three listings in the OUTstanding LGBT+ Role Models Lists in 2021, including a top three ranking for Group CEO, Francesca McDonagh, in the Top 50 Ally Executive List. The lists showcase LGBT+ business leaders and allies who are breaking down barriers and creating more inclusive workplaces across the world.
- The Group's all-colleague 2021 Recognition Awards took place virtually in September, celebrating our collective achievements and announcing this year's winners. There were 66 finalists, selected from over 6,000 colleague nominations.

Related pages

Responsible & Sustainable Business at Bank of Ireland (page 20)
Risk Management (page 37)
Divisional review (page 64)

Systems

We are making a significant investment to transform our technology. This investment is critical to support our business growth, as well as improving efficiency and enhancing service to our customers.

Target outcomes

- Improve customer experience.
- Simplification of products and processes.
- Excellence in digitalisation and robotics.
- Transforming our technology.

How we performed in 2021

- 94% of all applications for everyday banking products[1] are received digitally, of which c.80% are received without any staff assistance.
- The Group was recognised as the 'Best Consumer Digital Bank in Ireland' at the 2021 Global Finance Awards.
- A number of improvements were made to our Wealth and Insurance platforms in 2021, including a MyPension 365 upgrade and a new broker portal resulting in an 80% lead time reduction in broker portal applications.
- Card control management features, developed for our mobile app in 2021, resulted in an estimated reduction of 13 million hours of customer toil.
- To enable widespread remote working, the Group has continued to provide digital workplace enhancements including the roll out of Microsoft Teams, with over 6,000 colleagues successfully on boarded to date, use of webcams to facilitate customer meetings and digital smartboards to support effective collaboration.
- We continued to invest in and transform our technology across key customer data and security platforms; enhancing our data management and ensuring we meet regulatory requirements while reducing operational risk.

Business model

We are committed to optimising our business model and ensuring our organisation is efficient and effective. We are simplifying our structures, making our teams more effective and improving the management of third-party providers. This will help us to become leaner, more agile and even closer to our customers.

Target outcomes

- A more simplified and customer centric organisation.
- Effective and sustainable sourcing arrangements.

How we performed in 2021

- In October, 88 branches closed, reducing our branch footprint to 169 locations in RoI, in response to acceleration in digital banking following the rollout of a range of new digital services during 2020. To support our customers impacted by closing branches, Bank of Ireland partnered with Ireland's postal service, An Post, to enable our Personal and Business Current account and Demand Deposit account customers to carry out their everyday banking at over 900 local post offices across Ireland. Combined, Bank of Ireland customers now have more than 1,000 locations to bank in-person. In Northern Ireland, the branch network will also reduce by 15, from 28 to 13 branches.
- The Group made significant progress in relation to organisational transformation with 1,585 colleagues availing of redundancy as part of the Group wide voluntary redundancy programme since its commencement in Q4 2020. The 2021 year end full time equivalent staff number was 8,696, compared to 9,782 in 2020.
- Occupied office space reduced by a further 15% in 2021, bringing office space reduction to 44% over the last four years, enabled by the Group's flexible working policy. Further reductions are planned for 2022. The property space being exited is typically older, less energy efficient buildings, in line with the Group's RSB strategy.
- Significant progress has been made against our UK strategy, including optimisation of our business in Northern Ireland to respond to significant and accelerating changes in how customers are banking. We are investing in our 13 retained branches and 3 business centres as well as enhancing our digital customer propositions.

[1] *Everyday banking products includes: Business Current Account, Personal Current Account, Personal Loans, Personal Credit Cards and Deposits in RoI.*

Our strategy *(continued)*
Serve customers brilliantly

We are committed to building a customer-focused organisation that invests in improving service and digital capabilities, while also getting the basics right. We listen to customers and respond to their feedback.

Pictured at the launch of the SBCI Brexit Impact Loan Scheme, Cormac Murphy of the European Investment Bank, Minister for Agriculture Charlie McConalogue, Bank of Ireland Group CEO Francesca McDonagh, An Tánaiste Leo Varadkar, SBCI CEO June Butler and Minister for Finance Paschal Donohoe

Digital growth

Mobile App visits have risen to considerably with over 19 million visits per month in 2021 (up from 13 million visits per month in 2020), an increase of almost 50%. The Mobile App now accounts for 86% of all digital visits, up from 64% in 2020.

Embedding voice of customer in our businesses

Customers are always at the very heart of our business, but never more than the last two years as we've seen their expectations around product, service and banking preferences - particularly in relation to digital - evolve at an accelerated pace. We are committed to supporting our customers' needs and financial wellbeing by offering customer-centric propositions and services to enable them to thrive in all circumstances.

Target outcomes

- Significant improvement in customer satisfaction and advocacy.
- Serving customers during their key life moments.
- Customer centricity at the heart of our culture.

How we performed in 2021

- Our Customer Effort Score (CES) measures ease of customers' service experience across all channels including branches, contact centres, mobile app and the Group website. A key component of the CES is the mobile app which has experienced a 14 point increase since the launch of the new app in June 2020.
- Customer complaints were up 2.5% in the Republic of Ireland in 2021, largely reflecting the impact of branch closures, but were still the second lowest yearly volume of complaints on record. Plans are being implemented to drive a reduction in complaints in 2022. In the UK, complaints reduced significantly for the second year in a row.
- In line with our Financial Wellbeing programme, the Group became a founding signatory to UN Principles for Responsible Banking 'Commitment to Financial Health and Inclusion', a new UN-supported banking initiative, whose goal is to promote universal financial health and inclusion.
- The Group's Vulnerable Customer Unit supported approximately 6,000 vulnerable customers facing challenging situations in 2021 and we launched Global Chat, a financial inclusion initiative using the multiculturalism and diversity of our workforce to enable us to talk to our customers in the language they are most comfortable with. To date we have 93 volunteers who can translate into 38 languages.
- We continued to support the €2 billion Strategic Banking Corporation of Ireland (SBCI) COVID-19 Credit Guarantee Scheme launched to provide liquidity to Small and medium enterprises (SMEs) in the Republic of Ireland.
- In October 2021, the Group committed to support to the Irish Government's Brexit Impact Loan scheme, a €300 million fund launched to provide medium term funding for businesses impacted by Brexit.

Related pages

Responsible & Sustainable Business at Bank of Ireland (page 20)
Risk Management (page 37)
Divisional review (page 64)

Investing in digital and physical channels

We are investing in all channels to improve customer experience and service. We are re-designing and digitising high-priority journeys, upgrading service in our branches and contact centres, reallocating colleagues to customer facing roles and upgrading advisory services through colleague training and development.

Target outcomes

- Great customer experience and increased digitally-enabled customer journeys.
- Extend the Application Programming Interfaces (APIs) foundation for Open Banking.

How we performed in 2021

- Growth across digital channels continued in 2021 with an average of 23 million monthly visits in 2021 (up from 21 million monthly visits in 2020), representing an overall increase of 9% in traffic.
- We have improved customer journeys through continued use of robotics and greater automation.
- In December 2021, c. 95% of all new mortgage applications in RoI were managed on our digital platform, compared to less than 10% in 2019, with our customers now digitally managed from application to drawdown.
- Wealth and Insurance customers were supported by the launch of a new MyPension365 platform in 2021. In addition, a new broker digital portal launched with 76% of new pensions applications and 57% of new savings and investments applications being received digitally for the first time, reducing customer toil, the risk of operational error and enabling efficiencies.
- Continued digitisation of and improvements in targeted customer journeys as part of the End-to-End programme have resulted in a material reduction in customer complaints across personal current accounts and personal overdrafts, which are down 37% and 34% respectively on 2020.
- In RoI, digital enhancements in our asset finance business have resulted in better outcomes for customers and car dealers, with faster decisions and payments, a 10% increase in conversions, increased customer retention and a lower cost base.
- We have provided enhanced Open Banking through APIs for customers on both digital and Open Banking channels. The APIs are a crucial component of our digital capability that allows us to assemble digital customer propositions and experiences across our contact centres, digital and Open Banking channels.

Our brand strategy

We have identified our brand purpose and drivers, putting the customer at the heart of everything we do. We have repositioned our brand to bring our purpose to life in a way that differentiates us and offers real value to our customers, colleagues and communities. This positioning brings the constituent parts of the business together and is now reflected in our advertising and sponsorship assets.

Target outcome

- To become the number one banking brand in Ireland.

How we performed in 2021

- The Group's national financial wellbeing campaign, the F-Word, led to Bank of Ireland receiving the #1 ranking in 'Brand Shout' tracking survey in July and being awarded JCDecaux's 'Campaign of the Month' in August.
- Brand consideration remains relatively in line with 2020. A continued focus on simpler day to day experiences for customers and enhancements to the mobile app is expected to further enhance brand consideration in 2022.
- Begin Together, the Group's philanthropy platform, continued to support community-focused initiatives from its €4 million fund. 59 future facing projects were awarded grants in 2021. A further 39 arts projects were awarded grants from the Begin Together Arts Fund, in partnership with Business to Arts.
- The Group became the first Irish bank to issue 100% bio-sourced sustainable cards with more than 100,000 cards issued to date and will be incrementally rolled out to all cardholders. The new bio-sourced card is made from 82% bio-sourced renewable materials derived from field corn.
- The Group continues to proudly sponsor Irish Rugby across the four provinces and the Emerald Warriors, Ireland's leading LGBTQ rugby club. We are also key supporters of the IRFU Charitable Trust and Rugby Players Ireland. In February, Bank of Ireland partnered with the FAI to become an Associate Sponsor of the League of Ireland and the FAI's community programme 'More than a Club' pledging our support to the grassroots of Irish football.

Our strategy *(continued)*
Grow sustainable profits

We are focused on delivering sustainable returns for our shareholders. This is based on business growth in our key markets to expand lending, grow fee income and increase revenue sustainability. At the same time, we are reducing our costs each year as we drive efficiency and streamline our business.

Home mortgage campaign

Supporting home building

For 2021, in ROI, the Group completed transactions totalling c.€0.9 billion which will deliver c.10,000 new homes, including c.2,000 homes for social housing and c.500 student beds, all of which will be delivered over the next 3 years.

Business growth

Growing our Irish business will increase lending volumes, interest income and fee income. We are working towards our goal to be a lead supporter of home building and home buying in Ireland and to grow our wealth management and insurance business. As Ireland's leading retail and commercial bank and the only bancassurer in the market, we are focused on benefiting from key trends, in particular the demand for housing and supportive demographic changes.

Target outcomes

- To be the leading supporter of home building and home buying in Ireland.
- Building our Wealth and Insurance business.
- Measured and commercially disciplined loan book growth.

How we performed in 2021

- Underlying profit before tax of €1,366 million.
- Market share in new mortgage lending Ireland of 23%.
- The Group issued €1.3 billion through our Green Bond Framework during 2021, enabling the Group to finance additional projects across renewable energy, green buildings and clean transportation. In 2021, we also increased our Sustainable Finance Fund to €5 billion by 2024 (page 34).
- The Group retained its position as Ireland's leading corporate bank[1] with gross new lending of €4.4 billion and loans and advances to customers closing at €18.1 billion, an increase of 10% on 2020.
- We continued to leverage our position as Ireland's only bancassurer, with penetration of Wealth and Insurance products to our Bank customer base of 35%, compared to 32% in 2019.
- Agreements to acquire Ireland's leading wealth and capital markets provider, Davy and KBCI's performing loan portfolios and deposits, will further our ambition to be the National Champion Bank in Ireland and diversify our product offering.
- Strong capital position maintained, with a fully loaded Common Equity Tier 1 (CET1) ratio of 16% at December 2021.

[1] *Based on corporate lending information sourced from (i) publicly available annual reports for 2018, 2019 & 2020 for all Irish banks, (ii) Bank of Ireland analysis of its banking relationships with the top 500 companies from the 2021 Irish Times Top 1,000 companies list and (iii) Bank of Ireland analysis of its banking relationships with companies on the published listing of international companies setting up operations in RoI in 2021.*

Related pages

Responsible & Sustainable Business at Bank of Ireland (page 20)
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Continued cost reduction

We have reduced our costs[1] every year since 2017, delivering a total cost base of €1.65 billion in 2021.

Target outcomes

- Reduction of costs from €1.9 billion in 2017 to €1.65 billion in 2021.
- Reduction in costs every year.
- Underlying cost income ratio of c.50% over longer timeframe.

How we performed in 2021

- Further progress on our cost journey, with operating expenses of €1.65 billion and 4% lower than 2020.
- Reduction in operating expenses has been achieved in 2021 through ongoing organisational simplification, improved ways of working, more efficient IT transformation and a continued focus on strategic sourcing.
- Underlying cost income ratio improved by 6% compared with 2020 to 58%.

Reshaping the UK business

We are committed to the UK market where our focus is on improving sustainable returns. We are executing a multi-year restructuring programme reducing our balance sheet, enabling us to lower our funding and operating costs and focus on higher margin businesses across Mortgages, Car Finance and Travel.

Target outcomes

- Improve sustainable returns.
- Improve lending margins.
- Lower cost of funding, acquisition and servicing.

How we performed in 2021

- In 2021, on an underlying basis, the UK business reduced its cost base (excluding impairment of goodwill) by £18 million, improving its cost income ratio from 53% to 45%.
- The UK business has continued to grow the Bespoke mortgage proposition, with new lending of £0.5 billion in 2021, up 50% on 2020.
- New lending volumes of £3.5 billion, £1.3 billion lower year on year reflecting the impact of the UK business' strategy to focus on higher returning lending segments within agreed risk parameters.
- Loans and advances to customers (after impairment loss allowances) of £21.9 billion were £2.6 billion lower than 2020, reflecting the successful delivery of the strategic transformation programme, focusing on value rather than volume.
- Strong margin performance continued with a NIM of 1.97%, up from 1.73% in 2020, reflecting deposit and other funding benefits as well as mortgage lending margin improvement.
- Substantive completion of the restructuring of our business in Northern Ireland to respond to significant and accelerating changes in how customers are banking. We are investing in our 13 retained branches and three business centres as well as enhancing our digital customer propositions.

[1] *Costs and operating expenses refers to underlying operating expenses (before levies regulatory charges and impairment of intangible assets and goodwill).*

Responsible and Sustainable Business at Bank of Ireland

Behaving in a responsible and sustainable way is fundamental to achieving our purpose of enabling our customers, colleagues and communities to thrive.

Following the launch of our RSB strategy last year, the Group's collective efforts in 2021 focused on implementing selected initiatives to deliver the strategy.

Begin Together Fund – Pictured at the Liquid Therapy Surf Centre in Co. Donegal are Barry Gallagher, Head of Bank of Ireland Donegal, Sligo and Leitrim, and Shane Browne, Customer and Service Manager, Donegal with Liquid Therapy volunteers and founder Tom Losey

Sustainability at Bank of Ireland

2021 saw an ever increasing focus globally on climate-related issues with events such as Conference of Parties (COP 26) and the launch of the Irish and UK government's Climate Action Plans highlighting the importance of the topic and the impact climate change will have on the lives of our customers and communities in the coming years.

Bank of Ireland is committed to supporting the national effort to combat climate change. Building upon extensive development work in 2020, we launched the Group's RSB strategy, Investing in Tomorrow in March 2021. The strategy provides clear commitments to working with customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050. The recent appointment of a Chief Sustainability and Investor Relations Officer (CSIRO) and establishment of a dedicated board-level RSB committee, further demonstrate the strategic importance of RSB to the Group.

For more information click here or go to: personalbanking.bankofireland.com/app/uploads/Responsible-Sustainable-Business-Strategy-Document-VER09.pdf

By enabling customers, colleagues and communities to thrive we can contribute to a better tomorrow. Investing time, money, effort and resources into this is therefore fundamental to our RSB Strategy.

Our Responsible and Sustainable Business Strategy, 'Investing in Tomorrow'.

Enabling colleagues to thrive

We will be a 'digitally able' learning organisation that values inclusion and diversity, reflecting society and our customer base.

Focus areas

Digitally able
Employability
Inclusive development

Enhancing financial wellbeing

We aim to empower people to thrive financially by enabling them to make better financial decisions.

Focus areas

Financial capability
Financial inclusion
Financial confidence

Supporting the green transition

We are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050.

Focus areas

Set science-based targets
Provide sustainable financing
Decarbonise own operations
Manage climate-related risks
Transparently report

Foundations

Underpinned by strong foundations which guide our commitment to being a responsible and sustainable business.

Our commitments

In 2021, the Group continued to make progress against the commitments contained in our RSB strategy. Key highlights include:

- The Group continued to enhance its climate disclosures. The Group has been a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD) since 2020. The Taskforce provides responsible financial institutions, like Bank of Ireland, with a voluntary framework to disclose consistent climate-related financial risk information for our investors, regulators and other interested stakeholders. For further insight, please refer to the TCFD report on page 30.
- In September 2021, Bank of Ireland signed up to the Partnership for Carbon Accounting Financials (PCAF). PCAF is a collaboration between more than 150 financial institutions worldwide to enable harmonised assessments and disclosures of greenhouse gas (GHG) emissions financed by loans and investments. This complements our existing commitment to the Science-Based Target Initiative (SBTi) and is used as part of our progress towards setting science-based targets (SBTs).
- Following the Group becoming a signatory to the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Responsible Banking in 2019, in December 2021, the Group was proud to be one of the first banks to commit to supporting financial health and inclusion through its products, services and other measures by signing up to the UN Principles for Responsible Banking 'Commitment to Financial Health and Inclusion'.
- The Group supported colleagues to begin successfully transitioning into new careers and roles by introducing future skills learning pathways. These serve to deliver against the Group's 'Being Digitally Able' commitment, offering colleagues courses associated with Career Agility, Digital Fitness, Business Agility and Data Fluency.
- The Group introduced the 'Careers Lab', a new digital platform which provides colleagues with access to a personalised dynamic career path, supporting them to secure the role and location which is right for them.
- The Group launched a Financial Wellbeing campaign, the F-Word, to encourage a more open discussion of personal finances among customers. The campaign responded to research that found almost three in four people either don't talk about their finances at all or will only do so if they have to.
- We continued to support customers facing challenging times through our vulnerable customer unit and supported customers in taking practical steps to improve their Financial Wellbeing through behavioural campaigns.

Further details of the Group's progress against its RSB strategy are set out on the following pages.

PCAF Partnership for Carbon Accounting Financials

UNEP Finance Initiative — Principles for Responsible Banking

TCFD Task Force on Climate-related Financial Disclosures

Business in the Community Ireland

#LowCarbonPledge

Governance and accountability

In 2021, the Group's execution of the RSB strategy continued to be overseen by the Nomination, Governance and Responsible Business (NGRB) Committee. Together with the Group Executive Committee (GEC), the NGRB Committee oversaw the Groups progress against its key RSB commitments and obligations.

The NGRB Committee was supported at a senior executive level by the Chief Strategy Officer (CSO), who had delegated responsibility for the development and delivery of the RSB strategy, as well as its integration into our overall Group strategy. The CSO was supported in this by the in-house RSB team of specialists dedicated to supporting the Group's delivery against each RSB strategy pillar. Refer to the section in the TCFD Report on Governance on page 30 for more information about the Group's Climate and RSB governance.

To further drive progress on RSB strategy execution, Eamonn Hughes has been appointed CSIRO and joined the Group in February 2022, with the Chief Financial Officer assuming delegated executive responsibility for the development and delivery of the RSB strategy from that date. In light of the increasing importance being applied to RSB across the Group, the Board has enhanced its governance of RSB through the establishment of a standalone Board-level RSB Committee in 2022. All RSB and UNPRB oversight responsibilities will transition from the NGRB Committee to the new RSB Committee during H1 2022 with the support of the Group's new CSIRO.

Responsible and sustainable business strategy

In developing our RSB strategy, we engaged with our stakeholders to understand what was important to them and we undertook an assessment of the impact we have on society and the environment.

We seek the views of our stakeholders on the sustainability topics that matter most to them, to ensure our RSB strategy aligns with stakeholder needs and to track our performance. The Group remains agile and regularly engages stakeholders, carefully considering their feedback to advance our RSB strategy in a purposeful way. In 2021, the Group, including key executives and senior management, continued to engage regularly with key stakeholders through a variety of methods, including surveys, social media, meetings and working groups.

In 2020, the Group adopted a four-step approach to undertake a materiality assessment. The Group leveraged an array of engagement mechanisms to connect with our stakeholders – including customers, colleagues, trade associations and non-governmental organisations.

Materiality assessment

1. **Horizon Scanning**
   We engaged a specialist external consultancy to support our materiality assessment. To start, we completed a horizon scanning exercise to understand the key issues in this agenda. This was informed by our purpose, values and strategic priorities, existing surveys with customers and colleagues, peer reviews, regulation and a review of trends, media and relevant research. A shortlist of 25 topics was produced from this exercise.

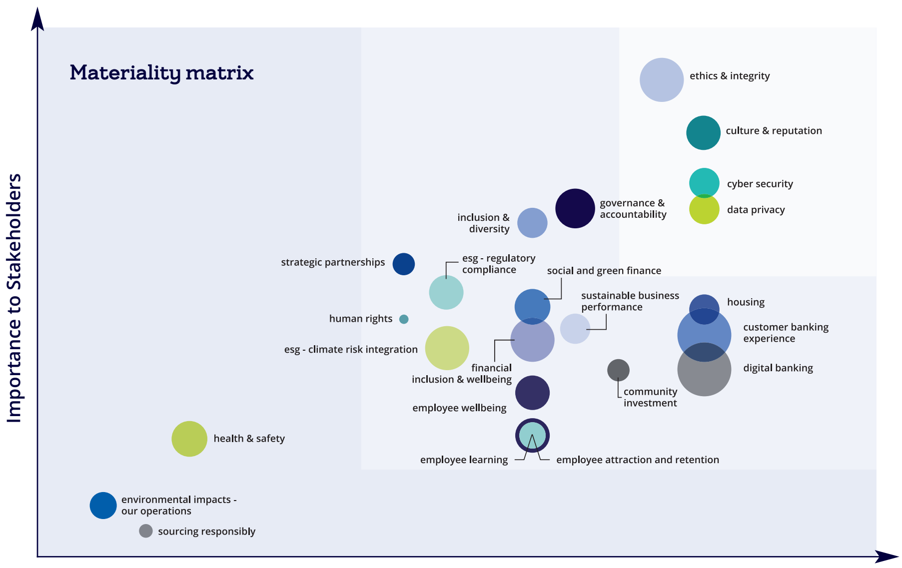
2. **Prioritisation**
   To prioritise, these topics were then explored in a comprehensive stakeholder engagement exercise which sought the views of customers, colleagues, suppliers, trade associations and Non-governmental organisations (NGOs) among others; through interviews and surveys. Stakeholders were asked to indicate how important they considered each of the topics to be and their reasons for this.

3. **Validation**
   The RSB Forum, together with other senior internal stakeholders, then validated these stakeholder engagement findings and assessed the impact and influence of each of the topics in detail against agreed criteria.

4. **Finalisation**
   The output of this process is the materiality matrix set out below, which plots issues of material importance to stakeholders as well as the bearing they might have on the Group and its ability to influence each of them.

Our assessment culminated in a clear appreciation of the sustainability topics that matter most to our stakeholders. The results of our assessment are set out in the Materiality matrix below and were carefully considered by senior management and significantly inform our RSB strategy.

The RSB landscape continues to evolve quickly and a focus on climate change ever increasing, with the recent COP 26 in Glasgow in October 2021 and the Irish Government's 'Climate Action Plan 2021' published in November 2021 only further highlighting the importance of the agenda. We recognise the role the Group and wider financial services sector can play in the Green Transition with several initiatives illustrating our commitment to support it. Examples include the Woodland Nature Credit, a nature-based instrument for funding the planting of native woodlands – which in turn, supports the pledges made at COP 26 by more than 100 world leaders to end and reverse deforestation by 2030. The Group is also supporting the move towards Battery Electric Vehicles (BEV) by being the largest wholesale finance provider for electrically-charged vehicles in RoI.



Impact on Bank of Ireland

The size of the bubble indicates the level of influence Bank of Ireland believes it has over reach each topic.

2021 ESG ratings

To further track performance, the Group participates in a number of Environmental, Social and Governance (ESG) ratings and benchmarks. The selection was based on an analysis of those ESG ratings agencies that have the best reputation for financial services industries and are currently being used by our investors. In 2021, the Group participated with four ratings agencies – Sustainalytics, MSCI, S&P and CDP. Our latest ESG rating scores are outlined below:

		Bank of Ireland rating		
Agency	**Rating Scale**	**2021**	**2020**	
Sustainalytics	Scale of 0 – 100, with a **lower** score being positive	20.6 Medium Risk	22.5 Medium Risk	• The Group's score improved to 20.6 in 2021, with Bank of Ireland now in the top 21st percentile of banks globally, at the lower end of a 'Medium Risk' rating.
S&P Global	Scale of 0 – 100, with a **higher** score being positive	49	44	• An improvement of 17 points since 2019 and five points since 2020, placing the Group in the top 37th percentile globally.
MSCI	AAA to CCC, AAA as a best possible score	BB	BB	• The BB rating remained consistent with prior year, with the Group making improvements in the areas of Privacy & Data Security and Corporate Behaviour in 2021.
CDP	A+ to F, with A+ as best possible score	B	B	• While the Group's CDP score is unchanged at B for 2021, there was an improvement in 6 out of 11 sub category scores. The Group remained stable across the remaining 5 categories, with no reduction in scores versus 2020.

The Group has carefully evaluated our 2021 ESG ratings performance to identify areas where we can look to improve the Group's ESG framework, as well as our ongoing ESG performance. This is being considered in the planning for our upcoming Sustainability Report and will be incorporated into our wider reporting plans.

Enabling colleagues to thrive

Related pages
CEO review (page 8)
Our strategy (page 13)

We know that the world of work is rapidly changing and that today's workforce must adapt to an increasingly digital world. We will leverage our position to build a stronger society, ensuring that our colleagues, customers and communities are well-positioned to take advantage of the huge opportunities this transformation will bring.

Pictured at the launch of Employers for Change, the Open Doors initiative to support those in Ireland in obtaining employment with a disability, are Bank of Ireland Talent Consultant, Síne Breslin, Director of Employers for Change, Christabelle Feeney, Bank of Ireland Group CEO, Francesca McDonagh and disability advocate Sinéad Burke.

To respond to and anticipate, these circumstances, Bank of Ireland will become a 'digitally able' learning organisation that values inclusion and diversity, reflecting society and our customer base.

We are committed to making a positive impact inside and outside the Bank. We will leverage our position to build a stronger society by sharing our learning resources with customers, communities and potential colleagues, to support their digital capability and their employability.

We will do this through clearly defined strategies and targets across our three focus areas:

Digitally able
Employability
Inclusive development

In 2021, we progressed each of our three focus areas, working with colleagues, customers, communities and external partners to deliver positive impact. We know however that continued adaptation is key and we remain committed to assessing and developing the skills and capabilities required to succeed in our ever changing society.

Digitally able

Being digitally able ensures we are developing the skills and capabilities required to support our ambition to be a digitally fit, learning organisation. We are committed to supporting colleagues to thrive now and be future-ready through access to anytime, anywhere learning. In 2021, the Group introduced future skills learning pathways. Upskilling colleagues across Data, Project Management and digital has ensured that core financial and relationship proficiencies are supplemented with new capabilities to enable both colleagues and customers to thrive.

In addition to a robust Core Skills strategy, the Group launched a number of strategic future skills learning pathways in 2021. These included Career Agility, Digital Fitness, Business Agility, Data Fluency and Project Management pathways. Collectively, these have supported our colleagues to build capability in their current and future roles. Our agile approach to developing our colleagues won a Chartered Institute of Personnel Development (CIPD) award for Learning and Development in 2021.

Key Performance Indicators
Our progress towards developing and future proofing our colleagues during 2021 is evidenced by:

- 79% of colleagues (7,279) engaged in self-directed learning outside of required learning obligations (90% of colleagues (9,410) in 2020); and
- 13% of colleagues (1,211) graduated from future skills pathways up from 6% of colleagues (640) in 2020.

Next steps and goals
Looking ahead, we will continue to nurture our continuous growth mindset, offering exciting learning and development opportunities to colleagues across the Group. A new digital careers experience platform will advance colleagues' ability to assess their own skills, seek feedback and mentorship and access personalised learning.

Employability

Enabling colleagues, both current and potential, to develop employable skills allows them to enter, return and stay future-fit in a constantly evolving world of work.

The nature of work is ever changing and we recognise the need to respond by upskilling our colleagues and future proofing our business. Our Early Careers strategy is focused on attracting a diverse range of interns, apprentices and graduates who will fuel our talent flows and enable our transformation ambitions.

As part of our Early Careers strategy we are proud to have partnered with Dublin City University, Ulster University, Fasttrack to IT and Skillnet Ireland to provide advanced learning opportunities and gateways into our workforce for interns, apprentices and returners. The long-term impact of these partnerships has been strengthened by internal programmes which equip our leadership teams with the right skills and behaviours to foster a thriving work environment.

Our new digital platform, the 'Careers Lab', launched in 2021, provides colleagues with access to a personalised dynamic career path, supporting them to secure the role and location which is right for them.

Growing future skills

The challenge
Bank of Ireland is on a transformation journey and driving a shift in learning and organisational culture is an imperative for achieving its ambition of becoming a future ready learning organisation. The Group recognises the need to enable Colleagues transition from a traditional learning mindset to a development and growth mindset recognising the power of active engaged learners in creating the Bank of the future.

What we did
A number of accessible Group-wide capability programmes were created to support Colleagues in embracing this new cultural mindset, adopting new active learning behaviours, supporting their career ambitions, while at the same time building the capabilities needed in the future bank.

Five 'All-Colleague Learning Pathways' were created on skills and capabilities that had been identified as the most relevant for colleagues to develop - project management, business agility, data fluency, digital fitness and career agility.

A gamified approach incorporating badges, challenges and gentle nudging was used to incentivise learners. This transformed a potentially solo learning programme to a social learning experience for a virtual community. Colleagues commented that the transformed digital delivery methods provided them with the opportunity to remain connected with others remotely and control their choice of time to dedicate to their learning.

Outcomes
- **79% of colleagues engaged in self-directed learning**, down 10% on 2020 due to the unprecedented number of colleagues accessing online learning in the prior year due to remote working and as part of the voluntary parting scheme.
- This was further evidenced by the **13% of colleagues who graduated from future skills pathways**.

Key Performance Indicators
Our impact in creating an active learning and career development culture is illustrated through the following 2021 activities:
- 41% (900) of our People Managers graduated from our 'You as a Manager (YaaM)' programme;
- 73% (of the 2,200 eligible) colleagues accessed the 'Careers Lab'. 51% of these were female, 49% male;
- the Group Colleague Culture Embedding Index is 75%, which is 21 points higher than when first measured in 2017; and
- our colleague engagement score is 63% which is up 14 points since first measured in 2017. Declines for both metrics in 2021 align with the overall global financial services benchmark.

Next steps and goals
In 2022, we plan to scale participant numbers across our programmes as well as graduate our remaining 59% People Managers through YaaM. We will continue to expand and diversify our talent pipeline, supporting all sectors of society to gain entry to employment. We will also launch a Group-wide mentoring programme, assisting colleagues to learn and connect with each other, furthering our ethos of operating as One Group, One Team.

Inclusive development

We believe that through enabling every colleague to grow and develop as a person we can build an inclusive workplace which is more reflective of society and our customer base.

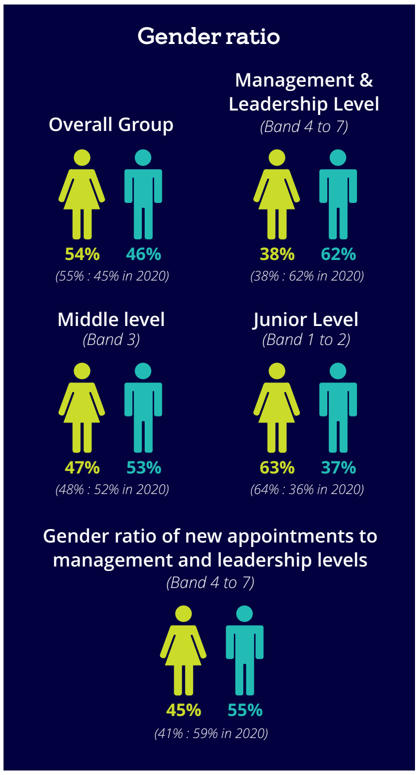
We aim to foster an inclusive and welcoming working environment for all, where everyone is able to reach their full potential. Through our Inclusion & Diversity (I&D) focus areas of: accessibility, gender balance, intergenerational, multicultural, parents and carers and 'with pride' (LGBT+), we provide dedicated learning opportunities and pathways to catalyse the careers of targeted colleague groups and attract, promote and retain diverse talent at all levels.

In 2021, we launched two female talent programmes (Accelerate and RISE) and an ethnic minority talent programme (RISE) in addition to making I&D training mandatory and embedding I&D into our mentoring and recruitment platforms. We received the 2021 'Age Friendly Business Award' and were the first Irish company to achieve Business Disability Forum (BDF) accreditation.

Key Performance Indicators
Progress is monitored through our I&D dashboard:
- 354 colleagues attended I&D programmes and 8,306 (98%) colleagues received I&D training in 2021.

The Gender ratio chart sets out our progress on this key area. In 2021, the Group's management and leadership appointments were 45% female. In Q4 2021, 51% of management and leadership appointments were female, the strongest quarter reported to date. The Group remains committed to achieving a 50:50 ratio and the investment in dedicated programmes to build our female talent pipeline such as Accelerate and RISE, together with other levers such as mentoring, innovating on our policies and our external partnerships, combine to act as a catalyst for our female leaders of the future.

Next steps and goals
To drive our I&D agenda forwards, we will continue to develop the almost 300 women identified to participate in the Accelerate and RISE programmes during 2022. We will also improve our understanding and measurement of the diversity of our colleagues, assessing the results of our confidential Self ID campaign to inform the future development of our approach.



Enhancing financial wellbeing

Related pages
CEO review (page 8)
Our strategy (page 13)

Financial capability, inclusion and confidence are recognised as global priorities for improving the financial wellbeing of society.


Bank of Ireland 'F-word' Financial Wellbeing campaign

The health of our customers' finances can have a profound impact on their quality of life. Financial Wellbeing is about people having the knowledge, tools and confidence to manage their finances, so they can cover day-to-day expenses, plan for the future and cope with the unexpected.

2021 was a difficult year for financial wellbeing nationally as a result of COVID-19. The Bank of Ireland Financial Wellbeing Index (August 2021) showed a drop from 66 (October 2020) to 65 for Bank of Ireland customers, while the national average fell to 64. The 2020 index results were bolstered by involuntary savings during national lockdown measures.

As people emerge from COVID-19, we are committed to arming our customers with the necessary skills to enable them to thrive financially, both now and in the future. We will achieve this ambition by delivering across our three focus areas:

Capability
Inclusion
Confidence

Financial capability

Enabling people to know and do more is the key to financial capability. By increasing their financial capability individuals can more easily identify the actions they need to take to improve their financial wellbeing.

Bank of Ireland is committed to working with its stakeholders to educate, empower and inspire people with the tools required to do just that.

Key Performance Indicators
Progress on developing financial capability during 2021 is illustrated through:

- 202,765 visits to the Financial Wellbeing (FWB) online centre (146,927 in 2020, 126,506 in 2019);
- 13,220 secondary school pupils participated in the 'Money Smarts' Programme and Challenge during the school year 2020/21 (55,560 participants in school year 2019/20). The decrease this year reflected the impact of COVID-19 and the pivot to an online programme given extensive school closures in RoI;
- 6,511 hours of financial literacy support provided by coaches to customers, colleagues and communities (3,492 in 2020, 3,975 in 2019); and
- a cumulative 151,620 Financial Healthchecks taken by people looking to start their FWB journey since the tool was launched in 2019.

To further strengthen the impact and reach of the programme, a number of new initiatives were launched in 2021. 'The F-Word' campaign ignited discussions across Ireland about finances, tackling a notoriously difficult conversation topic in an accessible manner.

Next steps and goals
Our ambition for 2022 and beyond is to enable more people of all ages across the country to significantly improve their financial capability through interacting with educational content and using personalised digital tools. We aim to have reached over 1 million people by the end of 2022.

Financial inclusion

Financial inclusion means protecting our most vulnerable customers and supporting those that are marginalised in society to access banking services.

As a founding signatory of the UN banking initiative on Financial Health and Inclusion, Bank of Ireland is committed to promoting universal access to and confidence in, financial services.

We achieve this through supporting our most vulnerable customers, ensuring the marginalised in society have access to banking services and by promoting community financial wellbeing through our Begin Together Programme.

Bank of Ireland's Begin Together programme supported almost 100 projects and organisations in 2021 through the allocation of €825,000. Recipient groups included those tackling social isolation and financial illiteracy, as well as those encouraging accessibility for vulnerable groups.

Global Chat, a Group financial inclusion initiative which promotes multiculturalism and diversity, enables customers to talk to colleagues in the language they are most comfortable with. In 2021, customers of all ages were further supported to develop the necessary skills and confidence to access digital banking through a series of short, easy to follow video tutorials titled 'Your Next Step'.

Key Performance Indicators
During 2021 we contributed to financial inclusion through:

- supporting 6,000 vulnerable customers facing challenging situations (10,000 in 2020 of which 4,000 calls were to the COVID-19 support line, 3,000 in 2019);
- an increase of 216% in Basic Bank Accounts opened in 2021. The increase has been assisted by a new dedicated section on the Group website, alternative state issued documentation that is acceptable as proof of identity and address and a bespoke service solution at the National Reception Centre for those seeking asylum and refugee status;
- registering 93 colleague volunteers for Global Chat, allowing the Group to offer communication in 38 different languages; and
- safeguarding customers who do not have decision making capacity, while ensuring they and their care givers can meet their daily care and comfort needs. Our Carers proposition, which involves opening or converting accounts specifically for this cohort, saw an increase of actively monitored accounts of over 24% in 2021.

Next steps and goals
Our approach to financial inclusion will continue to support our most vulnerable customers, ensuring they have access to banking services and the confidence to use them. We will strengthen this by working to tackle issues of mis-trust in mainstream banking services among those whom are marginalised in society. By further simplifying banking access and communications with those most affected, along with supporting victims of domestic violence we will continue to work to remove real and perceived barriers to this basic human right.

Financial confidence

Building financial confidence enables people to better understand their personal finances and make better financial decisions. By building financial confidence we empower people to trust more, not only in their own decision-making but also in their Bank.

A key priority is strengthening customer relationships and building that trust through offering advice, products and services that meet the needs of our customers. Together with a better understanding of their financial position and a strong focus on fraud awareness and prevention, we can help our customers make financial decisions they can be confident in.

Key Performance Indicators
During 2021, we targeted over 171,000 customers through behavioural campaigns with practical steps on how they could improve their Financial Wellbeing.

In addition, through a series of fraud campaigns focused on protecting customers financial wellbeing, we have seen an increase of over 181% in visits to our Online Security Zone, with customers searching for information on everything from identifying fraudulent text messages to discovering how to stay safe online.

A new Senior Advisory Model for over 75's, first launched in 2020, continued to go from strength to strength in 2021. The model involves Senior Advisors meeting customers, where appropriate, to complete a holistic needs review. Feedback has been extremely positive, with customers rating it one of the highest scoring customer experiences ever seen in the Group, citing it as friendly, helpful and, showing a genuine interest in their financial wellbeing.

Next steps and goals
The Group will continue to lead the national discussion on Financial Wellbeing in Ireland, supporting our customers as they face existing and new financial challenges. We will continue to empower people to manage the everyday, plan for their future and have the financial resilence to cope with the unexpected.

Looking forward, we will significantly increase our reach by further leveraging behavioural science and digital tools, with the launch of personalised in-app capability to enable customers to better understand and manage their own financial behaviours. We will continue to focus on developing bespoke programmes for those in society who require additional support. Through our 2021 Financial Wellbeing survey, we identified a clear gap in the financial confidence of women. In response to this, we are launching a new programme dedicated to supporting women's financial confidence with a programme of activities set to run through 2022.

Using behavioural science to positively influence our customers' credit card use

In February 2021, as part of Bank of Ireland's ongoing focus to improve the financial wellbeing of its customers, the Group utilised behavioural science to better engage approximately 9,500 customers who were in persistent debt on their credit card.

Behavioural science is essentially the study of how people make decisions and, when applied to the Group's range of financial products, this creates opportunities to better support customers. This study centred on customers who typically only made the minimum (or very low) repayments on their credit cards over a twelve month period. Research indicates that certain customers are subject to cognitive biases around credit cards. This means they underestimate the long-term detrimental impact of its misuse and are unaware of their options.

Offering customer advice
Behavioural finance specialists, Oxford Risk, supported a BOI customer communications campaign, which sought to 'nudge' customers into corrective action through behaviourally informed messaging. Practical advice was offered to customers to help them reduce their debt and save money in the long-run. Options included increasing their monthly minimum repayments, making once-off payments to reduce their balance where possible, or even switching to a personal loan with a lower interest rate. These were presented with illustrative examples, demonstrating the significant impact that simple changes can make in the long-run.

Delivering results
The results of this campaign clearly demonstrate how leveraging behavioural science can significantly improve the financial wellbeing of our customers. Analysis conducted shows that 22% of customers took corrective action. This compares with only 11% of customers in the control group who received no communication. Results from this programme will inform future ways of engaging with customers to help them enhance their financial wellbeing.

Supporting the green transition

Related pages
CEO review *(page 8)*
Our strategy *(page 13)*

Combating climate change is one of our greatest challenges as a global society.

Pictured at the launch of the Bank of Ireland Woodland Nature Credit are John Beckett, Founder, Forestry Partners, Imelda Hurley, Coillte Chief Executive, Paul Flynn, Chief Operating Officer Markets, Bank of Ireland and Pippa Hackett, Minister of State at the Department of Agriculture, Food and the Marine, Spokesperson for Land Use & Biodiversity

At Bank of Ireland, we understand the important role we can play in facilitating the transition to a low-carbon economy. We are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050, in line with the Irish and UK governments' ambitions and actions.

The preparation of the Group's 2021 Annual Report disclosures have considered the recommendations of the TCFD and as such this section is structured around the four TCFD pillars which also relate closely to the five point plan we are implementing under the climate green transition pillar of our RSB strategy. The table below sets out the four TCFD pillars and how they are addressed by Bank of Ireland's five point plan. The Group continued to make progress in 2021 to strengthen alignment of our disclosures with the climate disclosure expectations of regulators, including the Central Bank of Ireland (CBI), the European Central Bank (ECB), the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

Bank of Ireland's Five Point Plan

The table below sets out where you can find details of our progress in 2021 against each of the Five Point Plan topics in the corresponding TCFD disclosure section of the report.

TCFD Pillars

1. Governance *(page 30)*

2. Strategy *(page 31)*	**3. Risk Management** *(page 37)*	**4. Metrics & Targets** *(page 40)*		
Providing Sustainable Finance	**Manage climate related risks**	**Science-based targets**	**Decarbonise our own operations**	**Transparently report our Progress**
Support our customers through our core financing and advisory capabilities to enable them to transition to net zero and develop and deploy low carbon technologies.	Build our own resilience by embedding climate-related impacts in our decision making processes for our own operations, in lending and investment decisions and the advice we give our customers.	Set our portfolios and lending practices on a pathway aligned with the Paris Agreement and to fulfill our commitment to setting science-based targets across our portfolios and operations by the end of 2022.	Make our own operations net zero by 2030.	Commit to transparently report on the progress we are making towards our ambitions and reporting in line with the recommendations of the TCFD.

In May 2021, the Group submitted our Climate Risk Implementation Plan to the ECB, a key milestone in our efforts to align the Group's management and disclosures to ECB's guidelines. The Group's key achievements of 2021 are outlined below.

With this progress, the Group is cognisant that the preparation of comprehensive TCFD-aligned disclosures reflects an on-going process. We therefore anticipate a number of key actions will be necessary in 2022 to further advance our TCFD disclosures. Notable actions planned by the Group in 2022 include:

1. Further work to incorporate climate objectives & targets into balanced scorecard performance assessments;
2. Progressing work to refine the suite of climate-centric metrics adopted to monitor the Group's progress across key climate-related performance areas;
3. Continuing efforts to mature the Group's climate-related processes and capabilities;
4. Continuing to address feedback from the ECB on the Group's 2021 Implementation Plan; and
5. Preparing for the upcoming ECB stress testing exercises in 2022.

Key 2021 achievements

Set out below are the Group's key achievements against its five point plan in 2021. Further detail is set out in our TCFD report on the following pages.

Set science-based targets

The Group's science-based targets (SBTs) programme has made good progress in 2021 with baseline financed emissions for key asset classes such as mortgages, electricity generation and auto finance now calculated. A review of the Bank's scope 1 and 2 GHG emissions has also been undertaken. In 2022, we will complete our target setting (page 40).

Provide sustainable financing

In 2021, the Group announced a €3 billion increase in its Sustainable Finance Fund, bringing it to €5 billion by 2024. Bank of Ireland Finance is the largest provider of wholesale finance in the RoI market for Electrically Charged Vehicles (ECV), both Battery and Plug-in. In 2021, the Group supported the construction of Cloncreen Windfarm and launched the Woodland Nature Credit. An assessment across our business has been conducted to identify further climate-related opportunities to support our customers. Development of internal capabilities and digital resources to address the climate agenda is ongoing (page 34).

Decarbonise our own operations

The Group has clear plans to decarbonise its own operations across Scope 1 and Scope 2 emissions and to be net zero by 2030. We have achieved a 84% reduction in carbon emissions intensity (on a 2011 baseline) across our Scope 1 and 2 emissions, an improvement of 6% since 2020. Key initiatives in 2021 included expanded use of renewable energy contracts, LED lighting and replacement of older equipment with newer energy efficient models at the Group's data centre. In addition, the Group has continued to reduce its office space, with a reduction of 44% in the last four years, supported by the Group's flexible working policy.

Manage climate-related risks

Progress has continued by embedding climate-related risks in to our decision making processes for our own operations, in lending and investment decisions and the advice we give our customers. In 2021 we developed a comprehensive multi-year climate action plan to implement climate risk management in line with regulatory guidance. In line with the plan, we have continued to progressively embed climate-related risks into our key risk management activities, while continuing to develop our internal climate analysis capabilities (page 37).

Transparently report our progress

In 2021, the Group signed up to the UNPRB 'Commitment to Financial Health and Inclusion', following on from becoming a signatory to the UNEP-FI Principles for Responsible Banking in 2019. The Group is a supporter of TCFD and PCAF. Our Wealth and Insurance business, New Ireland Assurance plc, became a signatory of the United Nations Principles for Responsible Investment (UNPRI) in 2021. This report sets out our action on climate to date and plans for future years. Further details will be included in a standalone Responsible and Sustainable Business report to be published later in 2022.

TCFD report

Governance

Related pages
CEO review (page 8)
Our strategy (page 13)
Risk Management Report (page 137)

Incorporating climate change into Board-level decision making

The Board, through the Group Nomination, Governance and Responsible Business and Board Risk Committees, oversees the implementation of our climate change action plan. In order to adequately assess climate risks and opportunities, the Board draws on expertise both internally and externally.

To enhance capability, the relevant Board Committees took part in climate-change training on relevant topics, including SBTs and emerging climate-related regulation in 2021.

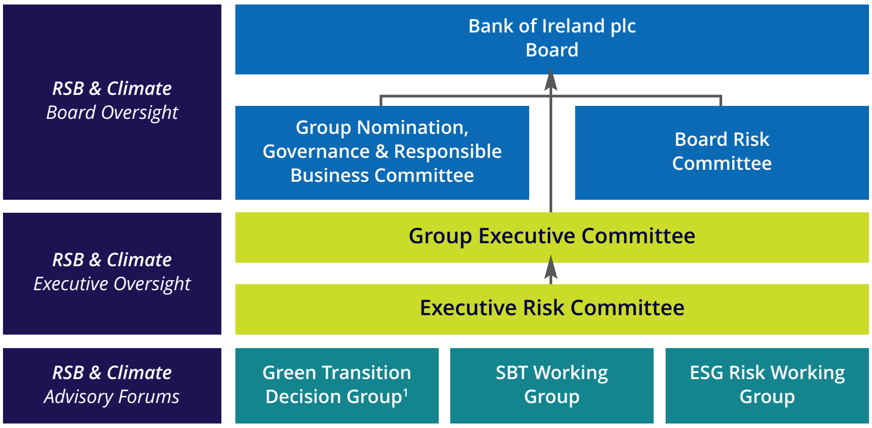
In 2021, in response to increasing regulatory expectations, the Group continued to refine its governance and oversight of the 5-Point Plan for the Green Transition pillar of our RSB strategy. The Board continued to oversee the progress on the Group's SBTs, resourcing, reporting and disclosures.

In addition, the Board monitored the Group's identification and management of climate-related risks. Methods used included our risk identification and assessment processes, integration into the Internal Capital Adequacy Assessment Process (ICAAP) and ESG and climate risk reporting.

The Group's oversight and management responsibilities in relation to our RSB and climate commitments in 2021 are outlined in the graphic above.

Looking ahead to 2022, the Board has decided to further enhance the Group's RSB governance through the establishment of a standalone Board-level RSB Committee. Oversight responsibilities for the Group's RSB and UNPRB commitments will transition to the new committee from the Group NGRB Committee during the first half of 2022. The RSB Committee will report and make recommendations to the Board on all RSB matters, including the Group's actions on climate change. At an Executive-level, the new committee's oversight will be supported by the Group's newly appointed CSIRO, who will report to the Chief Financial Officer.

Overview of Group's Green Transition governance framework



The role of management committees

The GEC has overarching responsibility for delivery of the Group's RSB strategy. Members of the GEC include the CSO and Divisional Chief Executive Officers (CEOs) who have been actively involved in shaping the Group's climate action plan. Going forward, specific executive responsibility for RSB (including climate change) is being delegated to the CSIRO, who joined in February 2022.

Establishment of the 'Green Transition' Decision Group

Following the publication of the Group's RSB strategy in March 2021, the Green Transition Decision Group was established, convening senior business and functional executives from across the Group to enable the execution of the 'Supporting the Green Transition' delivery plan. This Decision Group was an advisory body to the CSO in 2021 and adopts a coordinated approach to both delivery and reporting of the Group's RSB framework and strategy to the GEC.

In 2021, the Green Transition Decision Group updated the GEC on progress against the five point plan, including key programme metrics and milestones. The Green Transition Decision Group will be an advisory body to the CSIRO in 2022.

ESG Risk Working Group

Climate risk responsibilities extend across the organisation, based on a 'three lines of defence' approach, in line with the Group Risk Framework. As climate risk impacts through existing risk channels, it requires a matrix approach and integration across multiple risk frameworks. With co-ordination from Enterprise Risk Management, climate is being integrated into existing risk control frameworks, policies and strategies.

Within Group Risk, an ESG Risk Working Group brings together second line risk management from across key risk types (with the RSB team) to support an integrated approach to ESG management and climate-related risks within the Group. During 2021, the CSO acted as sponsor to ensure that climate risk was integrated into the Group's risk management processes in the 'first line of defence'. This responsibility transferred to the CSIRO in February 2022.

By incorporating climate change into performance, the Group encourages behaviour consistent with our strategy

In 2022, climate-related objectives will be included in our balanced scorecard performance assessments, along with Enabling Colleagues to Thrive and Enhancing Financial Wellbeing metrics which are already captured.

[1] *The Responsible & Sustainable Business Forum which operated in 2020, became the Green Transition Decision Group in 2021, with a revised terms of reference focused on the Green Transition.*

Strategy

Five point plan

As a signatory to the UN's Principles for Responsible Banking, we have committed to aligning our strategy and practice with the Paris Climate Agreement. In 2020, we defined our climate strategy, incorporating our five point plan.

In this section we cover how we are identifying risks and opportunities that climate change presents to our business model and how they are addressed in our five point plan.

Identifying key risks and opportunities to our business

To avoid the worst impacts of climate change global action is being taken to reduce GHG emissions and keep global average temperature increases above pre-industrial levels to below 2°C and as close as possible to 1.5°C. Businesses and communities will continue to be forced to adapt to physical changes as the world transitions to a low carbon economy, realising risks and opportunities in the short, medium and long-term.

We recognise that the biggest impact we can have on climate change is through the finance we provide to our customers. Our strategic assessment of risks and opportunities has highlighted that the ongoing work to develop emission reduction targets along with continuing changes in customer priorities could lead to substantial financial opportunities across sectors and business lines.

This assessment of risks and opportunities continues to inform our strategic planning process. We recognise that the climate-related risks we face as a business need to be identified, assessed and managed on an ongoing basis to minimise negative impacts. We are committed to supporting our customers' green transition while building the Group's resilience against these negative impacts by embedding climate-related impacts in key decision-making processes.

The Group has continued to increase its understanding of the risks and opportunities that climate change presents to our business strategy. In Q4 2021, we conducted an assessment involving business leaders and subject matter experts from across the Group to assess the impacts of climate on different risk types (e.g. credit, business, people, operational, conduct and regulatory). The potential impact of transition and physical

Climate Risk Drivers for Businesses

Transition Risks	Policy and Legal	• Increased pricing of carbon emissions. • Enhanced emissions-reporting obligations. • Regulation of existing products and services. • Exposure to litigation.
	Technology	• Substitution of existing products and services with lower emissions options • Costs to transition to lower emissions technology • Unsuccessful investment in new technologies.
	Market	• Changing customer behaviour • Increased cost of raw materials • Uncertainty in market signals.
	Reputation	• Shifts in consumer preferences. • Increased stakeholder concern or negative stakeholder feedback. • Stigmatisation of specific sectors.
Physical Risks	Acute	• Increased severity of extreme weather events such as storms and floods.
	Chronic	• Changes in rain patterns and extreme variability in weather patterns. • Rising mean temperatures. • Rising sea levels.

Opportunities

Home retrofit & electric vehicles

The Irish Government have put in place a package of supports to make it easier and more affordable for homeowners to undertake home energy upgrades. The package includes a number of measures including exchequer investment of €8 billion to 2030 to help achieve the government target of 500,000 home energy upgrades, to B2 Building Energy Rating (BER) standard, by 2030.

The Irish Government's Climate Action Plan target is for 945,000 EVs on the road by 2030, with 845,000 of these to be private passenger cars. There are currently over 45,000 EVs registered on Irish roads so the pace of uptake must increase over the coming years to achieve our fleet electrification targets.

SME

Sectoral emission ceilings to be published in 2022, will give rise to an increasing market for green business loans to finance green transition through investment in new equipment (e.g. low emission equipment / infrastructure and renewables) and productivity / efficiency improvements.

Corporate & Markets

Opportunities across sectors include:
- growing market for sustainability-linked loan facilities;
- emission offsetting requirements enhances position of alternative finance instruments such as Woodland Nature Credit; and
- increasing portion of high-energy rated buildings in lending portfolios feeds into eligible asset pool for Green Bond issuance.

Renewables project finance

RoI has a target of 80% of energy mix to be renewables by 2030 - Bank of Ireland is a leading lender to the on-shore wind farm sector and opportunities exist in financing off-shore wind and utility scale solar farms.

ESG Advisory

Opportunities to assist corporate and SME customers improve their sustainability profile and propose clear roadmaps on transition implementation journeys.

Strategy *(continued)*

risk drivers was assessed for each key risk type over the short (< 3 years), medium (3-5 years) and long-term (> 5 years). An overview of key risk types is set out on the table below.

Given the outlook on investment requirements in our key markets, the transition to the 'green economy' presents material commercial opportunities for the Group. Strengthening our capabilities in terms of climate expertise and digital / data infrastructure is a key priority in the short-to-medium term to ensure the Group is well positioned to manage the risks and optimise the opportunities associated with climate change. The Group will create new opportunities whilst also evaluating ongoing resilience to physical and transition climate change risks.

Climate risk assessment: Material impacts across key risk types

	Climate risk assessment	Transition risk impacts	Time horizon	Physical risk impacts	Time horizon
Key Risk Types	**Credit risk**	• Borrowers' ability to repay if operating in sensitive sectors (e.g. Energy, Agriculture). • Changes in emission regulation or in user sentiment could affect asset value (Stranded Assets).	Medium to long-term	• Collateral depreciation leading to negative impacts on Loan to Value (LTV) (e.g. flooding) • Borrowers' ability to repay in sectors more sensitive to weather impacts like floods and storms (e.g. Agriculture)	Medium to long-term
	Business risk	• Credit ratings, returns and required levels of capital may be negatively impacted as a result of new capital expenditure and reduced repayment capacity of borrowers impacting on credit quality.	Long-term	-	-
	People risk	• The Group has to ensure that it has adequate and appropriate internal capabilities in place in place to address climate agenda.	Short-term	-	-
	Operational risk	-	-	• Extreme floods or storms at multiple locations impacting our business continuity plans with consequent impact to services we provide to clients (e.g. transaction processing)	Medium to long-term
	Conduct & regulatory	• **Conduct:** Failures in the design of ESG / green products could lead to regulatory action, if there is a lack of transparency, misleading classification (greenwashing), or if clients suffer an unexpected loss due to climate risks. • **Regulatory:** Failure to implement in a timely manner changes in the regulation (e.g. NFRD, SFDR, EU Taxonomy) could affect the Group's profitability through regulatory action.	Short to medium-term	• Potential for regulatory action if physical risks impact our business continuity plans with consequent impact to services we provide to clients.	Medium to long-term

Using scenario analysis to understand the resilience of our business

Supporting the green transition also requires the Group to assess its own resilience to climate change. To address this requirement, the Group is taking steps to develop scenario analysis and stress testing capabilities in-line with emerging industry methodologies. Forward-looking climate scenarios are being used to manage climate-related risks and explore the resilience of the Group to physical and transition risks. We have further built on initial methodology developments undertaken in 2020 and as these methodologies continue to develop, we will be progressively drawing on our scenario analysis to inform our corporate strategy, business model and financial plans.

During 2021, we continued to develop and test scenario analysis methodologies to quantify the potential impact of climate-related risks across our commercial and retail customer lending portfolios. We have integrated climate scenario analysis into our ICAAP as a key step in what will be an ongoing development of the Group's data, modelling and risk management capabilities for managing climate-related risks.

Strategy *(continued)*

1 Orderly transition *(1.5°C)*

Nature of transition

Early and orderly implementation of required climate policies.

Scenario description

Under this best-case scenario, climate policy measures are well calibrated and implemented in a timely and effective manner, thus the costs stemming from transition and physical risks are comparatively limited. From a climate perspective, the scenario entails meeting the Paris Agreement targets of 'well below 2°C' by the end of the century.

2 Disorderly transition *(2.0°C)*

Nature of transition

Late and disorderly implementation of required climate policies.

Scenario description

This scenario assumes delayed implementation of the requisite climate policy measures and that policy action is introduced in an abrupt way, hence transition risks and their associated costs are significant. Additionally, as global warming starts being mitigated only from 2030, a disorderly transition scenario also implies the build-up of greater physical risk than would be the case with an orderly transition.

3 Hothouse world *(>3.0°C)*

Nature of transition

No transition with only policies that were in place before 2021 implemented.

Scenario description

In this scenario, no policy aimed at limiting climate change is introduced, leading to extremely high physical risks. Transition costs are minimal (as transition does not occur) but costs due to natural catastrophes are extreme.

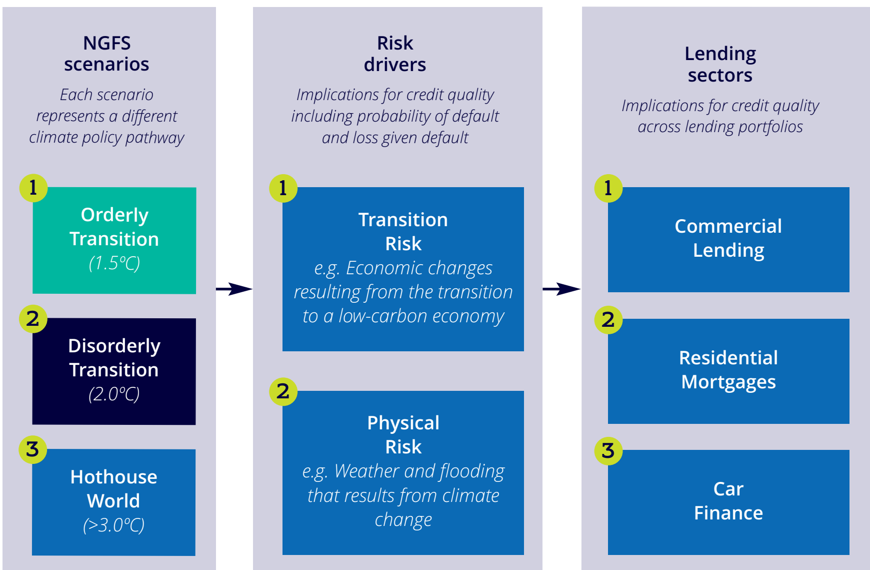
Under these circumstances, global warming would not remain limited, global temperatures would rise by at least 3°C above pre-industrial levels until 2100 and the Paris Agreement targets would not be met.

Our approach to climate scenario analysis

Our starting point for modelling climate-related risks are three climate scenarios as summarised above, each of which reflects a different climate policy pathway and drawn from a set of scenarios published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The NGFS has developed the scenarios to provide a common starting point for the financial sector to analyse physical and transition climate-related risks.

Each scenario has a separate risk driver profile (made up of both physical and transitional risks) that have implications for credit quality, including the probability of default. These scenarios and their associated risk profiles can then be applied to lending sectors (e.g. commercial lending, residential mortgages and car finance) to understand the implications for credit quality for that sector.

We are examining the impacts of these three scenarios on our customer lending portfolio and balance sheet, comprising of commercial and retail customers. Our analysis focused on both transition and physical risks.



This preliminary analysis is also assessing impacts on residential mortgage credit quality arising from changes to property values due to energy inefficiency impacting future values (transition risk) and flood damage (physical risk). This analysis has incorporated the Group's climate scenario capability for the UK mortgage portfolio. This is the most mature implementation we currently have onstream and is based on data and analysis provided by a third party provider, Landmark Information Group. Scenario impacts at an individual property level are provided for transitional risk (Energy Performance Certificates (EPCs) energy rating remediation risk to existing property stock) and physical risk events (flood, subsidence and coastal erosion). See page 34 for further details on the Group's UK mortgage scenario analysis.

The development of similar granular data and scenario analysis capabilities for RoI mortgages is a key development focus in 2022.

Another key segment under assessment is the car finance portfolio where pathways for the transition from internal combustion engine vehicles (ICEVs) to electric vehicles (EVs) consistent with the NGFS scenarios are being used to assess transition risk impacts. Our internal climate scenario analysis and stress testing capability development will continue to be informed by emerging industry methodologies and platforms through our membership of the UNEP FI TCFD Working Group.

Strategy *(continued)*

Scenario analysis - UK mortgages

During 2021, the Group has further matured its internal framework to identify, measure and monitor the potential financial impacts emerging from climate risk on the UK Mortgages portfolio covering both physical (flood, subsidence, coastal erosion) and transitional (energy efficiency) risk perspectives.

Following an initial annual assessment in 2019, the Group worked with a third party, Landmark Information Group, to further understand climate-related risks to the mortgage portfolio. In partnership with Landmark Information Group, analysis of the UK's mortgage portfolio at individual property level has been undertaken in 2020 and 2021 including the impact of physical and transition risk scenarios anchored around the Paris Agreement commitments. Scenarios used to model the potential climate impact on the portfolio are as follows:

RCP[1]	Emissions scenario illustration	Increase in temp by 2100
RCP2.6	Significant global reduction	1.4 - 3.2°C
RCP4.0	All countries implement Paris Accord	2.1 - 4.2°C
RCP6.0	All signatories implement Paris Accord	2.5 - 4.7°C
RCP8.5	Business as usual (BAU)	3.4 - 6.2°C

The analysis considered the following:

- flood risk;
- subsidence risk;
- coastal erosion; and
- energy efficiency.

The results have not identified any significant portfolio concentrations. The analysis has also helped inform consideration of certain sensitivities in ICAAP scenario analysis and in the setting of early warning indicators to help monitor portfolio risks over time and take management action, as appropriate. The latest analysis shows that the incidence of cases with a corresponding physical climate risk has reduced since the last assessment made in 2020 and remains very low in materiality.

Flood risk
As of December 2021, 94% of our UK mortgage lending is on properties with low to negligible risk of a flood event.

Flood risk probability	Portfolio proportion
High: >5%	2.8%
Medium: >1%	3.7%
Low: >0.1%	7.4%
Very low: >0.01%	5.4%
Negligible: <0.01%	80.7%

Flood risk is expressed as the portfolio proportion with the probability of a flood event occurring by 2030 under the RCP8.5 scenario (BAU) which expects a temperature increase between 3.4-6.2⁰C by 2100.)

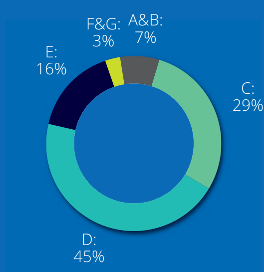
Subsidence risk
Similarly, 91% of UK Mortgages portfolio relates to properties with low to negligible probability of a subsidence event occurring by 2030.

Coastal erosion
The coastal erosion risk exposure to the UK Mortgages portfolio is deemed negligible as less than 0.01% of our book shows a probability of an event occurring by 2030.

Transition risk - Energy efficiency
The Group is committed as part of our climate ambition to support our customers to increase their residential energy efficiency whilst encouraging the purchase of energy efficient properties. This is aligned with the government target for all properties to have EPC rating of C or above by 2035 where cost effective, practical and affordable. EPC data is available for mortgages amounting to €13.8 billion (66% of our mortgages portfolio in the UK). Currently, 36% of our book correspond to properties already in EPC ratings A to C.

The progress made in 2021 regarding the management of climate risk helped the Group understand the relationship between the current acquisition and retention strategy and the climate risk profile of the UK mortgage portfolio. The analysis also resulted in a suite of climate-related metrics being incorporated into monthly reporting during 2021 as well as specific metrics added to the UK Credit Risk Appetite for 2022.

Total England and Wales mortgages with EPC data available



Building our portfolio of sustainable finance products

Sustainable finance fund
In 2021, the Group announced a €3 billion increase in its Sustainable Finance Fund to bring it to €5 billion by 2024. The fund covers Bank of Ireland's suite of green loans designed to incentivise home owners and businesses to be more energy efficient.

Green mortgages
Since the Group launched Ireland's first green mortgage in 2019, c.€1.8 billion has been drawn down by borrowers. A green mortgage is available to new customers who are buying or building a property with a BER of B3 or better as well as to customers who are retrofitting an existing property to a BER of B3 or better. In 2021, the Group extended the availability of its Green mortgage to include customers switching from another lender and to include B rated BER properties, previously applied to BER A rated properties. Additionally, in 2021 the green mortgage discount was increased from 0.20% to 0.30%. As well as being able to enjoy a lower interest rate on their mortgage, customers benefit from lower heating and electricity bills if they choose, or upgrade to, a sustainable, energy efficient home. Green mortgages accounted for 35% of total RoI mortgage lending in 2021 and c.45% in Q4 2021. The Group also launched a green mortgage product in the UK business in 2021.

Green home improvement loan
The Irish Government's Climate Action Plan set the goal of retrofitting 500,000 homes to BER B2 standard by 2030. Being one of the most cost-efficient ways of removing carbon from our energy system, this makes a compelling economic case for retrofitting homes and buildings. In addition to the benefits of upgraded homes, well insulated homes are comfortable, cheaper to run and bring health benefits. In support of the Climate Action Plan and the Government's retrofit ambitions, Bank of Ireland offers a Green Home Improvement Loan designed to fund energy-efficiency upgrades. The Green Home Improvement Loans accounted for 13% of total lending on overall home improvement loans by the Group during 2021.

[1] *Representative Concentration Pathways for greenhouse gas concentration trajectories adopted by the IPCC (Intergovernmental Panel on Climate Change). The pathways describe different climate futures, all of which are considered possible depending on the volume of GHGs emitted in the years to come.*

Strategy *(continued)*

Green transport
Bank of Ireland Finance is the largest provider of wholesale finance in the RoI market for Electrically Charged Vehicles (ECV) - both Battery and Plug-in.

Bank of Ireland Finance provides wholesale finance to 13 of their current 15 car manufacturer franchises for their Battery Electric Vehicle (BEV), Hybrids (HEV) and Plug-in Hybrid Electric Vehicle (PHEV) ranges supporting the sector on the global journey to net zero emissions by 2050. Bank of Ireland Finance also offers subsidised consumer finance through our franchise partners, supporting the growth of ECVs in Ireland.

In 2021, the Irish Government approved the Electric Vehicle Policy Pathway Report, which targets 180,000 EVs on our roads by 2025 and 945,000 by 2030. This supports Ireland's Climate Action Plan target of a 51% reduction in transport emissions by 2030 and will be a key policy in meeting our national transition to a carbon neutral society.

Given the Group's strong position in this area, it is well positioned to support this transition to green transport.

Cloncreen Wind Farm

In H1 2021, Bank of Ireland supported Bord na Mona with senior debt facilities to construct the Cloncreen Wind Farm, a 75MW on-shore wind farm on Cloncreen bog in Co. Offaly. The debt financing represented one of the first transactions under RESS to achieve financial close with commercial funders. Cloncreen Wind Farm will make a significant contribution to the achievement of Ireland's 80% renewable electricity target by 2030. The wind farm is due to be built over an estimated 18 month construction period and, when operational in late 2022, will provide approximately 55,000 homes with green / renewable electricity.

Financing renewable energy
The growth of renewable energy in Ireland is predicated on Ireland diversifying its electricity generation mix away from traditional forms of carbon electricity such as coal and gas-fired power. The Climate Act 2021 commits Ireland to a legally binding target of net zero GHG emissions by 2050 and a reduction of 51% by 2030. To enable the continued growth of renewable electricity, the Irish Government introduced a Renewable Energy Support Scheme (RESS) with the aim of achieving 80% of our electricity generation from renewable sources by 2030. BoI has provided financing associated with the development of c.750MW of renewable wind capacity across the island of Ireland.

Woodland Nature Credit

At COP26, more than 100 world leaders committed to end and reverse deforestation by 2030. Carbon storage and sequestration can also be an important lever in Ireland's overall decarbonisation strategy. That is why the Group developed the Woodland Nature Credit, a nature-based instrument for funding the planting of native woodlands. We have designed the Nature Credit to be scalable in terms of afforestation and we believe it could also provide a template for other land use schemes.

The Woodland Nature Credit is a first of its kind credit combining the carbon, biodiversity and amenity values which the funding companies can report on as part of their environmental and social commitments. It is compliant with the EU Taxonomy whilst meeting five Sustainable Development Goals and has an independent scientific panel in place as part of its governance structure.

Upon closing the first tranche in 2021, planting 600,000 trees creating 200 hectares of new forests began, with corresponding biodiversity and public amenity uplift. Tranche two will involve planting 1.2 million trees, creating 400 hectares of new forests and will commence in 2022.

Delivering Energy Efficient Homes

In 2014, the Minister for Public Expenditure and Reform announced the Government's commitment of €300 million to deliver 1,500 social housing units across three different bundles under a Public Private Partnership (PPP) tender model.

In 2021, Bank of Ireland supported Torc Sustainable Housing Partnership with senior debt financing to build 465 'A' rated energy efficient homes. Torc represents the second of the three social housing bundles under the PPP initiative. These homes have been delivered by Torc across eight sites in six different counties – Cork, Kildare, Galway, Waterford, Roscommon and Clare. In December 2021, Torc achieved the significant milestone of all housing units being constructed and ready for handover. Under the PPP contract, the housing units remain under the ownership of the State with Torc obliged to maintain the upkeep of these units to a pre-defined condition for a period of 25 years.

To date, Bank of Ireland is the only funder to support both bundles one and two - collectively providing the State with around 1,000 energy efficient homes over the last 24 months.

Green farming
We are supporting farmers in their investment of on-farm infrastructure that improves the overall environmental sustainability of all farms such as additional slurry storage, solar panels and low emission slurry spreading equipment and have recently partnered with Teagasc on the Signpost Programme which aims to educate farmers on how to reduce the climate footprint of their farms.

Green bond framework
The Group issued €1.3 billion in bonds through our Green Bond Framework during 2021, which further enabled the financing of additional projects across renewable energy, green buildings and clean transportation. In March 2022, the Group will publish its Green Bond Impact Report and Allocation Report for 2021 which will provide further information on the projects financed through the Green Bond Framework and their environmental impact.

Under the Group's Green Bond Framework the following project types are eligible:
- **Residential green buildings** - with a green energy efficiency rating placing them in the top 15% (in energy

Strategy *(continued)*

efficiency terms) in the Republic of Ireland market, together with other eligibility criteria;

- **Commercial green buildings** - holding a BREEAM 'Outstanding' or 'Excellent', or LEED 'Platinum' or 'Gold' Certification, together with other eligibility criteria;
- **Renewable energy generation facilities** - including onshore and offshore wind, solar and geothermal; and
- **Clean transportation** - including financing the purchase, manufacturing and operation of BEVs and electrically-powered public transport systems and the infrastructure that supports clean transportation.

Setting our portfolios and lending practices on a pathway aligned with the Paris Agreement

The Group has committed to aligning our lending portfolios on a pathway to the Paris Agreement and reducing the carbon emissions we finance. Read more on our progress towards contributing to the global ambition of keeping warming well below 2°C by setting SBTs within the Metrics and Targets section (page 40).

Besides reducing the carbon emissions that we finance, the Group is also committed to reducing GHG emissions associated with the delivery of our products and services through our own operations. The SBTs to be set during 2022 will also include our operational Scope 1 and 2 emissions. The Metrics & Targets section (page 40) outlines our progress in 2021 and the initiatives we implemented in support of decarbonising our operations.

EU taxonomy

The EU Taxonomy has six environmental objectives namely:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control; and
- protection and restoration of biodiversity and ecosystems.

In accordance with Article 8 of the EU Taxonomy Regulation and the underlying Disclosures Delegated Act, the Group is required to disclose the proportion of taxonomy-eligible and non-eligible activities related to the environmental objectives of climate change adaptation and mitigation for 2021, for which screening criteria have been established under the delegated acts. The Disclosures Delegated Act came into force on 1 January 2022. As the EU Taxonomy is still being developed and only covers two of the six environmental objectives, the Group does not yet fully utilise the taxonomy to inform its business strategy. Taxonomy-eligible activities illustrate the extent of the Group's activities towards sectors covered by the EU Taxonomy. Consequently, the presented metrics below do not illustrate the Group's proportion of green assets because these require classification as taxonomy-aligned activities. The below metrics are unaudited and have been prepared in line with available guidance to the best of our ability.

	% as at 31 December 2021	Content of regulatory metric
1. Taxonomy-eligible activities as a proportion of total covered assets	59%	Activities with Financial and Non-financial corporates subject to NFRD, households and local governments covered by the EU Taxonomy Climate Delegated Act divided by total covered assets.
2. Taxonomy non-eligible activities as a proportion of total covered assets	41%	Activities with Financial and Non-financial corporates subject to NFRD, households and local governments not covered by the EU Taxonomy Climate Delegated Act divided by total covered assets.
3. Exposures to sovereigns as a proportion of total covered assets	12%	Exposures to sovereigns divided by total covered assets. Sovereigns include exposures to central governments, central banks and supranational issuers.
4. Derivatives as a proportion of total covered assets	1%	Derivatives in the non-trading portfolio divided by total covered assets.
5. Exposures to corporates not subject to NFRD as a proportion of total covered assets	31%	Exposures to entities not obliged to report under the NFRD divided by total covered assets.
6. Trading book as a proportion of total covered assets	1%	Exposures in the trading book divided by total covered assets.
7. On-demand interbank exposures as a proportion of total covered assets	0%	Exposures in the on-demand interbank market divided by total covered assets.
8. Total covered assets (€bn)[1]	€90.7	Total assets excluding exposures to sovereigns and trading book. Total assets are defined according to the prudential consolidation of the Group.

[1] *Voluntary information given to support the transparency of the regulatory metrics.*

Risk management

Climate change – managing climate-related risks

We are committed to supporting our customers' green transition while building Group resilience. We do this by embedding climate-related impacts in key decision making processes.

Regulatory developments

Climate change represents a systemic and persistent risk to our business and our customers. In recognition of this we have included climate risk in our Group ESG Risk Framework as a key driver of risk events across multiple risk types. This framework will develop and evolve over a medium-term timeframe and guide deepening integration of ESG and climate risk management into existing key risk management processes over annual planning cycles.

During 2021, there has been growing regulatory focus on climate risk management. In the EU, the ECB released guidance in November 2020 on how banks should manage climate-related and environmental (C&E) risks. The guidance sets out 13 supervisory expectations for institutions when formulating and implementing their business strategy, governance and risk management frameworks with the ultimate aim of encouraging greater transparency in C&E risk disclosures. During the first half of 2021, significant institutions, including the Group, were requested to conduct a self-assessment of their current practices against the above expectations and to submit implementation plans detailing how and when they would bring their practices into line with the guide.

The Group has developed an overarching Climate Risk Implementation Plan covering each of the ECB's priorities, including actions to address gaps highlighted in the self-assessment, across a multi-year timeline. This Plan was developed following engagement with key stakeholders from across the Group and has been subject to review and peer benchmarking by specialist third party consultants.

The Implementation Plan is consistent with the Group's overarching five-point climate action plan and has been jointly approved by the Board Risk Committee (BRC) and NGRB Committee. The Implementation Plan is a key step in progressively aligning the Group to the ECB guidelines on climate risk management in respect of strategy, risk governance and measurement.

Integration of climate risks at a Group level

The Group defines ESG risk as 'the risk to value arising from an Environmental (including climate change), Social or Governance event or condition that, if it occurs, could cause an actual or potential material negative impact on:

- the Group's earnings, franchise value or reputation;
- the long-term sustainability of our customers' operations and financial wellbeing; or
- the communities and environment in which we and our customers operate'.

Furthermore, in line with the ECB's guidelines on climate-related and environmental risks and the recommendations of the TCFD, the Group defines two key sub-categories of climate-related risks and environmental risks that impact our business namely transition and physical risks. Further details on these climate-related risk drivers can be viewed on page 31.

Both transition and physical risks can affect the creditworthiness of our customers and the stability of our lending portfolios, as well as the value of assets in the medium to long term.

These climate risk drivers can intensify risks to the Group, impacting across existing key risk categories including, but not limited to:

- **Credit risk:** increased costs associated with physical and transition risks may impact financial soundness of households and businesses reducing their ability to service debt and impairing asset values, resulting in financial loss to the Group through higher probability of default and higher losses given default.
- **Operational risk:** physical risks could impact continuity of the Group's operations or operations of its material suppliers, resulting in sustained disruption of the supply chain and ultimately our ability to service customers.

Climate risk can also have reputational impacts if the Group fails to meet investor, customer, community and regulatory expectations of its support of the green transition.

Identification and assessment of climate-related risks

Guided by the Group's ESG Risk Framework, we have begun progressively embedding climate risk into the Group's key risk processes.

Risk identification

On an ongoing basis, through its risk management frameworks and processes, the Group identifies and assesses risks to which the Group is exposed, including climate risks. As part of ESG Risk, climate risk was integrated into this process during 2021. Due to the longer timeframes associated with climate impacts, a short, medium and long-term horizon, as laid out below, is being applied to the consideration of impacts. Our timeframes for climate-related risks are:

- Short term: less than 3 years.
- Medium term: 3-5 years.
- Long term: more than 5 years.

In conjunction with the integration into this annual risk identification process, a strategic assessment of the impact of climate-related impacts across the different key risk types was conducted and considered by the NGRB Committee and BRC in December 2021.

The internal capital adequacy assessment process

Climate risk considerations are being embedded in key processes where investment decisions and associated climate risks are material.

The ICAAP is a key planning process for the Group and facilitates the Board and senior management in identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. Given the long time horizon associated with climate change, scenario analysis is considered a key tool to inform strategic direction and risk management. The Group is developing scenario analysis capabilities on an iterative basis, leveraging improvements in climate data and methodologies as they become available. This process is beginning with the introduction of a preliminary scenario analysis within the ICAAP 2022 process, in order to increase our understanding and insights into the potential impacts of climate risk. This is a standalone analysis separate to the standard ICAAP Base and Stress analysis that focusses on longer term impacts out to 2050, beyond the standard three year time horizon of ICAAP.

Risk management *(continued)*

Risk measurement and monitoring
Methodologies are in development to allow climate risk to be actively measured and monitored by the Group in a similar manner to other key risk types. These methodologies are being developed collaboratively with peer institutions through engagement in industry initiatives (such as the UNEP FI TCFD Working Group and climate focused European Banking Federation Working Groups) and through participation in the 2022 ECB climate stress testing exercise.

During 2021, we began embedding ESG risk (including climate) considerations into key risk reporting including the Board Risk Report and quarterly credit portfolio reporting. With an initial focus on credit risk, the measurement and monitoring of climate risk across our lending portfolios has been incorporated into quarterly portfolio reporting considered by the Group Credit Risk Committee (GCRC). Key risk indicators (KRIs) presented for monitoring purposes include:

- exposure to industry sectors and / or geographies considered highly sensitive to climate-related risks;
- the carbon emission footprint of lending portfolios;
- levels of sustainable financing; and
- scenario analysis outputs.

Further detail on how we are defining metrics and targets can be found in the Metrics and Targets section on page 40.

Risk appetite
A key element of the Group's RSB commitments is the publication and achievement of targets. In 2021, we have integrated climate KPIs into our strategic planning framework with a view to making achievement of the strategy measurable. In line with the SBTi (see page 40), for key portfolios, respective targets and time horizons will be set and progress tracked and monitored against interim targets.

These activities form the foundation of future risk analysis and target setting activities, leading to mitigating activities to help reduce future risks to the Group, as well as to improve the Group's impact on the external environment. An initial set of metrics for climate-related risks is in development to support the setting of relevant targets and controls to track progress against our strategy and to allow for related disclosure. All metrics and targets will be developed in line with the SBTs methodology to ensure consistency, accountability and achievability and will be cascaded down to the business units.

During 2021, a qualitative statement of appetite for ESG Risk was incorporated into the Risk Appetite Statement (RAS) as an initial step, together with ESG credit exclusions. Advancing our strategy to align our portfolios and lending practices on a pathway to the Paris Agreement, Risk Appetite metrics will be set in due course consistent with the establishment of our SBTs across our portfolios and operations.

RSB Exclusion List
BOI Corporate Banking has externally published an RSB Exclusion List clearly setting out our risk appetite for lending to potentially sensitive sectors which we believe cause environmental and / or social harm to society and our communities. Applying to all Corporate non-property new lending, this Exclusion List means Corporate Banking will not provide financing to customers who are deemed to engage in a defined list of excluded business activities. Credit submissions and review papers are required to critically assess ESG risk factors and their impact on the financial condition of borrowers in a similar manner to any business risk or financial input.

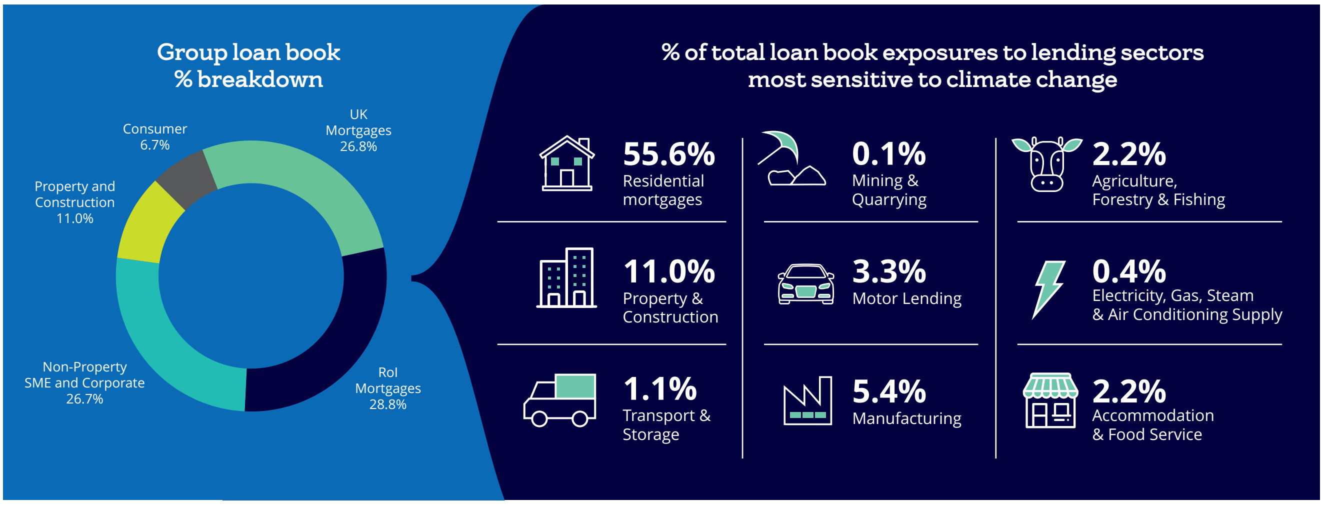
Furthermore any cases considered a heightened ESG risk during initial review will be subject to enhanced review and consideration by an ESG Risk Forum during the credit process. Similar procedures will be rolled out to other lending portfolios during the course of 2022.

Assessing climate risks across our portfolios
During 2020, we carried out an initial scoping assessment to understand potential climate risk impacts across our lending portfolios by leveraging developing UNEP FI methodologies, GHG baselining and analyses of climate risks to property lending.

As we have increased our understanding of climate risk through leveraging latest industry analysis and developing further data assets, we have continually refined our view on the sectors most sensitive to climate change. In assessing the lending sectors most sensitive to climate risk, we consider if they are in scope for national decarbonisation plans or are a focus area for SBTs. We also consider scenario analysis and whether the sector is more acutely impacted by climate risk than the overall portfolio.

Informed by these analyses, the Group loan book breakdown table on page 39 shows the current composition of our loan portfolio and the percentage of lending to sectors the Group considers most sensitive to climate change. In terms of portfolio mix, the Group has minimal direct exposure to fossil fuels in energy and extraction and as a predominantly retail lending bank, c.70% of our customer lending is in residential and commercial property and car finance.

Risk management *(continued)*



This assessment also highlights that the Group's direct exposure to fossil fuels and to commercial lending segments with high emissions is relatively low (with the exception of the agricultural sector, which due to its specific challenges will require broader support in which we will play an active role).

This assessment identifies the key risk mitigation strategy as follows:

- the Group has committed to aligning our lending portfolios on a pathway to the Paris Agreement and reducing the carbon emissions that we finance. This portfolio alignment will additionally build resilience against climate-related risks as we progressively embed climate-related considerations into our lending strategies; and
- the Group has committed to supporting our customers' transition to the green economy with sustainable financing to improve the energy efficiency of their properties, vehicles and business operations and adapting to climate change through, for example, flood protection measures at a property or community level.

Climate Data: Given the criticality of data to the climate risk management agenda, a multi-year data and technology roadmap has been developed as part of the 2022 investment planning cycle to support delivery of the data needed to meet the evolving requirements on an agile and iterative basis. The roadmap sees an initial focus in 2022 on aggregating a golden source of data to support upcoming external and regulatory reporting requirements and to support progressive enhancements to risk management methodologies and reporting. This initial capability will be strengthened and the scope expanded to use ESG / climate data in front-end systems to aid credit and pricing decisions and support customers' transition plans.

Metrics and targets

Throughout 2021, we continued to develop SBTs for GHG emission reductions aligned with the Paris Agreement. We are targeting summer 2022 for submission of our SBTs for approval by the SBTi.

Science Based Target initiative

Bank of Ireland is one of over 2,000 businesses and financial institutions working with the SBTi to develop and apply standards to help reduce their emissions in line with science. The targets set will support keeping global temperature increases to '1.5°C' above pre-industrial levels, raising the bar on the previous ambition of keeping global temperature increased to 'well below 2°C' and are aligned with the goal of the Paris Agreement. In setting our SBTs, we are applying the pilot version (April 2021) of the SBTi guidance for the financial sector.

For more information click here or go to: sciencebasedtargets.org/sectors/financial institutions

SBTI asset classes in customer lending portfolio		Gross carrying amount at 31 December 2020 (as baseline year) €bn	% of total customer lending[1] €bn
Required asset classes for inclusion in SBTI target setting	Corporate lending[2] *of which:* • *Commercial Real Estate*[3]	€16.9bn *€5.1bn*	21.5% *6.5%*
Optional asset classes for inclusion in SBTI target setting	Residential mortgages	€44.7bn	57.0%
Self-selected asset classes for target setting	Motor Lending	€2.7bn	3.4%

Our focus in H2 2021, working with specialist advisors, has been to segment our balance sheet, according to the different asset classes defined by SBTi; identify which asset classes we intend to set targets for; and to calculate the baseline values, against which our targets can be set and progress tracked in the future. We intend to set our baseline values and report subsequently on progress against our targets, aligned with our financial year. We are using 2020 as our baseline year to calculate our financed emissions baseline values.

Development of baselines

We have developed preliminary estimated baseline attributed or 'financed' emissions intensity values for some of the asset classes for which we intend to set SBTs, with work in progress for the others. A variety of in-house and public data sources have been used to develop our estimated baseline financed emissions to calculate our estimated attributed emission intensities in line with the PCAF's 'Global Standard for the Finance Industry'. The quality of these different data sources are reflected in our PCAF data quality scores. Notwithstanding expectations of positive enhancements to data quality in the future, we believe these scores benchmark reasonably compared to our peers.

Our plan for 2022 is to:

- complete the development of our baseline values, develop SBTs and continue evaluating the commercial implications of implementing the SBTs;
- submit our SBTs to and seek formal approval by SBTi by the end of 2022, well ahead of the end of our two year window allowed by SBTi for target submission; and
- then communicate our SBTs and how our wider strategy will help support meeting them.

We look forward to being able to report progress against our SBTs. We believe that this will be a key metric in providing evidence of the Group's progress to decarbonise both its business and operations, contributing to the transition to a low carbon economy and meeting the goals of the Paris Agreement. Our SBTs will help inform our commercial strategy, including the opportunities to further build out our sustainable finance offerings and the Group's exposures to different asset classes / sectors.

1 *Based on total customer lending (gross carrying amount) at 31 December 2020 of €78 billion. C.82% of total customer lending in scope for target setting with a minimum portfolio coverage level of 67% for target setting applicable across most asset classes. Listed bonds and equities also in scope for target setting.*
2 *Corporate Lending – including property and construction lending.*
3 *Denotes Property Investment Lending.*

Metrics and targets *(continued)*

Partnership for carbon accounting financials

In 2021, Bank of Ireland joined Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions working together to develop and implement a harmonised approach to assessing, attributing and disclosing GHG emissions associated with portfolios of loans and investments. Recognising the challenges associated with data availability, PCAF provides guidance on data quality scoring per asset class, facilitating data transparency and encouraging improvements to data quality in the medium and long term. This data quality score ranges from one to five, one being the highest data quality (for example, reported and verified emissions) and five being the poorest (emissions are based on unspecific industry data, for example emissions based on number of buildings and building type, as opposed to specific floor areas).

For more information click here or go to: carbonaccountingfinancials.com

Current estimated baseline financed emissions developed for certain key asset classes (as at 31 December 2020).

SBTi asset class	Baseline absolute attributed / 'financed' emissions (TCO2e)	Baseline attributed / 'financed' emissions intensity	PCAF data quality score	Comments
Mortgages (UK)	432,000	44.3 kgCO2e/m2	3.5	Property specific EPC data available for significant proportion of UK portfolio, resulting in higher data quality score, compared to BER regional data for RoI portfolio.
Mortgages (RoI)	504,000	51.0 kgCO2e/m2	4.2	
Electricity generation (project finance)	60,000	0.09 kgCO2/kWh	2.9	Dominated by low intensity renewable wind generation projects, but with some limited exposure to higher intensity energy-from-waste and gas-fired generation.
Auto finance	270,000	0.134 kgCO2e/km	2.78	

The baseline attributed / 'financed' emissions (absolute and intensity) values included above are working values. We will continue to refine our estimates and progress to setting targets for each of these asset classes during H1 2022, ahead of submission to SBTi for approval.

Metrics and targets *(continued)*

Climate-related metrics and targets in our operations

Through its signature to Business in the Community Ireland's (BITCI) Low Carbon Pledge in 2018, the Group demonstrated its commitment to achieving a 50% reduction in the carbon emissions intensity of our operations (Scope 1 and 2) by 2030.

In 2020, we surpassed this goal. Based on our floor space-based intensity metric, in absolute terms we have achieved an 84% carbon emissions reduction as illustrated in the graph below. Building on the Group's achievements to-date and in line with our RSB strategy, in 2021 the Group focused on a baseline assessment as part of setting SBTs, to accelerate the further reduction of the carbon emissions across our operations. SBTs will drive and develop our framework for reaching net zero. We recognise that the climate impact of our operations goes beyond carbon emissions from fuel consumption and electricity purchased and, in 2021, we continued to measure the Scope 3 emissions associated with own operations, which is laid out in the following table.

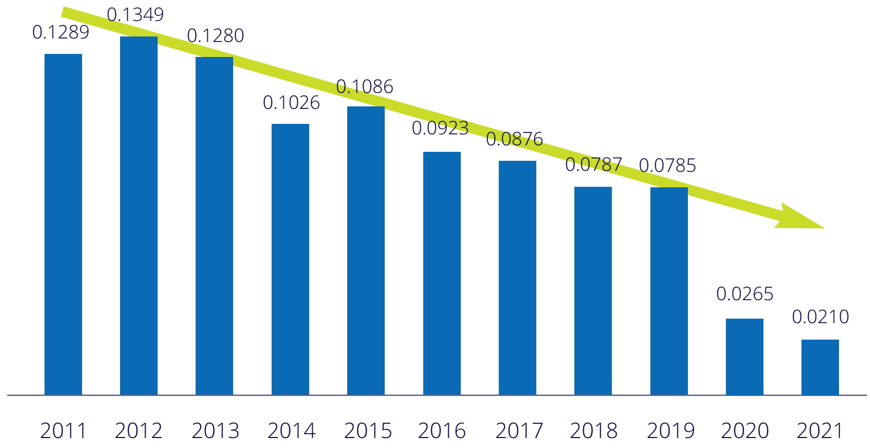
The ongoing COVID-19 pandemic meant that many of our colleagues continued to work from home where possible throughout 2021. Through office building closures and widespread remote working, the Group saved an estimated 2 million kWhs of electrical energy.

We continue to take tangible actions across our operations, working towards our commitment to making our own operations net zero by 2030. Key initiatives rolled-out in 2021 include:

- expanding the use of renewable energy contract, resulting in 100% of energy supply to operations in Ireland, Northern Ireland and Great Britain coming from renewable sources;
- updating LED lighting in four large administrative buildings and retail sites, resulting in a reduction of 1.3 million kWh of electrical energy per year;
- upgrading to Uninterruptible Power Supplies (UPS) in Group's data centre resulting in 140,000 kWh electrical energy reduction in 2021; and
- continuing to reduce our office space, with a reduction of 44% in the last 4 years. Further reductions are planned for 2022, supported by the Group's flexible working policy.

tCO_2e/m^2 Reduction 84% - Scope 1 & 2 emissions

Bank of Ireland 2011 - 2021



Carbon emissions from our own operations

Metric	Unit	2021	2020
Scope 1 Fuel consumption	tCO2e	4,285	5,579
Scope 2 Purchased electricity (market based)	tCO2e	22	659
Scope 3 *(material for own operations as set out below)*	tCO2e	557	2,203
- Business Travel	*tCO2e*	*503*	*1,954*
- Waste	*tCO2e*	*29*	*32*
- Purchased Goods & Services	*tCO2e*	*25*	*217*
% of electricity renewably sourced	%	100	93

Building on our collective achievements to-date, the Group will continue to work towards implementing our action plan to achieve our net zero commitment for our operations, by prioritising the following initiatives in 2022:

- further updating of our offices' LED lighting to further reduce the energy consumption by 50% and replace end of life lighting in retail sites;
- maintaining certification of ISO 50001 Energy Management Standard across the Group to continue driving our energy reduction opportunities; and
- replacing oil boilers on five retail sites with electric heating systems to reduce emissions.

Paper reduction

An initiative with DocuSign to enable electronic mortgage offer letters to be sent to customers was successfully rolled out. The Group is in final stages of approving the use of digital signatures on origination documents for brokers in The Mortgage Store, further supporting the promotion of a paperless environment.


Bank of Ireland bio-sourced Visa Debit Card

Foundations to our Responsible and Sustainable Business framework

To enable the Group to operate as a responsible and sustainable business, it is crucial that we have a solid foundations. Transparently managing, monitoring and disclosing against these foundational topics supports the Group's efforts to build and maintain the trust we have with our key stakeholders.

Begin together

2021 saw the inspiring stories of those who have benefitted from Begin Together brought to life through a fully integrated communications campaign under the theme 'Tomorrow will be better if we Begin Together'. Through this, Bank of Ireland plays a part in recognising and celebrating the unique role played by those people working in our communities and the impact they are having on vulnerable groups. These stories included Liquid Therapy in Donegal, which helps young people with additional needs by taking them surfing. Clonaslee Wheelchair Basketball club was also featured, showing the impact of its activities on the lives and lifestyle of wheelchair users in the midlands, while the work of the Irish Traditional Music Archive to capture and formally document Irish music, dance and song for future generations was brought to life.

Culture

The Group is on a multi-year journey to transform our culture through enhancing the way we work together as colleagues and how we support our customers.

The Group's culture plan is based on our corporate purpose, underpinned by the Group's values and embedding these in behaviours and activities across the Group. Progress against this plan is measured on an ongoing basis through our Culture Embedding Index and Engagement Index in our Open View colleague surveys. In addition, specific metrics associated with each of our values are included in a Culture Transformation Dashboard which is reported up to Board level.

Business ethics

Business ethics represents a critical foundation of our business and trusted relationship with our clients and customers, which needs to be safeguarded at all times. For this reason, we set out high standards when dealing with others, both within and outside the Group and our personal financial dealings in our Code of Conduct. The code is supported by the Group's suite of responsible business policies such as our Speak Up policy and our Antibribery & Corruption policy. All colleagues complete annual mandatory training and assessment on all of these aspects.

Community investment

In-line with the theme 'Tomorrow will be better if we Begin Together', an inclusive community is vital for a strong economy. We therefore support community-focused initiatives across the Island of Ireland and causes that matter to our colleagues across the Group. 'Begin Together' is the Group's philanthropic platform and is supported by a commitment of €4 million over three years.

The flagship Community Fund, working with the Community Foundation for Ireland, awarded 59 grants to future facing projects working to help make things better by supporting financial, mental and physical wellbeing. The Begin Together Arts Fund, in partnership with Business to Arts, funded 39 projects in 2021, building on the Group's long legacy of supporting the arts across genres.

For more information click here or go to: personalbanking.bankofireland.com/campaigns/begin-together

Financial crime

Protecting the integrity of the financial system from financial crime risks including money laundering, terrorist financing and bribery and corruption is of intrinsic importance to the Group. Bank of Ireland is committed to playing our part to support the ongoing protection of the financial system and our customers from

Related pages
CEO review (page 8)
Our strategy (page 13)

the impact of financial crime. The Group Anti-Money Laundering policy, Group Sanctions and Countering the Financing of Terrorism policy and the Group Anti-bribery & Corruption policy, amongst others, support this objective. All colleagues complete annual mandatory training and assessment in relation to key areas.

For more information click here or go to: personalbanking.bankofireland.com/app/uploads/Financial-Crime-Compliance-Statement.pdf

Sourcing responsibly

It is important that supply partners who deliver goods and services for the Group, share our values and ambition to create a sustainable future. For this reason, we established a Code of Supplier Responsibility that applies to all of our suppliers. This builds on our internal values of accountability, customer focus, agility and teamwork, whilst setting out the key social, ethical and environmental standards that we want our suppliers to adhere to. This Code is supported by our Group Procurement policy.

For more information click here or go to: personalbanking.bankofireland.com/app/uploads/Code-of-Supplier-Responsibility.pdf

Health and safety

We seek to ensure the safety of our colleagues and customers by carefully planning our operations, identifying potential hazards and managing the associated risks at every stage. Implementation of the Group's Health & Safety policy helps towards achieving this objective, supported by Group, property-specific risk assessments, an extensive auditing programme, as well as mandatory training. These form part of our ISO 45001 accredited management system which we are working towards extending to other areas of the business during 2022.

Human rights

Several policies and initiatives guide our approach in this area including our Code of Supplier Responsibility, our Modern Slavery Statement and our Vulnerable Customer Unit. We are also active in identifying possible activity linked to human trafficking through our Financial Crime Compliance unit. We have put in place Human Trafficking Risk Awareness training and are members of the Traffik Analysis Hub, a global data hub for intelligence on human trafficking across all industries and sectors.

Cyber security

To protect our customers from cybercrime and to stay digitally safe as a business, we have invested in and implemented a range of technologies and practices. In 2021, with more teams working remotely and the greater dependency on digital technology, we took extra steps.

Our Group-wide Information Security Policies are aligned to the National Institute of Standards and Technology standards and security awareness training is now mandatory for all colleagues. The 'Security Zone' page on our website supports customer security awareness, including fraud alerts and information on how to report suspicious online activity, emails or phone calls.

Data Protection

Our customers, clients and colleagues trust us with their data, including giving them the control they need while being fully committed to keeping their information private. Our Data Privacy Notices explains how we hold and use personal information and explains people's rights in relation to the collection of personal information and how they can exercise those rights. See the compliance and regulatory risk section of this report for further reference to relevant regulations.

Non-financial information statement

Related pages
CEO review (page 8)
Our strategy (page 13)
Risk Management Report (page 137)

We comply with the European Union (disclosure of non-financial and diversity information by certain large undertakings and groups) Regulations 2017.

The purpose of this table is to assist stakeholders in understanding our policies and management of key non-financial matters.

Environmental matters

Policies
- Group environment policy (ISO 14001)[1]
- Group energy policy (ISO 50001)[1]

Risks & management
- Environment and Energy *(page 37)*

Non-financial key performance indicators

- Key highlights *(page 3)*

Business model

Risks & management
- Divisional review *(page 64)*

Diversity report

Policies
- Board diversity policy[1]

Risks & management
- Corporate Governance statement *(page 78)*

Bribery and corruption

Policies
- Group code of conduct[1]
- Speak up policy
- Group anti-money laundering policy
- Group anti-bribery and corruption policy

Risks & management
- Code of conduct *(page 44)*
- Anti-bribery and corruption *(page 44)*
- Group anti-money laundering *(page 44)*
- Conduct risk *(page 185)*

Policies followed, due diligence and outcome

Risks & management
- Risk management framework

Description of principal risks and impact of business activity

Risks & management
- Key risk types *(page 52)*
- Principal risks and uncertainties *(page138)*

Social and employee matters

Policies
- Inclusion and diversity policy
- Group code of conduct[1]
- Equal opportunities policy
- Group health and safety policy
- Employee data privacy
- Group vulnerable Customers policy
- Group learning policy

Risks & management
- Vulnerable customers *(page 26)*
- Inclusion and diversity *(page 25)*
- Learning *(page 24)*
- Wellbeing *(page 24)*
- Communities *(page 44)*
- People risk *(page 140)*

Respect for human rights

Policies
- Modern slavery and human trafficking statement[1]
- Code of Supplier Responsibility[1]
- Group procurement policy
- Group data protection and privacy policy

Risks & management
- Information security *(page 45)*
- Operational risk *(page 52)*
- Human trafficking *(page 45)*

[1] *These policies are available on the Group's website. All other policies listed are not published externally.*

Bank of Ireland Branch, Stephen's Green

Governance in action
Leadership and company purpose

Pictured at the Bank of Ireland Gold Sovereigns Awards are Jacqui Hurley *(RTÉ)* , Jayne Brady *(Head of Northern Ireland Civil Service)*, and Orla O'Connor *(Director of National Women's Council)*, who were recognised for their individual contributions to transforming our society and striving to achieve gender balance in their respective fields.

Through a year of significant challenge in the face of the ongoing global pandemic, the role of corporate governance in ensuring effective decision-making has been of paramount importance.

The Board and the GEC responded to the many and continuing challenges brought about by COVID-19 with a clear focus on the Group's Purpose, to enable our customers, colleagues and communities to thrive and it remained at the forefront of all of our actions. In the Governance Section on page 78 our Chairman reports on the key areas of Board focus during 2021 in response to the pandemic.

The Group's Purpose and its values are the cornerstone of its culture, providing the Board and GEC with a clear foundation upon which key decisions are taken. The importance of listening to and understanding the perspectives of our stakeholders is greater now than ever and, during 2021, the Board has continued to enhance the ways in which it has engaged with the Group's stakeholders in order to further inform its decisions. Information on some of the ways in which the Group approaches stakeholder engagement can be found on page 93.

The Board is collectively responsible for the long-term sustainable success of the Group and ensuring there is a strong corporate structure in place. It provides leadership of the Group, setting strategic aims, within the boundaries of the risk appetite and a framework of prudent and effective controls. The CEO is supported by GEC which is composed of the Executive Directors and other senior executives who assist the CEO in leading the Group's day to day operations and in the execution of the Board-approved Group Strategy in line with the Group's Purpose. Details of the GEC can be found on page 81.

The Board is responsible for corporate governance, encompassing leadership, direction and control of the Group. The Group's corporate governance standards are implemented by way of a comprehensive and coherent suite of frameworks, policies, procedures and standards covering corporate governance as well as business and financial reporting and risk management activities. These are supported by a strong tone from the top on expected culture and values.

The Board is supported by a number of committees:

Nomination, Governance and Responsible Business Committee[1]

Patrick Kennedy *(Chairman)*

Responsible for leading the process for Board, Executive and key subsidiary Board appointments, renewals and succession planning. It is also responsible for corporate governance policies and practice, providing oversight of the Group's RSB Strategy and monitoring the Group's implementation of the UN Principles for Responsible Banking.

Group Responsible and Sustainable Business Committee

Fiona Muldoon *(Chair)*

During 2021, reflecting the increasing importance of environmental and social activities, the Board approved the establishment of a new standalone Board-level RSB Committee, which assumed responsibility for RSB activities from the Nomination, Governance and Responsible Business Committee in February 2022.

Group Remuneration Committee

Steve Pateman *(Chair)*

Responsible for setting policy on the remuneration of the Chairman and senior management (including Executive Directors) and approving specific remuneration packages for the Chairman, each of the Executive Directors, the Group Secretary and those Senior Executives who report directly to the Group CEO.

Group Audit Committee

Evelyn Bourke *(Chair)*

Responsible for monitoring the quality and integrity of accounting policies, the effectiveness of the Group's internal control framework and financial reporting systems and the independence and performance of the internal and external auditors.

Board Risk Committee

Richard Goulding *(Chair)*

Responsible for monitoring risk governance and assisting the Board in discharging its responsibilities by ensuring that risks are properly identified, reported, assessed and properly controlled; and that strategy is informed by and aligned with the Group's risk appetite.

Group Transformation Oversight Committee

Ian Buchanan *(Chair)*

Responsible for overseeing, supporting and challenging the actions being taken by management in relation to the execution of the Group's strategic transformation, focused on technology related change.

[1] In 2021 the Board approved the establishment of a new standalone Board-level RSB Committee, which assumed responsibility for RSB activities from the Nomination, Governance and Responsible Business Committee.

The Board is committed to upholding high standards and seeking continual enhancements and its corporate governance standards are overseen by the NGRB, which reports regularly to the Board. The varied corporate governance requirements that apply to the Group are detailed on page 78.

As a company listed on both the London and Euronext Dublin stock exchanges, the Group is required to report to shareholders on how it applies the main principles of the UK Corporate Governance Code (UK Code). The table below outlines where you can find the relevant disclosures throughout this Report.

Board Leadership and Company Purpose

UK Code Principles	Section
A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	• Chairman's introduction *(page 78)* • Role of the Board *(page 92)* • Strategic Report *(page 3)*
The Board should establish the company's purpose, values and strategy and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	• Chairman's introduction *(page 78)* • Strategic Report – Chairman's review *(page 4)* • Governance in action *(page 48)* • Assessing the effectiveness of the Board *(page 90)*
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	• Board's oversight of risk management and internal control systems *(page 95)* • Report of the Group Audit Committee *(page 107)* • Report of the Board Risk Committee *(page 113)*
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with and encourage participation from, these parties.	• Stakeholder engagement *(page 93)* • Strategic Report (enabling customers, colleagues and communities to thrive) *(page 20)*
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	• Stakeholder engagement – colleagues *(page 94)* • Strategic Report (business ethics, enabling customers, colleagues to thrive) *(page 44)* • Report of the NGRB *(page 100)*

Division of Responsibilities

UK Code Principles	Section
The Chairman leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chairman facilitates constructive Board relations and the effective contribution of all Non-Executive Directors (NEDs) and ensures that directors receive accurate, timely and clear information.	• Roles and responsibilities *(page 92)* • Chairman's tenure *(page 87)* • Board committees *(pages 88)* • Chairman *(page 90)* • Individual Directors *(page 90)*
The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, Independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	• Board composition in 2021 *(page 79)* • Roles and responsibilities *(page 92)*
NEDs should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	• Assessing the effectiveness of the Board *(page 90)* • Roles and responsibilities *(page 92)* • Board governance *(page 96)*
The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	• Roles and Responsibilities *(page 92)* • Role of the Board *(page 92)* • Report of the NGRB *(page 100)*

Composition, Succession and Evaluation

UK Code Principles	Section
Appointments to the Board should be subject to a formal, rigorous and transparent procedure and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	• Board composition in 2021 *(page 79)* • Board composition and succession - diversity *(pages 88 and 89)* • Report of the NGRB *(page 100)*
The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	• Your Board (Directors' Bios) *(pages 82 to 86)* • Chairman's introduction *(page 78)* • Chairman's tenure *(page 87)* • Board composition and succession *(page 88)* • Report of the NGRB *(page 100)* • Diversity *(page 89)*
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	• Assessing the effectiveness of the Board *(page 90)*

Audit, Risk & Internal Control

UK Code Principles	Section
The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	• Board's oversight of risk management and internal control systems *(page 95)* • Report of the Group Audit Committee *(page 107)*
The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	• Chairman's review, Strategic Report *(page 4)* • Role of the Board *(page 92)* • Board oversight of risk management and internal control systems *(page 95)*
The Board should establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	• Board oversight of risk management and internal control systems *(page 95)* • Report of the Board Risk Committee *(page 113)*

Remuneration[1]

UK Code Principles	Section
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	• Report of the Group Remuneration Committee *(page 104)* • Remuneration Report *(page 125)*
A formal and transparent procedure for developing policy on Executive remuneration and determining director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.	• Report of the Group Remuneration Committee *(page 104)* • Remuneration Report *(page 125)*
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.	• Report of the Group Remuneration Committee *(page 104)* • Remuneration Report *(page 125)*

[1] *Some of the Remuneration provisions of the Code (including provisions 36 and 37) are not currently applicable to the Group, as the Group does not operate variable incentive arrangements, other than a small number of limited commission schemes.*

Risk review

Further information in relation to these risks can be found in the Risk management report, on pages 137 to 193.

We believe great risk management leads to great customer outcomes. We follow an integrated approach to risk management. This means that all material classes of risk are considered and every colleague plays a role in managing risk. Most importantly our overall business strategy and remuneration practices are aligned to our risk and capital management strategies.

The environment within which the Group operates continues to be subject to considerable change, most notably as a result of COVID-19. The Group continues to monitor impacts on the risk profile.

A strong risk culture is promoted throughout the Group which encompasses the general awareness, attitude and behaviour of everyone in the Group.

Risk appetite defines the amount and type of risk we are prepared to accept in pursuit of our financial objectives. It forms a boundary condition to strategy by clarifying what is and is not acceptable. Based on the risk appetite approved by the Board, we set out an approach to risk in order to:

i. manage financial volatility;
ii. ensure solvency; and
iii. protect the Group franchise.

Our risk principles mean that risks may be accepted at transaction, portfolio and Group level if:

- they are aligned with our defined risk appetite and risk identity;
- the risks represent an attractive investment from a risk-return perspective;
- we have the resources and skills to analyse and manage the risks;
- appropriate risk assessment, governance and procedures have been observed; and
- stress and scenario tests around the risks exist, where appropriate and are satisfactory.

Group risk framework - key components

The Group Risk Framework (the Framework) describes the overarching approach to risk management; it describes roles and responsibilities across the organisation, the risk the Group is exposed to, the processes followed to manage risk and key enablers of the process. The Framework applies to all colleagues and agents working on behalf of the Group and:

- is organised around a comprehensive risk taxonomy;
- ensures robust risk governance;
- establishes a well-defined and mature risk management lifecycle; and
- recognises that risk management is built on a foundation of key enablers.

The Board of Directors is responsible for ensuring that an appropriate system of internal control is maintained. This is achieved through a risk governance structure designed to facilitate the reporting and escalation of risk concerns from business units and risk functions upwards to the Board and its appointed committees and conveying approved risk management policies and decisions to business units. Individual responsibility is a key tenet of risk management in the Group and we are all accountable for our actions.

Principal risks and uncertainties

Principal risks and uncertainties could impact on our ability to deliver our strategic plans and ambitions. We consider risks that arise from the impact of external market shocks, geopolitical event risks or other emerging risks as well as key risk types which could have a material impact on earnings, capital adequacy and / or on our ability to trade in the future.

Key risk types

Enterprise risks

Business

The risk includes all risks that might impact on the volatility of our projected outcomes over the short term (including profit, income, costs, net worth or reputation). It includes pension risk and risk driven by Brexit.

People

The risk that we do not attract and maintain an employee base with the skills, capabilities and culture necessary to execute our business objectives. It also includes risks relating to health and safety.

Strategic

The risks associated with the sustainability of our long-term business strategy. It includes risk related to both the design and execution of strategy, in the context of internal capabilities and the external market environment such as competition and disruptive business models / technologies (e.g. fintech).

Financial risks

Credit

The risk of loss resulting from a counterparty failing to meet their contractual obligations to us arising in respect of loans or other financial transactions. The risk arises from loans and advances to customers, in addition to our transactions with other financial institutions, sovereigns and state institutions.

Funding and liquidity

The risk that we have insufficient financial resources to meet commitments when they fall due.

Life insurance

The risk of unexpected variations in the amount and timing of insurance claims due to, for example, changing customer mortality, life expectancy, health and behaviour characteristics.

Market

The risk of loss arising from movements in interest rates, foreign exchange (FX) rates, credit spreads or other market prices.

Non-Financial risks

Conduct and regulatory

The risk that the Group and/or its staff, conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes and/or non-compliance with laws, rules and regulations related to conduct of business, data protection and financial crime. It is also the risk of the failure to appropriately identify and implement governance arrangements for compliance with any new laws, rules and regulations that relate to licensed financial services activity.

Operational

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which can lead to disruption of services to customers, financial loss and damage to our reputation. Risks include business continuity, change execution, business process, data quality and availability, information security and cyber, information technology, legal and contractual, model, payments, sourcing and physical security.

Capital adequacy
Capital adequacy is having a sufficient level or composition of capital to support normal business activities and to meet regulatory capital requirements both under normal operating environments or stressed conditions. Capital adequacy is not a risk type in itself but owing to the nature of capital as a critical risk mitigant is a key determinant of the overall Group risk appetite.

Further information in relation to our risk management process can be found in the Risk management report, on pages 137 to 193.

Financial Review

2021 financial results

Profit before tax	Underlying profit before tax	Reduction in underlying operating expenses[1]	Impairment gain
€1,221m	€1,366m	4%/€74m	€194m
(2020: €760m loss)	*(2020: €374m loss)*	*(2020: 4% / €65m)*	*(2020: €1.1bn loss)*

Summary consolidated income statement on an underlying basis

These financial results are presented on an Underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business (page 58).

	Table	2021 €m	2020 €m
Net interest income	1	2,219	2,115
Net other income	2	725	505
Operating income (net of insurance claims)		**2,944**	**2,620**
Operating expenses (before levies and regulatory charges and impairment of intangible assets and goodwill)	3	(1,646)	(1,720)
Levies and regulatory charges	3	(130)	(125)
Impairment of intangible assets and goodwill	3	(1)	(12)
Operating profit before net impairment gains / (losses) on financial instruments		**1,167**	**763**
Net impairment gains / (losses) on financial instruments	4	194	(1,133)
Share of results of associates and joint ventures (after tax)		5	(4)
Underlying profit / (loss) before tax		**1,366**	**(374)**
Non-core items	5	(145)	(386)
Profit / (loss) before tax		**1,221**	**(760)**
Tax (charge) / credit		(166)	53
Profit / (loss) for the year		**1,055**	**(707)**

Profit before tax of €1,221 million was reported by the Group in 2021 compared to a prior year loss before tax of €760 million.

Underlying profit before tax of €1,366 million is €1,740 million higher than the €374 million underlying loss for 2020 which is attributable to the following:

- an increase of €324 million or 12% in **operating income (net of insurance claims)** reflecting a €104 million rise in net interest income, mainly driven by higher loan asset spreads as a result of lower cost of funds and targeted longer term refinancing operations (TLTRO) income. Net other income also increased by €220 million as a result of higher business income and positive valuation gains in Wealth and Insurance and on the Group's derivatives;
- a 4% decrease or €74 million in **operating expenses before levies and regulatory charges and impairment of intangible assets and goodwill** due to continued focus on efficiency and strategic cost reduction while continuing transformational investment;
- **net impairment gains on financial instruments** of €194 million compared to €1,133 million loss in 2020. The gain incorporates a number of impairment dynamics reflecting:
  - impairment model updates incorporating the current macroeconomic outlook (c.€307 million net gain);
  - net impairment gains associated with portfolio activities including credit risk assessments and recoveries, offset by case specific loss emergence (c.€42 million net gain); offset by
  - movement in Group management adjustments (c.€155 million net loss).

Non-core charges decreased by €241 million or 62% which is attributable to the 2020 impairment on internally generated software of €136 million and a reduction in transformation programme costs of €123 million in 2021.

The **tax charge** for 2021 of €166 million (2020: €53 million tax credit) reflects an effective statutory taxation rate of 14% (2020: 7%) for the Group. On an underlying basis, the effective taxation rate for 2021 was 12% (2020: 8%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses, the impact of the UK corporation tax rate change and the re-assessment of the tax value of the losses carried forward.

[1] *Underlying operating expenses before levies and regulatory charges and impairment of intangible assets and goodwill.*

Summary consolidated income statement on an underlying basis *(continued)*

Net interest income

Table: 1 Net interest income / net interest margin	2021 €m	2020 €m	Change %
Net interest income	**2,219**	**2,115**	**5%**
Average interest earning assets (€bn)			
Loans and advances to customers	78	78	-
Other interest earning assets	41	28	46%
Total average interest earning assets	**119**	**106**	**12%**
Net interest margin	**1.86%**	**2.00%**	
Gross yield - customer lending[1]	3.04%	3.13%	
Gross yield - liquid assets[1]	(0.24%)	0.04%	
Average cost of funds - interest bearing liabilities and current accounts[1]	(0.04%)	(0.32%)	

Net interest income of €2,219 million for 2021 is €104 million higher than 2020, primarily reflecting higher loan asset spreads driven by lower cost of funds and TLTRO income partly offset by the impact of the lower interest rate environment on liquid asset yields and the structural hedge.

The gross customer yield has decreased by 9 basis points in 2021, reflecting a lower interest rate environment and lower RoI lending volumes partially offset by the benefit of higher corporate lending volumes.

Customer deposit volumes with negative rates applied to them have increased to €15.2 billion in 2021 (2020: €8.5 billion). Average interest earning assets in 2021 have increased by €13.4 billion compared to 2020, primarily due to increased liquid assets arising from the Group's participation in the ECB's TLTRO III in March 2021 and from higher RoI customer deposits.

[1] *Average cost of funds and gross yield represent the interest income or expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. See pages 376 to 378 for further information.*

Summary consolidated income statement on an underlying basis *(continued)*

Net other income

Table: 2 Net other income	2021 €m	2020 €m	Change %
Net other income	**725**	**505**	**44%**
Analysed as:			
Business income			
Retail Ireland	215	209	3%
Wealth and Insurance	266	214	24%
Retail UK	2	6	(67%)
Corporate and Markets[1]	157	139	13%
Group Centre and other	(4)	(7)	(43%)
Total business income	**636**	**561**	**13%**
Other gains			
Transfers from debt instruments at fair value through other comprehensive income reserve	16	7	n/m
Gain on disposal and revaluation of investment properties	1	1	-
Net loss on disposal and revaluation of investments	-	(3)	(100%)
Total other gains	**17**	**5**	**n/m**
Other valuation items			
Wealth and Insurance	34	(36)	n/m
- Interest rate movements	*(4)*	*(22)*	*(82%)*
- Unit-linked investment variance	*38*	*(14)*	*n/m*
Financial instrument valuation adjustments (CVA, DVA, FVA)[2] and other	38	(25)	n/m
Total other valuation items	**72**	**(61)**	**n/m**

Business income of €636 million for 2021 has increased by €75 million or 13% compared to 2020.

- Wealth and Insurance has increased by 24% due to higher new business and improved performance on the existing book.
- Corporate and Markets earned higher fee income, supported by increased customer activity.
- Retail Ireland increased by 3% due to higher current account and card fee income.

Other gains of €17 million for 2021 have increased by €12 million mainly driven by gains realised on €1.6 billion of bond sales in August 2021.

Other valuation items are a gain of €72 million in 2021, compared to a loss of €61 million in 2020. This largely reflects increased unit-linked fund prices in Wealth and Insurance as markets performed strongly resulting in a favourable variance to assumed growth leading to a positive investment return of €38 million, while lower investment returns on non-linked and shareholder funds resulted in a €4 million loss. This is combined with fair value equity gains and positive derivative related valuation adjustments in Corporate and Markets.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Credit Valuation Adjustment; Debit Valuation Adjustment; Funding Valuation Adjustment.*

Summary consolidated income statement on an underlying basis *(continued)*

Operating expenses

Table: 3 Operating expenses	2021 €m	2020 €m	Change %
Staff costs (excluding pension costs)	667	725	(8%)
Pension costs	140	101	39%
- Retirement benefit costs (defined benefit plans)	*105*	*66*	*59%*
- Retirement benefit costs (defined contribution plans)	*35*	*35*	*-*
Depreciation and amortisation	222	253	(12%)
Other costs	588	585	-
Operating expenses (before transformation investment charge, levies and regulatory charges and impairment of intangible assets and goodwill)	**1,617**	**1,664**	**(3%)**
Transformation investment charge	29	56	(48%)
Operating expenses (before levies and regulatory charge and impairment of intangible assets and goodwill)	**1,646**	**1,720**	**(4%)**
Levies and regulatory charges	130	125	4%
Impairment of intangible assets and goodwill	1	12	(92%)
Operating expenses	**1,777**	**1,857**	**4%**

			Change
Staff numbers at year end	8,696	9,782	(11%)
Average staff numbers during the year	9,342	10,303	(9%)

Operating expenses (before levies and regulatory charges and impairment of intangible assets and goodwill) are €74 million or 4% lower than 2020, due to the Group's continued focus on efficiency and strategic cost reduction while continuing transformational investment.

Staff costs (excluding pension costs) of €667 million are €58 million lower reflecting lower staff numbers (see table above), predominantly due to employees exiting the Group under the enhanced voluntary redundancy scheme up to and including 31 December 2021. This scheme has led to a reduction in staff numbers of 1,585 or 15% since it commenced in September 2020.

Depreciation and amortisation of €222 million is €31 million or 12% lower as a result of legacy technology investments reaching the end of their useful lives.

The Groups total **transformation** spend in 2021 was €243 million (2020: €418 million) of which:

- €29 million is a transformation investment charge to operating expenses reflecting investment in technical infrastructure, applications and software licences (2020: €56 million);
- €92 million is invested in the Group's transformation asset and capitalised on the balance sheet (2020: €117 million); and
- €122 million is charged to non-core and reflects transformation programme[1] spend on strategic initiatives (2020: €245 million).

Impairment of intangible assets and goodwill of €1 million was recognised on internally generated computer software. In 2020, the Group recognised a write down of €9 million against Marshall Leasing Limited, a commercial leasing and fleet management company in the UK and a €3 million write down on intangible assets.

Pension costs of €140 million were €39 million or 39% higher than 2020. Defined benefit pension costs have increased by €39 million predominantly due to a €26 million gain recognised in 2020 in respect of a change in allowance for future pension increases in the New Ireland life assurance business (NIAC) pension scheme. New joiners are added to the Group's defined contribution plans, the cost of which is unchanged compared to 2020.

Other costs including technology, property, outsourced services and other non-staff costs are €3 million higher than 2020.

Levies and regulatory charges of €130 million have increased by €5 million, reflecting increases in certain levies including the Single Resolution Fund (SRF) and Deposit Guarantee Scheme (DGS).

[1] *Comparative figures for transformation programme costs have been restated from €237 million to €245 million, to include €8 million other restructuring charges previously shown separately to total transformation programme costs on the table above.*

Summary consolidated income statement on an underlying basis *(continued)*

Net impairment gains / (losses) on financial instruments

Table: 4 Net impairment gains / (losses) on financial instruments	2021 €m	2020 €m	Change %
Net impairment gains / (losses) on loans and advances to customers at amortised cost			
Residential mortgages	(41)	(53)	(23%)
- Retail Ireland	*(58)*	*(23)*	*n/m*
- Retail UK	*17*	*(30)*	*n/m*
Non-property SME and corporate	102	(512)	n/m
- Republic of Ireland SME	*37*	*(217)*	*n/m*
- UK SME	*23*	*(29)*	*n/m*
- Corporate	*42*	*(266)*	*n/m*
Property and construction	43	(388)	n/m
- Investment	*28*	*(372)*	*n/m*
- Development	*15*	*(16)*	*n/m*
Consumer	43	(108)	n/m
Total net impairment gains / (losses) on loans and advances to customers at amortised cost	**147**	**(1,061)**	**n/m**
Net impairment gains / (losses) on other financial instruments (excluding loans and advances to customers at amortised cost)[1]	**47**	**(72)**	**n/m**
Total net impairment gains / (losses) on financial instruments	**194**	**(1,133)**	**n/m**
Net impairment gains / (losses) on loans and advances to customers (bps)	19	(134)	n/m

The Group recognised a net impairment gain of €194 million for 2021, which is €1,327 million favourable to the €1,133 million impairment loss in 2020. Included in the impairment gain is €147 million on loans and advances to customers at amortised cost (2020: €1,061 million loss).

The net credit gain in 2021 incorporates a number of impairment dynamics reflecting:

- impairment model updates incorporating the current macroeconomic outlook (c.€307 million net gain includes other financial instruments);
- net impairment gains associated with portfolio activities including credit risk assessments and recoveries, offset by case specific loss emergence (c.€42 million net gain); offset by
- the application of Group management adjustments at 31 December 2021 (c.€155 million net loss) which reflect a number of potential risks not included in modelled impairment loss allowances, including the potential risk that longer-term credit supports may be required for customers affected by COVID-19.

A net impairment loss on the Retail Ireland mortgage portfolio of €58 million for 2021, includes a net impairment loss of €69 million on Stage 3 (i.e. credit impaired) assets and is €35 million higher than the loss of €23 million in 2020.

A net impairment gain on the Retail UK mortgage portfolio of €17 million for 2021, includes a net impairment loss of €8 million on Stage 3 assets and compares to a net loss of €30 million in 2020.

The net loss of €41 million in the Residential mortgages portfolio in 2021 reflects the recognition of the potential risk that longer term credit supports may be required for customers impacted by COVID-19, as well as other impairment model parameter updates, partly offset by the change in the macroeconomic outlook and observed resilience in the credit quality of customers including those who availed of payment breaks. The Retail Ireland mortgage net loss also reflects the recognition of losses associated with potential greater utilisation of portfolio sales and / or securitisations in resolution strategies for NPEs and the risk associated with diminished levels of asset sales data underpinning the loss given default (LGD) component of the impairment model. This was partly offset by a c.€12 million gain recognised on completion of a securitisation of €0.3 billion of NPE assets.

Model updates for residential mortgages in 2021 included a number of changes to the residential mortgage LGD models resulting in a net increase in impairment loss allowance of c.€65 million in Retail Ireland, noting that the €50 million Group management adjustment for stage 3 residential mortgages previously applied at 31 December 2020 is no longer considered to be required. Details on the LGD model updates are outlined on page 171 of the Asset Quality section.

A net €102 million impairment gain on the non-property SME and corporate loan portfolio for 2021, includes a net impairment loss of €57 million on Stage 3 and is €614 million favourable to the €512 million impairment loss for 2020. The net impairment gain in 2021 primarily reflects impairment reductions recognised for the change in the macroeconomic outlook combined with an improved credit profile in the non-defaulted portfolio. This is

[1] *At 31 December 2021, net impairment gains / (losses) on other financial instruments (excluding loans and advances to customers at amortised cost) included €52 million gain (2020: €65 million loss) on loan commitments, €1 million gain (2020: €4 million loss) on guarantees and irrevocable letters of credit and €6 million loss (2020: €3 million loss) on other financial assets.*

Summary consolidated income statement on an underlying basis *(continued)*

Net impairment gains / (losses) on financial instruments *(continued)*

offset in part by a limited amount of case specific loss emergence primarily on defaulted cases in the Corporate portfolio and impairments recognised for the potential risk that longer term credit supports may be required for SME customers in sectors most directly impacted by COVID-19.

A net impairment gain of €43 million on the property and construction loan portfolio for 2021 includes a net impairment gain of €15 million on Stage 3 assets and is €431 million favourable to the loss of €388 million in 2020. The net gain primarily reflects impairment reductions recognised arising from the change in the macro-economic outlook, partly offset by limited levels of case specific loss emergence on defaulted assets.

A net impairment gain of €43 million on the Consumer loans portfolio (€6 million in Retail Ireland and €37 million in Retail UK), includes a net impairment loss on Stage 3 assets of €23 million and is €151 million favourable to the loss of €108 million in 2020. The net gain reflects the change in the macroeconomic outlook, partly offset by limited levels of case specific loss emergence on defaulted assets.

Non-core items

Table: 5 **Non-core items**	**2021** **€m**	*Restated*[1] **2020** **€m**	**Change** **%**
Transformation programme costs[2]	(122)	(245)	(50%)
- Cost of restructuring programme	*(110)*	*(245)*	*(55%)*
- Other transformation programme costs	*(12)*	*-*	*n/m*
IT Service Continuity Framework	(25)	-	n/m
Gross-up for policyholder tax in the Wealth and Insurance business	24	7	n/m
Customer redress charges	(22)	(39)	(44%)
Portfolio divestments	8	5	60%
- Operating income	*21*	*35*	*(40%)*
- Operating expenses	*(13)*	*(30)*	*(57%)*
Investment return on treasury shares held for policyholders	(8)	9	n/m
Gain on disposal / liquidation of business activities	2	13	(85%)
Announced acquisition transaction costs	(2)	-	n/m
Impairment of internally generated computer software	-	(136)	(100%)
Total non-core items	**(145)**	**(386)**	**(62%)**

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core:

Transformation programme costs

During 2021, the Group recognised transformation programme costs[2] of €122 million (2020: €245 million) of which €110 million (2020: €245 million) related to the Group's cost of restructuring programme and €12 million (2020: €nil) to other transformation programme costs.

Cost of restructuring programme items are required to meet the definition of 'restructuring' under IAS 37. In 2021, the Group had €110 million (2020: €245 million) which relate to:

- the implementation of the Group's RoI property strategy of €70 million (2020: €6 million) which includes impairment of property and other related costs;
- costs incurred of €22 million (2020: €16 million) relating to planning, scoping and implementation of the strategic review of the Group's UK operations, of which €4 million (2020: €nil) is staff costs;
- staff costs of €19 million includes voluntary redundancy costs of €16 million (2020: €189 million) for employees and €3 million (2020: €4 million) for other staff costs;
- external programme management costs of €4 million (2020: €22 million); offset by
- a gain of €5 million (2020: €8 million charge) within other restructuring costs, relating to the release of €3 million provision and reversal of €2 million impairment on property recognised in prior periods.

Other transformation programme costs represent transformation costs related to the ongoing activities of the business. Costs of €12 million related to the design and development of a number of the key business initiatives which were identified through the 2020 strategic review of the Retail UK operations. These costs are associated with the implementation of the Group's UK future state operating and business model.

IT Service Continuity Framework

On 30 November 2021, the Bank was fined €24.5 million (2020: €nil) and reprimanded by the CBI for breaches pertaining to its IT service continuity framework and related internal controls failings. The Group has comprehensively addressed these breaches by completing an extensive programme of work between 2015 and 2019.

[1] *Comparative figures for transformation programme costs have been restated from €237 million to €245 million, to include €8 million other restructuring charges previously shown separately to total transformation programme costs on the table above.*

[2] *Formerly transformation investment costs.*

Summary consolidated income statement on an underlying basis *(continued)*

Non-core items *(continued)*

Gross-up for policyholder tax in the Wealth and Insurance business
IFRS requires that the income statement be grossed up for the total tax payable by Wealth and Insurance, comprising both policyholder and shareholder tax. The tax gross-up relating to policyholder tax is included in non-core items. In 2021 a credit of €24 million was recognised (2020: €7 million credit). The year on year movement is due to higher investment returns in 2021 compared to 2020.

Customer redress charges
The Group has set aside a further €31 million (2020: €14 million) provision to cover the additional redress and compensation costs for a small number of additional customers, operational costs associated with the length and nature of the review and estimated costs of closing out the Tracker Mortgage Examination Review.

In 2020, the Group recognised a separate remediation provision of €25 million following an interest rate implementation review within our Irish Business and Private Banking business which identified a cohort of customers where the incorrect interest rates may have been applied to their accounts. In 2021, a detailed business assessment of this customer cohort was completed. This resulted in a provision release of €10 million and an expectation that all impacted customers will be remediated during 2022.

In addition, a further €1 million was provided in respect of other customer redress (2020: €nil).

Portfolio divestments
Where the Group has made a strategic decision to exit an area of a business, the related income and expenses are treated as non-core. In 2021, the Group recognised a net gain of €8 million of which €21 million represented operating income and €13 million represented operating expenses of the underlying businesses (2020: €5 million net gain of which €35 million was operating income and €30 million was operating expenses).

The income and costs associated with the following portfolios are recognised as non-core in 2021:
- sale of UK Post Office ATM business which commenced in late 2021 and is expected to be completed by early 2022;
- residual income and costs relating to the UK credit card portfolio which was sold in 2019 and migrated to the purchaser in October 2020; and
- Irish non-branch ATM business which has been held for sale since 2020.

Investment return on treasury shares held for policyholders
The Group income statement excludes the impact of the change in value of Bank of Ireland Group plc ('BOIG plc') shares held by Wealth and Insurance for policyholders. In 2021, there was a loss of €8 million (2020: €9 million gain).

The year on year movement reflects a change in valuation during the year. At 31 December 2021, there were 3.2 million shares (2020: 5.1 million shares) held for the benefit of policyholders.

Gain on disposal / liquidation of business activities
The Group recognised a €1 million gain (2020: €5 million gain) relating to the recycling of cumulative unrealised FX gains and losses through the income statement following the liquidation of foreign denominated subsidiaries. These gains were previously held in the FX reserve. In addition, the Group recognised a gain of €1 million (2020: €8 million gain) on the release of a provision related to the 2019 disposal of the UK credit card portfolio.

Announced acquisition transaction costs
In July 2021, the Group announced it had reached agreement to acquire Davy, Ireland's leading provider of wealth management and capital markets services. The Davy transaction is being treated as a business combination in line with IFRS 3 and hence the costs associated with the transaction are expensed to the Income Statement. Costs associated with this transaction in 2021 amounted to €2 million (2020: €nil). Subject to regulatory approval, the transaction is expected to conclude in 2022.

Impairment of internally generated computer software
There was no impairment recognised on internally generated computer software in non-core in 2021 (2020: €136 million).

Summary consolidated balance sheet

Summary consolidated balance sheet	Table	2021 €bn	2020 €bn
Assets *(after impairment loss allowances)*			
Loans and advances to customers[1]	6	76	77
Liquid assets	7	50	31
Wealth and Insurance assets		23	20
Other assets	8	6	6
Total assets		**155**	**134**
Liabilities			
Customer deposits	9	93	89
Wholesale funding	10	21	9
Wealth and Insurance liabilities		23	20
Other liabilities	8	5	5
Subordinated liabilities		2	1
Total liabilities		**144**	**124**
Shareholders' equity		10	9
Other equity instruments - Additional tier 1		1	1
Total liabilities and shareholders' equity		**155**	**134**
Key balance sheet metrics			
Liquidity Coverage Ratio[2]		181%	153%
Net Stable Funding Ratio[3]		144%	138%
Loan to Deposit Ratio		82%	86%
Gross new lending volumes (€bn)		14.2	14.1
Average interest earning assets		119	106
Return on Tangible Equity[4] (%)		12.8%	(4.9%)
Return on Tangible Equity[4] (adjusted) (%)		12.7%	(4.4%)
Common equity tier 1 ratio - fully loaded		16.0%	13.4%
Common equity tier 1 ratio - regulatory		17.0%	14.9%
Total capital ratio - regulatory		22.3%	19.2%

The Group's **loans and advances to customers (after impairment loss allowances)** of €76.3 billion are €0.3 billion lower than 31 December 2020. On a constant currency basis and excluding planned UK deleveraging of €2.9 billion and the successful NPE transaction of €0.3 billion, the loan book grew by €0.6 billion in 2021.

The Group's portfolio of **liquid assets** at 31 December 2021 of €49.7 billion increased by €19.0 billion since 31 December 2020 primarily due to TLTRO III funding of €10.8 billion, higher deposit balances of €2.6 billion (constant currency basis), lower lending volumes of €2.6 billion (constant currency basis), net increase in wholesale funding and subordinated debt of €2.4 billion, an increase in loans and advances to banks of €0.3 billion and an FX translation benefit due to sterling strengthening against the euro and other movements of €0.3 billion.

The Group's **asset quality** remains strong and continues to improve despite COVID-19 restrictions remaining in place longer than expected, with limited evidence to date of adverse impacts on NPEs. NPEs reduced by €0.2 billion to €4.3 billion, this represented 5.5% of gross loans at 31 December 2021. In June 2021, the Group completed the securitisation of a pool of €0.3 billion non-performing residential mortgages, with an associated €12 million impairment gain. For further information see note 27.

At 31 December 2021, overall Group **customer deposit** volumes of €92.8 billion are €4.2 billion (€2.6 billion on a constant currency basis), higher than 31 December 2020 due to growth in Retail Ireland of €6.0 billion predominately driven by higher household and SME volumes, partially offset by lower UK plc deposits of €1.6 billion, primarily due to planned UK deleveraging, and marginally lower Corporate and Markets[5] volumes.

Wholesale funding balances of €21.4 billion are €12.6 billion higher than 31 December 2020 primarily due to TLTRO III borrowings of €10.8 billion, senior minimum requirement for own funds and eligible liabilities (MREL) issuance of €1.6 billion, increase in net Bank of England (BoE) Term Funding Scheme (TFS) / Term Funding Scheme with additional incentives for SMEs (TFSME) of €0.8 billion, credit linked note issuance of €0.5 billion, partially offset by an Asset Covered Securities (ACS) bond maturity of €0.8 billion and decrease in bank deposits and other items of €0.3 billion. Total Monetary Authority borrowing at 31 December 2021 are €13.5 billion (31 December 2020: €1.9 billion).

The net pension position is a surplus of €0.6 billion at 31 December 2021 (31 December 2020: deficit €0.1 billion) primarily driven by positive asset returns and employer contributions.

The Group's fully loaded CET1 ratio increased by c.260 basis points during 2021 to 16.0% and the regulatory CET1 ratio (net of Capital Requirements Directive (CRD) phasing) increased by c.210 basis points over the year to 17.0%.

The fully loaded CET1 ratio increase of c.260 basis points is primarily due to **organic capital generation** (c.+185 basis points), net reduction in impairment (c.+30 basis points), the benefit of balance sheet optimisation (c.+90 basis points) and other net movements, including in the Group's defined benefit pension scheme (c.+30 basis points); offset by risk weighted assets (RWAs) growth (c.-10 basis points), investment in the Group's transformation programmes (c.-45 basis points) and an accrual for a proposed distribution (c.-20 basis points). For further information on capital see Capital Management on pages 189 to 193.

Further information on measures referred to in the 2021 financial results, including gross new lending, NPEs, wholesale funding and organic capital can be found in Alternative performance measures on page 376.

[1] *Includes €0.4 billion of loans and advances to customers at 31 December 2021 (2020: €0.4 billion) that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*
[2] *The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015.*
[3] *The Group's Net Stable Funding Ratio (NSFR) for 31 December 2021 is prepared on a regulatory group basis, in accordance with the EU Capital Requirement Regulations and Directive , as amended, which require the maintenance of a NSFR ratio greater than or equal to 100%, effective June 2021. Comparative NSFR, for 31 December 2020 is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.*
[4] *For basis of calculation of Return on Tangible Equity (ROTE), see page 380.*
[5] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

Summary consolidated balance sheet *(continued)*

Loans and advances to customers

Table: 6	2021		2020	
Loans and advances to customers - Composition[1]	**€m**	**%**	**€m**	**%**
Residential mortgages	43,262	56%	44,742	57%
- Retail Ireland	*22,398*	*29%*	*22,942*	*29%*
- Retail UK	*20,864*	*27%*	*21,800*	*28%*
Non-property SME and corporate	20,774	26%	19,858	25%
- Republic of Ireland SME	*6,997*	*9%*	*7,073*	*9%*
- UK SME	*1,689*	*2%*	*1,790*	*2%*
- Corporate	*12,088*	*15%*	*10,995*	*14%*
Property and construction	8,613	11%	8,591	11%
- Investment	*7,552*	*10%*	*7,633*	*10%*
- Development	*1,061*	*1%*	*958*	*1%*
Consumer	5,229	7%	5,271	7%
Total loans and advances to customers at amortised cost	**77,878**	**100%**	**78,462**	**100%**
Less impairment loss allowance on loans and advances to customers at amortised cost	(1,958)		(2,242)	
Net loans and advances to customers at amortised cost	**75,920**		**76,220**	
Loans and advances to customers at fair value through profit or loss	426		361	
Total loans and advances to customers	**76,346**		**76,581**	
Credit-impaired loans	4,265		4,465	
NPEs	4,311		4,503	
NPE ratio[2]		5.5%		5.7%

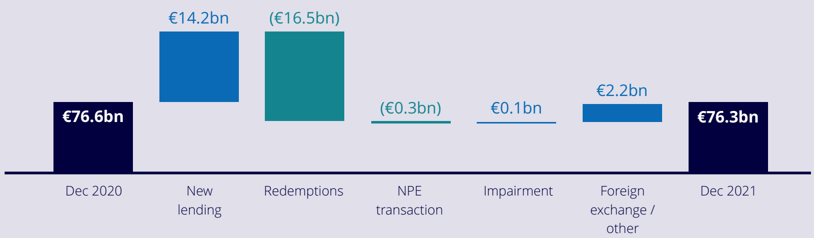
The Group's **loans and advances to customers (after impairment loss allowances)** of €76.3 billion are €0.3 billion lower than 31 December 2020. On a constant currency basis and excluding planned UK deleveraging of €2.9 billion and the successful NPE transaction of €0.3 billion, the loan book grew by €0.6 billion in 2021.

In 2021, the Group completed a transaction whereby it derecognised €0.3 billion of loans and advances to customers (after impairment loss allowance). The Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs through an unconsolidated special purpose vehicle Mulcair Securities No.2 Designated Activity Company (DAC), 'Mulcair 2'. See note 27 for further information.

Gross new lending performance of €14.2 billion is €0.1 billion higher than 2020, reflecting increased lending of 30% in Corporate and Markets[3] and 7% in Retail Ireland, offset by a 24% reduction in Retail UK which is in line with the division's strategy to target higher value and lower volume lending.

Redemptions and repayments of €16.5 billion is €2.5 billion or 18% higher than 2020 primarily due to planned deleveraging strategy in the UK.

Loan book reduction of €0.3bn
Group loan book movement



The Group's IFRS 9 staging profile continues to reflect the impact of COVID-19 on the credit risk in the loan book. However, the application of updated Forward Looking Information (FLI) at the reporting date, individually assessed risk ratings and re-assessment for post-model adjustments resulted in a net €3.3 billion decrease in stage 2 loans in the period (i.e. cases that are no longer identified as having experienced a significant increase in credit risk).

During 2021, the stock of impairment loss allowances decreased by €0.2 billion to €2.0 billion primarily due to impairment loss allowance utilisation of €0.3 billion and the net impairment gain on loans and advances to customers of €0.1 billion, partly offset by the impact of currency translation and other movements (€0.2 billion).

Group NPEs decreased by €0.2 billion or 4% to €4.3 billion at December 2021 and represent 5.5% of gross loans to customers. The NPE securitisation of €0.3 billion had an associated €12 million impairment gain in 2021. The decrease was partly offset by the emergence of new defaults for case specific reasons primarily in the Corporate portfolio. Further detail on NPEs and impairment loss allowances are provided in the Asset Quality section (pages 164 to 168).

[1] *Includes €0.4 billion of loans and advances to customers at 31 December 2021 (2020: €0.4 billion) that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.*
[2] *For basis of calculation of NPE ratio, see page 379.*
[3] *Formerly Corporate and Treasury renamed Corporate and Markets.*

Summary consolidated balance sheet *(continued)*

Liquid assets (after impairment loss allowance)

Table: 7 Liquid assets (after impairment loss allowance)	2021 €bn	2020 €bn
Cash at banks	3	2
Cash and balances at central banks	31	11
- Bank of England	*4*	*3*
- Central Bank of Ireland	*27*	*8*
Government bonds	11	12
- Financial assets at fair value through other comprehensive income	*5*	*6*
- Debt securities at amortised cost	*6*	*6*
Covered bonds	3	4
Senior bank bonds and other	2	2
	50	**31**

The Group's portfolio of liquid assets at 31 December 2021 of €49.7 billion increased by €19.0 billion since 31 December 2020 primarily due to TLTRO III funding of €10.8 billion (for more information see note 38), higher deposit balances of €2.6 billion (constant currency basis), lower lending volumes of €2.6 billion (constant currency basis), net increase in wholesale funding and subordinated debt of €2.4 billion, an increase in loans and advances to banks of €0.3 billion and an FX translation benefit due to sterling strengthening against the euro and other movements of €0.3 billion.

Other assets and other liabilities

Table: 8 Other assets and other liabilities	2021 €bn	2020 €bn
Other assets	5.7	5.8
- Derivative financial instruments	*1.6*	*2.2*
- Deferred tax asset	*1.0*	*1.2*
- Pension surplus (net)	*0.6*	*-*
- Other assets	*2.5*	*2.4*
Other liabilities	4.9	5.2
- Derivative financial instruments	*2.2*	*2.3*
- Notes in circulation	*1.1*	*1.1*
- Lease liabilities	*0.5*	*0.5*
- Pension deficit (net)	*-*	*0.1*
- Other liabilities	*1.1*	*1.2*

Fair value movements of derivative assets and derivative liabilities are impacted by changes in equity markets, interest rates, FX and maturity of transactions during 2021.

The net pension position is a surplus of €0.6 billion at 31 December 2021 (31 December 2020: deficit €0.1 billion). The primary drivers of the movement in the net pension position were positive asset returns and employer contributions.

Summary consolidated balance sheet *(continued)*

Customer deposits

Table: 9 Customer deposits	2021 €bn	2020 €bn
Retail Ireland	65	59
- Deposits	*24*	*23*
- Current account credit balances	*41*	*36*
Retail UK	19	21
Retail UK (Stg£bn equivalent)	16	18
- UK Post Office	*9*	*12*
- Other Retail UK	*7*	*6*
Corporate and Markets[1]	9	9
Total customer deposits	**93**	**89**

At 31 December 2021, Group customer deposits (including current accounts with credit balances) of €92.8 billion are €4.2 billion (€2.6 billion on a constant currency basis), higher than 31 December 2020 due to growth in Retail Ireland of €6.0 billion predominately driven by higher household and SME volumes, partially offset by lower UK plc deposits of €1.6 billion, primarily due to planned UK deleveraging, and marginally lower Corporate and Markets volumes.

Wholesale funding

Table: 10	2021		2020	
Wholesale funding	**€bn**	**%**	**€bn**	**%**
Secured funding	17	81%	6	67%
- Monetary Authority	*14*	*67%*	*2*	*22%*
- Covered bonds	*2*	*9%*	*3*	*34%*
- Securitisations	*1*	*5%*	*1*	*11%*
Unsecured funding				
- Senior debt	*4*	*19%*	*3*	*33%*
Total wholesale funding	**21**	**100%**	**9**	**100%**
Wholesale market funding < 1 year to maturity	1	14%	2	29%
Wholesale market funding > 1 year to maturity	6	86%	5	71%
Monetary Authority funding < 1 year to maturity	-	-	-	-
Monetary Authority funding > 1 year to maturity	14	100%	2	100%

Wholesale funding balances of €21.4 billion are €12.6 billion higher than 31 December 2020 primarily due to TLTRO III borrowings of €10.8 billion, senior MREL issuance of €1.6 billion, increase in net BoE TFS / TFSME of €0.8 billion, credit linked note issuance of €0.5 billion, partially offset by an ACS bond maturity of €0.8 billion and decrease in bank deposits and other items of €0.3 billion. Total Monetary Authority borrowing at 31 December 2021 are €13.5 billion (31 December 2020: €1.9 billion).

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

Divisional review

Our business model

Bank of Ireland Group is one of the largest financial services groups in Ireland and provides a broad range of banking and other financial services. The Group is organised into four trading segments and one support division to effectively serve our customers.

Retail Ireland

Operating as one of Ireland's largest lenders with gross lending of €5.7 billion lent to the Irish economy in 2021, including targeted supports for businesses impacted by the difficult trading conditions. Serving more than 2 million personal and business customers across a broad range of segments and sectors, while offering them the choice to engage through digital, branch and phone banking channels. Promoting their financial wellbeing by delivering a full range of financial products, services and propositions tailored to meet their needs, manage their current finances and to plan for the future.

Wealth and Insurance

A leading provider of life, pensions, general insurance, investment and savings products in the Irish market. The Group is the only bancassurer in Ireland operating through New Ireland and encompasses Wealth Distribution and Bank of Ireland Insurance Services. The Group, through New Ireland sells a broad range of protection, investment and pension products to individual and corporate customers in the RoI. Its liabilities are predominantly unit-linked and it has a multi-channel distribution strategy, selling products through the Bank's branch network, the independent broker market and a tied agent channel (financial advisors).

Retail UK

Distributes consumer products via own brand and partnerships with trusted brands (Post Office and the Automobile Association (AA) and operates a full service retail bank in Northern Ireland (NI) as well as strong niche businesses in attractive segments, which include asset finance under the Northridge Finance and Marshall Leasing Limited (MLL) brands and FX via First Rate Exchange Services (FRES).

Corporate and Markets[1]

Ireland's number one Corporate Bank[2] and customer treasury service provider incorporating the Group's corporate banking, wholesale financial markets, specialised acquisition finance and large transaction property lending business across Ireland, UK and internationally with offices in the US, Germany, France and Spain. Holds market leading positions in chosen sectors, including corporate banking, commercial real estate, foreign direct investment and treasury solutions.

Group Centre

Group Centre comprises the Group's central control functions, which establish governance and oversee policies and which provide and manage processes and delivery platforms for the trading divisions.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

[2] *Based on corporate lending information sourced from (i) publicly available annual reports for 2018, 2019 & 2020 for all Irish banks, (ii) Bank of Ireland analysis of its banking relationships with the top 500 companies from the 2021 Irish Times Top 1,000 companies list and (iii) Bank of Ireland analysis of its banking relationships with companies on the published listing of international companies setting up operations in RoI in 2021.*

Divisional review *(continued)*

Further information in relation to our divisional results can be found on page 71.

Retail Ireland

Retail Ireland serves consumer and business customers across a broad range of segments and sectors with financial products, services and propositions tailored to meet their needs.

€508m
Underlying contribution

€5.7bn
Gross new lending

(€445m)
Net new lending

€41m
Reduction in operating expenses

Transform the Bank

- Continued to align to customer expectations by investing in our digital offering, accelerating our pivot to a digital relationship bank.
- Delivered 14 digital customer journeys, including:
  - a seamless omni-channel experience for mortgages; and
  - a fully digital lending journey for small business and agri-customers;
- 23 million visits on average per month to our digital channels, 86% of which are now to our mobile app, increasing from 64% in 2020.
- Further enhanced our mobile app including the introduction of in-app card controls.
- 94% of all applications for everyday banking products[1] are received digitally, of which c. 80% of those are received without any staff assistance.
- Bank of Ireland was recognised as the 'Best Consumer Digital Bank in Ireland' at the 2021 Global Finance Awards.
- Completed the reduction in our branch footprint and launched our partnership with An Post.
- Customers now have the choice of over 1,000 locations in their local communities to meet their day to day banking needs.
- Announced acquisition of KBCI portfolios progressing, with engagement with the Competition and Consumer Protection Commission (CCPC) ongoing.
- Enhanced our green mortgage discount offering, a green home loan of more than €300k, fixed for 4 years, has an interest rate of just 2%.

Serve customers brilliantly

- Financial Wellbeing programme activity and highlights in 2021 include:
  - brand marketing campaign 'The F-Word' launched in April to encourage people to talk about their finances;
  - InvestED, a series of talks giving customers the knowledge and confidence to invest;
  - Pension Pot, a series of webinars explaining how to plan forward to live your best retirement;
  - Youth FWB programme to improve financial literacy and equip young people with financial skills; and
  - Financial inclusion 'Your Next Step' video series, focused on how to access digital banking services.
- Supporting business customers with funding through various Strategic Banking Corporate of Ireland (SBCI) schemes.
- Supporting communities with our 3 year €4 million Begin Together Programme.
- Supporting the environment and climate change by increasing our Sustainable Finance Fund by €3 billion to €5 billion.
- Supporting our older customers with the launch of our senior advisory model and senior customer support line.
- Supporting vulnerable customers through our dedicated vulnerable customer unit.

Grow sustainable profits

Compared to 2020:

- Underlying contribution of €508 million increased by €392 million, mainly due to lower impairment charges.
- Operating income of €1,139 million is €3 million lower primarily due to lower net interest income partially offset by higher fee income.
- Operating expenses of €668 million are down €41 million or 6% due to continued emphasis on cost control.
- Net impairment gain of €30 million compared to a prior year charge of €314 million which is reflective of the significant impact of COVID-19 in 2020.

Compared to 31 December 2020:

- Loans and advances to customers (after impairment loss allowances) of €32.2 billion are €0.8 billion lower, mainly due to the disposal of non-performing residential mortgages and higher redemptions than prior year.
- Customer deposits of €65.0 billion were €6.0 billion higher than 31 December 2020, reflecting the build-up of household savings during extended periods of lockdown.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 376.

[1] Everyday banking products includes: Business Current Account, Personal Current Account, Personal Loans, Personal Credit Cards and Deposits in RoI.

Divisional review *(continued)*

Further information in relation to our divisional results can be found on page 72.

Wealth and Insurance

Wealth and Insurance is a market leading life, pensions, investments and general insurance provider in Ireland. The Group is the only Irish owned bancassurer in the Irish market.

€155m
Underlying contribution

€33%
New business increase

€417m
New business APE

20%
Market share

Transform the Bank

- Commercialising technology investment through the delivery of pension's new business capability, switching automation and top up capability.
- Increasing business volumes on the new pension platform MyPension365, which provides customers with a modern, digital and customer-friendly experience in addition to a 90% reduction in onboarding time.
- Phased roll-out of our digital advice platform commenced, which will lead to a greatly improved customer experience.
- Launch of broker portal enabling customers and advisors to access products and services via a single source, with 76% of new pensions business applications coming in digitally.
- Good progress continues across a range of initiatives that will enable sustainable, scalable and profitable growth.

Serve customers brilliantly

- New Ireland Assurance Company plc became a signatory for 'Principles for Responsible Investing', showing our commitment to invest customer funds responsibly and sustainably.
- Improved retention of customers driven by a strong engagement program across all channels including proactive retention strategies and improved investment performance.
- Our Customer Effort Score, which measures the customer sentiment across wealth advisory increased by 4% to +76.
- c.35,000 customer meetings held, supporting customers with quality wealth advice, of which c.25,000 held remotely, leveraging full digital and remote capability.

Grow sustainable profits

Compared to 2020:

- Operating income was €52 million or 25% higher reflecting strong overall business performance and the benefit of assumption changes.
- Underlying contribution increased by €99 million reflecting strong overall business performance allied with the positive performance of investment markets in 2021.
- Operating expenses are €23 million higher primarily due to pension credit in prior year.
- Annual Premium Equivalent (APE) new business sales were €417 million in 2021, an increase of €104 million or 33% higher than 2020, driven by overall market conditions and increase in market share to 20% (2020: 19%).
- Unit-linked fund prices increased, as markets performed strongly in 2021. The favourable variance to assumed growth led to a positive investment return of €38 million (2020: €14 million negative investment return).
- Lower investment returns on non-linked and shareholder funds resulted in a €4 million loss compared to a €22 million loss in 2020.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 376.

Divisional review *(continued)*

Further information in relation to our divisional results can be found on page 73.

Retail UK

Retail UK provides banking services in the UK, including mortgages, savings, personal lending, business banking, asset and car finance. Incorporating Northridge Finance, Marshall Leasing, financial services partnerships with the UK Post Office, The AA and FRES[1].

£358m
Underlying contribution

£3.5bn
Gross new lending

(£2.6m)
Net new lending

£18m
Reduction in operating expenses[2]

Transform the Bank

- In 2020 we began a multi-year strategic transformation programme. Significant progress has been made against our UK strategy, including optimisation of our business in NI to respond to significant and accelerating changes in how customers are banking. We are investing in our 13 retained branches and 3 business centres as well as enhancing our digital customer propositions.
- We continue to grow our award winning bespoke mortgage proposition and progress on our strategy to target higher value lending.
- We maintained focus on operational resilience and during 2021 a major upgrade to our core mortgage platform was completed which delivers a modern, robust and secure platform and supports an improved customer journey and lays the foundations for future innovative product propositions.
- With the accelerated move to hybrid working post pandemic the Group continued to review its property footprint while investing in creating more agile and flexible working places.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 376.

Serve customers brilliantly

- We have supported our customers through COVID-19. Our customers continue to avail of our COVID Hub on our website which signposts them towards help with any challenges including finding money advice support for personal banking.
- Online access and processes for customers were further enhanced across all product lines in 2021, including increased digital application and document upload capability and delivery of customer video tutorials via our digital concierge technology.
- The division's mortgage business was announced as winner of the 'Best Specialist Lender' category at the 2021 'L&G Mortgage Club Awards' and our personal loans product offering was rated first in the 'Fairer Finance' customer experience ratings.
- The focus on reducing customer complaints remains a priority and for the second year in a row 'Complaints per 1000 accounts', the key industry measure, reduced significantly.
- In support of our more vulnerable customers, we have launched a 'Tell Us Once' bereavement process and now offer the option of online bereavement notification forms and document upload facilities. We have also partnered with 'Victim Support', a leading charity who offer customers both emotional and practical support. This is in addition to our vulnerable customer champions, who are specifically trained to support vulnerable customers.

Grow sustainable profits

Compared to 2020:

- Positive underlying contribution of £358 million (2020: £15 million negative) primarily due to a materially lower impairment value in the year reflecting an improved economic outlook, combined with strong income growth and reduced costs.
- Net interest income of £536 million increased by £39 million, primarily due to improved mortgage margins, an increasing mix of consumer lending volumes and lower overall funding costs.
- Operating expenses[2] of £245 million are 7% or £18 million lower as a result of the continued focus on cost management, including lower staff and operational costs.
- Net impairment credit of £65 million compared to a prior year charge of £238 million, reflecting an improved economic outlook following a significant COVID-19 related impact in 2020.

Compared to 31 December 2020:

- Loans and advances to customers (after impairment loss allowances) of £21.9 billion were £2.6 billion lower reflecting the successful delivery of the strategic transformation programme and the focus on value rather than volume, with a reduction in net volumes across mortgages of £2 billion.

[1] *FRES is a joint venture between Bank of Ireland UK and the UK Post Office.*
[2] *Operating expenses before impairment of goodwill. In 2021 there was £nil impairment of goodwill (2020: £8 million).*

Divisional review *(continued)*

Further information in relation to our divisional results can be found on page 74.

Corporate and Markets[1]

Provides a range of lending and banking services operating products to the Group's corporate customers, along with the provision of treasury services to all customer segments.

€797m
Underlying contribution

€4.4bn
Gross new lending

€1.1bn
Net new lending

€18.1bn
Loans & advances to customers

Transform the Bank

- Retained position as Ireland's number one corporate bank[2] and number one bank for the provision of banking services to international companies establishing in Ireland[3].
- Progress achieved across a number of key customer-focused projects, including streamlining existing Know Your Customer / Anti-Money Laundering processes, interest rate benchmark reform and transaction reporting regulatory change.
- Corporate Banking won 8 awards at Finance Dublin's 2021 Deals of the Year.
- Supporting customers in their responsible and sustainable business ambitions, including successful launch of new Corporate Bank Environmental, Social and Governance Risk Lending Procedures.
- At the end of 2021, sustainability linked pricing mechanisms were applied to c.€1.4 billion of lending commitments to corporate customers.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 376.

Serve customers brilliantly

- Retained a very positive Corporate Banking relationship net promoter score of +56 (2020: +54) and Corporate and Business customer satisfaction with treasury products and services provided by Bank of Ireland remained extremely high at 96% (2020: 98%) and 88% (2019: 92%) respectively. Customers highlighted the strength of relationship management, accessible staff, market knowledge and flexible client-driven lending solutions.
- Meeting customers' changing behaviours and expectations, accelerating the Group's pivot to a digital relationship bank with c.83% of customer FX transactions completed digitally.
- Customer journeys continue to be enhanced including increased use of digital mandates, improved customer cut off times and enhancements to the account opening process.
- Increased engagement from customers on ESG and RSB topics. In addition to innovative customer solutions, progress across Green bond framework lending, science-based target workshops and ESG thought leadership.
- Supporting the Bank's ambition to be the National Champion in Ireland, in 2021 Corporate Banking closed c.€660 million in transactions to assist development of c.6,780 homes (1,100 for social housing).

Grow sustainable profits

Compared to 2020:

- Underlying contribution of €797 million is €768 million higher, primarily due to lower net impairment losses on financial instruments and increased lending in a year of strong customer activity for the Corporate business.
- Net interest income and business income of €839 million is €69 million higher, predominately driven by increased lending activity.
- Financial instruments valuation adjustments are a gain of €28 million (2020: charge of €16 million).
- Net impairment gains on financial instruments of €95 million are €644 million lower reflecting an improved economic outlook following a significant COVID-19 related impact in 2020.

Compared to 31 December 2020:

- Loans and advances to customers are €1.7 billion higher reflecting strong net new lending in the year and favourable currency translations.
- The Euro Liquid Asset Bond Portfolio has decreased by €1.3 billion to €14.1 billion at 31 December 2021 primarily due to the disposal of securities with negative spreads.

[1] Formerly Corporate and Treasury, renamed Corporate and Markets.
[2] Based on corporate lending information sourced from (i) publicly available annual reports for 2018, 2019 & 2020 for all Irish banks, (ii) Bank of Ireland analysis of its banking relationships with the top 500 companies from the 2021 Irish Times Top 1,000 companies list and (iii) Bank of Ireland analysis of its banking relationships with companies on the published listing of international companies setting up operations in RoI in 2021.
[3] Based on Bank of Ireland's analysis of its banking relationships with international companies who set up operations in Republic of Ireland in 2021 (international company data sourced from the IDA year end results 2021).

Divisional review *(continued)*

Group Centre

Further information in relation to our divisional results can be found on page 74.

Group Centre incorporates the Group's central control functions[1], which establish and oversee policies and which provide and manage processes and delivery platforms for the trading divisions.

(€515m)
Underlying contribution

€363m
Operating expenses[2]

€29m
Transformation investment charge

€122m
Levies and regulatory charges

Serve customers brilliantly

- The Begin Together Community Fund opened a bespoke funding round of €0.5 million for grants to help charities working to improve financial, physical and mental wellbeing. The Begin Together Fund for Colleagues made c.400 donations totalling over €0.2 million to causes that matter to our colleagues across the Group.
- Launched in March 2021, 'Investing in Tomorrow', our Responsible and Sustainable Business strategy supports the Green transition. The strategy comprises three pillars, enabling colleagues to thrive, enhancing financial wellbeing and supporting the green transition. Progress has been made across all three in 2021, including:
  - further enhancements to digital learning, including strategic future skills programmes and the launch of the Careers lab in Q4 2021;
  - financial wellbeing webinars and a continuation of our fraud awareness campaign for customers; and
  - the commencement of a programme to develop and report on science-based targets by 2022.
- Through strategic partnerships, we have increased the breadth and depth of personalised digital customer features, including financial wellbeing, communications, alerts and marketing.

Transform the Bank

- Our culture and people transformation journey continues with progress evident across our colleague Engagement, Wellbeing, Inclusion & Diversity, New Ways of Working (NWOW) and Learning Programmes.
- Our multi-year transformation programme continues to make progress with strong Digital Relationship Bank (DRB) momentum, delivering a seamless omni-channel experience for mortgages.
- In January 2021 we launched Power Down and Recharge, our commitment to support colleagues achieve better balanced lives and a number of mental health supports.
- Work continues to embed NWOW, with enhanced collaboration tooling providing longer-term supports for a new hybrid working model, underpinned by agile hubs, collaboration spaces, digitised meeting rooms and remote working options, which enhances colleague wellbeing, recruitment and retention.
- A further €121 million (2020: €173 million) was invested in our transformation investment asset during 2021, of which €92 million is capitalised on the balance sheet (2020: €117 million) and €29 million (2020: €56 million) is charged to operating expenses.

Grow sustainable profits

- Group Centre's income and costs comprise income from capital and other management activities; unallocated Group support costs; costs associated with the Irish Bank levy; along with contributions to the SRF, DGS and other levies.

Compared to 2020:

- Net operating income was €20 million higher, primarily due to gains on sale of liquid asset bonds and higher investment returns.
- Operating expenses[2] of €363 million were €5 million or 1% lower, reflecting lower staff costs and other cost reductions arising from rationalisation of business activities, together with higher VAT recovery partially offset by higher pension costs.
- Group Centre levies and regulatory charges of €122 million were €3 million higher due to increases in certain levies, including the SRF and DGS.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 376.

[1] *Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, People Services, Group Strategy & Development and Group Internal Audit.*
[2] *Operating expenses before transformation investment charge, levies and regulatory charges and impairment of intangible assets.*

Divisional financial results

The tables below and on the following pages, provide further information on the financial performance of the Group's divisions during 2021 as well as some key performance metrics. Information on the financial performance of the Group as a whole can be found on page 3 of the Strategic report.

Basis of presentation

Underlying divisional contribution reflects the underlying financial contribution of each division towards the consolidated Group underlying profit or loss, before tax, excluding non-core items which obscure the underlying performance of the business.

Percentages presented throughout the Financial Review are calculated on the absolute underlying figures and so may differ from the percentage variances calculated on the rounded numbers presented, where the percentages are not measured this is indicated by n/m.

Principal rates of exchange used in the preparation of the Financial Statements are set out on page 211.

References to 'the State' throughout this document should be taken to refer to the RoI, its Government and, where and if relevant, Government departments, agencies and local Government bodies.

	2021 €m	2020 €m
Underlying[1] divisional contribution		
Retail Ireland	508	116
Wealth and Insurance	155	56
Retail UK	418	(17)
Corporate and Markets[2]	797	29
Group Centre	(515)	(557)
Other reconciling items[3]	3	(1)
Group underlying profit / (loss) before tax	**1,366**	**(374)**
Non-core items by division		
Retail Ireland	(55)	(42)
Wealth and Insurance	24	(3)
Retail UK	(19)	(19)
Corporate and Markets[2]	(1)	-
Group Centre	(95)	(326)
Other reconciling items[3]	1	4
Group non-core items	**(145)**	**(386)**
Profit / (loss) before tax by division		
Retail Ireland	453	74
Wealth and Insurance	179	53
Retail UK	399	(36)
Corporate and Markets[2]	796	29
Group Centre	(610)	(883)
Other reconciling items[3]	4	3
Group profit / (loss) before tax	**1,221**	**(760)**
Per ordinary share		
Basic earnings per share[4] (€ cent)	91.2	(72.4)
Underlying earnings per share[5] (€ cent)	100.2	(38.6)
Tangible Net Asset Value per share[5] (€ cent)	880	732
Statutory cost income ratio[5] (%)	66%	86%
Underlying cost income ratio[5] (%)	58%	64%
Return on assets[5] (bps)	68	(53)

Further information in relation to our divisional results can be found on pages 71 to 76.

Further information on measures referred to in our business segments can be found in Alternative performance measures on page 376.

1 *These financial results are presented on an underlying basis. Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 58 for further information.*
2 *Formerly Corporate and Treasury, renamed Corporate and Markets.*
3 *Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.*
4 *For basis of calculation of basic earnings per share see note 20.*
5 *The basis of calculation of key metrics provided is set out in alternative performance measures on pages 376 to 382.*

Divisional financial results *(continued)*

Retail Ireland

Retail Ireland **Income statement**	**2021 €m**	**2020 €m**	**Change %**
Net interest income	922	937	(2%)
Net other income	217	205	6%
Operating income	**1,139**	**1,142**	**-**
Operating expenses	(668)	(709)	(6%)
Operating contribution before net impairment gains / (losses) on financial instruments	**471**	**433**	**9%**
Net impairment gains / (losses) on financial instruments	30	(314)	n/m
Share of results of associates and joint ventures (after tax)	7	(3)	n/m
Underlying contribution	**508**	**116**	**n/m**
Net impairment gains / (losses) on financial instruments			
Loans and advances to customers at amortised cost	20	(300)	n/m
- Residential mortgages	*(58)*	*(23)*	*n/m*
- Non-property SME and corporate	*37*	*(217)*	*n/m*
- Property and construction	*35*	*(47)*	*n/m*
- Consumer	*6*	*(13)*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[1]	10	(14)	n/m
Net impairment gains / (losses) on financial instruments	**30**	**(314)**	**n/m**
Loans and advances to customers (net) (€bn)			
At 31 December	32.2	33.0	(2%)
Average in year	32.4	33.2	(2%)
Customer deposits (€bn)			
At 31 December	65.0	59.0	10%
Average in year	62.3	54.5	14%

Further information in relation to the financial performance of Retail Ireland can be found on page 65.

[1] *At 31 December 2021, net impairment gains / (losses) on other financial instruments (excluding loans and advances to customers at amortised cost) included an €11 million gain (2020: €14 million loss) on loan commitments, offset by a loss of €1 million (2020: €nil) on guarantees and irrevocable letters of credit.*

Divisional financial results *(continued)*

Wealth and Insurance

Wealth and Insurance **Income statement**	2021 €m	2020 €m	Change %
Net interest expense	(7)	(7)	-
Net other income	266	214	24%
Operating income	**259**	**207**	**25%**
Operating expenses	(138)	(115)	20%
Operating contribution	**121**	**92**	**32%**
Interest rate movement	(4)	(22)	(82%)
Unit-linked investment variance	38	(14)	n/m
Underlying contribution	**155**	**56**	**n/m**

Wealth and Insurance **Income statement (Market Consistent Embedded Value performance)**	2021 €m	2020 €m	Change %
New business profits	17	4	n/m
Existing business profits	122	88	39%
- Expected return	*58*	*79*	*(27%)*
- Experience variance	*19*	*19*	*-*
- Assumption changes	*45*	*(10)*	*n/m*
Interest payments	(6)	(6)	n/m
Operating profit	**133**	**86**	**55%**
Unit-linked investment variance	54	(26)	n/m
Interest rate movements	-	(27)	100%
Embedded value profit before tax	**187**	**33**	**n/m**

Embedded value

The table above outlines the Market Consistent Embedded Value (MCEV) performance using market consistent assumptions. The MCEV principles are closely aligned to the Solvency II principles and are consistent with the approach used for insurance contracts on an IFRS basis.

Operating profit of €133 million for 2021 was €47 million or 55% higher than 2020, primarily due to higher new business volumes and a higher benefit of assumption changes when compared to 2020.

Embedded value profit before tax of €187 million (2020: €33 million) was €154 million higher due to the impact of investment market movements on unit linked fund performance (€54 million gain) and flat investment returns on non-linked and shareholder funds compared to €27 million loss in 2020.

The table below summarises the overall balance sheet of Wealth and Insurance on an MCEV basis at 31 December 2021 compared to the value at 31 December 2020. The Value of in Force (ViF) asset represents the after tax value of future income from the existing book.

Wealth and Insurance **Summary balance sheet (MCEV)**	2021 €m	2020 €m
Net assets	562	500
ViF	759	679
Less Tier 2 subordinated capital / debt	(162)	(162)
Less pension scheme deficit	(61)	(115)
Total embedded value	**1,098**	**902**

Further information in relation to the financial performance of Wealth and Insurance can be found on page 66.

Divisional financial results *(continued)*

Retail UK

Retail UK **Income statement**	**2021** **£m**	**2020** **£m**	**Change** **%**
Net interest income	536	497	8%
Net other income	4	(2)	n/m
Operating income	**540**	**495**	**9%**
Operating expenses (before impairment of goodwill)	(245)	(263)	(7%)
Impairment of goodwill	-	(8)	(100%)
Operating contribution before impairment gains / (losses) on financial instruments	**295**	**224**	**32%**
Net impairment gains / (losses) on financial instruments	65	(238)	n/m
Share of results of associates and joint ventures (after tax)	(2)	(1)	100%
Underlying contribution	**358**	**(15)**	**n/m**
Underlying contribution (€m equivalent)	**418**	**(17)**	**n/m**
Net impairment gains / (losses) on financial instruments			
Loans and advances to customers at amortised cost	65	(236)	n/m
- Residential mortgages	*14*	*(26)*	*n/m*
- Non-property SME and corporate	*21*	*(26)*	*n/m*
- Property and construction	*(1)*	*(101)*	*n/m*
- Consumer	*31*	*(83)*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[1]	-	(2)	(100%)
Net impairment gains / (losses) on financial instruments	**65**	**(238)**	**n/m**
Loans and advances to customers (net) (£bn)			
At 31 December	21.9	24.5	(11%)
Average in year	22.8	25.1	(9%)
Customer deposits (£bn)			
At 31 December	15.8	18.3	(14%)
Average in year	16.5	19.3	(15%)

Further information in relation to the financial performance of Retail UK can be found on page 67.

[1] *At 31 December 2021, net impairment gains / (losses) on other financial instruments (excluding loans and advances to customers at amortised cost) included £nil million (2020: £2 million) on loan commitments.*

Divisional financial results *(continued)*

Corporate and Markets

Corporate and Markets[1] **Income statement**	**2021 €m**	**2020 €m**	**Change %**
Net interest income	682	630	8%
Net other income	191	131	46%
Operating income	**873**	**761**	**15%**
- Net interest income and business income	*839*	*770*	*9%*
- Financial Instruments valuation adjustments	*28*	*(16)*	*n/m*
- Gains on other debt instruments at fair value through other comprehensive income	*6*	*7*	*(14%)*
Operating expenses	(171)	(183)	(7%)
Operating contribution before impairment gains / (losses) on financial instruments	**702**	**578**	**21%**
Net impairment gains / (losses) on financial instruments	95	(549)	n/m
Underlying contribution	**797**	**29**	**n/m**
Net impairment gains / (losses) on financial instruments			
Loans and advances to customers at amortised cost	52	(494)	n/m
- Non-property SME and corporate	*43*	*(265)*	*n/m*
- Property and construction	*9*	*(229)*	*n/m*
Other financial instruments (excluding loans and advances to customers at amortised cost)[2]	43	(55)	n/m
Net impairment gains / (losses) on financial instruments	**95**	**(549)**	**n/m**
Loans and advances to customers (net) (€bn)			
At 31 December	18.1	16.4	10%
Average in year	17.2	16.6	4%
Customer deposits (€bn)			
At 31 December	9.1	9.3	(2%)
Average in year	9.2	9.4	(2%)
Euro liquid asset bond portfolio (€bn)			
At 31 December	14.1	15.4	(8%)
Average in year	14.8	14.9	(1%)

Further information in relation to the financial performance of Corporate and Markets can be found on page 68.

Group Centre

Group Centre **Income statement**	**2021 €m**	**2020 €m**	**Change %**
Net operating income / (expense)	8	(12)	n/m
Operating expenses (before transformation investment charge, levies and regulatory charges and impairment of intangible assets)	(363)	(368)	(1%)
Impairment of intangible assets	(1)	-	n/m
Transformation investment charge	(29)	(56)	(48%)
Levies and regulatory charges	(122)	(119)	3%
Net impairment losses on financial instruments	(8)	(2)	n/m
Underlying contribution	**(515)**	**(557)**	**(8%)**

Further information in relation to the financial performance of Group Centre can be found on page 69.

[1] Formerly Corporate and Treasury, renamed Corporate and Markets.

[2] At 31 December 2021, net impairment gains / (losses) on other financial instruments (excluding loans and advances to customers at amortised cost) included €41 million gain (2020: €49 million loss) on loan commitments, €2 million gain (2020: €4 million loss) on guarantees and irrevocable letters of credit and €nil million (2020: €2 million loss) on other financial assets.

Divisional financial results *(continued)*

Income statement - operating segments

2021	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating profit / (loss) before net impairment losses on financial instruments €m	Net impairment losses on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	Profit / (loss) before taxation €m
Divisional underlying contribution[1]												
Retail Ireland	922	-	217	**1,139**	-	**1,139**	(668)	**471**	30	7	-	**508**
Wealth and Insurance	(7)	2,019	1,370	**3,382**	(3,089)	**293**	(138)	**155**	-	-	-	**155**
Retail UK	623	-	5	**628**	-	**628**	(285)	**343**	77	(2)	-	**418**
Corporate and Markets[2]	682	-	191	**873**	-	**873**	(171)	**702**	95	-	-	**797**
Group Centre	(2)	(1)	11	**8**	-	**8**	(515)	**(507)**	(8)	-	-	**(515)**
Other reconciling items	1	-	2	**3**	-	**3**	-	**3**	-	-	-	**3**
Group - underlying[1]	**2,219**	**2,018**	**1,796**	**6,033**	**(3,089)**	**2,944**	**(1,777)**	**1,167**	**194**	**5**	**-**	**1,366**
Total non-core items												
Transformation programme costs[3]	-	-	-	**-**	-	**-**	(122)	**(122)**	-	-	-	**(122)**
IT Service Continuity Framework	-	-	-	**-**	-	**-**	(25)	**(25)**	-	-	-	**(25)**
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	24	**24**	-	**24**	-	**24**	-	-	-	**24**
Customer redress charges	8	-	-	**8**	-	**8**	(30)	**(22)**	-	-	-	**(22)**
Portfolio divestments	-	-	21	**21**	-	**21**	(13)	**8**	-	-	-	**8**
Investment return on treasury stock held for policyholders	-	-	(8)	**(8)**	-	**(8)**	-	**(8)**	-	-	-	**(8)**
Gain on liquidation of business activities	-	-	-	**-**	-	**-**	-	**-**	-	-	2	**2**
Announced acquisition transaction costs	-	-	-	**-**	-	**-**	(2)	**(2)**	-	-	-	**(2)**
Impairment of internally generated computer software	-	-	-	**-**	-	**-**	-	**-**	-	-	-	**-**
Group total	**2,227**	**2,018**	**1,833**	**6,078**	**(3,089)**	**2,989**	**(1,969)**	**1,020**	**194**	**5**	**2**	**1,221**

[1] *Underlying performance excludes the impact of non-core items (page 58).*
[2] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[3] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*

Divisional financial results *(continued)*

Income statement - operating segments

2020	Net interest income / (expense) €m	Net insurance premium income €m	Other income / (expense) €m	Total operating income / (expense) €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses €m	Operating (loss) / profit before net impairment losses on financial instruments €m	Net impairment losses on financial instruments €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities and property €m	(Loss) / profit before taxation €m
Divisional underlying contribution[1]												
Retail Ireland	937	-	205	**1,142**	-	**1,142**	(709)	**433**	(314)	(3)	-	**116**
Wealth and Insurance	(7)	1,631	238	**1,862**	(1,691)	**171**	(115)	**56**	-	-	-	**56**
Retail UK	559	-	(2)	**557**	-	**557**	(305)	**252**	(268)	(1)	-	**(17)**
Corporate and Markets[2]	630	-	131	**761**	-	**761**	(183)	**578**	(549)	-	-	**29**
Group Centre	(2)	(4)	(7)	**(13)**	1	**(12)**	(543)	**(555)**	(2)	-	-	**(557)**
Other reconciling items	(2)	-	3	**1**	-	**1**	(2)	**(1)**	-	-	-	**(1)**
Group - underlying[1]	**2,115**	**1,627**	**568**	**4,310**	**(1,690)**	**2,620**	**(1,857)**	**763**	**(1,133)**	**(4)**	**-**	**(374)**
Total non-core items												
Transformation programme costs[3]	-	-	-	**-**	-	**-**	(245)	**(245)**	-	-	-	**(245)**
IT Service Continuity Framework	-	-	-	**-**	-	**-**	-	**-**	-	-	-	**-**
Gross-up for policyholder tax in the Wealth and Insurance business	-	-	7	**7**	-	**7**	-	**7**	-	-	-	**7**
Customer redress charges	(26)	-	-	**(26)**	-	**(26)**	(13)	**(39)**	-	-	-	**(39)**
Portfolio divestments	-	-	35	**35**	-	**35**	(30)	**5**	-	-	-	**5**
Investment return on treasury stock held for policyholders	-	-	9	**9**	-	**9**	-	**9**	-	-	-	**9**
Gain on liquidation of business activities	-	-	-	**-**	-	**-**	-	**-**	-	-	13	**13**
Announced acquisition transaction costs	-	-	-	**-**	-	**-**	-	**-**	-	-	-	**-**
Impairment of internally generated computer software	-	-	-	**-**	-	**-**	(136)	**(136)**	-	-	-	**(136)**
Group total	**2,089**	**1,627**	**619**	**4,335**	**(1,690)**	**2,645**	**(2,281)**	**364**	**(1,133)**	**(4)**	**13**	**(760)**

[1] *Underlying performance excludes the impact of non-core items (page 58).*
[2] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[3] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*

Governance

Contents

Corporate Governance Statement
Chairman's Introduction

Patrick Kennedy
Chairman

Dear Shareholders,

I am pleased to present our Corporate Governance Report for 2021. The Report explains how corporate governance standards are applied across the Group and how they are overseen by the Board, how the Board operates and how the Board evaluated its effectiveness during 2021. It includes reports from the four mandatory Board committees which further illustrate how the principles of good governance are embedded.

The Board is cognisant of its role in creating sustainable, long term value for our shareholders and in contributing to wider society. The Group's role in wider society and our Purpose of enabling our customers, colleagues and communities to thrive remained at the top of all of our minds as we faced the many and continuing challenges brought about by the Coronavirus pandemic. The Group's ability to continue to operate effectively in the current environment was supported strongly by the Group's robust corporate governance framework which the Board continually seeks to enhance through regular reviews and challenge.

The Board is committed to achieving high standards of governance designed to protect the long-term interests of shareholders and all other stakeholders, while promoting the highest standards of integrity, transparency and accountability.

The Board is accountable to shareholders for the overall direction and control of the Group. The established governance framework provides for systems of checks and controls required to drive accountability and effective decision making across the Group, with appropriate policies and practices in place to ensure that the Board and its Committees operate effectively.

A key objective of the Group's governance framework is to ensure compliance with applicable corporate governance requirements. During 2021, the Group complied fully with the following corporate governance requirements:

- Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 ('Irish Code').
- Irish Corporate Governance Annex.
- Statutory Instruments 158/2014 European Union (Capital Requirements) Regulations 2014 & 159/2014 European Union (Capital Requirements) (No.2) Regulations 2014, both as amended.
- European Banking Authority (EBA) Guidelines on internal governance under Directive 2013/36/EU.
- Joint European Securities and Markets Authority (ESMA) and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU.

The Group is also subject to the 2018 UK Corporate Governance Code published by the Financial Reporting Council in the UK ('UK Code') and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange, t/a Euronext Dublin. During 2021, the Group applied the main principles and complied with all provisions of the UK Code other than in instances related to Section 3, Provision 19, the rationale and explanation for which is set out on page 87 and Section 5: Remuneration, in particular principle R and provisions 36 and 37. The rationale and explanation for non-compliance with these principles are set out below:

- due to certain agreements in place with the Irish State, the Group Remuneration Committee and the Board are restricted in their ability to fully comply with Principle R and associated provisions;
- under such agreements, the implementation of variable remuneration structures is not permitted, the Board's discretion is limited and, as such, the Board cannot comply with the recommendation to exercise independent judgement and discretion when authorising remuneration;
- should variable remuneration be introduced, the Group notes and will fully adhere to these principles and provisions in the design, implementation and operation of any future variable remuneration structures; and
- the current status of pension arrangements is considered to be fair in light of the remuneration restrictions. The pension contribution rates for executive directors, where provided, are aligned with those available to the workforce.

Coronavirus pandemic (COVID-19)

As COVID-19 continued to dominate public discourse and impact society and business during 2021, the Board continued to focus on ensuring the health and safety of our colleagues and customers, the continuity of the Group's operations and the availability and reliability of service to our customers. The majority of our colleagues worked remotely in 2021, supported by our technology colleagues, while others ensured that the safety of customers, as well as staff required at the Bank's locations, was prioritised.

The Board and the GEC continue to be strongly supported throughout the pandemic by effective risk management and business continuity management practices and processes, which are key aspects of the Group's governance framework.

Eileen Fitzpatrick, our Workforce Engagement Director, continued to provide a positive additional point of connection between the Board and the workforce during 2021. Later in the Report, we share some of the activities undertaken by Eileen during 2021. Eileen's activities, coupled with the

[1] *All Codes, Regulations, Directives, Statutory Instruments and Acts are publicly available on the respective organisations' websites.*

Chairman's introduction *(continued)*

Board's direct engagement with senior colleagues during 'visibility sessions' (held in the absence of the CEO, CFO and wider Executive team) complemented the pre-existing mechanisms through which the Board gains valuable insights into how colleagues were experiencing the pandemic and, importantly, the leadership and culture of the Group.

People and culture

Our people remain at the very core of what we do and I continue to be impressed by the great commitment shown by all of our colleagues during this global pandemic. The Board appreciates that the pandemic has continued to impact all of us personally and professionally and the way in which the Group's workforce has worked to support one another and our customers has been notable.

The Board has worked with the Executive team to ensure a continued focus on the Group's culture during 2021. The Board is satisfied that the Group's culture, its purpose, values and strategic priorities are aligned.

2021 has proved to be both a challenging but highly productive year for the Group. The decisions to acquire Davy and KBCI portfolios are considered transformative for the Group and to support strongly the Group's commercial and strategic objectives. While they both remain subject to certain regulatory and other approvals, the focus of the Board is very much on the safe and successful execution of both transactions; with a clear objective of ensuring good customer outcomes during and post-transition.

The Board appreciates that such productivity is a result of significant effort from all colleagues and the leadership of the Executive. There is no doubt that heightened activity levels against the backdrop of the pandemic will have the risk of adding further strain to the Group. The Board has been focused, with the Executive, on assessing and ameliorating organisational bandwidth through a number of initiatives including health and wellbeing initiatives, greater prioritisation and better planning and 'do-ability' assessments, focused not only on funding but importantly on capability, capacity and interdependencies.

For this reason, the Group's Open View colleague' survey, conducted in Q4 2021, was more important than ever. The survey included a broad range of employee engagement and culture topics with benchmarking data provided by a specialist engagement consultancy. I am pleased to report another high colleague participation rate during 2021.

Engagement remains stronger than pre-pandemic levels, despite a fall-back of 4 points since 2020. The Global Financial Services (GFS) benchmark for Engagement recorded a fall-back of 3 points in the last year. Culture continues to embed across the Group and remains significantly above pre-COVID levels. Despite a fall-back in the Culture Embedding Index by 2 points from 2020 levels, it continues to outperform the GFS benchmark. Positively, there was a 5 point improvement in pride reported amongst colleagues since 2019 which, during another challenging year, is reflective of the pride colleagues feel in our commitment to the Group's Purpose, in our people and teamwork, in working for a respected brand and in how the Group has supported our colleagues in working flexibly and achieving good work-life balance. Colleague psychological safety and views on Speak Up have also improved, as have all statements relating to people managers.

The Board is aware that the Group's approach to ways of working during and post the pandemic is an area of interest for colleagues and the Executive is taking due care in maintaining a watching brief on the Group and market practice to ensure safe and effective working arrangements for the workforce.

Another important aspect of our culture is embedding diversity and inclusion throughout the organisation. Gender diversity has been an area of focus for the Group at both workforce and Board level. Currently, the representation of females on our Board is at 45%.

The Group signed up to the Race at Work Charter during 2020 and is committed to meeting and in certain cases exceeding, the standards set out in that Charter, which is composed of five principal calls to action for leaders and organisations to ensure their workplaces are tackling barriers that ethnic minorities face in recruitment and progression. Supporting equality in the workplace is the responsibility of all leaders and the Board has pledged its commitment to zero tolerance for any form of racial harassment, bullying or inappropriate behaviours from any source, be it management, colleagues, customers or contractors.

For more information on Board's Diversity Policy click here or go to: bankofireland.com/about-bank-of-ireland/corporate-governance

Board composition in 2021

The composition of the Board remained unchanged in 2021 albeit the performance of Directors, the composition of the Board and the collective suitability of the Directors remains under continuous review. The Group CFO and Executive Director, Myles O'Grady, notified the Board during Q3 2021 of his intention to resign and departs the Group in Q1 2022. On behalf of the Board, I would like to recognise Myles' significant contribution to the Group during his tenure. A process is underway to appoint a successor to the Group CFO, the outcome of which will be announced to the market when confirmed.

Myles' departure reflects the increasing risk and likely growing impact on the tenure of executives in financial services arising from the continuing restrictions by the Irish Government on Irish bank boards' autonomy to determine remuneration policies that are appropriate to attract and retain talent and align executives' interests to the long term sustainable success of the bank.

The Nomination, Governance and Responsible Business Committee (NGRB) is responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable them to operate effectively. The composition of the Board remains under continuous review and the NGRB maintains a constant focus on succession planning, to ensure the continuation of a strong and diverse Board and the orderly succession of Board members, which is appropriate to the Group's Purpose and the industry within which it operates.

During 2021, the NGRB commenced a search for a new Independent Non-Executive Director (NED) with an agreed experience, skills and diversity profile, supported by external search consultancy firm Board Works Ltd which provides similar services to the Irish market and as a result has engaged on occasion with firms associated with individual Directors. Board Works Ltd has no other connection with the Company. The primary objective of the search is to facilitate orderly succession of Directors over the coming years.

Chairman's introduction *(continued)*

The Board succession plan, approved in 2021, has identified a number of decisions regarding the tenure of Directors and actions required to ensure the orderly succession of Directors over the coming years, many of which will commence in 2022.

Market experience suggests it is increasingly challenging to identify suitable individuals of high calibre with an interest in taking on a bank board position on the current terms and conditions, due to the level of scrutiny, expectation and risk associated with such positions in the current environment. The imminent introduction of the Senior Executive Accountability Regime in Ireland, whilst welcome in many ways including the clarity it brings in relation to accountability in financial services, is likely to be another barrier to attracting diverse candidates from other industries to bank boards.

Other Committee changes

Ian Buchanan joined the Group Remuneration Committee on 1 January 2022.

During 2021, reflecting the increasing importance of environmental and social activities, the Board approved the establishment of a new standalone Board-level Responsible and Sustainable Business (RSB) Committee, which commenced activities in February 2022 and will be supported by the Group's new Chief Sustainability & Investor Relations Officer. The committee will be comprised of the following four NEDs, selected with regard to, inter alia, their backgrounds, skillsets, activity levels across the Group and subject matter interest:

Director	Position on RSB Committee
Fiona Muldoon	Chair
Giles Andrews	Member
Evelyn Bourke	Member
Michele Greene	Member

Shared membership between the Board Risk Committee (BRC), vital in the context of the heavy risk focus that will be required in relation to RSB activities, particularly climate-related, will be achieved via the common membership of Giles, Evelyn and Michele. Shared membership is also achieved with the Group Audit Committee (GAC) via Fiona and Evelyn in the context of external financial and non-financial reporting.

Board and individual effectiveness evaluation

During 2021, the Board conducted the annual evaluation of its effectiveness. Having successfully concluded a comprehensive external evaluation in 2019, the 2020 and 2021 processes were internal and consisted of the completion of questionnaires by each Director and individual meetings between myself, as Chairman and the individual Directors.

In addition, Committee Chairs met with Committee Members to consider the effectiveness of their respective Board Committees and, led by the Senior Independent Director (SID), the Directors completed questionnaires and held meetings to discuss my performance as Chairman.

In summary, the 2021 evaluation confirm the continued effectiveness of the Board. The evaluation of individual directors concluded that individual directors continue to demonstrate commitments to their roles, with such commitment evidenced further during 2021 given the significantly heightened activity levels arising from the announced acquisition of Davy and KBCI portfolios. All Directors are considered to be experienced and provide objective perspective. The Board consider the effective contribution of each of the individual Directors and the Board as a whole to be important to the long-term sustainable success of the Group.

On pages 87 and 90 respectively, you will find detail on the outcome of the 2021 evaluation of the Chair's effectiveness, as well as that of the wider Board. As part of the process, we identified some areas for enhancement, details of which can be found later in the Report. Such enhancements are always welcomed and I look forward to reporting on progress on those areas in the next report.

Updates on the areas for enhancement identified in the 2020 Board effectiveness evaluation are also reported on page 91.

The Board met on 21 occasions during 2021, just one of which was in person, which reflects the continuing challenge of the pandemic. Whilst the Directors would have liked for more in-person meetings, the Board has considered it important to adhere to the Group's guidelines for the workplace which have been applied to colleagues and are aligned with applicable Government guidelines on COVID-19. The Board looks forward in anticipation to more in-person meetings in 2022, whilst at all times setting the tone from the top for our colleagues and ensuring compliance with the prevailing Government guidelines.

Looking ahead

The Board will continue to work effectively with the Executive team in 2022 to ensure continued challenge to and delivery of the Group's strategy in order to create sustainable long-term value for our shareholders. The Group's governance framework will be subject to continuous review to ensure it remains robust and facilitates effective decision making and appropriate Board oversight.

Alongside the Group's transformation agenda, the health and safety of our colleagues and customers and the Bank's wider role in the community and the successful execution of the announced acquisitions of Davy and KBCI portfolios for all stakeholders will remain top priorities.

Patrick Kennedy

Patrick Kennedy
Chairman

25 February 2022

Your Board

Board

Group Audit Committee	Board Risk Committee	Group Remuneration Committee	Nomination, Governance & Responsible Business Committee[1]	Group Transformation Oversight Committee	Group Responsible and Sustainable Business Committee[1]
Evelyn Bourke *(Chair)*	Richard Goulding *(Chair)*	Steve Pateman *(Chair)*	Patrick Kennedy *(Chair)*	Ian Buchanan *(Chair)*	Fiona Muldoon *(Chair)*
Eileen Fitzpatrick	Giles Andrews	Giles Andrews	Eileen Fitzpatrick	Giles Andrews	Giles Andrews
Richard Goulding	Evelyn Bourke	Ian Buchanan	Richard Goulding	Richard Goulding	Evelyn Bourke
Fiona Muldoon	Ian Buchanan	Eileen Fitzpatrick	Fiona Muldoon	Michele Greene	Michele Greene
Steve Pateman	Michele Greene	Fiona Muldoon		Patrick Kennedy	
	Steve Pateman				

Group Executive Committee

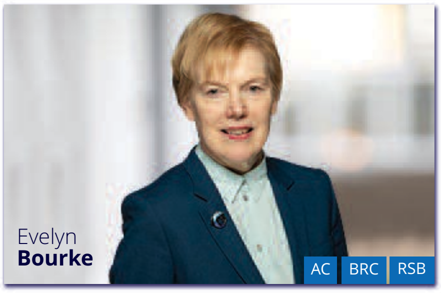
Francesca McDonagh *(Group Chief Executive Officer)*
Myles O'Grady *(Group Chief Financial Officer)*
Matt Elliott *(Group Chief People Officer)*
Gavin Kelly *(Chief Executive, Retail Ireland)*
Paul McDonnell *(Interim Chief Executive, Corporate & Markets)*
Ian McLaughlin *(Chief Executive, Retail UK)*
Sarah McLaughlin *(Group Secretary and Head of Corporate Governance)*
Jackie Noakes[2] *(Chief Operating Officer)*
Stephen Roughton-Smith *(Group Chief Risk Officer)*
Mark Spain *(Chief Strategy Officer)*
Oliver Wall *(Chief of Staff & Head of Corporate Affairs)*
Enda Johnson *(Transformation Director)*

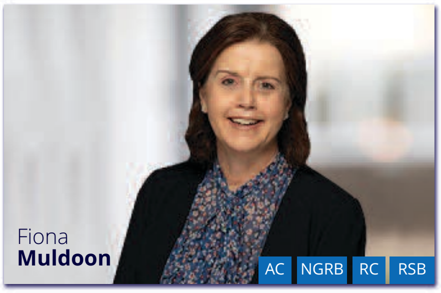
The above list reflects GEC membership on 25 February 2022, including new appointments during 2021 and early 2022. The inclusion of Paul McDonnell as Interim Chief Executive, Corporate & Markets reflects the interim arrangements in place since August 2021. It was with great sadness that the Group learned of the passing of our dear friend and colleague Tom Hayes, who had been with the Bank since 1979 and a member of the GEC since 2018. Tom had deep relationships with his colleagues and customers and his loss has been felt widely. May he Rest in Peace. The Group is appreciative of Paul stepping in since August and continuing in this role, pending the identification of a permanent successor to the role of Chief Executive, Corporate & Markets.

[1] *The Nomination, Governance & Responsible Business Committee is to be renamed the Group Nomination and Governance Committee following the commencement of the Group Responsible and Sustainable Business Committee in February 2022. Updated Terms of Reference will be available on the Group website in Q3 2022.*

[2] *Jackie Noakes departs the Group at the end of March 2022. The COO role will be restructured into a Chief Technology and Payments Officer (CTPO) role and an update on a successor to that role will be announced in due course.*

Your Board *(continued)*





Abbreviations

AC	Audit Committee
BRC	Board Risk Committee
GTOC	Group Transformation Oversight Committee
NGRB	Nomination, Governance and Responsible Business Committee
RC	Remuneration Committee
RSB	Responsible and Sustainable Business Committee

Your Board *(continued)*

Patrick **Kennedy**

Chairman and Non-Executive Director

Role
Non-Executive Director (July 2010). Chairman (August 2018, Deputy Chairman April 2015). Chair, Nomination, Governance and Responsible Business Committee (August 2018, Member from September 2014). Member, Group Transformation Oversight Committee (August 2018). Member, Risk Committee from January 2011 (Chair from July 2016) to July 2018. Member, Remuneration Committee from January 2011 to July 2016. Member, Audit Committee from from July 2016 to July 2018.

Particular Skills
Strong leadership qualities. Deep knowledge of the Group with exceptional commercial acumen. In-depth knowledge of international business, management, finance, corporate transactions, strategic development and risk management gained from a highly successful career in national and international business.

External Appointments
Chairman of CarTrawler. Non-Executive Director and Senior Independent Director of ASOS plc and Chair of its Audit Committee. Honorary Treasurer of the Irish Rugby Football Union.

Experience
Patrick was Chief Executive Officer of Paddy Power plc from 2006 to 2014, prior to which he served as an executive director from 2005 and non-executive director from 2004. Prior to joining Paddy Power plc, Patrick worked at Greencore Group plc for seven years where he was CFO and also held a number of senior strategic and corporate development roles. He previously worked with KPMG Corporate Finance in Ireland and the Netherlands, with McKinsey & Company in London, Dublin and Amsterdam and as a non-executive director of Elan Corporation plc.

Qualifications
Fellow of Chartered Accountants Ireland.

Richard **Goulding**

Deputy Chair and Senior Independent Director

Role
Non-Executive Director (July 2017). Deputy Chairman and SID (January 2021). Chair, Risk Committee (Aug 2018, Member, July 2017). Member, Audit Committee (August 2018), Nomination, Governance and Responsible Business Committee (January 2021) and Group Transformation Oversight Committee from July 2017.

Particular Skills
Extensive risk management and executive experience in a number of banks with an international profile and brings a strong understanding of banking and banking risks, with a deep knowledge of operational risk.

External Appointments
Non-executive director of Zopa Bank Limited, where he is chair of the risk committee and a member of the audit, nomination and remuneration committees. Member of the Council of the Royal College of Music in London.

Experience
Richard held the role of group chief risk officer (2006 to 2015) and director (2013 to 2015) at Standard Chartered Bank, where he was a member of the group executive committee, prior to which he held the role of chief operating officer, Wholesale Banking Division. Before joining Standard Chartered in 2002, he held senior executive positions with Old Mutual Financial Services in the U.S., UBS Warburg / SBC Warburg, London and Switzerland, Astra Holding plc. Bankers Trust Company and the Midland Bank Group, London. Richard is a former director of Citigroup Global Markets Limited where he served as chair of its audit, remuneration and nomination committees.

Qualifications
Qualified Chartered Accountant (South Africa) Bachelor of Commerce degree and a Postgraduate Degree in Finance from the University of Natal, South Africa.

Francesca **McDonagh**

Group Chief Executive Officer and Executive Director

Role
Group CEO and Executive Director (October 2017).

Particular Skills
A skilled international banker, renowned for strategic thinking and a proven track record in successfully executing strategy. A history of delivering strong financial performance coupled with leadership of transformation to drive future results. Experience in a range of senior banking roles and in a number of countries and operating structures. She brings to the Board a leadership style characterised by strong commercial results orientation, a clear strategic vision and significant customer focus.

External Appointments
Director of IBEC Company Limited by Guarantee. Chair of the Board of the Open Doors Initiative.

Experience
Francesca joined the Group from HSBC Group, where she held a number of senior management roles over a twenty-year period including Group General Manager and Regional Head of Retail Banking and Wealth Management, UK and Europe, Regional Head of Retail Banking and Wealth Management, Middle East and North Africa and Head of Personal Financial Services, Hong Kong. She has previously served on the board of the British Bankers Association, where she was Deputy Chair and on the board of the National Centre for Universities and Business in the UK.

Qualifications
Bachelor of Arts Degree in Politics, Philosophy and Economics from Oxford University. Awarded an Order of the British Empire in 2017 for services to banking. Fellow of the Institute of Banking (Ireland).

Your Board *(continued)*

Giles **Andrews**

Independent Non-Executive Director

Role
Non-Executive Director (November 2020). Member, Risk Committee, Remuneration Committee and Group Transformation Oversight Committee (November 2020). Member, RSB Committee (December 2021).

Particular Skills
Extensive experience in financial technology, investment and lending as well as strong management experience.

External Appointments
Non-executive Director of Zopa Group Limited. Non-executive Chairman of Market Finance Limited. Non-executive Chairman of Carwow Limited. Advisory role to Northzone Ventures. Chairman of the Governing Council and Trustee of the Centre for the Study of Financial Innovation.

Experience
In 2004, Giles co-founded Zopa, initially the first ever online peer-to-peer lending marketplace. In 2020, Zopa also launched as a Digital Bank. He was CEO of Zopa from 2007 to 2015, Chairman from 2015 to 2019 and remains a member of Zopa Group Board. Giles is on the boards of Carwow Limited, a platform for buying new cars from franchised dealers and Market Finance Limited, a FinTech platform that provides working capital finance to small businesses in the UK.

Qualifications
Master's Degree in Experimental Psychology from Christ Church at Oxford University. MBA from INSEAD. Awarded an OBE in 2015 for services to financial services. Named FinTech leader of the year in 2016 at the FinTech Innovation Awards.

Ian **Buchanan**

Independent Non-Executive Director

Role
Non-Executive Director (May 2018). Member, Risk Committee (May 2018) and Remuneration Committee (January 2022). Director, Bank of Ireland (UK) plc (September 2018) and a member of its Risk Committee (October 2019). Chair, Group Transformation Oversight Committee (August 2018).

Particular Skills
Extensive technology, digital, business transformation and customer operations experience gained through his work in a number of international retail, commercial and investment banks.

External Appointments
None.

Experience
Ian was group chief information officer for Barclays plc and chief operating officer for Barclaycard until 2016. Before joining Barclays in 2011, Ian was chief information officer for Société Générale Corporate & Investment banking (2009 to 2011), a member of the public board and group manufacturing director of Alliance & Leicester plc (2005 to 2008) and a member of the executive committee and chief operations and technology officer of Nomura International (1994 to 2005). Ian's earlier career was spent at Credit Suisse, Guinness and BP. Ian is a former non-executive director of Openwork Holding Limited and has been a senior advisor to Cerberus Capital Management since 2016.

Qualifications
Bachelor of Science degree in Physics from the University of Durham.

Evelyn **Bourke**

Independent Non-Executive Director

Role
Non-Executive Director (May 2018). Chair, Audit Committee (January 2021, Member, May 2018). Member, Risk Committee (January 2021). Member of the Nomination, Governance and Responsible Business Committee from May 2018 to December 2020. Member, RSB Committee (December 2021).

Particular Skills
Strong track record in global executive management and extensive experience in financial services, risk and capital management and mergers and acquisitions.

External Appointments
Non-executive director of Marks & Spencer Group plc and member of its Audit and Nomination Committees. Non-executive director of Admiral Group plc and Chair of its Remuneration Committee. Member of the Ireland Fund of Great Britain board. Non-executive Director and Senior Independent Director of AJ Bell plc and a member of its Audit, Nomination and Risk and Compliance committees.

Experience
Evelyn retired from Bupa, the international health insurance and health care group, as at 31 December 2020, having served as Group CEO since April 2016, initially on an acting basis from April to July 2016. She joined Bupa as CFO in September 2012 from Friends Life Group, where she had been the CEO of the Heritage Division. Evelyn joined Friends Provident plc (renamed Friends Life Group) in May 2009 as Chief Financial Officer. Evelyn's earlier career was spent, in the UK at Standard Life plc, Chase de Vere Financial Solutions, St. James's Place plc, Nascent Group and Tillinghast Towers Perrin. Prior to that she worked with Lifetime Assurance and New Ireland Assurance in Dublin. She was a non-executive director with IFG plc, Dublin, from 2011 to 2016, where she chaired the Risk Committee.

Qualifications
Fellow of Institute and Faculty of Actuaries. MBA from London Business School.

Your Board *(continued)*

Eileen **Fitzpatrick**

Independent Non-Executive Director

Role
Non-Executive Director (May 2019), Member, Audit Committee (May 2019), Remuneration Committee (May 2019) and Nomination, Governance and Responsible Business Committee (January 2020). Workforce Engagement Director (January 2020).

Particular Skills
Eileen has extensive capital markets and public sector experience and has held a number of senior roles in both the asset management and stockbroking industries.

External Appointments
Chairman of the Outside Appointments Board, Department of Public Expenditure and Reform. Non-Executive Director and organisational effectiveness director for a number of KKR investment management firms in Ireland. A member of the Risk and Compliance Committee of KKR. Non-Executive Director of Urbeo Residential Limited.

Experience
Eileen joined the National Treasury Management Agency (NTMA) in 2006 as a director, where she oversaw the Alternative Assets Investment Programme, for the National Pensions Reserve Fund. Eileen was subsequently appointed as head of NewERA at the NTMA, a position she held from November 2011 to January 2019. Prior to her appointment at the NTMA Eileen was Chief Executive Officer at AIB Investment Managers from 2000 to 2006. From 1987 to 2000 Eileen held a number of senior investment and stockbroking positions, including with AIB Investment Managers, Goodbody Stockbrokers, National City Brokers and Montgomery Govett. Eileen has served in a number of non- executive positions including as chairman of the Irish Association of Investment Managers, as a board member of the Chartered Accountants Regulatory Board, as a member of the Governments Top Level Appointments Committee and as a member of the Governing Body of University College Dublin.

Qualifications
PhD in Science from University College Dublin.

Michele **Greene**

Non-Executive Director

Role
Non-Executive Director (December 2019). Member, Risk Committee and Group Transformation Oversight Committee (December 2019). Member, RSB Committee (December 2021).

Particular Skills
Extensive experience of financial services and retail banking, particularly in the areas of payments, transformational and digital innovation.

External Appointments
Non-executive Director of East End Fair Finance Limited. Director of Mololo Limited, an advisory firm specialising in the use of advanced technologies for performance management.

Experience
Michele held the role of managing director of Virgin Money's Digital Bank until July 2018, prior to which she was director of strategic development, responsible for the bank's future development. Michele joined Virgin Money initially as director of banking, with responsibility for building the bank's new credit card business. Before joining Virgin Money, she was CFO of MBNA Europe where she held executive positions on the board of MBNA Europe Ltd. and Premium Credit Finance Limited. Michele's earlier career was spent at Goldman Sachs, Credit Lyonnais and KPMG. Michele was appointed as a Non-executive Director of East End Fair Finance Limited in September 2021.

Qualifications
Master's Degree from Trinity College Dublin. Fellow of Chartered Accountants Ireland.

Fiona **Muldoon**

Independent Non-Executive Director

Role
Non-Executive Director (June 2015). Member, Nomination, Governance and Responsible Business Committee (January 2019), Audit Committee (May 2020) and Remuneration Committee (October 2020), Director and Audit Committee Chair, New Ireland Assurance Company (April 2021). Member, Risk Committee (November 2016 to December 2020). Chair, RSB Committee (December 2021).

Particular Skills
Extensive financial services leadership in general management and senior finance positions both nationally and internationally. Strong commercial acumen and significant capital markets experience. Prudential regulatory leadership during the financial services crisis.

External Appointments
None.

Experience
From 2015 to 2020, Fiona was group chief executive of FBD Holdings plc and FBD Insurance plc, one of Ireland's largest general insurers. She served from 2011 to 2014 as Director of Credit Institutions and Insurance Supervision with the Central Bank of Ireland. Prior to that, Fiona spent the majority of her executive career with XL Group variously in Dublin, London and Bermuda, where she held a variety of mainly senior finance and strategic roles including as Group Treasurer. In that position she had responsibility for strategy, corporate development, rating agency relationships and debt issuance.

Qualifications
Bachelor of Arts Degree from University College Dublin. Fellow of Chartered Accountants Ireland.

Your Board *(continued)*

Myles **O'Grady**

Group Chief Financial Officer and Executive Director

Role
Group Chief Financial Officer, Executive Director (January 2020); Director, New Ireland Assurance Company (February 2021).

Particular Skills
Significant expertise working with international and domestic regulators, government and state authorities, investors, market analysis and international investment banks. Experienced across strategy development, business restructuring and recovery, Finance function transformation, investor relations and Initial Public Offerings (IPOs).

External Appointments
Director of Irish Banking Culture Board.

Experience
Myles has 30 years' experience as a finance professional with over 25 years in financial services. Prior to joining the Group he was CFO at D|Res Properties, an Irish homebuilding and property development company. Previously, he was group director of finance and investor relations at AIB, an Irish financial services group operating predominantly in Ireland and the UK. Myles' earlier career was spent at Citibank and Dresdner Kleinwort Benson.

Qualifications
Fellow of the Chartered Association of Certified Accountants, an INEAD-certified board director and member of the Institute of Directors in Ireland.

Steve **Pateman**

Independent Non-Executive Director

Role
Non-Executive Director (September 2018). Chair, Remuneration Committee (January 2020, Member September 2018). Member, Audit and Risk Committees (September 2018).

Particular Skills
Brings to the Board the strategic insights of a CEO of a UK Bank and a strong lending and credit background with deep commercial experience including the operational challenges facing lending institutions.

External Appointments
Director of ActivTrades Loans plc.

Experience
Steve serves as a Director at ActivTrades where he works on a number of strategic projects. Steve chaired the Advisory Board of Arora from January 2016 to March 2020 and became CEO for a short period before returning to the Advisory Board from which he stood down in June 2021. Previously, Steve was the CEO of Hodge Group from January 2019 to March 2020 and of Shawbrook Bank from October 2015 to December 2018. He joined Shawbrook from Santander UK, where he had been an Executive Director and Head of UK Banking with responsibility for Santander's corporate, commercial, business and retail banking operations as well as wealth management. He also held senior positions at Royal Bank of Scotland and NatWest and was a director of The Mortgage Lender Limited from May 2018 to January 2019.

Qualifications
Steve was elected as President of the Chartered Banker Institute in June 2021 having previously served as a Vice President and Senior Vice President. He was awarded an Honorary Doctorate from the University of Kent for services to banking.

Your Board *(continued)*

Chairman's tenure

Patrick Kennedy was appointed Chairman in August 2018. He was independent under the UK Code at the time of his appointment. As an existing NED, he registered service of nine years on the Board in July 2019.

In the 2019 and 2020 Annual Reports, the Board's consideration of Patrick's continued strength of leadership was outlined against the backdrop of the UK Code recommendations. The UK Code and the supporting Guidance on Board Effectiveness identify service on the Board for more than nine years from the date of first appointment as a specific consideration in the evaluation of the independence of NEDs. The Chairman is not subject to the UK Code's independence test other than on appointment. However, the UK Code recommends that the Chairman is subject to similar length of service considerations and should not remain in post longer than nine years. The UK Code provides for extension of the Chairman's tenure to facilitate succession planning and the development of a diverse Board, particularly in those cases where the Chairman was an existing NED on appointment.

The principles and provisions of the UK Code in this area are not rigid rules but instead offer flexibility through the application of its 'comply or explain' provisions and the supporting Guidance; they are considered to support maintenance of the right combination of skills, experience and knowledge on the board, supported by formal processes of appointment and annual evaluation of performance.

The 2020 Annual Report outlined the Board's rationale for Patrick's continuation as Chairman for a further period and the Board's recommendation of his re-election at the 2021 Annual General Meeting (AGM), which was subsequently approved by the Company's shareholders with greater than 98% of votes cast in favour of his re-election. The Company consulted with shareholders regarding an appropriate extension of Patrick's tenure under the principles and provisions of the UK Corporate Governance Code during 2020. The outcome of this consultation was reported in our 2020 Annual Report. The position, outlined and supported by shareholders, both during consultation and in the positive voting outcome at our 2021 AGM, remains unchanged. In 2021, shareholders, representing c.50% of the Company's share capital and the Department of Finance were again consulted. The outcome of this consultation was positive, with shareholders confirming their continued understanding of and full support for the Board's position.

An overview of the Board's assessment of the key considerations on the Chairman's tenure, which was shared during the consultation, is outlined below.

The Board's assessment of the key considerations on the continuation of the Chairman's tenure

Patrick Kennedy's appointment as Chairman in August 2018 was governed by a rigorous process led by the SID with external benchmarking by Egon Zehnder which rated him as an exceptional candidate for the role. His performance in the role in the three years since his appointment - from his refocusing of the Board agenda, the innovation he has brought to the Board's engagement with customers and staff, his structured approach to engagement with institutional shareholders and regulators, through to his leadership during the COVID-19 pandemic - has confirmed his exceptional qualities as Chairman.

Patrick's positioning as an internal candidate for the chairman arose out of a planned process of succession. As part of that succession planning, he had the opportunity to serve on each major Board Committee, including Chair of the Risk Committee and Deputy Chair until July and August 2018 respectively. His years of experience of Bank of Ireland prior to his appointment as Chairman, which are calculated in the assessment of tenure, are precisely what provided him with the detailed understanding of the business which, in the view of the Board, underpins his current success in the role.

With seven out of eleven Board directors at January 2022 having been appointed within the last four years, the factors which were regarded as relevant to Patrick's original selection as Chairman continue to be key Board considerations. These include: the significant level of change in Board membership which underlines a need for continuity on strategic issues and integration of new Board members into a coherent and effective team; and the complementary nature of Patrick's knowledge and experience of the Irish environment, embracing all stakeholders including Customers, Regulators and the Government.

Patrick has demonstrated exceptional commitment to Bank of Ireland and continues to bring very strong leadership to the Board. As the business embraces continuing significant internal change, including strategic acquisitions, the ongoing transformation of its culture and a multi-year programme of investment in systems and against a background of substantial change at Board level and within the executive team, his very detailed understanding of the business provides continuity of institutional knowledge and his continuing tenure provides desirable stability in the direction of the business.

As referenced in the Chairman's opening statement, the risk arising from the continuing restrictions enforced by the Irish Government on Irish bank boards' autonomy to determine remuneration policies that are appropriate to attract and retain talent and align executives' interests to the long-term sustainable success of the banks, is likely to have a growing impact on the tenure of executives; this goes further to supporting Patrick's continuing tenure and resulting stability for Bank of Ireland.

In relation to the senior management team, having regard to the relatively recent appointment of the CEO in 2017 and the imminent departure of the Group CFO in Q1 2022, the Board is satisfied that there is no issue of significant concurrent service arising as a governance concern.

Patrick combines a detailed understanding of the Group with exceptional commercial acumen gained from a highly successful career in national and international business. He continues to demonstrate clear independence of mind and objective judgement. He has focused on strong succession at Board level with appointments of directors with experience of banking, technology, transformation and government policy. He has promoted diversity and constructive challenge amongst Board members and has reinforced relationships with the Group's stakeholders. His commercial skills and the knowledge he has acquired of banking are unusual in an Irish-based director. An independent review of his role provided by Praesta to the Board in January 2020 assessed him as a first-class Chairman, rated very highly by all Board members, which was reinforced in the internal review of his performance in role reported to the Board in both January 2021 and January 2022.

Your Board *(continued)*

Recommendation to shareholders

At the time of his appointment, the Board's expectation was that Patrick would serve two three-year terms, in line with the tenure of previous Chairman's and the Board's views on succession planning and the need for retention of corporate memory as other long-standing directors leave the Board in the near future. The Board has carefully considered the implications of the UK Code and, in line with the recommendation made in 2021, remains of the view that Patrick's tenure should be extended for up to a further period to 2024 to allow his services to be retained in the best interests of the Company and its shareholders and subject always to annual performance assessments and to annual re-election by shareholders at the Company's AGM.

The Board has carefully considered its succession plan over the short to medium term and has given due consideration to the process through which an appropriate successor to Patrick would be identified and the timeframe thereof. It is intended that the process to select an external third-party firm to work with the SID and the wider NGRB on the search would commence in the second half of 2022. The Board will keep shareholders informed on the matter of the Chairman's performance and his tenure in future Annual Reports.

The Board believes Patrick provides valuable knowledge and experience of the customer, regulatory and political environment and necessary continuity during a period of significant change and challenge during the COVID-19 pandemic. As such, the Board considers it appropriate for Patrick to remain in role for a further period and will be recommending his re-election at the 2022 AGM. The Company will continue to consult with shareholders on the matter of tenure as appropriate.

Board committees

The Board is assisted in the discharge of its duties by a number of Board Committees, whose purpose it is to consider, in greater depth than would be practicable at Board meetings, matters for which the Board retains responsibility. Each Committee operates under terms of reference approved by the Board. Appropriate cross-membership of key Board Committees, including between the Audit and Risk Committees and Remuneration and Risk Committees, is ensured. The NGRB formally reviews the composition and purpose of the Board Committees annually on behalf of the Board.

The minutes of all meetings of Board Committees are circulated to all Directors for information and are formally noted by the Board. Papers for all Board Committee meetings are also made available to all Directors, irrespective of membership. Such circulation of minutes and papers are restricted should there be a conflict of interest or issues of personal confidentiality.

The terms of reference of the GAC, the BRC, the NGRB and the Group Remuneration Committee (GRC) are available on the Group's website.

For more information click here or go to: bankofireland.com/about-bank-of-ireland/corporate-governance/court-committees

In addition to the aforementioned Committees, the Board has in place a Committee, the Group Transformation Oversight Committee (GTOC), which has a mandate to support the Board in overseeing, supporting and challenging the actions being taken by management in relation to the execution of the Group's strategic transformation, focused on technology related change. As the Group pivots towards a more customer-focused, digital banking model, with greater levels of customer digital engagement and automation of servicing and processes, the Committee oversees the step change required in the Group's business and technology practices alongside changes required to optimise digital skills, organisational models and ways of working in order to deliver the right customer experience, systems and processes to deliver the desired outcomes.

As referenced earlier, the Board established a standalone Board RSB Committee in December 2021 which commenced operation in February 2022 and which will absorb and enhance the RSB responsibilities assumed by the NGRB in 2021.

In carrying out their duties, Board Committees are entitled to take independent professional advice, at the Group's expense, where deemed necessary or desirable by the Committee Members.

Reports from the GAC, the BRC, the NGRB and the GRC are presented on pages 100 to 117.

Board composition and succession

The Board comprises eleven Directors: two Executive Directors, the Chairman, who was independent on appointment, seven independent NEDs and a Director nominated by the Minister for Finance, who is deemed to be a non-independent NED. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 83 to 86.

The Board considers that a board size of ten to twelve Directors allows for a good balance between having the full range of skills necessary on the Board and to populate its committees and retaining a sense of accountability by each Director for Board decisions. The Board acknowledges that this number may go below ten or beyond twelve for a short term as may be required to accommodate succession planning activities and to ensure the timely induction and development of new Directors.

The NGRB ensures a formal, rigorous and transparent procedure when considering candidates for appointment to the Board and maintains continuous oversight of the Board's composition to ensure it remains appropriate and has regard for its purpose, culture, major business lines, geographies, risk profile and governance requirements.

Both on an individual and a collective basis, the Directors are considered to have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and that high corporate governance standards are maintained. The NGRB leads the process for appointments to the Board and ensures plans are in place for orderly succession to both the Board and Executive positions.

The process has regard for the impact of expected retirements of Directors and the Group's desired culture and its strategic direction. As part of the process, the NGRB approves a detailed role profile, based on its analysis of the skills and experience

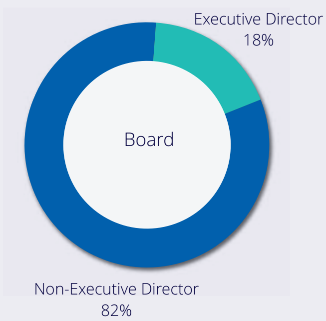
Your Board *(continued)*

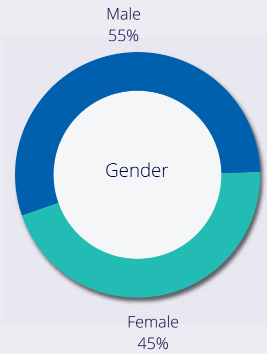
needed and selects, where appropriate, an external search firm to facilitate the process. The NGRB ensures that a comprehensive due diligence process is undertaken, which includes the candidate's self-certification of probity and financial soundness, external references and external checks. The due diligence process facilitates the NGRB in satisfying itself as to the candidate's independence, fitness and probity and capacity to devote sufficient time to the role before making a formal recommendation to the Board. Regulatory assessment and formal approval is required and received for all Board appointments.

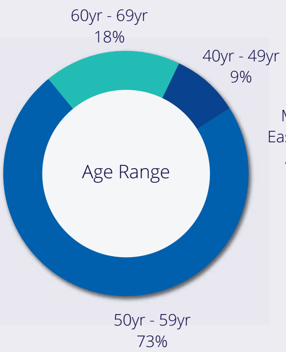
A Board-approved Policy for the Assessment of Directors, which outlines the Board appointment process, is in place and is in accordance with applicable joint guidelines issued by ESMA and the EBA.

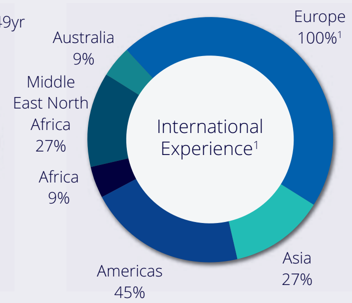
Diversity

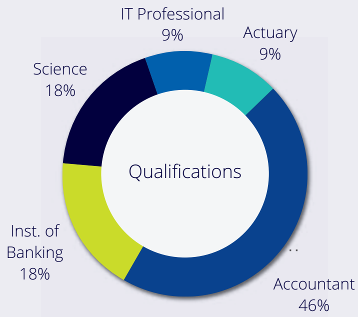
The Board is fully committed to diversity in all forms and truly believes that diversity is an essential ingredient of sound decision-making. As of 1 January 2022, the Board comprises 45% female representation. The Board's approach to diversity in all its forms is set out in the Board Diversity Policy, which has retained the specific gender target of maintaining a minimum of 33% female representation on the Board, with a medium term aspiration of achieving broadly equal gender representation on the Board. The following provides an overview of the current Board profile.











Education and Development Sessions delivered in 2021

The following development and education sessions were facilitated remotely during the year:

- Customer listening sessions
- Cyber Security;
- Cyber Defence Alliance Briefing;
- Anti-money Laundering and Counter-terrorism Financing;
- Credit Impairments;
- Industry Insights on Cloud technologies;
- Contributing to Solving Climate Change: Science-Based Targets; and
- Senior Executive Accountability Regime.

In addition to collective education and development programmes in 2021, individual Directors actively engaged in one-to-one or working group sessions with management on various topics. The Board is also advised of external development opportunities on a quarterly basis and during 2021, many directors attended external briefings on various topics including:

- Regulatory Developments - Insights for Banking;
- Post-COVID-19 workforce of the future;
- COVID-19 Accelerated Digital Adoption;
- Individual Accountability, UK Experience;
- Economic Outlook;
- Retail, digital by design;
- ESG on the board agenda;
- UK Directors' Legal Duties in relation to Climate Change External;
- Charting a path to Net Zero in banking & Investor perspectives on ESG communications;
- Climate Change Risk Management and scenario analysis;
- Cyber Trends; and
- Remuneration Trends.

[1] *International experience shows Directors with experience in more than one geographical location.*

Your Board *(continued)*

The Board's Professional Development and Continuous Education Programme

- Formal Induction Programme: A suite of induction documentation is furnished to all incoming Directors to facilitate their understanding of how the Group operates and the key issues that it faces. A series of meetings with senior management are arranged on matters such as Group and Divisional strategy, the Group's Risk Appetite and Group Risk Framework, the regulatory environment, people strategies, technology and operations, capital and liquidity management and the Group's financial position. The induction programme is supplemented with an additional bespoke programme, developed in conjunction with the incoming Director, to address any specific requirements.

- Continuous Education Programme: The continuous development requirements of the Board and individual Directors is informed by the outcome of annual effectiveness reviews, the annual review of the collective skillset of the Board, emerging external developments and areas the Board has identified for further focus. The Continuous Education Programme is delivered through varying means and facilitated by internal and external experts where appropriate. The approach to Directors' induction and continuous development is set out in a Board-approved Director Induction, Training and Development Policy which is reviewed annually by the NGRB.

- Subject to constraints imposed by COVID-19 restrictions, site visits across the Group including meetings with colleagues and customers.

Assessing the effectiveness of the Board

The Board seeks to continually enhance its operations and, each year, conducts a formal effectiveness evaluation of the Board, Board Committees and individual Directors. In addition to reviewing the Board's operations, composition and overall effectiveness, the evaluation reviews past performance with the aim of identifying possible opportunities for improvement, determines whether the Board and its Committees are, as a whole, effective in discharging their responsibilities and in the case of individual Directors, determines whether each Director continues to contribute effectively and to demonstrate commitment to their role. The Board is required to have an external evaluation conducted once every three years; an external review will take place during 2022. The Group last had an external evaluation conducted by Praesta Ireland in 2019 which concluded positively regarding the effectiveness of the Board, the Committees and individual Directors. An internal process was undertaken in 2020 and 2021. The outcome of the 2020 review was reported in the 2021 annual report and a report on progress against opportunities identified for improvement in 2020 is set out on page 91. Details of the 2021 evaluation are set out below.

The 2021 internal evaluation comprised:
- an online survey of Directors which sought their views on a range of topics across the Board and Board Committees:
- one-to-one meetings between the individual Directors and the Chairman;
- one-to-one meetings between Committee Members and the Committee Chairs;
- an online survey of Directors which sought their views on the performance of the Chairman;
- a meeting of the Board in the absence of the Chairman to discuss the Directors' views on the performance of the Chairman;
- a meeting of the NEDs only to discuss their views on the performance of the CEO; and
- consideration of the final Review Reports at the Board and Board Committees and agreement on actions to ensure continued enhancement.

The scope of the internal evaluation included:
- consideration of the Board Composition and Competence;
- assessment of the Board Strategy and the Board's approach to risk taking during 2021;
- evaluation of the Board's Culture and Behaviour;
- appraisal of Board engagement and its discharge of its responsibilities;
- consideration of the Board's response to COVID-19;
- consideration of the Board's approach to and consideration of, the two announced acquisitions of Davy and KBCI portfolios;
- an overall assessment of the Board's effectiveness during 2021;
- a summary of the Board's expected priorities for the coming year; and
- an appraisal of how each Board Committee discharged its responsibilities under various, Committee-specific headings during 2021.

Chairman

Each Director completed an online survey and attended one-to-one meetings with the SID, Richard Goulding, which sought their views on the performance of the Chairman. Led by the SID, the Board then met to discuss the outcome of the survey in the absence of the Chairman. The SID subsequently provided an update on the positive outcome of the review to the Chairman. Patrick Kennedy is considered to be a highly effective Chairman and continues to provide very strong leadership to the Board. The Board confirmed its continued support for Patrick Kennedy and his continuation in office, including his proposal for re-election at the 2022 Annual General Meeting (AGM). Further details on the Chairman's tenure can be found on page 87.

Individual Directors

The Chairman met with Directors on a one-to-one basis to discuss their individual performance, taking account of their feedback submitted in advance of the meetings on a number of topics including their individual contributions and performance at the Board. The Chairman assessed each Director as being fully effective, with all Directors demonstrating strong commitment to their role, noting that in 2021 they were each required again to go above and beyond their normal required time commitment to the role. Their individual contributions continue to be important to the company's long-term sustainable success.

Your Board *(continued)*

2021 Conclusion

The findings of the Board and Board Committee evaluations were reviewed by the Group Secretary. The summary findings were then shared and discussed with the Chairman and feedback on each of the Committees was shared with the individual Committee chairs. Feedback on individual Directors was shared directly by the Chairman. The results culminated in a consolidated report on the findings of the full evaluation process being presented to the Board in January 2022.

The outcome of the evaluation was positive. Overall the effectiveness of the Board and its Committees continued to be enhanced year on year. The key themes identified through the Board evaluation as having contributed to the Board's effectiveness in 2021 included the Board's flexibility, dedication and diversity accompanied by a strong transparent senior management team, complemented by a strong Chairman. The Board evaluation also identified the following areas for enhancement:

i. continued and further improvement in the quality and consistency of the Board papers and presentations;
ii. the strength of the commercial and customer focus in deep dives conducted into each business division; and
iii. incorporation of a longer-term risk management discussion on the Board agenda.

Progress against the 2020 external Board Effectiveness Evaluation actions

A summary of the Board's progress against the actions arising from the 2020 internal effectiveness review are set out below:

- quality and consistency of Board papers: The Group Secretary, the Group CEO's Office and the People Services' learning team engaged with Accenture to design a tailored training programme for circa 150 senior leaders who write and present papers to the Boards and Board Committees throughout the Group, including the boards of major subsidiaries. Emphasis Training, a highly respected training partner, delivered the training programme. A new Paper Template and Style Guide was issued to the Group in December 2021 which specifies requirements of the Board with regard to Board papers. Work will continue to ensure enhanced paper quality and consistency during 2022; and
- greater focus on the Group's RSB agenda: Greater focus on the RSB agenda was ensured via the inclusion of RSB activities in the NGRB terms of reference and work programme during 2021, along with enhanced reporting and training at the Board. The establishment of a standalone RSB committee at Board level in early 2022 will further enhance the focus on what is an increasingly important topic.

Board Focus in 2021

The Board held 21 meetings during the year ended 31 December 2021. Further details on the number of Board and Committee meetings and attendance by individual Directors are set out on page 118.

While not intended to be exhaustive, below is a high level overview of a number of matters considered by the Board and Board Committees during 2021:

Regular updates
- Chair's activities.
- CEO activities and key areas of focus.
- Business and financial performance.
- Organisational Balanced Scorecard: Performance relative to strategic, financial and non-financial key performance indicators.
- Risk Management.
- Board Committee activities.

Financial
- 2020 full year results.
- 2021 half-year results and interim management statement.
- Impairments.
- Funding and Liquidity Policy.
- Internal Capital Adequacy Assessment.
- Internal Liquidity Adequacy Assessment.
- Financial and investment plans.
- Cost and Efficiency.

Environment
- Investor relations.
- Economic environment.
- Stakeholder engagements.

Risk management
- Group Risk Appetite Statement.
- Risk Policies and Frameworks.
- Group's Remuneration Policy.
- Group Recovery Plan.
- Regulatory interactions.
- General material risks, including those related to Brexit, COVID-19 and the wider macro economy.
- Non-financial risk.
- AML and combating of financing of terrorism updates.
- The UK Control environment and conduct risk.
- Risk assessments of the two announced acquisitions.
- Risk assessment of the closure of RoI and NI branches.
- Risk Mitigation Plan action progress updates and approval requests.

Your Board *(continued)*

Strategy
- Announced acquisition of Davy.
- Announced acquisition of KBCI portfolios.
- Digital Relationship Bank.
- Transformation programme.
- Progress implementing the Group's 2018–2021 strategy.
- The approach to a strategy refresh 2021-2024 including a clear focus on 'what' the strategy is and 'how' it will be delivered.
- UK strategy programme.
- Irish Retail Mortgage Market.

Governance
- Key Board governance policies and documents.
- Corporate governance frameworks.
- Board, Committee and Individual Directors Effectiveness Evaluation.
- Endorsement of Material Risk Takers (MRTs) and Key Function Holders (KFHs).
- Subsidiary oversight.
- Tracking of agreed actions.

Culture and values
- Group Culture Programme.
- Colleague engagement and culture survey outcomes.
- Talent and capability updates.
- Customer call listening.
- Workforce Engagement Director Reports on colleague engagements.
- Customer Effort Scores and Net Promoter Score.
- Financial Wellbeing.

Roles and Responsibilities

Role of the Board

The Group is led by an effective and committed Board of Directors, who are collectively responsible for the long-term success of the Group.

The Board's role is to provide leadership of the Group within the boundaries of risk appetite and a framework of prudent and effective controls which enable risk to be identified, assessed, measured and controlled.

The Board sets the Group's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Board ensures that the Group's purpose, values, strategy and culture are all aligned and reviews management performance in that regard.

The Board is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group and monitoring on an ongoing basis their appropriateness for the role. The removal from office of the head of a 'control function', as defined in the Irish Code, is also subject to Board approval.

The respective roles of the Chairman and the Group CEO, which are separate, are set out in writing and have been agreed by the Board.

The Board has a schedule of matters specifically reserved for its decision which is reviewed and updated regularly.

The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types. Further information on risk management and the Board's role in the risk governance of the Group is set out in the Risk Management Report on pages 113 to 117.

The work of the Board follows an agreed schedule of topics which evolves based on business needs and is formally reviewed annually by the Board.

Role of the Chairman

The Chairman oversees the operation and effectiveness of the Board, including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Board. He also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards. The Chairman commits a substantial amount of time to the Group and his role has priority over any other business commitment.

Role of the Deputy Chair and Senior Independent Director

The Deputy Chair adopts the role of Senior Independent Director (SID) and deputises for the Chairman as required and is a Trustee of the Bank Staff Pensions Fund. The SID provides a sounding board for the Chairman and serves as an intermediary for the other directors and shareholders if they have concerns that contact through the normal channels of Chairman, Group CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. As appropriate and when required, the SID meets a range of major shareholders in order to develop a balanced understanding of their views. The SID leads the evaluation of the Chairman in conjunction with the other Directors and would normally take responsibility for an orderly succession process for the Chairman working closely with the NGRB.

Your Board *(continued)*

Roles and Responsibilities *(continued)*

Role of the Independent Non-Executive Director

The NEDs (including the Chairman and the Deputy Chair) bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity. As reported, Michele Greene has been designated as non-independent by virtue of her nomination by the Minister for Finance; however, the Board believes, based on her performance to date, that she too brings independent challenge and judgement to the deliberations of the Board. During the year, the Chairman and NEDs met without the Executive Directors present, to discuss a range of business matters.

Executive Directors

Executive Directors have executive functions in the Group in addition to their Board duties. The role of Executive Directors, led by the Group CEO, is to propose strategies to the Board and, following challenging Board scrutiny, to execute the agreed strategies to the highest possible standards.

Role of the Group CEO

The Group CEO is responsible for execution of approved strategy, holds delegated authority from the Board for the day to day management of the business and has ultimate executive responsibility for the Group's operations, compliance and performance. Procedures are in place to review the Group CEO's contract at least every five years.

Matters Reserved for the Board

While arrangements have been made by the Directors for the delegation of the management, organisation and administration of the Group's affairs, certain matters are reserved specifically for decision by the Board. The schedule of matters reserved for the Board is reviewed at least annually, to ensure that it remains relevant and to reflect any enhancements required under evolving corporate governance requirements and industry best practice.

The Directors have access to the advice and services of the Group Secretary, who advises the Board on matters relating to governance, ensuring good information flows and comprehensive practical support for Directors. She maintains the Group's Corporate Governance Framework and communicates with shareholders as appropriate, ensuring due regard is paid to their interests.

The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from, or additional to, that available in the normal board process. Both the appointment and removal of the Group Secretary is a matter for the Board as a whole.

The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required.

Committees of the Board have similar access and are provided with sufficient resources to undertake their duties.

The Group has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors.

Stakeholder engagement

Board understanding of views of major shareholders

To facilitate the Board's understanding of the views of major shareholders, Directors receive an investor relations update from management at all scheduled Board meetings. The content of this update is varied, based on recent investor activities, but typically includes market updates, details of recent equity and debt investor interactions, share price and valuation analysis, analyst updates and share register analysis. All Directors are facilitated to ensure that they are informed of the views of investors and analysts. The Chairman met with a number of major shareholders to discuss governance matters and delivery of strategic priorities and progress in delivering transformation.

During 2021 and early 2022, the SID consulted with shareholders on the matter of the Chair's tenure, details of which are reported on page 87.

The Board was updated on the outcome of the Chairman's discussions and the SID shareholder consultation. The Chairman and / or the SID are available to all shareholders if they have concerns that cannot be resolved through the normal channels.

Institutional equity investors and analysts

Communication with shareholders is given high priority. One of the responsibilities of the Chairman is to ensure effective communication with shareholders and to ensure that Directors develop an understanding of the views of major investors. Group Investor Relations has primary responsibility for managing and developing the Group's external relationships with existing and potential institutional investors and analysts. The Group has an active and well-developed Investor Relations programme, which involves regular meetings by Executive Directors, selected Senior Executives and the Director of Group Investor Relations and other authorised officers with the Group's principal institutional shareholders, other investors, financial analysts and brokers. During 2021, over 400 such meetings and presentations were held. All meetings with shareholders are conducted in such a way as to ensure that price-sensitive information is not divulged. A dedicated Debt Investor section of the Group website provides access to relevant information, including presentations, publications and bond tables.

Your Board *(continued)*

Stakeholder engagement *(continued)*

Retail shareholders

The Group Secretary's team, supported by the Group's Registrar, Computershare Investor Services (Ireland) Limited ('Computershare'), maintains the Group's share register, engages with retail shareholders and delivers the Group's AGM and EGMs as required. With the assistance of Computershare, the Group addresses shareholder queries and, through its online facilities, enables shareholders to view their portfolio and amend their information securely.

Annual and Extraordinary General Meeting

The AGM provides an opportunity for shareholders to hear directly from the Board on the Group's performance and strategic direction. The general aim of the Board is to make constructive use of the AGM and shareholders are encouraged to participate in the proceedings.

The 2021 AGM was held on 25 May 2021 in Baggot Plaza, 27 - 33 Upper Baggot Street, Dublin 4.

Due to the Government restrictions in place to combat COVID-19 at the time and in order to ensure the health and safety of the Group's colleagues, shareholders and service providers, the 2021 AGM was held remotely. In order to facilitate shareholder engagement, questions were invited from shareholders in advance of the AGM, which were each responded to directly. An overview of shareholder questions received and the responses provided, was shared at the AGM for the benefit of all shareholders.

The Company's Extraordinary General Meeting (EGM) was held on 19 January 2021 to facilitate the migration of the Company's Participating Securities (as defined in the Migration of Participating Securities Act 2019) from the CREST system to the settlement system operated by Euroclear Bank SA/NV in order to ensure, post-Brexit, that the Company's Shares can continue to be settled electronically when they are traded on Euronext Dublin and the London Stock Exchange and remain eligible for continued admission to trading and listing on those exchanges.

The EGM was held in similar circumstances to the 2021 AGM as the COVID-19 pandemic and related Government restrictions were heightened across Ireland and the UK.

At the 2021 AGM and the 2021 EGM, separate resolutions were proposed on each substantially separate issue and voting was conducted by way of poll. The results of every general meeting, including details of votes cast for, against and withheld on each resolution, are posted on the Group's website and released to the Irish and London Stock Exchanges. As soon as the results of the 2021 AGM and 2021 EGM were calculated and verified, they were released to applicable exchanges, as set out above and were made available on the Group's website. At both the 2021 AGM and 2021 EGM all resolutions passed, with no resolution receiving less than 97.36% approval.

In line with the Group's policy to issue notice of the AGM 20 working days before the meeting, notice of the 2021 AGM was circulated to shareholders on 21 April 2021. The EGM Notice was circulated to shareholders 20 working days in advance, on 17 December 2020. It is usual for all Directors at the time of the AGM and any EGM to attend. All members of the Board attended the 2021 AGM and 2021 EGM remotely, albeit the opportunity for them to respond directly to shareholder questions was unavailable at that time, due to the COVID-19 restrictions.

The 2022 AGM is scheduled to be held on 26 May 2022. The means through which the AGM will be held will be solely dependent on the prevailing COVID-19 situation in Ireland and the related Government guidelines.

Customers

The Group's aim is to serve customers brilliantly by being the number one bank for service and having the best brand in our target markets including supporting our partnerships in the UK. The Board consistently reviews the strategy, receives updates on implementation and reviews progress as part of the governance process.

The Group's approach to customer engagement and progress against customer metrics through which the experience of customers when dealing with the Bank is assessed, is a key focus for the GEC. Customer outcomes is a key focus area required of all formal governance across the Group. The Board receives regular updates on progress against customer metrics and reports from the Group CEO, the Chief Marketing Officer and the respective business CEOs. In addition, its understanding of customers' perspectives is informed by deep dives on customer themes and customer complaints and in the absence of visits by Directors to customer call centres due to COVID-19, other tools to enable the Board to hear customer voices at first hand.

Prior to the emergence of COVID-19, Directors met with customers directly, reflecting the importance of 'serving customers brilliantly' in our strategy. A key focus area for the Board during 2021 was in reviewing, challenging and receiving regular updates on the operational plan in place to support Customers who were experiencing difficulties in the face of COVID-19, through payment breaks and other means.

Colleagues

The Board receives regular updates on the progress of the Group Culture Programme and reviews the outputs from the Group's Open View staff surveys and receives updates on progress in implementing actions in response to staff feedback. The Board pays particular attention to the Group Code of Conduct and Speak Up Policy and the NGRB reviews their effectiveness annually. The Board strives to create an environment in which staff are encouraged to speak up where they have any concerns. During 2021, Fiona Muldoon actively sponsored the Group Code of Conduct and Speak Up Policy on behalf of the Board. This role transitioned in December 2021 to the Group Audit Committee Chair in line with a transition of oversight responsibilities from the NGRB to that Committee.

During 2021, the Board met virtually with senior managers from across the Group in 'Visibility Sessions', which form part of the annual Board programme of work which is considered and approved each year.

Due to the global pandemic, Directors were unable to conduct site visits and engage directly with colleagues on the ground. The 2022 Board programme of work continues to incorporate engagement

Your Board *(continued)*

Stakeholder engagement *(continued)*

with colleagues and plans for opportunities both on a virtual basis or physically via site visits which will be implemented dependent on the COVID-19 situation.

As the Board-designated Workforce Engagement NED, Eileen Fitzpatrick works to enhance existing engagement and feedback mechanisms between the Board and the workforce and to strengthen the 'employee voice' at the Board. The Workforce Engagement Director WED role operates under formal terms of reference and reports regularly to the Board on direct feedback from colleagues across the Group. This direct colleague connection supplements various existing regular feedback and reporting mechanisms on culture and behaviour to the Board and is intended to further assist the Board in understanding colleague concerns and where relevant enhance colleague-centred decision making.

During 2021, Eileen undertook a number of valuable activities which provided great insights for the Board and facilitated further consideration of the workforce in Board decisions. These activities included, but are not limited to:

- numerous 'Open Door' sessions with groups of colleagues drawn from various businesses and divisional teams and with senior management groups;
- listening sessions with various representative groups;
- feedback session on Irish Banking Culture Board (IBCB) report;
- deep dives on the Open View survey results and Speak Up and Wellbeing surveys; and
- meetings with UK colleagues and with the newly appointed UK Board Workforce Engagement Director.

Matters discussed with colleagues during the WED sessions include the Group's response to the COVID pandemic, the Group's Ways of Working during and post the pandemic and organisational bandwidth. As referenced earlier in the Report, the Board is aware that the Group's approach to Ways of Working post the pandemic is an area of interest for colleagues and the insights from the WED's engagements, the Open View colleague survey and reports from the Executive are helpful when the Board is considering these matters. In the Chair's Introduction, he acknowledges the heightened activity levels experienced during 2021 and referenced the Board's focus with the Executive on assessing and ameliorating organisational bandwidth through a number of initiatives – again, the WED sessions provided further direct insights for the Board which informs its discussions and decision-making process.

Regulators and Government

The Chairman and members of the Board regularly meet with representatives from the regulators and government bodies, including the Joint Supervisory Team (JST), the CBI, BoE, Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA), ECB and the Department of Finance. Core themes discussed at these meetings include regulation and supervision, risk governance and oversight, challenges facing the banking industry, strategic challenges and rebuilding trust and culture. The Chairman and Group CEO update the Board on their meetings with regulators and government bodies at each Board meeting. Management provides regular briefings to the Board on regulatory engagement and correspondence which ensures that the Board remains aware of regulatory expectations and areas of focus.

Communities

The Group's communities are those where it has a physical presence, where colleagues live and work, as well as other local and global groups and partners.

The Group supports the wider community through its community investment programme, Begin Together, its support of local enterprise and through its financial wellbeing programmes as well as playing an active role in society.

Begin Together was launched in February 2020. The Fund provides valuable investment for community initiatives making a difference in towns and villages across the island of Ireland. In 2021 the Fund, working with the Community Foundation for Ireland, granted between €3,000 and €20,000 to 59 projects encompassing financial, mental and physical wellbeing projects included financial skills for young people, suicide prevention and physical exercise for the elderly.

The Group is conscious of and acknowledges the importance of, its role in wider society.

Board's oversight of risk management and internal control systems

Accountability and audit

The Report of the Directors, including a going concern statement and a viability statement, is set out on pages 119 to 121. This Corporate Governance Statement forms part of the Report of the Directors.

Board responsibility

The Board is responsible for overseeing the Group's risk management and internal control systems, which are designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations and to review the effectiveness of same.

In establishing and reviewing the risk management and internal control systems, the Directors carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity, the likelihood of a risk event occurring and the costs of control. The process for identification, evaluation and management of the principal risks faced by the Group is integrated into the Group's overall framework for risk governance. The Group is forward-looking in its risk identification processes to ensure emerging risks are identified. The risk identification, evaluation and management process also identifies whether the controls in place result in an acceptable level of risk. At Group level, a consolidated risk report and risk appetite dashboard is reviewed and regularly debated by the BRC and the Board to ensure satisfaction with the overall risk profile, risk accountabilities and mitigating actions.

The report and dashboard provide a monthly view of the Group's overall risk profile, key risks and management actions, together with performance against risk appetite and an assessment of emerging risks which could affect the Group's performance over the life of the operating plan.

Your Board *(continued)*

Information regarding the main features of the internal control and risk management systems is provided within the risk management report on pages 150 to 193. The Board concluded that the Group's risk management arrangements are adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

Control systems

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms;
- three lines of defence approach to the management of risk across the Group: line management in individual businesses and relevant Group functions, central risk management functions and Group Internal Audit (GIA);
- Board and Management Committees with responsibility for core policy areas;
- a set of policies and processes relating to key risks;
- reconciliation of data consolidated into the Group's financial statements to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the financial position and results of the Group are appropriately reflected, through compliance with approved accounting policies and the appropriate accounting for non-routine transactions;
- Codes of Conduct setting out the standards expected of all Directors, officers and employees in driving an appropriate, transparent risk culture;
- a Risk Control Self-Assessment framework, where risks are logged, managed and mitigated across the first-line, with clear reporting, escalation and second-line oversight. Action plans are developed and implemented to address any control deficiencies;
- a comprehensive set of accounting policies; and
- a compliance framework incorporating the design and testing of specific controls over key financial processes.

The Group operates a comprehensive internal control framework over financial reporting with documented procedures and guidelines to support the preparation of the consolidated financial statements.

The main features are as follows:

- a comprehensive set of accounting policies relating to the preparation of the annual and interim financial statements in line with IFRS as adopted by the EU;
- an independent internal audit function with responsibility for providing independent, reasonable assurance to key internal (Board, Group and Subsidiary Audit and Risk committees and senior management) and external (Regulators and external auditor) stakeholders on the effectiveness of the Group's risk management and internal control framework;
- a compliance framework incorporating the design and testing of specific controls over key financial processes to confirm that the Group's key controls are appropriate to mitigate the financial reporting risks;
- a robust control process is followed as part of interim and annual financial statements preparation, involving the appropriate level of management review and attestation of the significant account line items and where judgements and estimates are made, they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;
- the Annual Report and Interim Report are also subject to detailed review and approval through a structured governance process involving Senior and Executive finance personnel;
- summary and detailed papers are prepared for review and approval by the GAC covering all significant judgemental and technical accounting issues, together with any significant presentation and disclosure matters; and
- user access to the financial reporting system is restricted to those individuals that require it for their assigned roles and responsibilities.

Reviews by the Board

The effectiveness of the risk management and internal control systems is reviewed regularly by the Board, the GAC and the BRC, which also receive reports of reviews undertaken by Group Risk and GIA. The GAC receives reports from the Group's external auditor (which include details of significant internal control matters that they have identified) and has separate discussions with the external and internal auditors at least once a year without Executives present, to ensure that there are no unresolved issues of concern.

Continuous improvement

The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of CRD V. They have been in place for the year under review and up to the date of the approval of the annual report. The Group continues to work towards compliance with the Basel Committee on Banking Supervision (BCBS) 239 risk data aggregation and risk reporting requirements and continues to actively manage enhancements.

The Group's controls frameworks are continuously improved and enhanced, addressing known issues and keeping pace with the dynamic environment. Progress continues to be made in operational (including IT and Information Security), regulatory and conduct risks. The 2021 internal control assessment provides reasonable assurance that the Group's controls are effective, or that, where control weaknesses are identified, they are subject to management oversight and action plans. The GAC, in conjunction with the BRC, following an assessment of whether the significant challenges facing the Group are understood and are being addressed, concluded that the assessment process was effective and made a positive recommendation to the Board in that regard.

Board Governance

Conflicts of interest

The Board has an approved Conflicts of Interest Policy which sets out how actual, potential or perceived conflicts of interest are to be identified, reported and managed to ensure that Directors act at all times in the best interests of the Group. This policy is reviewed on an annual basis.

The Group Code of Conduct, which applies to all employees and Directors of the Group, clarifies the duty on all employees to avoid conflicts of interests. The Code of Conduct is reviewed on an annual basis and communicated throughout the Group.

Time commitment

The Group ensures that individual Board Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Company and the Bank have each been classified as 'significant institutions' under CRD. During the year ended 31 December 2021, all

Your Board *(continued)*

Directors were within the directorship limits set out for significant institutions under CRD.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of NEDs can be inspected during normal business hours by contacting the Group Secretary. Directors are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, NEDs are normally required to sit on at least one Board Committee, which involves the commitment of additional time. Certain NEDs, such as the Deputy Chair, SID and Committee Chairs, are required to allocate additional time in fulfilling those roles.

Before being appointed, Directors disclose details of their other significant commitments along with a broad indication of the time absorbed by such commitments. Before accepting any additional external commitments, including other directorships that might impact on the time available to devote to their role, the agreement of the Chairman and the Group Secretary, or, depending on the nature of the proposed commitment, the full Board, must be sought. In certain cases, advanced CBI approval must also be sought.

Proposed new external commitments are assessed against conflicts of interest, over boarding and time commitment considerations. Any new external commitments proposed by the Chairman require SID and Group Secretary approval in the first instance and, depending on the nature of the proposed commitment, the Board and CBI approval in advance.

During 2021, all Directors complied with the Board-approved process and sought approval in advance where required. A number of Directors took on additional external roles during 2021, following receipt of the requisite advanced approvals. Details of Directors external roles can be found on pages 83 to 86 and 97.

The Group has an obligation to report the reasons for permitting significant appointments. The following appointments which took place during 2021 and early 2022 are considered significant in terms of additional external appointments.

Evelyn Bourke sought approval in advance for non-executive directorship roles on the Boards of AJ Bell (March 2021) and Admiral Group plc (April 2021). In considering whether to approve these external roles, the NGRB and the Board gave due and careful consideration to actual, potential or perceived conflicts of interest, the risk of 'over boarding', whether the additional roles would impact Evelyn's ability to commit the requisite time to her Group duties and CRD directorship limitations. The Board was satisfied that there was no issue of concern that should impede Evelyn from proceeding and that the roles could be managed in accordance with the Board-approved policy. Evelyn also took up the role of Senior Independent Director at AJ Bell in January 2022. In the 2020 Report we shared details on Evelyn's appointment to the Marks & Spencer Group plc Board in February 2021, where she is a member of the Nomination and Audit Committees.

Patrick Kennedy sought approval in advance for a non-executive directorship role, to include the role of Audit Committee Chair and Senior Independent Director, on the Board of ASOS plc. In considering whether to approve this external role, in the absence of the Chair, the NGRB and the Board gave due and careful consideration to actual, potential or perceived conflicts of interest, the risk of 'over boarding' in the particular context of his role as Chairman, whether the additional roles would impact Patrick's ability to commit the requisite time to his Chairman duties and CRD directorship limitations. The Board also considered the Irish Code requirements and the need for advance approval from both the CBI and the JST. The Board was satisfied that there was no issue of concern that should impede Patrick from proceeding and that the role could be managed in accordance with the Board-approved policy. The external role has been approved by the Regulators and Patrick joined the ASOS plc Board on 13 January 2022.

All Directors are reminded of their obligations under the Board's Conflicts of Interest Policy when approved for any external roles and such roles remain under regular review. In accordance with the Group's listing obligations, an RNS was issued to the market to advise of Evelyn and Patrick's appointments.

Balance and Independence

The Board has determined that all nine NEDs in office at 31 December 2021 were independent in character and judgement and free from any business or other relationships with the Group which could affect their judgement. Michele Greene has been deemed non-independent as a consequence of her nomination for appointment to the Board by the Minister for Finance. Having regard for the nature of the individual and her contribution to the Board since appointment, the Board remains satisfied that in carrying out of her duties as a Director, Michele exercises independent and objective judgement without external influence.

Term of appointment and re-election of Directors

NEDs are normally appointed for an initial three-year term, with an expectation of a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing fitness and probity. Any continuation in term beyond two three-year terms is considered on an annual basis and will have regard for a number of factors including performance, independence, the Board's succession planning needs over the medium to long term and the best interests of the shareholders.

A NED's term of office will generally not extend beyond nine years in total unless the Board, on the recommendation of the NGRB, concludes that such extension is necessary due to exceptional circumstances. In such a situation the Board will document its rationale for any continuance and so advise the CBI in writing as required under the Irish Code.

In respect of Executive Directors, no service contract exists between the Company and any Director which provides for a notice period from the Group of greater than one year. None of the NEDs have a contract of service with the Group.

It is Group practice that, following evaluation, all Board Directors are subject to annual re-election by shareholders. All Directors retired at the AGM held on 25 May 2021. The following Directors, being eligible, offered themselves for election/re-election and were elected at the AGM in 2021:

- Giles Andrews
- Ian Buchanan
- Evelyn Bourke
- Eileen Fitzpatrick
- Richard Goulding
- Michele Greene
- Patrick Kennedy
- Francesca McDonagh
- Fiona Muldoon
- Myles O'Grady
- Steve Pateman

Your Board *(continued)*

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details and any other relevant information in the AGM documentation to enable shareholders to take an informed decision on their election. The 2022 AGM is scheduled for 26 May 2022 and, in line with previous AGMs, all Directors will retire from office at the date of the AGM and may choose to offer themselves for re-election.

Organisational structure

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review. These governance arrangements provide systems of checks and controls to ensure accountability and drive better decision-making and also include policies and practices which ensure that the Board and its Committees operate effectively.

The Group's overall control systems include a clearly-defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Board, which support the maintenance of a strong control environment. Corporate and capital structure is a matter requiring Board approval. In accordance with section 225(2) of the Companies Act 2014, the Directors acknowledge that appropriate structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations (as defined in section 225(1)) have been put in place. The Board reviews annually the corporate legal structure of the Group and any changes to the structure of the Group effected since the Board's previous review.

Group Executive Committee

The most senior executive committee in the Group, the GEC, acts in an advisory capacity to the CEO and assists the CEO in the management and leadership of the Group on a day to day basis, making decisions on matters affecting the operations and performance of the Group's business and the delivery of the Board approved strategy. It is supported by a number of senior executive committees, encompassing:

- Executive Risk Committee, which supports the GEC and Board in, inter alia, overseeing the material risks of the Group, taking a holistic approach to overseeing the effective management of risk (financial & non-financial) and monitoring the overall risk profile of the Group, as well as compliance with risk appetite and other approved policy limits;
- Group Asset and Liability Committee, which oversees the strategic direction of the Group's assets and liabilities and the profit and loss implications of balance sheet management actions and considers the appropriate allocation of capital, funding and liquidity and market risk resources;
- Group Transformation Committee, which monitors progress on the Group's strategic transformation agenda, encompassing culture, systems and business model initiatives, ensuring they are fully aligned with the Group's Strategy, Purpose and Values and that all strategic transformation initiatives have clearly defined business and customer outcomes, along with appropriate mechanisms to track and report progress;
- Group Data Management Board, which oversees the development of standards, metrics and tolerances for data quality with the application of an adequate data control environment to support effective management within the Group's risk appetite; and
- Announcements Committee, which, oversees compliance with the Group's Market Abuse Regulation obligations.

Summary biographical details on each of the GEC members are set out below.

The Committee's purpose is to assist the CEO in leading the Group's day to day operations and developing and leading the execution of the Group's Strategy in line with the Group's Purpose to enable its customers, colleagues and communities to thrive. The CEO and CFO, both Executive Directors of the Board, are members of the GEC.

In addition to the two Executive Directors, Francesca McDonagh, CEO and Myles O'Grady, CFO, whose bios can be found on pages 83 to 86, the GEC is currently composed of the following members:

Matt Elliott
Chief People Officer
Matt Elliott was appointed to the role of Chief People Officer for the Group in February 2019. He is responsible for transforming the culture of the Bank and developing a company where colleagues thrive.

Prior to that he was Group People Director with Virgin Money. Under Matt's leadership, Virgin Money successfully acquired and integrated Northern Rock. Matt was part of the executive team who successfully listed the company on the London Stock Exchange and created a company widely acknowledged to be a cultural leader in the UK.

A passionate advocate for inclusion and diversity, Matt appeared as a leading ally in the 2018 Financial Times lists for gender, ethnicity and LGBT+, the only leader to appear in all three lists.

Gavin Kelly
Chief Executive Officer, Retail Ireland
Gavin was appointed Retail Ireland CEO in March 2018. He oversees the provision of banking products and related financial services to personal, business and wealth management customers and the New Ireland Assurance Company.

Gavin joined Bank of Ireland in 2007 and has held a number of senior management positions. He was President of the Banking and Payments Federation, Ireland (BPFI) from January 2019 to December 2020.

Enda Johnson
Transformation Director
Enda Johnson was appointed to the new role of Transformation Director for the Group in February 2022. He is responsible for driving the simplification agenda and ensuring strategy is delivered consistently across the Group.

Prior to joining Bank of Ireland, Enda was Interim CFO with Virgin Money, having previously held the role of Group Corporate Development Director for CYBG PLC. Enda led the acquisition of Virgin Money by CYBG PLC and broader strategic planning in the Group. Prior to Virgin Money / CYBG Enda held a number of senior strategy, corporate development and investment banking roles at AIB, the NTMA and Merrill Lynch. Enda is a graduate of Brown University with degrees in Engineering and Economics and is a Main Board Trustee for Action for Children.

Your Board *(continued)*

Paul McDonnell
Interim Chief Executive Officer, Corporate & Markets
Paul joined Bank of Ireland in 1986 and held various roles in Retail Banking, Business Banking and Private Banking before joining the Corporate Division in 2002. Paul was appointed Head of Property Finance in 2010 with responsibility for large property exposures in the commercial and residential property sectors in Ireland, the UK & the USA; he was also responsible for Corporate Lending activities in Great Britain. He previously held the role of Head of International Property Finance with responsibilities across London, Frankfurt and New York. Paul is a graduate of UCD and is a member of the Institute of Taxation in Ireland.

Ian McLaughlin
Chief Executive Officer, Bank of Ireland (UK)
Ian was appointed CEO of Bank of Ireland (UK) plc and Retail UK Division in December 2019. Ian has over 25 years' financial services experience, having joined Bank of Ireland from Royal Bank of Scotland, where he held the roles of Managing Director, Home Buying and Ownership and Managing Director Specialist Banking. Prior to this, he held a number of senior management roles at Lloyds Banking Group and Zurich Financial Services.

Sarah McLaughlin
Group Secretary & Head of Corporate Governance
Sarah joined Bank of Ireland as Group Secretary & Head of Corporate Governance in September 2019. Sarah is responsible for assisting the Chairman in establishing the policies and processes the Board needs in order to function properly, in ensuring that these are complied with and advising the Board on all governance matters. Sarah previously held the role of Group Secretary & Head of Corporate Governance at AIB Group plc, having held a variety of roles across corporate governance, finance and private banking.

Jackie Noakes
Group Chief Operating Officer
Jackie was appointed as Chief Operating Officer in August 2018. In her role as Chief Operating Officer she oversees a range of services across technology, infrastructure and operations. Jackie is also a Group NED of Bank of Ireland (UK) plc.

Jackie has held a number of senior positions in the financial services sector, most recently at Legal & General (UK) as CEO of Mature Savings.

Stephen Roughton-Smith
Chief Risk Officer
Stephen Roughton-Smith joined Bank of Ireland in December 2021 as Group Chief Risk Officer. Stephen has over 30 years' risk and leadership experience working across large and medium-sized UK and global financial institutions, having joined Bank of Ireland from Belmont Green Finance, where he held the role of Chief Risk Officer at this Fintech-orientated mortgage lender. Prior to this, Stephen held a number of senior positions in international financial services organisations including: Head of Credit Risk for the Abu Dhabi Investment Authority, Deputy Chief Risk Officer at Lloyds Bank and UK Chief Risk Officer with ABN AMRO. In addition, he led teams through periods of strong growth and significant economic uncertainty and has operated both at Board and Executive Committee level. Stephen is a Chartered Accountant (ACA) with a BSc. Honours in Physics and MPhil in Semiconductor Physics.

Mark Spain
Chief Strategy Officer
Mark was appointed Chief Strategy Officer in April 2019 and to the Group Executive Committee in July 2019. He previously held a number of senior management positions in the Group including Director of Group Investor Relations, Director of Group Finance and most recently UK Commercial Director. Mark is also a Group NED of Bank of Ireland (UK) plc. Mark has more than 30 years' experience in financial and accounting roles.

Oliver Wall
Group Chief of Staff & Head of Corporate Affairs
Oliver joined Bank of Ireland as Group Chief of Staff in 2017, taking on additional responsibility as Head of Corporate Affairs in 2019. He joined the Bank from HSBC, where he was Head of External Affairs UK and Europe. Oliver previously held a range of roles in both the public and private sectors, including working in the Department of The Taoiseach. Oliver represents the Bank as a Director on the Irish Banking Culture Board.

Subsidiary governance

The interaction between the Group Board and the boards of our strategically significant subsidiaries is closely monitored. The Chairman meets regularly with the Chairs of these subsidiaries in order to ensure good communication and alignment and attends a number of subsidiary board meetings during the year. Enhanced engagement between Subsidiary Committee Chairs and the equivalent Group Committee Chairs was arranged during 2021 and will continue into 2022 and beyond. The Group Board receives reports conducted on the effectiveness of these significant subsidiaries. Ian Buchanan is also a NED of Bank of Ireland (UK) plc and a member of its Risk Committee. Fiona Muldoon is also a NED of New Ireland Assurance Company plc and Chair of its Audit Committee.

The Chairs of Group Board Committees attend the equivalent committees of the strategically significant subsidiaries once a year, where possible. Similarly, the respective subsidiary Board Audit and Risk Committee Chairs attend and present at the Group Audit and Risk Board Committees annually to provide an account of the subsidiary Board Committees activities in these important areas.

In 2021, the Board reviewed the Group Subsidiary Governance Policy including the New Subsidiary / Entity process document, which sets out the key aspects of the Group's governance and oversight mechanisms, clear escalation routes where issues may arise to ensure they are addressed and governance standards required of subsidiary entities. It also includes the required procedure should any party in the Group wish to set up a new Group subsidiary or entity in which the Group will have a controlling interest.

The Group's corporate simplification programme, designed to remove a number of subsidiaries from the Group, made further progress in 2021 with the dissolution of 4 companies. The purpose of this programme is to simplify the corporate structure of the Group with a view to generating efficiencies and cost savings and reducing risk.

Report of the Nomination, Governance and Responsible Business Committee

Patrick Kennedy
Chair

Dear Shareholders,

On behalf of the Group Nomination, Governance and Responsible Business Committee (the 'Committee' or the 'NGRB') I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2021.

Committee responsibilities

At a high level, the Committee leads the process for appointments and renewals for the Board and Board Committees; makes recommendations to the Board in respect of the appointment of Key Function Holders; ensures plans are in place for the orderly succession to both the Board and GEC positions and oversees the development of a diverse pipeline for succession; ensures the Bank's corporate governance practices are consistent with Irish and international best practice corporate governance standards; oversees subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries; and provides oversight of the Group's Responsible and Sustainable Business (RSB) Strategy and implementation of the UN Principles for Responsible Banking (UNPRB).

The inclusion of RSB in the Committee's mandate in 2021 reflected the increasing importance of and priority focus being applied to RSB, across the Group. Good progress has been made and the Board has decided to further enhance the Board's focus on and oversight of RSB, through the establishment of a standalone Board-level RSB Committee during 2022. All RSB and UNPRB oversight responsibilities will transition from the NGRB to this new Committee during Q1 2022, with the support of the Group's new Chief Sustainability & Investor Relations Officer who joined the Group on 15 February 2022. The RSB Committee will report and make recommendations on RSB matters to the Board.

During 2021, oversight and approval of the Group's Speak-Up Policy and related processes, which are in place to support colleagues to confidently and confidentially raise concerns identified in the workplace, transitioned from the NGRB to the Group Audit Committee which aligned with the newly merged centre of excellence for Speak Up and Special Investigations under Group Internal Audit. The role of Sponsor of the Speak-Up Policy also transitioned to the Chair of that Committee.

Also, as part of a simplification review and an overall objective to align oversight of Conduct and Regulatory Risk policies, oversight of the Group Conflict of Interest Policy transitioned from the NGRB to the BRC.

Committee membership and meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2021 are outlined below.

Committee meetings	Eligible to attend[1]	Attended
Patrick Kennedy	8	8
Eileen Fitzpatrick	8	8
Richard Goulding	8	8
Fiona Muldoon	8	8

Committee activities in 2021

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. An internal effectiveness evaluation of the Board and its Committees was conducted during 2021 and, as part of that process, a positive outcome was reported regarding the Committee's continued effectiveness.

While not intending to be an exhaustive list of the Committee's considerations and activities in 2021, a number of areas that were subject to Committee focus during the year are outlined below.

[1] Including 2 joint meetings with the Board Risk Committee to consider certain RSB matters relating to climate risk and RSB disclosures and a briefing session on the Group's preparations for the Senior Executive Accountability Regime expected to be implemented in the Republic of Ireland in 2023.

Report of the Nomination, Governance and Responsible Business Committee *(continued)*

Matters considered and action taken by the Committee in 2021

Key issue	Committee considerations	Committee conclusion
Board Composition, renewal, succession and effectiveness	Board individual and collective skills assessment, composition, diversity, size, Directors' tenure and succession planning remained in focus during 2021, with agreed actions underway and planned for 2022. A search for a new INED with an agreed experience, skills and diversity profile commenced during 2021, supported by external search consultancy firm Board Works Ltd. Board Works Ltd provides similar services to the Irish market generally and through this work has engaged with firms associated with individual Directors on occasion. Board Works Ltd has no other connection with the Company. Committee composition and succession planning is considered as part of the overall Board succession plan. The Committee undertook a process to search for a successor to the Group CFO and Executive Director who leaves the Group in Q1 2022. The Committee approved the internal process to evaluate the effectiveness of the Board, Board Committees, the Chairman and individual Directors.	The composition of the Board remains compliant with the applicable regulations. Appropriate plans are in place for orderly succession to the Board. A process is underway to appoint a successor to the Group CFO, the outcome of which will be announced to the market when confirmed. The Committee is satisfied with the appropriateness of retaining Board Works Ltd for Board searches. An update on the outcome of that search will be provided to the market at the appropriate juncture. Committee changes during the year were made to ensure the continued enhancement and refreshment of the composition and skills profile of and succession plans for the Committees. On behalf of the Committee, the SID led a further shareholder consultation on the subject of the Chair's tenure during H2 2021. A separate report on the Chair's tenure can be found on page 87. The 2021 internal effectiveness review of the Board and its Committees was conducted and reports shared with each Committee and the Board; actions for further enhancement were agreed as required. A separate report on the outcome of the Board, Chairman and individual Directors' assessments can be found on pages 90 and 91.
Executive	The Committee considered GEC and Key Function Holder appointments, including Suitability and Fitness and Probity assessments and focused on GEC succession planning. In line with the UK Code, the Committee receives reports on the gender balance of senior management and their direct reports. Focus on ethnic diversity increased during 2021, with the Committee requesting supporting data to assess the Group's performance and enhancement actions underway in that regard.	The Committee supported the appointment of the new Group CRO who took up his role in December 2021. The Committee also worked in conjunction with the BRC to consider and support interim support and leadership arrangements pending the new Group CRO's arrival. A GEC succession plan is in place to ensure the orderly succession of GEC positions in the event of any departures; the Committee continues to work with the Group CEO and Group CPO to ensure internal talent and potential external talent are in focus and the Group is appropriately positioned to respond to any departures. The Committee considered the process to determine the appropriateness of individuals being appointed to or holding Material Risk Taker and Key Function Holder roles across the Group and made recommendations to the Board in that regard. In April 2021, responsibility for oversight of MRTs moved to the Remuneration Committee. The Group is targeting enhancements in gender and ethnic diversity representation across the workforce and the Committee continues to challenge the Executive in that regard.

Report of the Nomination, Governance and Responsible Business Committee *(continued)*

Matters considered and action taken by the Committee in 2021 *(continued)*

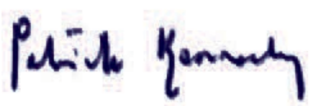
Key issue	Committee considerations	Committee conclusion
Group and Board level Governance	The Committee continued to assess the Group and Board governance arrangements and, during 2021, considered and approved, where relevant: • the Annual Corporate Governance Statement of compliance with the Irish Code for filing with the CBI; • updates on Corporate Governance Developments; • governance disclosures; • the Group's Modern Slavery Statement for publication on the Group website; • the Group's Fitness and Probity and Suitability Assessment Policy; • the Board terms of reference and Matters Reserved for the Board; • the Board Conflicts of Interest Policy; • the Director Assessment Policy; • the Board Diversity Policy and progress against targets set out therein, for publication on the Group website; • the Board Training, Development and Induction Policy.	The Committee approved changes to internal policies to ensure continued compliance with all applicable corporate governance requirements and best practice guidelines, including updated EBA Guidelines which came into force on 31 December 2021. As at 1 January 2022 there was 45% female representation on the Board. The Board Diversity Policy includes a target of ensuring a minimum of 33% female representation on the Board, with a medium-term aspiration to have broadly equal gender representation. Diversity, not just of gender but of social and ethnic backgrounds, cognitive and personal strengths are all top of mind and will continue to form part of any external director search brief. The external communication of the Group's corporate governance standards through disclosures on the Group website and the annual report was approved. The Group remains compliant with applicable regulations. More detail on the Group's compliance with corporate governance requirements can be found on pages 119 and 124.
Responsible and Sustainable Business	The Committee oversaw progress relative the Group's RSB strategy and the implementation of the UNPRB. The Committee met on two occasions during 2021 to consider the Group's implementation plan to address ECB climate-related and environmental risks guidelines and disclosures roadmap with regard to non-financial disclosures.	The Committee received updates to ensure the Group remains well positioned to meet its commitments regarding RSB, including those designed to align with the UNPRB. Consideration was given to, inter alia: (i) the approach taken to identify and assess risks and opportunities associated with climate change; (ii) the risks identified along with the proposed mitigants and risk management strategies; and, (iii) the opportunities identified for the Group in respect of the Green Transition. Good progress was made in 2021 and the enhanced focus via a standalone Board RSB Committee and increased Executive resource will facilitate greater focus of this increasingly important area during 2022 and beyond.

Report of the Nomination, Governance and Responsible Business Committee *(continued)*

Matters considered and action taken by the Committee in 2021 *(continued)*

Key issue	Committee considerations	Committee conclusion
Subsidiary Governance	The Committee continued to focus on the governance policy and practice of material subsidiaries and related appointments and succession plans. During 2021, the Committee: • oversaw appointments to and succession plans for the boards of material, regulated subsidiaries; • considered the outcome of effectiveness evaluations conducted of the boards of material, regulated subsidiaries; • considered the most appropriate composition of the Board of the Davy Group post acquisition, including appropriate Group representation on that board, which remains subject to Regulatory approval; • considered Pension Scheme trustee appointments, in line with the relevant Trust Deeds; • approved a refreshed Group Subsidiary Governance Policy and associated Guidelines, seeking to provide greater clarity to the Group and enhanced alignment with the various applicable regulations and best practice guidelines.	The Committee is satisfied that the boards of the material subsidiaries are properly composed with suitable directors and have sound governance structures. The level and nature of the Group's oversight of subsidiaries remains appropriate. Further consideration of the Group Subsidiary Governance Policy and associated Guidelines will take place in H1 2022 as part of the integration planning for Davy to consider in greater detail any specific requirements of an investment firm as a wholly-owned subsidiary of the Group.

For more information on the Committee's responsibilities click here or go to:
bankofireland.com/about-bank-of-ireland/corporate-governance



Patrick Kennedy
Chair of the Nomination, Governance and Responsible Business Committee

25 February 2022

Report of the Group Remuneration Committee

Steve Pateman
Chair

Dear Shareholders,

On behalf of the Group Remuneration Committee (the 'Committee' or 'GRC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2021.

Committee responsibilities

At a high level, the Committee is established by the Board to ensure that the Group's remuneration policies and practices are designed to support strategy and promote long-term sustainable success.

The Committee is responsible for the oversight of Group-wide remuneration policy and has responsibility for: (i) overseeing the design and implementation of the Group's overall Remuneration Policy for employees and directors, which is designed to support the long-term business strategy, values and culture of the Group as well as to promote effective risk management and comply with applicable legal and regulatory requirements; (ii) overseeing the operation of Group-wide remuneration policies and practices for all employees, with specific reference to Executive Directors, GEC Members, Heads of Control Functions, the Group Company Secretary and Material Risk Takers; and (iii) performing any other functions appropriate to a Remuneration Committee or assigned to it by the Board.

In discharging its role, the Committee must have regard for the Remuneration Restrictions enforced by the Irish Government which impacts the Committee and the Board's autonomy and ability to ensure that the Group's remuneration policies and practices are aligned to the Group's purpose and values, clearly linked to the successful delivery of the Company's long-term strategy and aligned to relevant legal and regulatory requirements.

Committee membership and meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2021 are outlined below.

Committee meetings	Eligible to attend	Attended
Steve Pateman	11	11
Giles Andrews	11	11
Eileen Fitzpatrick	11	11
Fiona Muldoon	11	11

The Committee acts independently of the Executive and comprises of Independent NEDs. At close of business on 31 December 2021, the Committee comprised four independent NEDs from diverse backgrounds to provide a balanced and independent view on remuneration matters. Ian Buchanan, a fifth independent NED, joined the Committee on 1 January 2022. The Committee's composition is compliant with the requirements and provisions of the applicable Irish, UK and EBA Governance Codes and Guidelines.

In order to ensure that remuneration policies and procedures are consistent with effective risk management, shared membership is in place between the GRC and the BRC via Giles Andrews and I, who were members of both Committees in 2021 and Ian Buchanan who joins us in 2022.

The Group Chairman, the Group CEO, Chief People Officer, Group CRO and the Head of Reward also attend meetings as appropriate and at my invitation as Committee Chair. Representatives from PricewaterhouseCoopers LLP ('PwC UK') also attend for certain topics to provide technical support and advice to the Committee in their role as remuneration adviser. Such topics included:

- remuneration benchmarking for the GEC and senior management;
- variable pay structures;
- evolving pay regulations and market pay practices;
- shareholder expectations; and
- other remuneration structures.

PwC UK was appointed as remuneration adviser by the Committee in 2020, following a review of potential advisers and the services provided. An annual review of the quality of advice was undertaken during 2021, following which the Committee agreed to retain the services of PwC UK. PwC UK is a signatory to the voluntary code of conduct in relation to remuneration consulting in the UK.

PwC UK and its network firms, provides professional services in the ordinary course of business including assurance, advisory, tax and legal advice to Bank of Ireland. The Committee is satisfied that the advice received is independent and objective and receives an annual statement setting out protocols that have been followed by PwC UK to maintain independence. There are no connections between PwC and individual Directors to be disclosed.

Committee activities in 2021

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. An internal effectiveness evaluation of the Board and its Committees was conducted during 2021 and, as part of that process, a positive outcome was reported regarding the Committee's continued effectiveness against the backdrop within which it operates. The Committee continuously highlights the challenge faced in discharging the Committee's duties and ensuring that the Group's remuneration policies and practices are designed to support strategy and promote long-term sustainable success and to ensure that executive remuneration

Report of the Group Remuneration Committee *(continued)*

is aligned to company purpose and values and clearly linked to the successful delivery of the Company's long-term strategy.

The absence of any autonomy, arising from the Remuneration Restrictions enforced by the Irish Government, greatly impacts the Committee's ability to develop policies and practices that it believes will be compliant with applicable regulation and appropriately attract and retain talent and align that talent with the long-term success of the Company and the interests of all stakeholders. In the absence of a more normalised remuneration policy, we are increasingly challenged in our efforts to attract and retain suitable executives in an increasingly competitive environment, evidenced by the recent departure of the Group CFO after a relatively short tenure. The absence of variable remuneration capability also leads to a higher fixed salary base for certain key roles where, in place of the preferred policy of a lower fixed salary base in conjunction with a variable remuneration offering assessed, inter alia, on the performance of the Group and an individual's specific contribution thereto, we have a higher fixed salary base to attract and retain key colleagues. This gap in our remuneration policy materially impacts the Board's ability to align risk and the Group's longer term strategy and business performance objectives, which is an important tool for all stakeholders. This is likely to have a growing impact on the tenure of executives.

The Committee continues to consider alternative solutions and engage with the Department of Finance to seek to ameliorate the remuneration landscape and mitigate the associated risk and hopes to have more success on that front as the impact of the restrictions on the banking industry becomes increasingly evident.

Matters considered and action taken by the Committee in 2021

Key issue	Committee considerations	Committee conclusion
Remuneration policy, including impact on the Group's risk profile.	• Approval of Group Remuneration Policy and of governance and monitoring of that policy. • Review of Group risk profile and implications of remuneration policies for risk and risk management. • Exploratory discussions on variable pay structures and engagements in that regard with the Department of Finance, as appropriate. • Review of remuneration approach for the workforce in the context of the continuing COVID-19 pandemic. • Review of subsidiary remuneration practices. • Consideration of the announced acquisition of Davy Group which operates a different variable remuneration model and approval of related aspects of the acquisition.	• Current Remuneration Policy is properly governed and implemented and does not lead to inappropriate risk taking. • Any potential incentive scheme design will be subject to removal of relevant restrictions and shareholder approval. • The GRC's desired remuneration policy continues to be the implementation of a competitive, market-aligned, performance-related remuneration model, fully compliant with regulatory requirements, which will allow the Group to clearly link Group culture and values, risk culture, customer outcomes and Group performance to remuneration and enable the achievement of the Group's strategic objectives. However, due to the Remuneration Restrictions, this has yet to be achieved. • The announced acquisition of Davy is transformative for the Group over the long-term. In 2022, the Committee will focus on remuneration aspects of the acquisition and codify how remuneration governance of Davy as a wholly-owned subsidiary will operate post acquisition.
Remuneration disclosure	• Approval of the Pillar 3 disclosures and the Remuneration Report. • Consideration of remuneration disclosures if an incentive scheme is introduced.	• Current disclosures are appropriate. • Future disclosures should reflect good remuneration practice, strong governance and shareholder expectations.
Performance and Remuneration of senior management	• Objective setting and performance appraisal of Senior Executives to inform the setting of remuneration, including for heads of independent control functions. • Review of approach to remuneration of Senior Officers in independent control functions. • Benchmarking and approval of changes to remuneration of Senior Executives (existing and incoming). • Review of Executive Director Remuneration Policy and practice, with a view to clarity, simplicity, risk predictability, proportionality and alignment to culture. • Engagement with the Department of Finance on Executive and senior management remuneration in the context of the Remuneration Restrictions.	• There is an appropriate process in place to assess the performance of Senior Executives. • Changes to Senior Executive remuneration are properly assessed and approved, including appropriate engagement with the Department of Finance where required in accordance with the Remuneration Restrictions. • Workforce remuneration is reviewed in advance of reviewing and setting Executive Director and Senior Executives remuneration. • The GRC considered the design of regulatory-compliant variable remuneration mechanisms for Executive Directors and senior management, including the alignment of remuneration with performance metrics, but was unable to progress these initiatives due to the Remuneration Restrictions.

Report of the Group Remuneration Committee *(continued)*

Matters considered and action taken by the Committee in 2021

Key issue	Committee considerations	Committee conclusion
Governance and review of remuneration practice.	• Approval of the Group Remuneration Policy. • Approval of Group Material Risk Taker Policy. • Approval of Group Material Risk Taker list and the review of Material Risk Taker suitability. • Review of workforce remuneration, top earners, staff with specific Minister for Finance approvals and compliance with remuneration restrictions. • Review of regulatory developments. • Review of internal audits relevant to remuneration policy or practice.	• There is good governance around remuneration, particularly of Executive Directors, senior management and those who could materially impact the Group's risk profile (Material Risk Takers). • The GRC has responsibility for Material Risk Takers, including their remuneration and ongoing suitability in role. This responsibility transitioned from the NGRB in H1 2021. • Due to certain agreements in place with the Irish State, the Committee and the Board are restricted in their ability to fully comply with UK Code Principle R, that Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, wider circumstances and associated provisions and guidance. Under such agreements, the implementation of variable remuneration structures is not permitted, the Board's discretion is limited and, as such, the Committee and the Board cannot be in compliance with the recommendation to exercise independent judgement in relation to remuneration matters. Should variable remuneration be introduced, the Group notes and will fully adhere to these principles and associated provisions and guidance in the design, implementation and operation of any future variable remuneration structures. • The Committee keeps aspects of remuneration and reward for the Board Chair, Executive Directors, members of the GEC and the wider employee population under review. In determining remuneration arrangements for Executive Directors, regard is given to the conditions of the wider workforce. Wider workforce engagement on pay arrangements at the Bank takes place with the Bank's Staff Representative Bodies.
Group Chairman and subsidiary NED fees	• Review of the fees paid to the Group Chairman and NEDs of subsidiary boards.	• The Group Chairman's fee remained unchanged and will be subject to detailed review and benchmarking in 2022. • Subsidiary NED fees remain unchanged and will be subject to detailed review and benchmarking in 2022. • The remuneration of Group NEDs is not a matter for the Committee and is instead reviewed by the Chairman of the Board in consultation with the Group CEO, the Chief People Officer and the Group Company Secretary. NED fees shall be determined by the Board within the limits set by shareholders in accordance with the Articles of Association. Remuneration for all NEDs should not include share options or other performance-related elements. No director should be involved in deciding their own remuneration outcome.

Steve Pateman
Chair of the Group Remuneration Committee

25 February 2022

Report of the Group Audit Committee

Evelyn Bourke
Chair

Dear Shareholders,

On behalf of the Group Audit Committee (the 'Committee' or 'GAC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2021.

Committee responsibilities

Together the BRC and the GAC oversee the Group's risk framework and internal control environment. Based on the oversight activities of the GAC and the BRC, the Committee is satisfied that a strong financial risk management and control environment is in place, with the Committee having specific focus on protecting the interests of the shareholders in relation to internal controls as they relate to financial reporting.

The Committee also evaluates the independence and performance of Group Internal Audit (GIA) and the external auditor, KPMG and considers and recommends the interim and annual financial statements to the Board for approval.

During 2021, the Committee's role was enhanced with regard to the oversight and approval of the Group's Speak-Up Policy and related processes which are in place to support colleagues to confidently and confidentially raise concerns identified in the workplace.

Committee membership and meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2021 are outlined below.

Committee meetings	Eligible to attend[1]	Attended
Evelyn Bourke	14	14
Eileen Fitzpatrick	14	14
Richard Goulding	14	14
Fiona Muldoon	14	14
Steve Pateman	14	14

The Committee met in conjunction with the BRC six times during 2021 to consider the impairment charges being applied to the 2020 financial statements and the 30 June 2021 interim financial statements.

The Committee acts independently of the Executive. All members of the Committee are independent NEDs with relevant competence in the financial sector and their biographies can be found on pages 83 to 86. The members of the Committee have extensive knowledge of financial markets, treasury, risk management and International Financial Reporting Standards (IFRS) and the Committee's composition is considered to meet all of the applicable requirements, including the need for recent and relevant financial experience and competence in accounting or auditing.

The members of the Committee maintain their knowledge base on relevant Committee matters through continuous development opportunities, Board deep dives and training. During 2021, the Committee received a briefing on the Group's progress in relation to the implementation of the IFRS 17 Accounting standard.

Common membership between the Committee and the BRC was maintained through Richard Goulding's, Steve Pateman's and my membership of both committees; this facilitates appropriate co-ordination and effective governance across key areas of internal control.

The Group Chief Financial Officer (CFO), Group Financial Controller, the Group Chief Internal Auditor (GCIA), the Group Chief Executive Officer (CEO), the Group Chief Compliance Officer and the Group Chief Risk Officer (CRO) each attend meetings of the Committee, when appropriate and at the Committee's request.

The Committee also holds private sessions with senior management. During 2021, the Committee met in private session (without other members of executive management being present) with each of the Internal and External Audit teams and with the Group CFO.

In September, the Group CFO and Executive Director, Myles O'Grady, notified the Board of his intention to resign and departs the Group in Q1 2022. On behalf of the Committee, I would like to recognise Myles' significant contribution to the Group during his tenure. A process is underway to appoint a successor to the Group CFO, the outcome of which will be announced to the market when confirmed.

Committee activities in 2021

An internal effectiveness evaluation of the Board and its Committees was conducted during 2021 and, as part of that process, a positive outcome was reported regarding the Committee's continued effectiveness.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters.

[1] *Including joint meetings with the Board Risk Committee.*

Report of the Group Audit Committee *(continued)*

While not intending to be an exhaustive list of the Committee's considerations and activities in 2021, a number of areas that were subject to Committee focus during the year are outlined below.

Group Internal Audit

In monitoring the activities and effectiveness of GIA, the Committee approved the Internal Audit Charter, the annual audit plan and budget, including resources and reviewed progress against the plan throughout the year.

The Committee received regular reports from GIA on internal audit activities across the Group which outlined details of the audit approach, management engagement and areas identified during audits for further strengthening across the Group's risk management and internal control framework. These reports also covered matters of relevance to the Committee's assessment of the effectiveness of the internal controls over the financial reporting processes. Reports are rated based on the strength of the control environment in operation, management's awareness of the risks facing their business areas and the controls in place to mitigate those risks. In conjunction with the GIA reports, the Committee considers management's responses to and the timeliness of the remediation of, identified issues.

Following the External Quality Assurance Report on the GIA function's effectiveness, undertaken by Deloitte in 2020, the Committee continued to monitor GIA's responses to the areas highlighted for further enhancement.

During 2021, responsibility for the Group's Speak-Up reporting merged with the Special Investigations Unit within GIA to form the Speak-Up and Investigations Unit (SUI). Following this merger, the Committee's responsibilities in respect of SUI were enhanced with regular reporting to the Committee during 2021. Aligned with this enhanced focus, the role of Sponsor of the Speak-Up Policy transitioned to the Chair of the Committee.

Having regard for GIA activities and the Committee's review of the extent of the work undertaken by the Finance and Risk teams across the Group, the Committee is satisfied that internal controls over financial reporting were appropriately designed and operating effectively. Full details of the internal control and risk management systems in relation to the financial reporting process are detailed within the risk management report on pages 149 to 153.

External audit

The Committee oversees the relationship with KPMG and Niamh Marshall, KPMG's lead audit partner, attends Committee meetings. KPMG was appointed as external auditor to the Group in April 2018 following an external tender process. KPMG has been re-appointed as external auditor on an annual basis since appointment.

During the year, the Committee considered KPMG's terms of engagement (including remuneration), independence and objectivity, audit quality / performance and plans for the interim review and year-end audit. The Committee also assessed KPMG's findings, conclusions and recommendations arising from the interim review and year-end audit.

Following the publication of the 2021 Financial Reporting Council (FRC) Report on KPMG UK's Audit Quality Inspection and Supervision, the Committee questioned KPMG Ireland on the report's outcome and received assurance from KPMG Ireland that all of the concerns raised were being addressed and that KPMG considered the report as an opportunity to challenge and improve their own systems and processes.

The Committee considers that appropriate safeguards are in place to protect the independence and objectivity of KPMG. The Committee operates a policy to regulate the use of KPMG for non-audit services, to ensure compliance with the revised Ethical Standards for Auditors (Ireland) 2017 from the Irish Auditing Accounting Supervisory Authority (IAASA), the FRC's revised Ethical Standards 2019 and applicable legislation.

In order to ensure the objectivity and independence of the external auditor, the policy formalises certain restrictions on the provision of non-audit services and requires that all non-audit services provided by KPMG must be approved in advance by the Committee, or, in exceptional circumstances by the Committee Chair, prior to engagement with KPMG. Additional provision is made for the approval by certain members of senior management of non-material services which are below the threshold. Annually, details of expected non-audit services for the coming year are presented to the Committee for pre-approval. Any proposed additional services exceeding these levels require additional specific pre-approval.

The fees paid payable to KPMG for the year ended 31 December 2021 amounted to €5.7 million (2020: €5.5 million), of which €0.9 million (2020: €1.1 million) was payable in respect of assurance services. Assurance services represented 16% of the statutory audit fee (2020: 24%). Further information on fees paid in respect of audit and assurance services, along with details of assurance services provided during the year are set out in note 15 to the consolidated financial statements 'auditor's remuneration'. The interim fee of €0.2 million is reflected on the assurance services line as in similar years and is included in the statutory fee.

In considering the independence and effectiveness of the external audit process, the Committee reviewed the robustness and quality of performance across key categories of process, delivery, reporting, people and service. The Committee concluded that it was satisfied with the independence, quality and performance of KPMG in respect of the year ended 31 December 2021 and recommended that the Board propose KPMG for appointment for approval at the 2022 AGM.

Niamh Marshall's term as the lead audit partner concludes in H1 2022 and a new lead audit partner will be appointed from 2022 onwards. The Committee wishes to extend its appreciation to Niamh Marshall for her engagement and constructive challenge during her tenure which included two years' operating against a backdrop of a global pandemic.

Financial reporting

A key activity for the Committee is the consideration of significant matters relating to the annual financial report, with key accounting judgements and disclosures subject to in-depth discussion with management and KPMG. The Committee provides robust challenge to key judgements in advance of making a recommendation to the Board that all financial reports are considered to be a fair, balanced and understandable assessment of the Group's financial position.

The continuation of the COVID-19 pandemic and its unprecedented impact on the global economy, the true impacts

Report of the Group Audit Committee *(continued)*

of which remain unknown, led to additional and dedicated focus by the GAC and BRC on the approach to and implementation of, a management overlay for the Expected Credit Loss (ECL) model to account for the expected impairment arising from COVID-19 impacts, prior to the publication of the interim and year-end financial statements. Much of this consideration took place in conjunction with the BRC, following which the Committees made recommendations to the Board regarding the approach and quantum of the proposed net impairment loss applied to the Group's financial statements.

The Committee also considers, provides challenge to and ultimately recommends, the annual and semi-annual Pillar III Disclosures to the Board for approval. It also considers and approves the Country-by-Country report required under the CRD IV.

Further information on some of these significant items is set out in note 2 Critical Accounting Estimates and Judgements. Overall, the Committee was satisfied that the 2021 annual report, including the financial statements, is fair, balanced and understandable.

Matters considered and action taken by the Committee in 2021

Key issue	Committee considerations	Committee conclusion
IFRS 9 and impairment of financial instruments	The Committee reviewed management papers and discussed and challenged management judgements used in determining the following based on IFRS 9 requirements: • correct classification and measurement of financial instruments; • model parameter updates incorporating Forward Looking Information (FLI); • Group management adjustments to reflect management judgement in impairment model parameters, COVID-19 Group management adjustment and other Post-Model Management Adjustments; • net impairment loss for the year; and • quantum of Non-performing exposures (NPE). The Group's approach to the measurement of impairment is set out in the Group Impairment Policy. The policy includes the Group's criteria for allocating financial instruments to stages, the method used to measure impairment for each material portfolio, core impairment model methodologies and the criteria for classifying financial assets as NPEs. The policy was approved by the Board in December 2021 on the recommendation of the Committee, following recommendation by the Group Credit Risk Committee and the Group Executive Risk Committee. The impairment models are approved for use by the Risk Measurement Committee and are maintained and executed by a specialist central unit within Group Risk. The Committee reviewed the impact of key model changes and of management overlays in response to COVID-19 made during the reporting period.	The Committee is satisfied that the classification and measurement of financial assets, stage allocations, model parameter updates (including FLI), impairment loss allowances and the net impairment loss for the reporting year, has been appropriately determined in accordance with the Group's methodologies and IFRS 9. The Committee is also satisfied that the associated disclosures were appropriate based on the relevant accounting standards including International Accounting Standard (IAS) 1 and IFRS 7. As a result of the COVID-19 pandemic and the subsequent economic impact of lockdown measures applied in the Group's key markets during 2021, in conjunction with the BRC, the Committee considered and made recommendations to the Board regarding the approach to and measurement of, the proposed net impairment gain applied to the Group's 2021 financial statements.
Retirement benefit obligations	The Committee considered management's key assumptions and judgements used in determining the actuarial values of the liabilities of each of the Group's sponsored defined benefit pension schemes under IAS 19 'Employee Benefits'. Management considered advice from independent actuaries, WTW, for the determination of significant actuarial assumptions. The key assumptions proposed by management and considered by the Committee were the discount rates and inflation rates applied in valuing liabilities in both Ireland and the UK.	The Committee is satisfied that the inflation rates, discount rates and other significant assumptions are appropriate and that the accounting for the Group's sponsored defined benefit pension schemes and related disclosures are in accordance with IAS 19.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2021 *(continued)*

Key issue	Committee considerations	Committee conclusion
Deferred taxation	The Committee considered the extent of deferred tax assets (DTA) to be recognised in respect of unutilised tax losses and in particular the projections for future taxable profits against which those losses may be utilised. In order for the Group to recognise these assets, it must be probable that sufficient future taxable profits will be available against which the losses can be utilised. The Group has prepared financial projections which are used to support the Group's Internal Capital Adequacy Assessment Process (ICAAP). The financial projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by Executive management and the Board. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA recognised arising from unused tax losses. In relation to DTAs arising from Irish tax losses carried forward by The Governor and Company of the Bank of Ireland (the 'Bank') management considered the following: • IAS 12 provides that a DTA can only be recognised when it is probable that taxable profits will be available against which the losses and deductible temporary differences can be utilised. • European Securities & Markets Authority (ESMA) guidance issued in 2019 discusses considerations regarding the reliability of forecasting and its impact on probability in the context of the DTA. • Whilst management and the Committee believe that the Bank will continue to be profitable for the foreseeable future, there was an acknowledgement of the external challenges facing the banking industry. In particular, the continued low interest rate environment along with the uncertainty around the long-term impact of COVID-19 and Brexit. Consistent with 2020, management considered that at 31 December 2021, the recognition of DTAs in respect of tax losses of the Bank should be limited by reference to the amount of losses that are expected to be utilised within a 20-year period of projected profits. This 20-year timescale is supported by forecast taxable profits and takes into account the Group's long-term financial and strategic plans and reflects the period over which management believes it can conclude that it is probable that future taxable profits will be available in the Bank. The most recent financial projections indicate a recovery period of 11 years for the Bank and thus the carrying value of DTA relating to trading losses carried forward is not required to be reduced for the year ended 31 December 2021.	The Committee discussed with management its assessment of the recoverability of the DTA and the related disclosures. The Committee agrees that the Irish DTA should be restricted to the quantum of profits expected to be recovered within the next 20 years and that the related disclosures are as required under IAS 12 'Income Taxes'.
Life assurance accounting	The Committee considered management's key assumptions and judgements used in determining the valuations of the Value of in Force (ViF) asset and insurance contract liabilities. The key assumptions in projecting future surpluses and other net cash flows attributable to the shareholder arising from business written were the interest rate and unit growth rates, lapse rates, mortality, morbidity and expenses. Interest rates and unit-growth rates are based on a range of duration-specific rates determined by a risk-free yield curve. This yield curve is provided by the European Insurance and Occupational Pensions Authority (EIOPA).	The Committee is satisfied that the significant assumptions are appropriately applied and that the accounting for the Group's ViF and insurance contract liabilities is appropriate.

Report of the Group Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2021 *(continued)*

Key issue	Committee considerations	Committee conclusion
Intangible assets - capitalisation and impairment	The Committee considered the appropriateness of management's internal controls and governance surrounding the capitalisation of costs related to internally generated intangible assets associated with the transformation investment asset. The Committee also considered management's assessment of the existence of impairment indicators in respect of the asset and the impact on the carrying value of the associated intangible assets.	The Committee considers management's view that no impairment charge should be recognised in 2021, to be reasonable and in line with the requirements of IFRS.
Viability statement	In accordance with the requirements of the UK Corporate Governance Code, the Committee considered whether it had a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment and made a recommendation to the Board in that regard. This required a robust assessment of the principal risks facing the Group, including those that would threaten its business model and future performance, solvency and liquidity.	The Committee undertook a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and concludes that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Group adopted a three-year period, having regard to existing relevant process and frameworks which are performed over time periods ranging from six months to three years.
Going concern	The Committee considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2021 on a going concern basis. In making this assessment, matters considered included the performance of the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios, including consideration of the impact of COVID-19. The considerations assessed by the Committee are set out on page 211 in the Going Concern disclosure within the Accounting Policies in note 1 to the consolidated financial statements.	On the basis of the review performed and the discussions with management, the Committee is satisfied that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment. This assessment together with the Going Concern disclosure (as set out on page 211) was subsequently approved by the Board.
IT risk	The Committee considered and discussed management's assessment of IT risks and the ongoing risk management programme to identify, rate, mitigate and report on IT risks, including GIA and KPMG's findings of the internal control environment and actions arising therefrom.	On the basis of the review performed, discussions with management and the continued operation of the comprehensive internal control framework over financial reporting, the Committee is satisfied that these risks do not impact financial reporting processes.

Report of the Group Audit Committee *(continued)*

The Committee also:

- considered the impact of the interest rate benchmark reform and the adoption of the related amendments to IAS 39 and IFRS 9;
- approved a voluntary change in accounting policy on the presentation of interest income and expense on derivatives designated as hedging instruments and discussed its impact noting that interest income or expense on derivatives designated as hedging instruments will continue to be presented in net interest income, in line with the underlying hedged asset or liability;
- agreed an accounting policy to take account of the Group's TLTRO III transactions;
- considered Group conduct matters, particularly giving consideration to management views related to the requirements, where applicable, of IAS 37;
- received a report from the Group's Money Laundering Reporting Officer on the operation and effectiveness of the systems and controls established by the Group to manage Financial Crime Compliance risk incorporating money laundering, terrorist financing, sanctions and bribery. This responsibility will move to the BRC from 2022;
- oversaw, in parallel with the BRC, the Basel Committee on Banking Supervision (BCBS) Principles for Effective Risk Data Aggregation and Risk Reporting. Responsibility for this oversight moved in full to the BRC during the course of 2021;
- dedicated time to the consideration of semi-annual Regulatory Reporting updates;
- considered updates from the Audit Committee Chairs and Head of Audit of each of the Group's material subsidiaries as well as minutes of the respective subsidiary Audit Committee meetings; and
- reviewed talent development in and succession planning for, the Finance function.

A full list of responsibilities is detailed in the Committee's terms of reference, which can be found at Board / Court Committees – Bank of Ireland Group Website.

Evelyn Bourke

Evelyn Bourke
Chair of the Group Audit Committee

25 February 2022

Report of the Board Risk Committee

Richard Goulding
Chair

Dear Shareholders,

On behalf of the Board Risk Committee (the 'Committee' or 'BRC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2021.

Committee responsibilities

At a high level, the Committee was established to advise and support the Board on risk management and ensuring that the Group's risks are properly identified, reported and assessed; that risks are properly controlled; and, that strategy is informed by and aligned with, the Group's risk appetite. It makes recommendations to the Board, or approves under delegation, certain risk matters and maintains oversight of the Group's risk profile, including setting and monitoring adherence to Group risk principles, policies and standards. The Committee oversees the Group's Risk Framework and the risk management functions, which are primarily managed on a day to day basis by the Group CRO.

Committee membership and meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2021 are outlined below.

Committee meetings	Eligible to attend[1]	Attended
Giles Andrews	25	25
Evelyn Bourke	25	24
Ian Buchanan	25	25
Richard Goulding	25	25
Michele Greene	25	25
Steve Pateman	25	25

The Committee acts independently of the Executive and comprises six NEDs, including five independent NEDs and one NED who is deemed non-independent by virtue of her nomination by the Minister for Finance who has a 5.94% holding in the Group, on behalf of the Irish State.

The Committee's composition ensures appropriate coverage of core banking skills and competence in the financial sector, with experience and expertise in risk that is considered appropriate to the scale and complexity of the Group. Committee Members have extensive knowledge of financial markets, consumer banking and risk management, with technology, digital and operational experience together with a keen awareness of the importance of taking all reasonable steps to ensure good customer outcomes. Members' biographies can be found on pages 83 to 86.

Board consideration of risk-related issues is considered to be enhanced by Members serving on more than one Board sub-committee. The BRC is required under regulation to have one shared member with each of the GAC and GRC. Given its focus on transformation activities and related risk considerations, the Group has determined that shared membership with the Group Transformation Oversight Committee (GTOC) is also appropriate.

Shared membership between the BRC and each of the GAC, GRC and the GTOC is currently maintained as follows:

Committee	Shared Members with the BRC
GAC	Richard Goulding, Steve Pateman and Evelyn Bourke
GRC	Steve Pateman, Giles Andrews and Ian Buchanan[2]
GTOC	Richard Goulding, Giles Andrews, Ian Buchanan and Michele Greene

The Group CRO has full access to the Committee and normally attends all meetings. The Group Chief Internal Auditor and members of the wider Executive also attend meetings as appropriate and at my invitation as Committee Chair.

The Committee also holds private sessions with senior management. During 2021, the Committee met in private session (without other members of executive management being present) with each of the Interim Group CRO and the Group CEO.

The former Group CRO, Vincent Mulvey, retired from the Group on 31 March 2021. Declan Murray, the former Group Chief Credit Officer, stepped in as the Interim Group CRO pending the arrival of the new Group CRO, Stephen Roughton-Smith, on 13 December 2021. We are delighted to have Stephen on board and look forward to working with him. The Committee would like to express its appreciation to Declan for his contribution during the busy interim period, which included, inter alia, consideration of two announced acquisitions and the continuation of the Coronavirus pandemic. Declan remains as Deputy Group CRO, supporting Stephen's transition to the Group.

Committee activities in 2021

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. An internal effectiveness evaluation of the Board and its Committees was conducted during 2021 and, as part of that process, a positive outcome was reported regarding the Committee's continued effectiveness.

[1] *Including 6 joint meetings with the Group Audit Committee to consider the impairment charges being applied to the 2020 financial statements and the 30 June 2021 interim financial statements and two joint meetings with the Group Nomination, Governance & Responsible Business Committee to consider ESG matters.*

[2] *With effect from 1 January 2022*

Report of the Board Risk Committee *(continued)*

While not intending to be an exhaustive list of the Committee's considerations and activities in 2021, a number of areas that were subject to Committee focus during the year are outlined below.

Significant transactions

The decisions to acquire Davy and KBCI portfolios, both of which are considered transformative for the Group and to strongly support the Group's commercial and strategic objectives, followed extensive assessment by and oversight from the BRC.

With regard to the Davy acquisition, consideration was given to a standalone assessment of the Davy's risk profile, including inherent risk, Davy's risk appetite and risk culture through a BOI lens, the incremental risk an acquisition would bring to BOI, Davy's capacity to manage its risks, BoI bandwidth and considerations as to how BoI would manage the related risk in the event of a successful acquisition. The risk assessment took place over multiple meetings and was informed also by an extensive due diligence process. The acquisition was approved by the Competition and Consumer Protection Commission (CCPC) in December 2021 and remains conditional on approval by the Central Bank of Ireland. Since the decision to acquire Davy was taken in July 2021, focus has transitioned to integration planning. BRC will consider the integration plan in terms of the outcome of the earlier risk assessments undertaken and key areas of focus identified therefrom and the strength of Davy's risk management infrastructure and related personnel.

With regard to the announced acquisition of KBCI portfolios arising from KBC Bank's planned exit from the Republic of Ireland market. The Committee's considerations included risk assessment of credit due diligence undertaken to inform a detailed profile of the assets and expected losses under base and stress conditions, which in turn informed capital requirements and pricing and the Group's risk appetite and related limits. The transaction remains conditional on CCPC and Department of Finance approvals which entered phase 2 of the investigative process in October 2021. Pending CCPC approval, focus has transitioned to the conditions of the transfer agreement which focuses on customer impact assessments, establishment of appropriate governance and migration approach, while ensuring due consideration of the customer at all times. These areas will be of priority focus for the BRC and the Board in 2022.

Non-Financial Risks

Our 2019 and 2020 reports shared details on our intention of ensuring a greater level of focus on Non-Financial Risks (NFR). During 2021, the Committee continued to support and challenge the Head of NFR and the Interim Group CRO to establish and evolve the NFR Improvement Programme (NFRIP) to further enhance the Group's operational, conduct and regulatory frameworks and capabilities.

Through the BRC-approved NFRIP, accountability for the improvement of the Bank's non-financial risk profile and NFR management capability uplift has been assigned to owners across the first and second lines of defence. The ambition is to uplift the existing risk management capabilities across operational, conduct and regulatory risk by driving a simplified, common and consistent approach and sound methodologies for the management of these risks under one overarching framework. The framework is being developed on a phased basis across (1) Operational Risk pillar; (2) Conduct and Regulatory Risk pillar; and (3) Overarching NFR Framework.

Key areas of focus during 2021 included: addressing gaps in NFR Capability & Capacity; enhancing the independent oversight and challenge afforded to NFR by the second line of defence; simplification and commonality of approach to the management of all NFR in the Operational Risk pillar of the NFR Framework; oversight of performance against key milestones on agreed paths to target across key areas of NFR; and establishing process mapping across the Group processes, laying the foundations for the next phase of delivering improved reliability in processes in 2022.

The NFRIP will remain subject to detailed oversight during 2022 and the Committee expects further progress to be made under the leadership of the new Group CRO. Further detail on the NFRIP can be found on pages 36 to 46.

Risk Management Framework

During 2021, at the request of the BRC, a detailed review and challenge of the Group's Risk Management Framework including the Group's risk taxonomy was undertaken. Through the detailed review and challenge, the BRC had required Management to ensure that (i) sound methodologies underpinned the Group's risk taxonomy and three lines of defence model; (ii) clarity was provided as to how the taxonomy is applied to managing risks across our key processes and the allocation of accountability for risk management activities; (iii) clear criteria for handling risk acceptance outside of Group Risk Appetite and risk acceptance relating to risks outside of control tolerances were established; and (iv) the Framework was accessible to all colleagues and supported the right behaviours in relation to identifying the root causes of risk events and applying the lessons learnt to improving outcomes, particularly for our customers.

The refreshed Framework was approved in July 2021, with further enhancements to the Framework required by the Committee to be delivered during 2022. Further detail on the refreshed Framework can be found on pages 150 to 157.

Deep dives on Credit risk and NFR

In addition to the more standard BRC reports and considerations and challenges, during 2021 the Committee enhanced its work programme to incorporate more detailed, forward looking deep dives across Credit Risk and NFR. Areas we probed in this context include:

Credit risk	NFR
Property & Construction	Information Technology / Information Security / Cyber Risk
UK Consumer Unsecured Loans	Conduct Risk
Corporate Banking RoI & UK (non-property)	Sourcing Risk Data Protection Fraud

Report of the Board Risk Committee *(continued)*

The Committee also held detailed discussions with the Board Risk Committee Chairs and CROs of the respective material subsidiary entities, during which we received reports from the CROs on the risk profiles and areas of focus of the subsidiary board risk committees during the year; we subsequently held a private session with each of the subsidiary board risk committee chairs in the absence of management.

A full schedule of forward-looking deep dives has been agreed for 2022.

Together, the BRC and the GAC oversee the Group's risk framework and internal control environment. Based on the oversight activities of the GAC and the BRC, the Committee is satisfied that a strong financial risk management and control environment is in place, whilst acknowledging areas requiring further improvement across NFR, which are the subject of increasing focus. More details on the Group's wider approach to risk management can be found in the risk management report on page 138.

The continuation of the COVID-19 pandemic and its unprecedented impact on the global economy, the true impacts of which remain unknown, led to additional and dedicated focus by the BRC and GAC on the approach to and implementation of, a management overlay for the Expected Credit Loss (ECL) model to account for the expected impairment arising from COVID-19 impacts, prior to the publication of the interim and year-end financial statements. Much of this consideration took place in conjunction with the GAC, following which the Committees made recommendations to the Board regarding the approach and quantum of the proposed net impairment loss applied to the Group's financial statements.

For more information on the Committee's responsibilities click here or go to: bankofireland.com/about-bank-of-ireland/corporate-governance

Further information on the Committee's other activities during 2021 is set out below.

Matters considered and action taken by the Committee in 2021

Key issue	Committee considerations	Committee conclusion
Credit risk	Credit Risk continues to be an area of focus, including in the context of the economic impact of COVID-19 and associated restrictions. During 2021, BRC considered overall credit quality and regular updates on the Group's Strategic and Operating Plan for customers impacted by COVID-19.	The level of NPEs declined slightly during 2021 as the Group deployed workout strategies and the economic impact of COVID-19 was more muted than initially expected.
Capital adequacy	Regular reviews are undertaken to ensure that Regulatory and Fully Loaded capital ratios have appropriate buffers above the Group's own minimum targets and regulatory requirements. The BRC considered the impacts of future capital requirements and capital availability and reviewed in detail the ICAAP, including under stress scenarios and with due regard to the two announced acquisitions.	The Group holds sufficient capital to meet its regulatory and business requirements over its planning horizon.
Funding and Liquidity risk	Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures and regulatory liquidity requirements. The Committee reviewed the results of regular stress testing and of the Internal Liquidity Adequacy Assessment Process (ILAAP).	The Group continues to be fully compliant and has no issues with market access or pricing.
Market risk	Regular reviews are undertaken to ensure that the Group is compliant with all risk appetite measures across credit spread risk, discretionary risk, Value at Risk (VaR) and scenario-based stress testing. The BRC reviewed the results of regular market risk reporting.	The Group risk appetite in this area remains appropriate and the Group continues to operate within that appetite.
Operational risk	Managing operational risk continues to be a key focus, due to the complexity and volume of change, the IT infrastructure, cyber risk and reliance on third party suppliers. BRC focuses on ensuring the Group has an effective framework for managing operational risk, including enhancing the use of key risk and control indicators and residual risk reporting. BRC receives regular reports on the operational risk framework and approved an updated framework reflecting enhancements aligned with the new Risk Management Framework and the NFRIP during 2021, with more work to be done in 2022.	The Group has made progress in its management of operational risk, with a renewed focus on all aspects of NFR, including operational, regulatory and conduct risks. This is strengthening the linkages and alignment of the risk management approach across these closely-related risk disciplines and ensure a coordinated uplift in capabilities. The Group will continue to focus on enhancing the maturity of the framework and internal capability during 2022.

Report of the Board Risk Committee *(continued)*

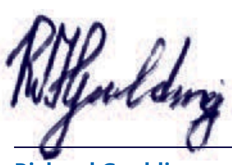
Matters considered and action taken by the Committee in 2021 *(continued)*

Key issue	Committee considerations	Committee conclusion
Regulatory & Conduct risk	Managing regulatory risk continues to be a key focus for the Group due to the complexity, pace and volume of regulatory change to be managed. The BRC continued to experience a busy regulatory and compliance agenda in 2021, as a result of ongoing regulatory interactions, coupled with a significant uplift in engagement as a result of the two announced acquisitions of Davy and KBCI portfolios. BRC also focused on ensuring adherence across the Group to policies and risk appetite and that effective controls are in place to ensure oversight of Regulatory Risk. Focus was also enhanced during 2021 on reports on progress in addressing regulatory risk mitigation plans. The effective management of conduct risk is essential to serving our customers and creating the right culture and, in 2021, the BRC considered frequent reports on the resolution of customer conduct issues, with a particular focus on tracker mortgages and consumer errors. The pace and quality of remediation remained a focus, including root cause analysis to help prevent similar issues in the future. BRC continues to consider developments in the Group's conduct culture and receive reports on conduct risk appetite performance and remediation action plans.	The Group has placed significant focus on overseeing and seeking to ensure compliance with regulatory requirements and continues to seek to ensure positive progress across a range of matters from a regulatory perspective. The ongoing enhancement of regulatory risk frameworks and a strong compliance culture will remain an area of focus in 2022, along with a continued focus on the pipeline of regulatory engagement and developments. While progress has been made in 2021 with enhanced focus on improvement of the management of consumer errors, further improvement is planned for 2022. Embedding of conduct initiatives remains a priority.
Business risk and Strategic risk	BRC recognises the risk associated with delivering the approved strategy, given the scale of the associated transformation agenda, the two announced acquisitions and meeting evolving customer and regulatory expectations. The risk is further exacerbated by uncertainties arising in the macro environment, such as Brexit and COVID-19. A strategy refresh commenced in 2021 and is due to conclude during 2022, which has been subject to ongoing risk assessment.	The Group is engaged in a significant programme to deliver its strategy. The Group acknowledges the challenge in executing its strategy effectively and progress against key milestones receives significant oversight through a number of means, including the Organisational Balanced Scorecard.
IT and Information Security	A resilient IT environment is critical to providing reliable services to customers and meeting current and future demands. The risk of cybersecurity attacks, which target financial institutions and corporates as well as governments and other institutions, remains material as their frequency, sophistication and severity continue to develop in an increasingly digital world. Alongside GTOC, the BRC considered a wide range of issues, including cyber and IT controls, technology resilience and cybersecurity programme updates. During the year, the BRC received reports regarding the major ransomware cyberattack causing the Health Service Executive of Ireland's IT systems to be shut down nationwide in May 2021. The BRC focused on the support being provided by the Bank to assist the HSE's cyber team and the lessons learned approach being taken by the Bank to reflect on the cyber-attack and review the Bank's own state of affairs and readiness to withstand a similar attack.	Whilst there has been significant improvement in cyber capability, IT resilience and transformation risk will remain areas of key focus during 2022 as the Group continues to invest in these key areas. The BRC has challenged the Information Security Path to Target established to accelerate cyber risk reduction to ensure delivery within an acceptable timeframe. The BRC also considered the risk profile for key IT and Business Process Outsourcing services that are provided to the Bank by Tier 1 Partners with resources in India given the current status of COVID-19 within the country during 2021. The approach to managing the critical situation in India and actions related to enhanced governance, monitoring and Business Continuity was challenged and noted as appropriate. The Group is satisfied that it is appropriately prioritising IT / cyber risk and security in the context of its overall strategy and priority set.

Report of the Board Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2021

Key issue	Committee considerations	Committee conclusion
People	With a substantial transformation programme, a voluntary redundancy scheme in progress and cost agenda underway, a global pandemic and remuneration restrictions in place, the BRC regularly reviewed the arrangements to manage people risk. The level of transformation and business change across the organisation, combined with a global pandemic, inevitably results in heightened people risk which has been a key focus for the BRC in 2021. People was agreed as a key risk type for the Group in July 2021; as a key risk type with potential to have material impact on the Group, management of People Risk is critical in protecting the franchise. A new Group People Risk Framework was approved to support and provide clear direction for the management of People Risks across the Group.	In 2021, People risks were mitigated and managed through collaborative work between the first, second and third lines of defence, particularly evident through the risk approach to the enhanced voluntary redundancy scheme which has reported effectively as it has been deployed during 2021. The BRC received and challenged reports on people strain, with key actions underway to mitigate such strain including a structured Group-wide wellbeing programme, a Group Operating Plan structure and process enabling enhanced prioritisation / resource allocation and some temporary resource uplift where required. The Group's People risk challenges are further compounded by the recruitment and retention challenges arising from the continuing restrictions enforced by the Irish Government on Irish bank boards' autonomy to determine remuneration policies that are appropriate to attract and retain talent and align executives' interests to the long term sustainable success of the banks. People risk will continue to be a key area of focus for the BRC during 2022.



Richard Goulding
Chair of the Board Risk Committee

25 February 2022

Attendance table

The table below reports Directors' attendance at scheduled and out of course Board and Committee meetings in 2021.

	Board		Audit Committee		Nomination Governance & Responsible Business Committee		Remuneration Committee		Risk Committee		Group Transformation Oversight Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Giles Andrews	21	21	-	-	-	-	11	11	25	25	8	8
Evelyn Bourke	21	20	14	14	-	-	-	-	25	24	-	-
Ian Buchanan	21	20	-	-	-	-	-	-	25	25	8	8
Eileen Fitzpatrick	21	20	14	14	8	8	11	11	-	-	-	-
Richard Goulding	21	21	14	14	8	8	-	-	25	25	8	8
Michele Greene	21	21	-	-	-	-	-	-	25	25	8	8
Francesca McDonagh	21	21	-	-	-	-	-	-	-	-	-	-
Patrick Kennedy	21	21	-	-	8	8	-	-	-	-	8	8
Fiona Muldoon	21	21	14	14	8	8	11	11	-	-	-	-
Myles O'Grady	21	21	-	-	-	-	-	-	-	-	-	-
Steve Pateman	21	21	14	14	-	-	11	11	25	25	-	-

Column A: Indicates the number of meetings held during the year the Director was a member of the Board and / or the Committee and was eligible to attend.
Column B: Indicates the number of meetings attended.

Report of the Directors

Results
In 2021, the Group made a profit before tax of €1,221 million (2020: loss before tax €760 million) and an after tax profit of €1,055 million (2020: after tax loss €707 million). €1,048 million (2020: loss €742 million) of profit after tax is attributable to ordinary shareholders and €7 million (2020: profit €35 million) is attributable to non-controlling interests (NCI).

Distribution policy
Consistent with the ECB Recommendation regarding the suspension of distributions for all significant institutions during the COVID-19 pandemic, the Group did not propose a distribution in respect of the 2020 financial year. Following the announcement by the ECB that it would not extend its recommendation beyond 30 September 2021, the Board has proposed recommencement of distributions.

In respect of the 2021 financial year, the Board proposed a distribution of €104 million including a dividend of €54 million, equivalent to 5 cents per share, subject to ordinary shareholder approval and an ordinary share buyback of €50 million subject to regulatory approval. The recommencement of distributions also recognises the Group's planned capital investment (c.200 basis points CET1) in the execution of the KBCI and Davy transactions. The dividend of 5 cents per share on ordinary shares will be paid on 14 June 2022 to ordinary shareholders who appear on the Company's register on 13 May 2022, the record date for the dividend, subject to shareholder approval.

The Group expects that distributions will increase on a prudent and progressive basis over time. The distribution level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments.

Group activities
The Group provides a range of banking and other financial services. The Strategic Report on pages 3 to 52 and Financial Review on pages 53 to 76 contains a review of the results and operations of the Group, of most recent events and of likely future developments.

In relation to the Group's business, no contracts of significance to the Group within the meaning of LR 6.1.77(10) of the Euronext Dublin Listing Rules existed at any time during the year ended 31 December 2021.

Principal Risks and Uncertainties
Information concerning the Principal Risks and Uncertainties facing the Group is set out on pages 138 to 149 in the Risk Management Report.

Financial risk management objectives and policies
Information regarding the financial risk management objectives and policies of the Group, in relation to the use of financial instruments, is set out in the Risk Management Report on pages 137 to 193.

Share capital
As at 31 December 2021, the Group had 1,078,822,872 ordinary shares of €1.00 each in issue, of which 3,235,852 were treasury shares. Further detail on the structure of the Group's capital is set out in note 49.

Takeover Bids Regulations
The disclosures required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 are set out in the Schedule to the Report of the Directors on page 122.

Directors
The names of the members of the Board of Directors of the Company as at 31 December 2021, together with a short biographical note on each Director appear on pages 82 to 86.

At the AGM held on 25 May 2021, Giles Andrews was elected following his appointment to the Board on 17 November 2020. Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Richard Goulding, Michele Greene, Patrick Kennedy, Francesca McDonagh, Fiona Muldoon, Myles O'Grady and Steve Pateman were re-elected.

Remuneration
See Remuneration Report on pages 125 to 136.

Directors' and Secretary's interests
The interests of the Directors and Secretary in office as at 31 December 2021 in the shares issued by the Company as disclosed to the Company are shown in the Remuneration Report on page 136.

Listing rules disclosures
Information required under UK Listing Rule LR 9.8.4C can be found on page 134 for Directors' Emoluments and above under 'Group activities' for Contracts of Significance.

Substantial shareholdings
There were 82,709 registered holders of ordinary shares of the Company at 31 December 2021. In accordance with LR 6.1.82 (2) of the Euronext Dublin Listing Rules, details of notifications received by the Company in respect of substantial interests in its ordinary shares are provided in Table 1 below as at 31 December 2021 and 25 February 2022. Other than the Directors' interests set out on page 136 there were no other interests disclosed to the Company in accordance with the Market Abuse Regulation and Part 5 of the Transparency Regulations and the related transparency rules during the period from 31 December 2021 to 25 February 2022.

For information on acquisition or disposal of own shares, refer to note 49.

Table: 1	31 December 2021 %	25 February 2022 %
Ireland Strategic Investment Fund (ISIF) / Minister for Finance	7.97	5.94
Blackrock, Inc.	6.95	7.03
Norges Bank	4.98	4.98
AllianceBernsterin L.P.	4.93	4.93
Marathon Asset MGMT Limited	3.24	3.24
Orbis Investment Management Limited	3.07	3.07
Schroders PLC	3.06	3.06

Report of the Directors *(continued)*

Authority to purchase own ordinary shares
At the AGM held on 25 May 2021, the members gave the Company and any of its subsidiaries, the authority to make market purchases up to c.10% of its own ordinary shares. This authority will expire on close of business on the date of the AGM of the Company in 2022 or on 25 August 2022, whichever is earlier.

Any such purchases would be made only at a price level that the Directors considered to be in the best interest of shareholders generally, after taking into account the Company's overall financial position and regulatory capital obligations and requirements. In addition, the authority provides that the minimum price which may be paid for such Shares shall not be less than the nominal value of the Shares and the maximum price shall be the higher of 105% of the average market price of such ordinary shares and the amount stipulated by Article 3(2) of Commission Delegated Regulation (EU) 2016/1052.

Corporate governance
The Company is subject to the 2018 UK Corporate Governance Code published by the Financial Reporting Council in the UK (the 'UK Code') and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange, t/a Euronext Dublin.

The Corporate Governance Statement forms part of the Report of the Directors. Statements by the Directors in relation to the Bank's compliance with the CBI's Corporate Governance Requirements for Credit Institutions 2015, (the 'Irish Code') and additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the CRD IV), respectively, are set out on pages 78 to 121.

Directors' Compliance Statement
As required by Section 225 of the Companies Act 2014, as amended, of Ireland, the Directors acknowledge that they are responsible for securing the Company's compliance with its 'relevant obligations' (as defined in that legislation). The Directors further confirm that a compliance policy statement has been drawn up and that appropriate arrangements and structures have been put in place that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. A review of those arrangements and structures has been conducted in the financial year to which this report relates.

Political donations
Political donations are required to be disclosed under the Electoral Acts 1992 to 2014. The Directors, on enquiry, have satisfied themselves that there were no political donations made during 2021.

Branches outside the State
The Company has no branches established outside the State. The Bank has branches in the UK, France, Germany, the US and Spain.

Going concern
The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for 2021 on page 211, which forms part of the Report of the Directors and on page 111, in the Corporate Governance Statement.

Viability statement
In accordance with the requirements of the UK Code, the Directors have assessed the viability of the Group, taking account of the Group's current position and the potential impact of the principal risks facing the Group.

The Directors have selected a three-year period for this assessment, reflecting the time horizon that they consider fits with the various risk and planning frameworks taken into account in arriving at the viability statement.

The Directors have assessed the prospects of the Group through a number of frameworks, including the ICAAP, the ILAAP, each of which include an assessment of the impacts of COVID-19 and Brexit, the monitoring of key risks identified under the Group's risk identification process by the ERC, the BRC and the Board (see page 154 of the Risk Management Report) and the assessment of Principal Risks and Uncertainties (pages 138 to 149) together with the Group's strategic direction as set out in the Strategic report (pages 51 and 52). Within the Principal Risks and Uncertainties, the Directors consider Credit risk, Funding and Liquidity risk and Capital adequacy to be the most relevant to the viability assessment.

The ICAAP process facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. ICAAP is subject to review by the Group's prudential regulator, the ECB Single Supervisory Mechanism (SSM). Underpinning the ICAAP process, the Group prepares detailed financial projections under both a base case and a stress case. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions and the stress case is prepared based on a severe but plausible stress economic scenario, (Risk Management Report sections 2.3, 3.5 and 4). The ICAAP process demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives having regard to Board approved risk appetite and strategy and to meet its CRD IV regulatory capital, leverage and liquidity requirements.

The economic impact of Brexit and the anticipated recovery from the COVID-19 crisis in the Group's core markets have been considered in a number of areas of the Group's ILAAP, which demonstrates that the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives under both business as usual and severe but plausible stress scenarios and to meet regulatory requirements including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Directors confirm that their assessment of the principal risks facing the Group, through the processes set out above, was robust. Based upon this assessment and their assessment of the Group's prospects, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.

Report of the Directors *(continued)*

Accounting records

The Directors ensure that adequate accounting records are kept at the Company's registered office, through the appointment of suitably qualified competent personnel, the implementation of appropriate computerised systems and the use of financial and other controls over the systems and the data.

Auditor

KPMG, Chartered Accountants, were appointed statutory auditor on 19 April 2018. They have been re-appointed annually since that date and will continue in office in accordance with section 383(2) of the Companies Act 2014.

Relevant audit information

The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's Auditor is unaware; and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Non-financial information

Information required in accordance with the EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 can be found in the Strategic Report on page 46. The strategic report also includes information on topics such as the Environment and Employee matters.

Post balance sheet events

These are described in note 66 to the financial statements.

Patrick Kennedy
Chairman

Richard Goulding
Deputy Chairman

Bank of Ireland Group plc
Registered Office
40 Mespil Road,
Dublin 4

25 February 2022

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004/ 25/EC)) Regulations 2006.

As required by these Regulations, the information contained below represents the position as at 31 December 2021.

1. Structure of the Company's capital

The capital of the Company is divided into ordinary shares and preference shares.

As at 31 December 2021, there were 1,078,822,872 ordinary shares in issue. As at 31 December 2021, there were no preference shares in issue.

Further detail on the structure of the Company's capital is set out in note 49 to the consolidated financial statements.

(i) Rights and Obligations attaching to the classes of shares

Ordinary shares

Dividend rights
Under Irish law, dividends are payable on the ordinary shares of the Company only out of profits available for distribution. Subject to the provisions of the Companies Act 2014 (the 'Companies Act'), holders of the ordinary shares of the Company are entitled to receive such dividends as may be declared by the Company by ordinary resolution, provided that the dividend cannot exceed the amount recommended by the Directors. The Company may pay shareholders interim dividends if it appears to the Directors that they are justified by the profits of the Company available for distribution. Any dividend which has remained unclaimed for twelve years from the date of its declaration may be forfeited and cease to remain owing by the Company.

Voting rights
Voting at any general meeting is by a show of hands or by poll. On a show of hands, every shareholder who is present in person or by proxy has one vote regardless of the number of ordinary shares held by him or her. On a poll, every shareholder who is present in person or by proxy has one vote for every ordinary share of €1.00 each.

A poll may be demanded by:
(i) the Chair of the meeting;
(ii) at least three members of the Company present in person or by proxy having the right to vote at the meeting;
(iii) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
(iv) a member or members present in person or by proxy holding shares in the Company conferring the right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The necessary quorum for a general meeting is two persons present in person or by proxy and entitled to vote. All business is considered to be special business if it is transacted at an Extraordinary General Meeting (EGM) as is all business transacted at an AGM other than the declaration of a dividend, the consideration of the Company's statutory financial statements and reports of the Directors and Auditors on those statements, the review by the members of the Company's affairs, the election of Directors in the place of those retiring, the reappointment of the retiring Auditors (subject to Sections 380 and 382 to 385 of the Companies Act), the fixing of the remuneration of the Auditors and the consideration of a special resolution for the purpose of Section 1102(2)(b) of the Companies Act. Any business that is required to be dealt with by way of special resolution must be passed by not less than 75 per cent of the votes cast by such members as, being entitled so to do, vote in person or by proxy at a general meeting at which not less than twenty one clear days' notice specifying the text or substance of the proposed resolution has been duly given.

Any business that is required to be dealt with by way of ordinary resolution must be passed by a simple majority of the votes cast by the members as, being entitled to do so, vote in person or by proxy at a general meeting.

An EGM (other than an EGM called for the passing of a special resolution) may be called on at least 14 days' notice where:
(i) the Company offers the facility for members to vote by electronic means accessible to all members who hold shares that carry rights to vote at general meetings; and
(ii) a special resolution reducing the period of notice to fourteen days has been passed at the immediately preceding AGM or at an EGM held since the immediately preceding AGM.

Liquidation rights
In the event of any surplus arising on the occasion of the liquidation of the Company, the ordinary shareholders would be entitled to a share in that surplus in proportion to the capital at the commencement of the liquidation paid up or credited as paid up on the ordinary shares held by them respectively.

Preference shares
As at 31 December 2021, there were no preference shares in issue. Where authorised to issue authorised but unissued shares in the capital of the Company (including where relevant, by shareholder approval under Section 1021 of the Companies Act) and subject to the scope of any such authority, in accordance with the Company's articles of association (the 'Articles'), the Directors are authorised to issue all or any of the authorised but unissued preference shares from time to time in one or more classes or series and to fix for each such class or series such voting power, full or limited or no voting power and such designations, preferences or special rights and qualifications, limitations or restrictions thereof in any resolution adopted by the Directors providing for the issuance of such class or series of preference shares.

Schedule to the Report of the Directors *(continued)*

(ii) Variation of class rights
Whenever the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, either while the Company is a going concern or during or in contemplation of a winding-up.

(iii) Percentage of the Company's capital represented by class of share
The ordinary shares represent 99.9% of the authorised share capital and 100% of the issued share capital. The preference shares represent 0.1% of the authorised share capital and 0% of the issued share capital.

2. Restrictions on the transfer of shares in the Company

There are no restrictions imposed by the Company on the transfer of shares, nor are there any requirements to obtain the approval of the Company or other shareholders for a transfer of shares, save in certain limited circumstances set out in the Articles. A copy of the Articles may be found on the Companies website or may be obtained on request from the Group Secretary.

For more information on the Articles click here or go to: bankofireland.com

3. Persons with a significant direct or indirect holding of stock in the Company.

Details of significant shareholdings can be found on page 119 of the Report of the Directors.

4. Special rights with regard to the control of the Company

There are no special rights with regard to control of the Company.

5. Shares relating to an employee share scheme that carry rights with regards to the control of the Company that are not exercisable directly by employees.

The Bank of Ireland Inland Revenue Approved UK Stock Incentive Plan (SIP) provides that in respect of resolutions proposed at general meetings of the Company, voting rights in respect of shares held in trust for employees who are participants in the SIP are to be exercised in accordance with the employees' written instructions to the trustees of the SIP. In the case of 'any other business' at an AGM of the Company, the SIP trustees are entitled to vote (or refrain from voting) as they think fit.

6. Restrictions on voting rights

There are no unusual restrictions on voting rights.

7. Agreements between shareholders that are known to the Company and may result in restrictions on the transfer of securities or voting rights.

There are no arrangements between shareholders, known to the Company, which may result in restrictions on the transfer of securities or voting rights.

8. Rules of the Company concerning the:

(a) appointment and replacement of Directors
With the exception of any Director(s) nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Act 2008, all Directors nominated between AGMs are submitted to shareholders for election at the first AGM following their co-option. In accordance with the UK Code, all Directors other than any nominated by the Minister for Finance, retire by rotation every year and, if eligible, may offer themselves for re-election, subject to satisfactory performance evaluation. Any Director(s) nominated by the Minister for Finance are not subject to retirement by rotation but may not serve as a Director of the Company for a period longer than nine years after the date of their appointment. In proposing the election or re-election of any individual Director to the AGM, the reasons why the Board believes that the individual should be elected or re-elected are provided in the Chairman's Letter to shareholders.

(b) amendment of the Company's Constitution
The Company's Constitution may be amended by special resolution passed at an AGM or EGM. An AGM and a Meeting called for the passing of a special resolution shall be called by at least twenty one clear days' notice. Special resolutions must be approved by not less than 75 per cent of the votes cast by such members as, being entitled so to do, vote in person or by proxy. No business may be transacted at any General Meeting unless a quorum of members is present at the time when the Meeting proceeds to business. Two persons present in person or by proxy and entitled to vote shall constitute a quorum.

9. Powers of the Company's Directors, including powers in relation to issuing or buying back by the Company of its shares

Under its Articles, the business of the Company is managed by the Directors, who exercise all powers of the Company as are not, by the Articles or by the Companies Act, required to be exercised by the Company in General Meeting. The Directors may exercise all the borrowing powers of the Company and may give security in connection therewith. These borrowing powers may be amended or restricted only by the shareholders in General Meeting. The members of the Company in General Meeting may at any time and from time to time by resolution increase the share capital of the Company by such amount as they think proper. Whenever the share capital of the Company is so increased, the Directors may, subject to various provisions of the Articles, issue shares to such amount not exceeding the amount of such enlargement as they think proper. All ordinary shares so issued shall rank in equal priority with existing ordinary shares.

Schedule to the Report of the Directors *(continued)*

Subject to provisions of the Companies Act, to any rights conferred on any class of shares in the Company and to the Articles, the Company may purchase any of its shares of any class and may cancel any shares so purchased or hold such shares as treasury shares (the 'treasury shares') with liberty to re-issue any such treasury shares in accordance with Section 109 of the Companies Act 2014. The Company shall not make market purchases of its own shares unless such purchases shall have been authorised by a special resolution of the Company and by a special resolution passed at a separate general meeting of the holders of each class of shares.

10. Significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a bid and the effects of any such agreements.

There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a bid, however, certain Group agreements may be altered or terminated upon a change of control of the Bank or Bank of Ireland (UK) plc following a takeover. Those that may be deemed to be significant in terms of their potential impact on the business of the Group as a whole are the joint ventures between Bank of Ireland (UK) plc and Post Office Limited in the UK (in respect of FX and Post Office branded retail financial service products) and the agreement between Bank of Ireland (UK) plc, AA plc and AA Financial Services Limited in the UK (in respect of AA branded financial services products).

11. Agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a bid.

There are no agreements between the Company and its Executive Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a bid.

The service contracts for NEDs do not make provision for benefits on termination in the event of a bid.

Remuneration Report

Remuneration Restrictions

The Group is currently operating under significant Remuneration Restrictions which cover all Directors, senior management, employees and certain service providers across the Group. The Remuneration Restrictions place the Group at a competitive disadvantage in seeking to retain and attract key staff.

The Remuneration Restrictions were contained within the Covered Institutions Financial Support Scheme 2008 and the 'Minister's Letter' (July 2011), under which the Group gave a number of commitments and undertakings to the Minister for Finance in respect of remuneration practices. The Minister's Letter was a further condition of the Transaction and Underwriting Agreement entered into with the Irish Government (July 2011) during the 2011 Recapitalisation of the Group. The Group maintains a dialogue with the Department of Finance in relation to the impact the Remuneration Restrictions have on the Group in terms of attraction and retention, Executive Director Remuneration and other remuneration related topics and will respond appropriately to any revisions to the Remuneration Restrictions.

As a result of the Remuneration Restrictions, the Group is currently unable to provide a fixed / variable remuneration mix throughout the Group and is precluded from introducing any new bonus or incentive schemes, allowances or other fringe benefits without prior agreement of the Department of Finance. Consequently, the absence of performance based variable pay, combined with the requirement to operate within an overall remuneration cap on individual salaries and allowances, unless Department of Finance approval is received, constrains the ability of the Group to clearly link Group culture and values, risk culture, Environmental, Social and Governance (ESG) objectives, customer outcomes and Group performance to remuneration. This results in risks relating to colleague attraction and retention, a lack of remuneration alignment with strategy and business goals, as well as some restrictions on the application of discretion and cost base inflexibility. If the Group fails to recruit and retain skilled and qualified people, its businesses may be negatively impacted.

People risk is considered a key Group risk (for more information see page 159 of the Risk management report). The ability to provide a competitive level of fixed cash remuneration reflecting the skills and experience of existing colleagues and to support the recruitment and retention in the current market environment is severely constrained by the Remuneration Restrictions. This is a particular challenge for senior roles and Executive Directors.

Not being able to freely offer market normalised remuneration above the Department of Finance defined pay cap and the prohibition on providing incentive based variable remuneration, is a severe constraint in retaining and attracting highly skilled and experienced personnel and severely limits the available candidate pool. In order to attract the best candidates in an increasingly competitive environment for talent, the Group has to construct remuneration packages that have a significantly high fixed element, compared to the market, albeit total reward remains below market competitive levels.

As a consequence of not being able to offer variable pay, the Group cannot incentivise performance and cannot properly align business and individual performance outcomes with reward. This also puts the Group out of line with peers and means the Group cannot meet stakeholders' expectations regarding the alignment of performance outcomes with reward.

The imminent departure of the Group CFO, after a relatively short tenure, as well as the attrition of other colleagues where base pay, benefits and / or lack of variable performance remuneration is out of line with peer practice is evidence of the Group's difficulties in this regard and a particular concern for the Group.

Should the Group be allowed to provide variable pay at a future date, the Excess Bank Remuneration Charge is another significant constraint on the Group's ability to provide a market competitive and appropriately structured remuneration package. The Excess Bank Remuneration Charge applies to all Group colleagues, who are RoI tax residents in the Republic of Ireland, where variable pay equals or exceeds €20,000.

Remuneration Governance Structures

The Group's objective of attracting, retaining and motivating high calibre people is deemed fundamental to the successful delivery of the Group's business strategy. The Group wants to ensure the right people are in the right roles and recognises the importance that the Group's shareholders place on the operation and management of the Group's remuneration framework. The Group Remuneration Policy provides a framework for all colleagues and directors of the Group and its wholly owned subsidiaries. To reflect this, the Group operates strong governance across the organisation on the management of its remuneration framework.

Governance structures

The Group Remuneration Committee (GRC) has the responsibility to consider, agree and approve a remuneration policy that supports the Group's objectives of long-term sustainability and success, sound and effective risk management and good corporate governance.

With delegated authority from the Board, the GRC annually reviews and approves the Group Remuneration Policy and the Director's Remuneration Policy (DRP). The GRC also reviews and approves the remuneration of the Chairman of the Board, the Executive Directors, the Group Secretary, members of the GEC and Senior Officers in Independent Control Functions, as well as overseeing the remuneration of all staff whose professional activities have a material impact on the Group's risk profile.

During 2021, independent advice was received by the GRC from the Committee's independent external advisers, PricewaterhouseCoopers (PwC) on a range of issues relating to remuneration including:
- remuneration benchmarking for Executive Directors;
- variable pay structures for all colleagues, including annual and long term incentive schemes;

Remuneration Report *(continued)*

- evolving pay regulations and market pay practices; and
- other remuneration structures.

The GRC held 11 meetings in 2021. Details of membership and attendance can be found in the 'Report of the Group Remuneration Committee' section of the Annual Report.

To avoid potential conflicts of interest, Directors are not involved in decisions regarding their own remuneration and advisors to the remuneration committee are appointed by the Committee rather than by management.

The terms of reference of the Committee are reviewed annually.

For more information click here or go to: www.bankofireland.com/about-bank-of-ireland/corporate-governance

A summary of the principal activities undertaken by the GRC in 2021 is available in the 'Report of the Group Remuneration Committee' section of the Annual Report.

European Banking Authority Remuneration Guidelines (the 'EBA Guidelines')

The objective of these guidelines, which apply to the Group, is to ensure that an institution's remuneration policies and practices are consistent with and promote sound and effective risk management.

Whereas the Group seeks to ensure it operates remuneration policies which are compliant with regulatory guidelines, the Group is currently operating under significant governmental and legal constraints in relation to remuneration. The Group complies with the EBA Guidelines, however there are certain elements that cannot be implemented due to the Remuneration Restrictions.

Material Risk Takers

The EBA has issued criteria for identifying Material Risk Takers (MRT) roles, those staff whose professional activities have a material impact on the Group's risk profile. The criteria are both qualitative (based on the nature of the role) and quantitative (based on remuneration). The Group maintains a list of these material risk takers.

The qualitative criteria can be summarised as: the management body; senior management; other staff with key functional, managerial or risk responsibilities; and staff who individually, or as part of a committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels.

The quantitative criteria are:
- individuals earning €750,000 or more in the previous year; and
- individuals in the top 0.3% of earners in the previous year.

In addition to the qualitative and quantitative criteria, the Group has applied its own minimum standards to identify roles that are considered to have a material influence over its risk profile.

Disclosures

During 2021, the Group continued to comply with its annual requirements to provide disclosures relating to:
- Remuneration at Bank of Ireland;
- Remuneration policy;
- Identification of Material Risk Takers;
- Remuneration Restrictions; and
- MRT Remuneration Expenditure.

These disclosures were made as part of the Group's 2020 Pillar 3 disclosure in February 2021. The Group's 2021 Pillar 3 disclosures were made in March 2022 and are available on the Group's website.

As a significant institution in an Irish banking context, the Group is required to submit additional disclosures under EBA Remuneration data collection exercises. The Group continued to comply with its annual reporting requirements in 2021, submitting the following reports via the CBI to the Single Supervisory Mechanism (SSM):
- 2021 European Banking Benchmarking exercise; and
- 2021 European Banking High Earners report.

Alignment of performance and reward with risk

A strong risk culture is promoted throughout the Group which encompasses the general awareness, attitude and behaviour of everyone in the Group to the taking and management of appropriate risk. Risk appetite forms a boundary condition to strategy. The Group's Risk Appetite Statement has been cascaded, as appropriate, throughout the Group. Due to the Remuneration Restrictions, the alignment between remuneration and risk management is limited by the unavailability of variable remuneration to further incentivise prudent risk management. Each employee has risk goals as part of their individual performance achievement process which informs their end of year performance rating, thereby influencing their base pay level under the annual salary review process.

Involvement of the risk function

The Chair of the Board Risk Committee and the Group CRO attended the GRC meeting in December 2021. At this meeting, the Group CRO reported on the Group's risk profile and its relationship to remuneration.

Directors' Remuneration Policy

The DRP supports the Group's objective of achieving, maintaining and safeguarding a sound capital base and is aligned with the Group's Remuneration Policy and principles for all staff. The DRP reflects the approach to Director's pay in 2021 and the intention to implement variable pay and associated shareholding guidelines upon removal of the Remuneration Restrictions.

The DRP was approved by shareholders in a non-binding advisory vote at the 2020 AGM. The DRP continues to apply for three years until the 2023 AGM, unless material changes are required which mandate a revised DRP to be submitted to shareholders for approval.

Remuneration Report *(continued)*

Table: 1
2019 Remuneration Policy

Vote	No of shares	Percentage
For	745,181,436	97.79
Against	16,803,213	2.21
Withheld	76,610	n/a

Remuneration approach

Where local laws or regulations set more rigorous requirements for any aspect of remuneration governance, the higher standards are applied. In the event that any aspect of the DRP contravenes local laws or regulations, the local laws or regulations prevail.

Whilst the Group recognises the requirement to propose the reintroduction of variable pay for Executive Directors, this is not possible due to the ongoing impact of Remuneration Restrictions. If the Remuneration Restrictions were to be amended or lifted, the Group would seek Shareholder approval to re-introduce variable pay for Executive Directors.

No provision is made in this DRP for a temporary derogation from approved policy.

Key elements of Remuneration for Executive Directors

When determining Executive Director Remuneration policy and practices, the GRC addressed the following, through its work on the design of potential variable pay structures for Executive Directors:

- **Strategy Led:** Performance assessment will be focused on BOI success of the strategy but not overly complex in terms of measurement.
- **Simplicity:** Simplicity in operation and for participants, providing a line of sight to objectives and an ability to influence their achievement.
- **Aligned to Shareholders:** Long term focused and aligned to shareholders experience.
- **Motivating:** Ensuring a meaningful expected value is delivered for performance.
- **Flexible & Cost Effective:** Provide a cost effective remuneration structure (fixed and variable) which is competitive (to enable attraction), supports retention and flex's to reflect company performance.
- **Collective Incentive:** Incentivisation tool for achieving Group strategic priorities with the ability to tailor to individual contribution.
- **Risk aligned:** promoting good risk management and positive behaviours.
- **Values & Culture:** Supports the Group Values, in particular One Group One Team and is viewed internally and externally as being a fair approach for all colleagues to enable participation in Group success.

Underpinning all the principles above is the alignment to the Group's Purpose and Values.

Due to the Remuneration Restrictions, the structure of Executive Directors' remuneration is materially different to market practice, which causes significant risk to the Group in terms of potential regretted attrition and the challenge of attracting high calibre directors with appropriate skills and experience. The Group maintains a dialogue with the Department of Finance in this regard and will respond to any amended restrictions. In such circumstances, shareholder engagement would be carried out as appropriate.

Fixed pay elements for Executive Directors

Given Remuneration Restrictions, Executive Director changes to base salary and fixed pay elements require engagement with the Department of Finance. In the event of the fixed pay element of the Remuneration Restrictions being lifted, or amended, fixed pay for Executive Directors will be reviewed in 2022, with shareholder engagement as appropriate.

Elements of Remuneration and purpose	Operation	Maximum potential value
Base Salary - purpose is to provide a competitive level of fixed cash remuneration reflecting the skills and experience required supporting recruitment and retention in the market environment. The ability of the Group to meet this purpose is impacted by the Remuneration Restrictions.	Paid monthly as cash and reviewed annually: • CEO - €950,000 • CFO - €471,500	Base salaries are reviewed annually with any increase taking effect from 1 January. In determining any base salary increases for Executive Directors, the GRC takes into consideration: • any increases paid to the wider Group population. The GRC, when considering what may represent an appropriate base salary increase makes an objective assessment of: • the individual's responsibilities and the size and scope of their role; and • pay for comparable roles in comparable publicly listed companies of a similar size (benchmarking). The GRC recognises that a greater base salary increase may be appropriate in certain circumstances, for example, if the Remuneration Restrictions are lifted, an Executive Director's Remuneration is uncompetitive, or where there has been a material increase in responsibilities.

Remuneration Report *(continued)*

Elements of Remuneration and purpose	Operation	Maximum potential value
Non-salary benefits - purpose is to provide a range of market competitive benefits which are valued and assist the individuals to carry out their duties.	These are agreed on a case by case basis, within a framework and may include, but are not limited to: • life insurance; • health insurance; • mobile phone; • cash allowance - health; • cash allowance - car; and • relocation costs.	The level of benefit provision can vary depending on cost and individual circumstances. The value of the total benefits will continue to be reported annually in the Remuneration Report.
Pension - to encourage planning for retirement and long-term savings. The Group's objective for pensions is aligned with the long-term interests of the Group, with pensions schemes designed to assist the Group in attracting and retaining high calibre employees.	The Group CEO does not currently participate in a Bank of Ireland Employee Pension Scheme. The Group CFO has indicated his intention to resign and departs the Group in Q1 2022. He is a member of a defined contribution (DC) scheme, the Bank of Ireland Group Retirement Savings Plan (RetireWell), participating on the same basis as all members of this scheme, in line with the scheme rules. New internally appointed Directors will retain their current pension arrangements, noting that the terms provided will be on the same terms as those provided to other employees who are members of the same pension scheme. New externally appointed Directors may be offered participation in a DC scheme (currently RetireWell) in line with the rules of the scheme and on the same terms as those available to other employees.	This level of benefit provision can vary depending on cost and individual circumstances. The value of the total benefits will continue to be reported annually in the Directors' Pension Benefits section of the Directors remuneration for the years ended 31 December 2021 and 31 December 2020 report on page 134.

Variable pay elements for Executive Directors (currently not allowed under the Remuneration Restrictions)

Variable pay is intended to incentivise the delivery of sustainable long-term performance, with rewards aligned to shareholders' interests and adjusted for risk.

At this time, the Group is not able to offer variable pay due to Remuneration Restrictions, creating significant challenges in relation to the attraction and retention of key people and the alignment of remuneration to shareholder objectives. The Remuneration Restrictions mean that the Group cannot clearly link Group culture and values, risk culture, ESG objectives, customer outcomes and Executive Director performance to remuneration.

Remuneration Report *(continued)*

Other Policy elements for Executive Directors

Elements of Remuneration and purpose	Operation	Maximum potential value
Shareholding requirements (subject to the removal of the Remuneration Restrictions).	Upon the reintroduction of variable pay, all Executive Directors of the Bank of Ireland Group would be required to retain 50% of the after tax value of any Bank of Ireland Group shares which have vested and have been released to the Executive Director from a variable pay plan such as deferred shares from an Annual Incentive Plan or vested shares from a Long Term Incentive Plan.	Executive Directors will be required to build a shareholding of up to 100% of base salary. In addition, Executive Directors will be required to hold shares post employment with the Group, equal to at least the lower of: a. shares held by the Executive Director at date of leaving or b. 100% of base salary in shares for a period of 1 year post their employment with the Group. Shareholdings in this regard relate to Bank of Ireland Group shares which have vested and have been released to the Executive Director from a variable pay plan such as deferred shares from an Annual Incentive Plan or vested shares from a Long Term Incentive Plan. Personal shareholdings, for example, shares purchased by the Executive Director, are not included under this shareholding guideline.
All employee share plans - to promote share ownership by all Employees.	In the event that the Group operates all employee share plans, Executive Directors will also be entitled to participate on the same basis as other employees.	Such schemes will comply with Revenue limits.
Executive Director recruitment	The policy on recruitment of Executive Directors aims to be market competitive and to structure remuneration in line with the elements outlined in this Policy, subject to the Remuneration Restrictions. The GRC may agree remuneration proposals on hiring a new Executive Director which are outside the standard policy to facilitate the hiring of someone of the calibre required to deliver the Group's strategy. When determining appropriate remuneration arrangements the GRC will take into account all relevant factors including (among other things) the level and type of remuneration being forfeited and the Jurisdiction the candidate was recruited from. Remuneration packages in excess of €500,000 currently require approval from the Minister for Finance.	A buy-out may be offered to a new Director if the individual holds any outstanding unvested awards or payments that are forfeited on resignation from a previous employer in line with regulatory requirements. The GRC will seek to minimise buy-outs and ensure they are no more generous than and on substantially similar terms to, the original awards or payments they are replacing, as far as possible.

Remuneration Report *(continued)*

Other Policy elements for Executive Directors *(continued)*

Elements of Remuneration and purpose	Operation	Maximum potential value
Notice and Termination provisions	Standard termination provisions, which apply to all senior roles of the Group, apply to Executive Director Roles. When determining leaving arrangements for an Executive Director, the GRC takes into account applicable provisions of Irish law, any contractual arrangements and the Performance and conduct of the individual. **Notice period** • CEO - 12 Months' notice provided by the Group, 3 Months' notice provided by the CEO. • CFO - 6 Months' notice provided by the Group, 6 Months' notice provided by the CFO.	Upon their reintroduction, variable pay plans and all employee share scheme awards for Executive Directors who leave the Group will be treated in accordance with the remuneration policy, the share plan rules as approved by the shareholders and the relevant employment policy operated by the Group.
Legacy arrangements	There are no current legacy entitlements in place.	Under the DRP, the Group will continue to honour commitments or arrangements entered into prior to their appointment as an Executive Director.

Remuneration for the Chairman and Non-Executive Directors

The remuneration of Non-Executive Directors is determined by a Board Committee of the Chairman and the Executive Directors, within the boundaries of the Company's Constitution with no Director being involved in decisions regarding their own remuneration.

The remuneration of the Chairman is a matter for the GRC.

There are currently no proposed changes to Non-Executive Directors' remuneration. In the event of the amendment or removal of the Remuneration Restrictions, the remuneration paid to Non-Executive Directors may be reviewed.

Remuneration for Non-Executive Directors does not include any performance-related elements or share options.

Elements of Remuneration and purpose	Operation	Maximum potential value
Fees To reflect individual responsibilities and membership of Board Committees.	Fees are paid monthly in cash. Additional fees are paid for Senior Independent Director, Workforce Engagement Director, Bank Staff Pension Fund (BSPF) trustee and Committee Chair responsibilities and for Committee membership.	No variable pay is provided so that the Chairman and NEDs can maintain appropriate independence which supports their capacity to provide the constructive challenge required of their role. The Board reviews the amount of each component of fees periodically to assess whether individually and in aggregate they are appropriate in light of changes in roles, responsibilities and / or the time commitment of the NEDs and ensure that individuals of the Appropriate calibre are able to be retained or appointed. In the case of the Chairman, this review is undertaken by the Group Remuneration Committee.

Remuneration Report *(continued)*

Elements of Remuneration and purpose	Operation	Maximum potential value
Expenses	Reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of duties. The full amount of expenses incurred is reimbursed, with a gross-up where tax is due on such expenses, to ensure no loss to the individual.	n/a

Discretion
The GRC retains the discretion to make reasonable and proportionate changes to the Directors' Remuneration Policy in order to respond to changing legal or regulatory requirements or guidelines (including but not limited to any ECB, CBI, PRA or FCA revisions to their remuneration rules and the EBA Remuneration guidelines). There is no discretion to make changes that are advantageous to the Directors. Where proposed changes are considered to be material, the GRC will bring the Policy for shareholder approval.

Other remuneration disclosures

Group Remuneration Policy
The Group's Remuneration Policy provides a framework for all remuneration related policies and practices for all colleagues and Directors of the Group and its wholly owned subsidiaries. The framework aims to enable the Group to become an employer of choice by attracting and retaining the right people in the right roles and thus support:
- the achievement of the Group's ambition – to become the National Champion Bank in Ireland with UK and selective international diversification;
- the Group's strategic priorities;
- the Group's purpose – to enable our customers, colleagues and communities to thrive; and
- the Group's values of 'Customer Focused', 'One Group, One Team', 'Agile', 'and 'Accountable'.

The Policy sets out how the remuneration components used by the Group operate and its ethos, which is to reward employees fairly and competitively for their contribution to the Group. Reward arrangements are reviewed on a regular basis to assess competitiveness of total reward arrangements against market norms, acknowledging constraints of the Remuneration Restrictions. The following principles are applied:

Employee focused
The Group seeks to reward all employees fairly and transparently and promotes the concept of 'equal pay for equal work' through operating a consistent approach to remuneration for colleagues. Reward structures are designed to attract, retain and engage high calibre employees.

Customer focused
Variable Reward structures (which exist for c.1% of colleagues given the Remuneration Restrictions):
- support and encourage the fair treatment of customers;
- mitigate the potential for conflict between commercial, customer and public interests; and
- avoid any conflict with an employee's duty to act in the best interests of customers or clients.

Inclusive basis
The Policy is designed and implemented on an inclusive basis, including gender-neutrality, with pay for male and female colleagues monitored on an annual basis.

Externally aligned
The Group uses recognised external benchmarks to understand the remuneration levels of industry peers and remuneration offered by other industries who compete with the Group for talent in each of the Group's geographical locations.

Performance aligned
Due to the Remuneration Restrictions, remuneration is only weakly aligned to performance via the potential salary increase awarded as part of the annual salary review process, which is dependent on a colleague's performance rating. The absence of performance based variable pay precludes the Group from aligning the remuneration of employees with the achievement of longer term customer, financial and strategic goals, which leads to elevated People risk. However, divisional and individual performance measures and targets are aligned with business and risk objectives at either a Group or local business level, through a performance achievement process, ensuring alignment with business and risk strategy, culture and values and long-term interests.

Risk aligned
The Group promotes a risk culture with the taking of appropriate risk and management of risk according to the Group's risk appetite. Due to the Remuneration Restrictions, the alignment between remuneration and risk management, is limited as variable remuneration, which is important to incentivise prudent risk management, is not allowed. Each employee has risk goals as part of their individual performance achievement process which informs their end of year performance rating, thereby influencing their base pay level under the annual salary review process.

Subject to the Remuneration Restrictions, the Group Remuneration Policy is designed to reflect the provisions of EU and national regulations, notably the CRD V, the PRA Rulebook, the FCA SYSC19D and EBA guidelines on sound remuneration policies. The Group undertakes an annual review of the Group Remuneration Policy, including the process for the identification

Remuneration Report *(continued)*

of MRTs, to ensure that remuneration policies and practices are operating as intended, are aligned as far as possible within the constraints of the Remuneration Restrictions to the Group's strategy, purpose and values and are compliant with regulatory obligations. The annual review is informed by appropriate input from the Group's risk management, compliance and internal audit functions.

The Group recognises the importance that the Group's shareholders place on the effective governance of the Group's remuneration policies and practices to ensure colleagues are paid in alignment with business strategy, risk strategy, culture and values and long-term interests, whilst not encouraging excessive risk taking, however its ability to do so, is impacted by the Remuneration Restrictions. The Group Remuneration Policy supports the Group's objective of achieving, maintaining and safeguarding a sound capital base.

The application of the Group Remuneration Policy is consistent with regulations that govern remuneration in the jurisdictions where the Group operates. The Group Remuneration Policy is accessible to all staff through the company intranet.

Element	Objective	Operation
Base salary	To provide a competitive level of fixed cash remuneration reflecting the skills and experience required whilst supporting recruitment and retention.	Base salaries are reviewed on an annual basis versus the external market and internal relativities, taking into account the Group's strategic objectives and individual performance and potential.
Benefits	To provide a range of market competitive benefits which are valued and assist the individuals carry out their duties.	Access to benefits and benefit levels can vary based on seniority. Benefit provision is kept under regular review to ensure the benefits provided are cost effective, valued by employees and competitive versus the market.
Pension	To support the financial wellbeing of employees.	Since September 2014, the Group has operated a DC scheme (RetireWell) for all new hires. Employees hired prior to September 2014 are members of the Group's legacy defined benefit and hybrid pension schemes. Those eligible employees who are affected by either the Standard Fund Threshold in RoI or the Annual and Lifetime Allowances in the UK for pension saving, can elect to receive a pension cash allowance in lieu of pension scheme membership.
Incentive Schemes - Limited number of small incentive schemes in place which have received approval under the Remuneration Restrictions.	To support, drive and reward performance for the delivery of annual financial, non-financial and personal objectives which are consistent with: • the Group's purpose, values and culture; • the business and customer strategy; and • the long-term interests of the bank, to create sustainable shareholder value.	The Group currently operates an approved small incentive scheme for Marshall Leasing Ltd, two approved commission schemes in N.I.I.B. Group Limited and NIAC and a small pre-approved retention scheme in BOI (UK) plc. These arrangements are not subject to the Remuneration Restrictions.

Discretion

The GRC has certain discretionary powers under the Company's existing all employee share plan rules. This discretion relates to the operation of the plans, for example, eligibility, quantum, timing and application of good leaver status and would be used only to ensure that reward outcomes reflect the underlying Performance of the Company. The GRC will only exercise this discretion if it believes it is in the best interests of the Company to do so and where it is not possible, practicable or proportionate to seek or await shareholder approval in General Meeting. The exercise of the GRC's discretion will be disclosed in accordance with regulatory requirements.

Subsidiary remuneration policies

The Group is committed to a simple and transparent reward structure which drives performance, encourages employees to live the purpose and values and supports the Group's ongoing growth and sustainability.

While both NIAC and Bank Of Ireland (UK) plc have their own remuneration policies, these policies are aligned with the Group policy with no material deviations.

Remuneration Report *(continued)*

Performance achievement

The performance achievement process enables the Group to align individual, business unit and divisional performance to the Group's strategic objectives through an ongoing dialogue between managers and their direct team members ensuring a strong alignment to risk.

The Group's Purpose and Values shape everything colleagues do. The Group's values are the behavioural compass to how the Group does business and are a key part of the Performance Achievement process. Through this process, individual performance is evaluated on what is achieved and how it is achieved. The Performance Achievement process is linked to the Group Competency Model, which outlines the core competencies for staff, people managers and leaders. The Performance Achievement process enables employees to:

- know what is expected of them and what it takes to achieve success;
- understand how they personally contribute to their team and the bank's strategy; and
- own their own performance and personal growth to achieve their individual career ambitions.

Managers have mandatory risk goals which reflect the nature of their role and their seniority within the Group and have an appropriate weighting attached to them.

Key result areas

Goals and objectives are set and evaluated under each of the Group's strategic objectives.

This approach is consistent with the EBA Guidelines and ensures that:

- organisational performance is continually enhanced by measuring staff against the Group's strategic objectives;
- all key deliverables and accountabilities of a role are taken into account when performance is assessed. For example, financial results, risk management, impact on customers, leadership and development of people, regulatory and compliance requirements; and
- a comprehensive view of an individual's performance is taken, rather than focusing on one or two key areas to the detriment of others.

Each of the strategic objectives, which apply to all employees in the Group, has a minimum weighting of 10%. In addition, there is a minimum requirement of 20% of the overall weighting for risk- related goals set across all Strategic Priorities.

Goals set under these strategic objectives are linked to overall Divisional and Group Strategy, support the achievement of business unit objectives and are aligned to the Group's Risk Appetite Statement.

Key deliverables are agreed for each employee with their line manager at the beginning of the performance cycle. Regular informal reviews take place at times during the performance cycle. A formal end of year review occurs at the end of the performance cycle.

The Remuneration Restrictions impact the effectiveness of the Group's performance achievement system as it prevents a strong link between performance and reward. In addition, the lack of variable remuneration also impacts the Group's ability to incentivise and reinforce cultural change and the Group's values.

Directors' remuneration *(continued)*

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 211.

Directors' remuneration for the years ended 31 December 2021 and 31 December 2020.

Table: 2	Reported year	Gross salary[1,2] €'000	Fees[3] €'000	Performance bonus[4] €'000	Other remuneration[5] €'000	Pension funding contributions[6] €'000	Total[7] €'000
Chairman							
P Kennedy	2021	394	-	-	-	-	394
	2020	394	-	-	-	-	394
Deputy Chairman							
R Goulding	2021	-	145	-	-	-	145
	2020	-	108	-	-	-	108
P Haren	2021	-	-	-	-	-	-
(stood down 31 December 2020)	2020	126	-	-	-	-	126
Executive Directors							
F McDonagh	2021	950	-	-	10	-	960
	2020	950	-	-	11	-	961
M O'Grady	2021	472	-	-	28	52	552
(appointed 15 January 2020)	2020	454	-	-	27	50	531
Non-executive Directors							
G Andrews	2021	-	87	-	-	-	87
(appointed 17 November 2020)	2020	-	11	-	-	-	11
I Buchanan	2021	-	166	-	-	-	166
	2020	-	152	-	-	-	152
E Bourke	2021	-	102	-	-	-	102
	2020	-	79	-	-	-	79
E Fitzpatrick	2021	-	102	-	-	-	102
	2020	-	86	-	-	-	86
M Greene	2021	-	79	-	-	-	79
	2020	-	79	-	-	-	79
F Muldoon	2021	-	136	-	-	-	136
	2020	-	85	-	-	-	85
P Mulvihill	2021	-	-	-	-	-	-
(stood down 31 December 2020)	2020	-	118	-	-	-	118
S Pateman	2021	-	98	-	-	-	98
	2020	-	97	-	-	-	97
Totals	**2021**	**1,816**	**915**	**-**	**38**	**52**	**2,821**
	2020	**1,924**	**815**	**-**	**38**	**50**	**2,827**

Due to the Remuneration Restrictions currently in place, the fixed / variable ratio is Fixed Remuneration 100%, variable remuneration 0%.

Ex-gratia payments paid to former Directors / dependents of The Governor and Company of the Bank of Ireland for 2021 is €104,500 (2020: €112,000).

1 *The Chairman, as a Non-executive Officer of the Company, is remunerated by way of non-pensionable salary. P Kennedy receives a non-pensionable salary of €394,000 (2020: €394,000) for his role as Chairman.*
2 *M O'Grady was appointed an Executive Director effective 15 January 2020. He receives an annual salary of €471,500 (2020: €471,500) for his role as Group CFO. In addition he receives a car allowance of €27,500 per annum. The amount shown for M O Grady's pension benefit is in line with his contractual entitlement during 2021. The amount shown in 2020 covers the period from date of appointment as Executive Director (15 January 2020).*
3 *Fees are paid to NEDs and a basic fee of €63,000 per annum applies for both years. Additional fees are paid for separate SID responsibilities, Workforce Engagement Director, BSPF trustee, Committee Chair responsibilities and for Committee membership. In addition to the above, I Buchanan received separate fees for NED and committee membership roles in Bank of Ireland (UK) plc. In these roles he received Stg£65,833, equivalent €76,635 in 2021 (2020: Stg£55,000 equivalent €61,891). In 2021, F Muldoon received separate fees of €49,848 for NED and committee membership in New Ireland Assurance Company plc from date of appointment 15 April 2021.*
4 *No bonuses were awarded in respect of 2021 or 2020.*
5 *The figures include car allowances and, where applicable, benefits in kind.*
6 *All pension amounts have been determined by Willis Towers Watson, the Group's actuarial advisors and are approved by the GRC.*
7 *In addition to the amounts shown, the Group bears the total costs of Directors' travel and subsistence to and from Board and Committee meetings or while on the business of the Group.*

Remuneration Report *(continued)*

In line with the requirements of the Shareholders' Rights Directive II (SRD II)[1], the table below shows the year on year change and percentage change in Directors' remuneration and the year on year change and percentage change in the average remuneration of employees during the year ended 31 December 2021 compared to the year ended 31 December 2020.

Unaudited:

	2021 vs 2020		2020 vs 2019	
Year on year change in remuneration of Directors compared to employee average	**Change in remuneration €'000**	**% change in remuneration %**	**Change in remuneration €'000**	**% change in remuneration %**
Executive Directors				
F McDonagh	(1)	-	2	-
M O'Grady	2	-	n/a	n/a
Non-executive Directors[2]				
G Andrews	-	-	n/a	n/a
E Bourke	24	30%	-	-
I Buchanan	6	4%	19	14%
E Fitzpatrick	16	18%	8	10%
R Goulding	27	23%	20	21%
M Greene	-	-	8	11%
P Haren *(stood down 31 December 2020)[3]*	n/a	n/a	-	-
P Kennedy	-	-	-	-
F Muldoon	62	66%	16	20%
P Mulvihill *(stood down 31 December 2020)*	n/a	n/a	8	7%
S Pateman	-	-	11	13%
Change in average employee remuneration year on year[4]	1	1%	2	3%
Group profit / (loss) after tax (€m)	1,055		(707)	
Percentage change in Group result after tax (%)		249%		(258%)

Executive share options held by Directors and Secretary

No share options were granted or exercised during 2021 and there were no options to subscribe for ordinary shares outstanding in favour of the Executive Directors or Secretary as at 31 December 2021.

External appointments held by Executive Directors

During 2021, no Executive Director held an external appointment in a FTSE 100 company.

1 *This table is required under the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRD).*
2 *NED fees are annualised. Changes to NED fees reflect additional responsibilities associated with membership of additional committees or appointment as chairman of committees or as Workforce Director.*
3 *If information is not available for both years n/a is denoted.*
4 *Average employee remuneration is calculated as the sum of wages and salaries, retirement benefit costs (defined benefit plans ordinary employer contribution and defined contribution plans) and, other staff expense but excluding those costs related to Directors. Social security costs and voluntary redundancy payments are not included. Divided by the average number of staff for the Group on a full time equivalent basis excluding Directors.*

Directors' pension benefits

No Director is part of a defined benefit scheme. M O'Grady, Executive Director, is a member of the staff defined contribution scheme, RetireWell. The Company contribution to this scheme for M O'Grady was €51,865 (2020: €49,774).

Directors' and Secretary's interests in shares

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 211.

The beneficial interests of the Directors and Secretary in shares issued by the Group as disclosed to the Group are detailed below in accordance with the Euronext Dublin Listing Rules.

Table: 3	Number of €1.00 ordinary shares in BOIG plc at 31 December 2021	Number of €1.00 ordinary shares in BOIG plc at 1 January 2021
Directors		
G Andrews	20,000	20,000
E Bourke	18,339	18,339
I Buchanan	5,034	34
E Fitzpatrick	5,000	1,000
R Goulding	25,000	15,000
M Greene	1,000	1,000
P Kennedy	180,156	180,156
F McDonagh	4,000	4,000
F Muldoon	4,033	2,866
M O'Grady	5,000	5,000
S Pateman	1,250	1,250
Secretary		
S McLaughlin	-	-

Apart from the interests set out above, the Directors and Secretary had no other interests in the shares / securities of the Company or its Group undertakings at 31 December 2021. There has been no change in the interests of each Director disclosed to the Company under the provisions of article 19 of the Market Abuse Regulation occurring between the end of the period under review and 25 February 2022.

Risk Management Report

Contents

The information below in sections or paragraphs denoted as audited in sections 3.4, 3.5, 3.6, 3.7 and 4 and all the tables (except those denoted unaudited) in the Risk Management Report form an integral part of the audited financial statements as described in the Basis of preparation on page 211.

All other information, including charts and graphs, in the Risk Management Report is additional disclosure and does not form an integral part of the audited financial statements.

1 Principal Risks and Uncertainties

Key risks identified by the annual risk identification process, together with other significant and emerging risks facing the Group and key mitigating considerations are set out below. For many of the risks, the allocation of capital against potential loss is a key mitigant; other mitigating considerations include those outlined below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants; nor can it confirm that the mitigants would apply to fully eliminate or reduce the corresponding key risks. Additionally, other factors not yet identified, or not currently material, may adversely affect the Group.

The COVID-19 pandemic continues to have a significant impact on the global economy with an uncertain path to recovery. The short and medium term economic impacts of the pandemic are partially offset through significant levels of government intervention. Business and consumer behaviours have changed and evolved, creating new challenges and opportunities for the Group. These include the acceleration towards digital channels and a change in remote working practices. The longer term impact for some sectors and on the Group remains uncertain.

Business risk *(page 158)*

Principal risks and uncertainties	Key mitigating considerations
The risk of earnings volatility over the short term (one year time frame). This risk will manifest through adverse impact to the strength of the Group's franchise and / or operational economics including volumes, margins, costs and net worth. It can be driven by sudden shifts in customer behaviour / demand, competitive dynamics, new market entrants, new products, new product pricing, inadequate cost management and / or an inappropriate concentration of earnings.	• The Board receives comprehensive reports setting out business and financial performance relative to plan, financial projections, capital and liquidity plans, along with reports on the Group's key risks, risk appetite and change to risk outlooks. The Board's business, financial and risk considerations are further informed by regular economic updates, together with updates on developments relevant to the Group's franchises, operations, customers, colleagues and other business activities. • Quarterly, the Executive and Non-Executive Risk Committees review the Board Risk Report. The report addresses governance, control issues and compliance with risk appetite, including an analysis of and commentary on, the key existing and emerging risk types.

1 Principal Risks and Uncertainties *(continued)*

Business risk *(continued) (page 158)*

Brexit

Principal risks and uncertainties	Key mitigating considerations
Following the UK exit from the EU, ongoing uncertainties relating to the implementation of the Northern Ireland Protocol and the nature of the future trading relationship between the UK and EU could impact the markets in which the Group operates and the performance of the macroeconomy. Potentially, this may have an influence on a number of factors including pricing, partner appetite, supply chains, customer confidence and credit demand, collateral values and customers' ability to meet their financial obligations and consequently impact the Group's financial performance, balance sheet, capital and dividend capacity. Other effects may include changes in official interest rate policy in both the UK and Eurozone, which can impact the Group's revenues and also the Group's IAS 19 defined benefit pension deficit and FX rate volatility, which can impact the translation of the Group's non-euro denominated net assets and profits.	• The Group established a comprehensive Brexit programme to identify, monitor and mitigate risks associated with various outcomes of Brexit. The Group continues to monitor the trading relationship between the EU and UK, including by way of standing agenda item at senior management fora, credit analysis at sector level and regular engagement with corporate and businesses customers most impacted by changes to customs and trade relationships. • The Group's ongoing operations in the UK are managed within a ring-fenced, PRA and FCA regulated subsidiary, Bank of Ireland (UK) plc. and primarily conducted through key partnerships, which reduces the Group's investment in infrastructure and other items of a fixed cost nature. • Bank of Ireland (UK) plc is primarily funded from deposits gathered through partnerships with two iconic UK-focused brands, the Post Office and the AA, alongside its retail and commercial banking operation in Northern Ireland. Funding is predominately from customers with deposits below the £85,000 Financial Services Compensation Scheme (FSCS) limit. • The Group manages its exposure to interest rate risk, including GBP / EUR, through the hedging of its fixed-rate customer and wholesale portfolios, the investment of its non-interest bearing liabilities (free funds) and the setting of conservative limits on the assumption of discretionary interest rate risk. • To minimise the sensitivity of the Group's capital ratios to changes in FX rates, the Group maintains reserves in sterling, ensuring that the currency composition of capital is broadly similar to the currency composition of RWAs.

1 Principal Risks and Uncertainties *(continued)*

Business risk *(continued)* *(page 158)*

Pension risk

Principal risks and uncertainties

A number of the Group sponsored defined benefit pension schemes are currently in deficit under the IAS 19 accounting definition, requiring the Group to set aside capital to mitigate these risks.

The defined benefit pension schemes are subject to market fluctuations and these movements impact on the Group's capital position, particularly the Group's CET1 capital ratio, which amongst other things, could impact on the Group's dividend capacity. See note 47 Retirement benefit obligations.

Key mitigating considerations

- Board approved risk appetite limits.
- To help manage pension risk, defined benefit schemes were closed to new entrants in 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in 2014 and a new defined contribution scheme was introduced for new entrants to the Group from that date.
- In addition, the Group implemented two Pension Review programmes in 2010 and 2013 resulting in significant restructuring of defined benefit scheme benefits which were accepted by unions and by staff through individual staff member consent.
- In return for the deficit reduction achieved through these programmes, the Group also agreed to increase its support for the schemes, above existing arrangements, so as to broadly match the IAS 19 deficit reduction arising from the benefit changes and to facilitate a number of de-risking initiatives.
- The Group monitors on an ongoing basis the opportunities at an appropriate cost to increase the correlation between the assets and liabilities of the scheme.

People risk *(page 159)*

Principal risks and uncertainties

People risk has continued to be heavily influenced by COVID-19, including ongoing pandemic impacts on colleague wellbeing, as well as colleague absence and COVID-19 restriction impacts on colleague work capacity. In addition, the Group is progressing with the resizing and reshaping of its workforce facilitated by an enhanced Voluntary Redundancy programme.

Notwithstanding the impact of COVID-19 on the macroeconomic environment and the labour market, there remains increased competition for talent across the jurisdictions in which the Group operates for certain capabilities, skills and experience, where the continuing impact of remuneration restrictions on the Group is a factor.

Key mitigating considerations

- In order to support colleagues through challenging periods while continuing to deliver for customers, the Group is assessing resource capacity against workload demands in provision of essential services on an ongoing basis.
- The Group continues to evolve and hone its colleague wellbeing supports including physical, mental and financial, with a structured Wellbeing programme in place across the Group, supporting colleague wellbeing in general, while also responding to COVID-19 impacts.
- Risks associated with the Voluntary Redundancy programme implementation have been monitored throughout the year via Group and Divisional Key Risk Indicators with regular updates provided to senior management and BRC.
- The Group has a Board approved people strategy providing it with a range of programmes and initiatives to enable the Group to retain appropriate numbers and / or calibre of staff having regard to remuneration restrictions imposed by government, tax or regulatory authorities.

1 Principal Risks and Uncertainties *(continued)*

Strategic risk *(page 160)*

Principal risks and uncertainties

The risk of inadequate returns over the long-term (greater than one year). It includes the failure to develop an effective and sustainable long-term strategy, inadequate execution of a chosen strategy, or failure to adapt a chosen strategy where fundamental assumptions underpinning the strategy have changed.

Key mitigating considerations

- Business divisional strategy is developed within the boundaries of the Group's strategy as well as the Board approved risk appetite limits. These strategies are developed within the divisions and challenged, endorsed, supported and monitored by Group functions.
- The Board receives regular deep dive presentations on key aspects of the Group's strategy and regular updates on performance against strategic objectives by way of the Group organisational balanced scorecard.
- A Board Risk Report is produced quarterly and reviewed by the Executive and Non-executive Risk Committees. The content of the report includes an analysis of and commentary on, the key existing and emerging risk types and also addresses governance, control issues and compliance with risk appetite.

Strategic risk *(page 160)*

Digital

Principal risks and uncertainties

Banking models are rapidly evolving, for both consumers and businesses in Ireland and globally. Rapidly shifting consumer behaviours and available technologies are changing how customers consume products and services and COVID-19 has accelerated some existing trends.

These developments affect the manner in which customers manage their day to day financial affairs. Money transmission and data driven integrated services are also forecast to rapidly evolve in the coming years, underpinned by regulatory developments including the revised Payment Services Directive. How the Group adapts to these developments could impact the realisation of market strategies and financial plans, dilute customer propositions and cause reputational damage.

Key mitigating considerations

- In the context of the overall business strategy, the Group assesses and develops its complementary technology strategy to support and mitigate these risks.
- Given the significant developments in digital demands on technology as well as increased regulatory requirements, the Group rigorously manages these demands within risk, capacity and financial constraints.
- The Group's policies, standards, governance and control models undergo ongoing review to ensure continued alignment with the Group's strategy to accelerate its pivot to digital and the resulting solutions.
- To support the Group's strategy to accelerate its pivot to digital, as necessary, the Group engages with appropriate external experts.
- The GTOC provides oversight on the Group's digital strategy.

1 Principal Risks and Uncertainties *(continued)*

Credit risk *(page 161)*

Principal risks and uncertainties

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes counterparty default risk, concentration risk, cross border transfer risk, credit quality deterioration risk and collateral value deterioration risk.

Credit risk arises from loans and advances to customers and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

Key mitigating considerations

- Board approved Group Credit Policy and risk appetite limits, including credit category limits, together with a framework for cascade to businesses and portfolios.
- Exposure limits for credit concentration risk.
- Defined credit processes and controls, including credit policies, independent credit risk assessment and defined authority levels for sanctioning lending.
- Processes to monitor compliance with policies and limits.
- Enhanced management of credit risk associated with customers affected by the economic impacts of the COVID-19 pandemic (as detailed in page 173 of the Risk Management Report).
- Dedicated structures focused on the management of customers in financial difficulty, including those who require short and long-term support measures due to COVID-19.

Funding and liquidity risk *(page 175)*

Principal risks and uncertainties

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, amongst other things, the maturity structure of loans and investments held by the Group, while cash outflows are driven by items such as the term maturity of debt issued by the Group and outflows from customer deposit accounts.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities.

The Group funds an element of its sterling balance sheet in part from euro (via cross currency derivatives), which creates an exposure to the cost of this hedging.

Key mitigating considerations

- Board approved risk appetite limits.
- Group funding and liquidity policies, systems and controls.
- Comprehensive liquidity monitoring framework.
- Annual Board approved forward looking ILAAP.
- Strategic plan articulating and quantifying deposit projections, wholesale funding and lending projections for all divisions.
- Contingency Funding Plan and Recovery Plan in place with annual update.
- Maintenance of liquid assets and contingent liquidity available for use with market counterparties and / or in liquidity operations offered by Monetary Authorities.
- The maturity profile of the Group's cross currency hedging is broadly spread over 24 months.

1 Principal Risks and Uncertainties *(continued)*

Life insurance risk *(page 180)*

Principal risks and uncertainties

Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behavioural characteristics, may be short or long-term in nature. There has been no material adverse impact from COVID-19 on the life insurance risk profile to date. The future trajectory of the COVID-19 pandemic remains uncertain and its impact will continue to be monitored. At this point and bearing in mind mitigating considerations, the impact in 2022 is not expected to be material.

Life insurance risk arises from the Group's life insurance subsidiary, NIAC selling life insurance products in the Irish market.

Key mitigating considerations

- Board approved risk appetite limits.
- Underwriting standards and limits are in place and apply throughout the policy lifecycle from risk acceptance to claim settlement.
- Reinsurance is used to manage the volatility from both individual claims and aggregate risk exposures. Coverage is placed with a diversified list of approved counterparties. High levels of reinsurance act as a significant mitigant if there were adverse mortality developments, together with the diversification effect of mortality and longevity risk.
- The sensitivity of the Group's exposure to life insurance risk is assessed regularly and appropriate levels of capital are held to meet ongoing capital adequacy requirements.
- A range of sensitivities and scenario tests are performed as part of the annual Own Risk and Solvency Assessment (ORSA) process.
- Management undertakes a rigorous analysis of claims and persistency experience on a regular basis and monitors these against the assumptions in its valuation and pricing bases so that these can be adjusted to reflect experience. Management undertakes pro-active operational initiatives in order to manage persistency risk.

Market risk *(page 181)*

Principal risks and uncertainties

Market risk is the risk of loss arising from movements in interest rates, FX rates, credit spreads or other market prices.

Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk taking. Additionally, market risk arises through the conduct of customer business, particularly in respect to fixed-rate lending and the execution of derivatives and FX business. The market risk profile of the Group may, in addition to the above risks which arise in the usual course of a business cycle, be impacted by the market volatility as experienced during the COVID-19 pandemic. Earnings for NIAC are also indirectly exposed to changes in equity and property markets through fee income generated on unit-linked customer investments.

The Group policy permits discretionary risk taking activity to generate income from market risk. Risk appetite for discretionary market risk is controlled to remain within Value-at-Risk (VaR) trading limits. Discretionary risk can arise through leaving some customer or intra-Group risk unhedged or through assuming risk proactively in the market.

Structural market risk arises from the presence of non-interest bearing liabilities (equity and some current accounts), the multi-currency nature of the Group's balance sheet and changes in the volume of impaired assets and the floating interest rates to which the Group's assets and liabilities are linked.

Key mitigating considerations

- Board approved risk appetite limits.
- Group Market Risk Policy.
- Comprehensive framework for monitoring compliance with the Board's market risk appetite limits, more granular market risk limits and other controls.
- The Group substantially reduces its market risk through hedging in external markets.
- VaR and extensive stress testing of market risks.

1 Principal Risks and Uncertainties *(continued)*

Conduct and regulatory risk *(page 185)*

Principal risks and uncertainties

Conduct and regulatory risk is defined as the risk that the Group and / or its staff, conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes and / or non-compliance with laws, rules and regulations related to conduct of business, data protection and financial crime. It is also the risk of the failure to appropriately identify and implement governance arrangements for compliance with any new laws, rules and regulations that relate to licensed financial services activity. The Group is exposed to conduct and regulatory risk as a direct and indirect consequence of its normal business activities. These risks may materialise from failures to comply with regulatory requirements or expectations, in the day-to-day conduct of its business, as an outcome of risk events in other key risk categories, from changes in external market expectations or conditions, provision of sales and services and the various activities performed by staff, contractors and third party suppliers.

Examples of conduct and regulatory risk include:
- risk of not delivering fair outcomes to customers;
- risk of the design and development of products and services that do not continue to be suitable over the lifetime of the product or respond to changing customer needs;
- risk of staff not meeting set standards of behaviour with a consequential material negative outcome for customers, colleagues and communities; and
- risk of the Group failing to meet new or existing regulatory and / or legislative requirements and deadlines or to embed regulatory requirements into processes.

Key mitigating considerations

- Board approved risk appetite statement informed by a set of key risk indicators.
- A suite of policies and policy standards are in place for the management of conduct and regulatory risk across the Group.
- Group-wide processes in place to identify, assess, plan, develop and implement key conduct and regulatory requirements.
- Processes in place to identify, assess, manage, monitor and report conduct and regulatory risks as well as controls to mitigate those risks.
- Regular status updates and monitoring at senior levels in the Group including reporting to the BRC and the Board.
- Processes in place to support the reporting, investigation, resolution and remediation of incidents of non-compliance.
- Culture strategy developed based on the outcomes we wish to deliver guided by the Group's values.
- Group-wide education and training in place.

1 Principal Risks and Uncertainties *(continued)*

Operational risk *(page 187)*

Principal risks and uncertainties

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes business continuity, change execution, business process, data quality and availability, information security and cyber, information technology, legal and contractual, model, payments, sourcing and physical security.

Operational risk arises as a direct or indirect consequence of the Group's normal business activities through the day-to-day execution of business processes, the functioning of its technologies and in the various activities performed by its staff, contractors and third party suppliers. This also includes the risks associated with major change and the failure to deliver on the Group's multi-year transformation agenda.

It also arises from the risk of cybersecurity attacks which target financial institutions and corporates as well as governments and other institutions. The risk of these attacks remains material as their frequency, sophistication and severity continue to develop. Information Technology risk (including Cloud) continues to be a focus area in an increasingly digital world requiring heightened service continuity and operational resilience.

The worldwide COVID-19 pandemic is an example of external events, not caused by the actions of the Group, to which the Group must respond and manage. The risk of such external events, which includes natural disasters, civil unrest, etc., presents potential significant disruption and is therefore considered material. The pandemic has caused significant changes for our customers and corresponding operational changes for the Group, including the deployment of interventions to mitigate model risk. The potential for increased operational risk arising from COVID-19 and the legacy of changes to ways of working for our customers and colleagues is being kept under continuous review by the Group.

Key mitigating considerations

- Board approved risk appetite limits.
- The Group utilises a number of strategies in controlling its exposure to operational risk, with the primary strategy being the maintenance of an effective control environment, coupled with appropriate management actions.
- The Operational Risk Framework consisting of processes and policy standards, aims to embed adequate and effective risk management practices within business units throughout the Group.
- Processes to identify, assess, manage, monitor and report operational risks as well as controls to mitigate those risks are in place.
- Processes to support the reporting, investigation, resolution and remediation of incidents are in place.
- Given the significant developments in digital and changed customer preferences and behaviours when engaging with our services, the Group continues to invest significantly in transformation of our systems and processes. This transformation is underpinned by a Group Operating Plan along with clearly defined objectives and key results, to ensure the transformation is managed within risk, capacity and financial constraints while addressing regulatory requirements.
- Due diligence, clear contracts and accountability is in place for third party engagement, management and governance.
- Regular internal audits and testing is carried out to ensure adequacy of controls.
- Business Continuity Management combined with Incident Management and the Crisis Management Framework of the Group enables resilience, swift response and recovery from external events.
- Since the onset of COVID-19, there has been proactive management intervention applied to credit models in particular. The level of model intervention has reduced over successive reporting periods as outputs return to an appropriate range.

Litigation and regulatory proceedings

Principal risks and uncertainties

Uncertainty surrounding the outcome of disputes, legal proceedings and regulatory investigations and administrative sanctions proceedings, as well as potential adverse judgements in litigation or regulatory proceedings remains a risk.

Key mitigating considerations

The Group has processes in place to seek to ensure the Group's compliance with legal and regulatory obligations, together with clear controls in respect of the management and mitigation of such disputes, proceedings and investigations as may be instigated against the Group from time to time.

1 Principal Risks and Uncertainties *(continued)*

Capital adequacy *(page 189)*

Principal risks and uncertainties

Capital adequacy risk is the risk that the Group breaches, or may breach, regulatory capital ratios and internal targets. The Group's business and financial condition would be negatively affected if the Group was, or was considered to be, insufficiently capitalised.

While all material risks impact on the Group's capital adequacy to some extent, capital adequacy is primarily impacted by significant increases in credit risk or RWAs, materially worse than expected financial performance and changes to minimum regulatory requirements as part of the annual Supervisory Review and Evaluation Process (SREP) review conducted by the SSM.

Key mitigating considerations

- The Group closely monitors capital and leverage ratios to ensure all regulatory requirements and internal targets are met. In addition, these metrics are monitored against the Board approved Risk Appetite Statement and suite of Recovery Indicators.
- Comprehensive stress tests / forward-looking ICAAP financial projections are prepared, reviewed and challenged by the Board to assess the adequacy of the Group's capital, liquidity and leverage positions.
- The Group has a contingency capital plan which sets out the framework and reporting process for identifying the emergence of capital concerns and potential options to remediate same.

Climate risk

Principal risks and uncertainties

Climate related considerations are a developing and growing agenda item for financial institutions globally and an increasing focus for key stakeholders including investors and customers. The Group's businesses, operations and assets could be affected by climate change and climate-related risks. Two key risks identified are physical risks from climate change, i.e. extreme weather events such as flooding and transition risks which are risks associated with transitioning to a low carbon economy, where the Group and its customer base could be impacted by a range of impacts such as changes to consumer behaviour and environmental legislation, e.g. changes in how cars are powered. Accelerating climate change could lead to sooner than anticipated physical risk impacts to the Group and the wider economy and there is uncertainty in the scale and timing of technology, commercial and regulatory changes associated with the transition to a low carbon economy.

Key mitigating considerations

- Conducting the Group's business in a responsible and sustainable way is fundamental to achieving its purpose of enabling its customers, colleagues and communities to thrive.
- The Group is a signatory to the UN Principles of Responsible Banking and a supporter of the TCFD. In March 2021, the Group launched its RSB strategy, which sets out the Group's commitment to work with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050, in line with the Irish and UK governments' ambitions and actions. The Group has also set a target to make its own operations net zero by 2030. This is underpinned by the Group's RSB Strategy and its associated 5-point climate action plan. See page 30 for more information on our climate action plan.
- The RSB Strategy sees the Group setting its portfolios and lending practices on a pathway aligned with the Paris Agreement. The Group has committed to setting science based targets across its portfolios by the end of 2022 and to build the Group's own resilience by embedding climate-related impacts in decision making processes for the Group's operations, in lending and investment decisions and the advice provided to customers.
- As a systemic and persisting risk to the Group's business model, the Group's Environmental, Social and Corporate Governance (ESG) Risk Framework guides this deepening integration of climate risk management into our enterprise risk frameworks and business processes in line with regulatory guidance.
- For further details on climate risk management, refer to page 37.

1 Principal Risks and Uncertainties *(continued)*

Macroeconomic conditions and geopolitical uncertainty

Principal risks and uncertainties

The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK, COVID-19 and post-Brexit trade disruption, unfavourable exchange rate movements and changes in interest rates, with international tax reform and the threat of increased global protectionism posing additional risks.

Geopolitical uncertainties could impact economic conditions in countries where the Group has exposures, market risk pricing and asset price valuations thereby potentially reducing returns.

The Group businesses may be affected by political, economic, financial and regulatory uncertainty from time to time in its key markets.

The potential impacts from the emerging Ukraine and Russian conflict remain uncertain, including but not limited to, on economic conditions, asset valuations, interest rate expectations and exchange rates. The extent of these impacts on the Group are unclear at this stage.

Key mitigating considerations

- The Group monitors the risks and impact of changing current and forecast macroeconomic conditions on the likely achievement of the Group's strategy and objectives.
- The Group manages its exposures in accordance with key risk policies including maximum single counterparty limits and defined country limits.
- The Group has in place a comprehensive stress and scenario testing process.
- The Group is diversified in terms of asset class, industry and funding source.

Reputation risk

Principal risks and uncertainties

Reputation risk is defined as the risk to earnings or franchise value arising from adverse perception of the Group's image on the part of customers, suppliers, counterparties, shareholders, investors, colleagues, legislators, regulators, partners or wider society.

Reputation risk arises as a direct or indirect consequence of the Group's operations and business activities. Reputation is not a standalone risk but overlaps with other risk areas and may often arise as a consequence of external events or operational risk related issues.

Key mitigating considerations

- Group ambition, purpose, values and strategic priorities communicated to all stakeholders.
- Potential impact on reputation is considered in the decision making process.
- Media, government, political, regulatory and administrative stakeholder engagement is actively managed.
- Print, broadcast, online and social media reportage and commentary is monitored.
- Process of 'Early Warning Reports' - to alert senior management on emerging issues that have the potential to expose the Group to reputational risk - is embedded across the Group.
- Group Sponsorship and Group RSB programmes in place.
- Proactive external communications with key stakeholders on Group response to COVID-19 and on all key elements of the Group's strategic delivery.
- Strong focus on internal communications to ensure that colleagues are kept informed on all important Group announcements, issues and developments.
- Colleagues are required to comply with all Group policies and procedures including the Group Code of Conduct.

1 Principal Risks and Uncertainties *(continued)*

Resolution risk

Principal risks and uncertainties

Arising from the implementation of the EU Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism (SRM) Regulation in Ireland and the UK, the relevant authorities have wide powers to impose resolution measures on the Group which could materially adversely affect the Group, as well as the shareholders and unsecured creditors of the Group. The Single Resolution Board (SRB) has the authority to exercise specific resolution powers pursuant to the SRM Regulation similar to those of the competent authorities under the BRRD, including in relation to resolution planning and the assessment of resolvability.

Key mitigating considerations

- Following notification that the SRB's preferred resolution strategy consisted of a single point of entry bail-in strategy, the Group implemented a holding company, BOIG plc, during 2017.
- The Group continues to engage constructively with its resolution authorities, including the SRB, in order to meet regulatory expectations in respect of resolvability.
- The Group has a Board approved Recovery Plan which includes an escalation process to identify an emerging stress along with recovery options that it can utilise to mitigate a severe stress scenario.

Risk in relation to Irish Government shareholding

Principal risks and uncertainties

The risk that the Irish Government, which has a c.5.9% discretionary shareholding in the Group via the Ireland Strategic Investment Fund (ISIF), uses its voting rights in a way that might not be in the best interests of the Group's private sector shareholders.

Key mitigating considerations

- The Minister for Finance and the Bank entered into a Relationship Framework Agreement dated 30 March 2012, the terms of which were prepared in the context of EU and Irish competition law and to accommodate considerations and commitments made in connection with the EU / International Monetary Fund (IMF) Programme for Financial Support for Ireland.
- The Framework Agreement provides inter-alia that the Minister will ensure that the investment in the Group is managed on a commercial basis and will engage with the Group in accordance with best institutional shareholder practice in a manner proportionate to the shareholding interest of the State in the Group. In March 2017, as part of the corporate reorganisation, the Company agreed to be bound by and comply with certain provisions of the relationship framework in relation to the Ministerial consent, consultation process and the Group's business plan.
- In June 2021 the Minister for Finance announced plans to reduce the states holding in the Bank. The Irish Government's shareholding has reduced from 13.9% to c.5.9% with further reductions expected in 2022.

Tax rates, legislation and practice

Principal risks and uncertainties

The Group's financial position and outlook are exposed to the risks associated with a change in tax laws, tax rates, regulations or practice and the risks associated with non-compliance with existing requirements. The Group is also exposed to the risk that tax authorities may take a different view to the Group on the treatment of certain items. Furthermore, failure to demonstrate that it is probable that future taxable profits will be available, or changes in government policy or tax legislation may reduce the recoverable amount of the DTAs currently recognised in the financial statements.

Key mitigating considerations

- The Group has clearly defined tax compliance procedures to identify, assess, manage, monitor and report tax risks and to ensure controls mitigating those risks are in place and operate effectively.
- The Group monitors the expected recovery period for DTAs.
- The Group monitors potential changes to tax legislation or government policy and considers any appropriate remedial actions.

1 Principal Risks and Uncertainties *(continued)*

Transformation risk

Principal risks and uncertainties

The Group is undergoing significant transformation across culture, business model and systems, which presents challenges and risks and significant customer considerations. Failure to transform successfully could prevent the Group from realising its strategic priorities.

Key mitigating considerations

- The Board has responsibility for developing the Group's strategic priorities. These priorities were set out at the Group Investor Day on 13 June 2018. A strategic refresh is also underway which is subjected to ongoing risk assessment.
- The Group has mobilised a number of significant change programmes under each of the key Transformational change areas to deliver against this strategy. An Enterprise Transformation Office function was established in 2020 to co-ordinate and support the safe delivery of this scale of change.
- The GTOC oversees the business and strategy aspects of the programme for its duration including review of transformation risk updates.

2 Risk Management Framework

Risk statement

Guided by the conditions of the Board approved Risk Identity and risk appetite, the Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into consideration and that the Group's overall business strategy and remuneration practices are aligned with its risk and capital management strategies.

The Group Risk Framework is the overarching high level document which articulates the Group's integrated approach to risk. It is reviewed and approved annually by the Group CRO and by the Board at least every three years following consideration and recommendation by the BRC. It specifies the Group's approach to risk identification, appetite setting, assessment, management, monitoring and reporting.

The Group Risk Framework provides the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management practices and activities across the Group. It provides the context within which business and risk strategies are considered and developed (including risk policies, guidelines and limits / targets). The Group Risk Framework reflects the Group's analysis and responses to the impact and experience gained from economic and financial stress. This includes the implementation of specific recommendations from internal and external risk governance reviews endorsed by the Board.

2.1 Risk identity and dimensions

Risk identity

The Group's risk identity qualitatively defines the relative positioning of the Group's activities within a spectrum of business models and market opportunities. The Group's current Board approved Risk Identity is to be the National Champion bank in Ireland focused on having long-term relationships with our retail, commercial and corporate customers. The Group's core franchise is in Ireland with income and risk diversification through a meaningful presence in the UK and selected international activities where the Group has proven competencies.

Risk dimensions

The Group's Risk Identity is translated into objectives across three key dimensions as follows:

- **Manage financial volatility:** with focus on ongoing management of risk to earnings and liquidity taken by the Group.
- **Ensure solvency:** with focus on the protection of stakeholders from impact of extreme conditions on the Group, mitigating actions the Group can take to avoid insolvency and capital buffers sought out from these conditions.
- **Protect the franchise:** with focus on the protection of the long-term sustainability of the Group.

2.2 Governance and oversight

Risk Governance

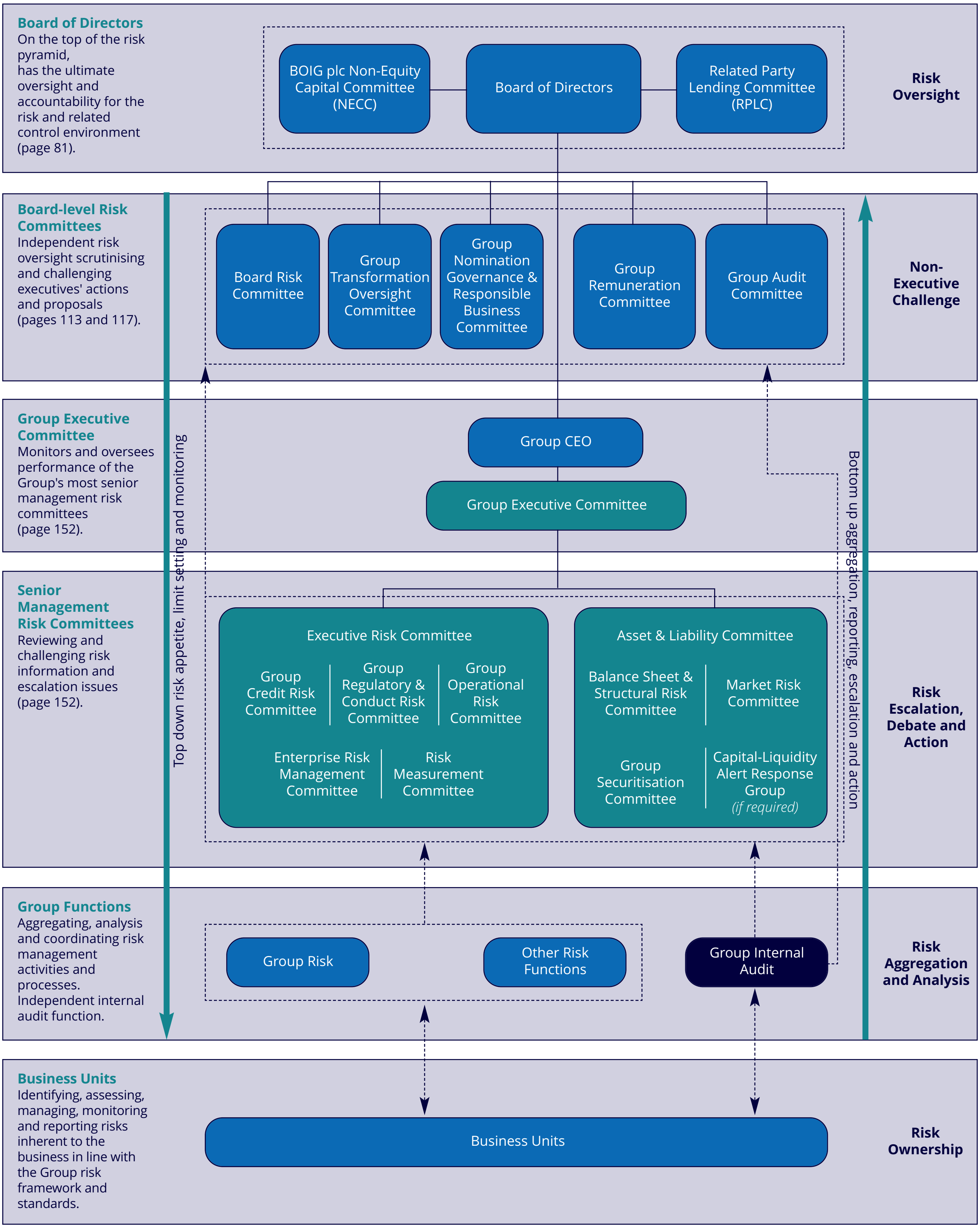
The Board has ultimate responsibility for the governance of risk at the Group. Oversight of risk activities is achieved through a risk governance structure designed to facilitate the risk identification, appetite setting, assessment, management, monitoring and ultimate reporting on risk activities and material considerations to the Board.

The Board is assisted in its risk governance responsibilities by the delegated sub-committees of the Board, primarily the Board Risk and Group Audit Committees (BRC and GAC respectively) and at executive level by the Executive Risk Committee (ERC), Asset and Liability Committee (ALCO) and their supporting appointed executive committees, namely the GCRC, Group Regulatory and Conduct Risk Committee (GRCRC), Group Operational Risk Committee (GORC), Enterprise Risk Management Committee (ERMC), Risk Measurement Committee (RMC), Balance Sheet and Structural Risk Committee, Market Risk Committee, Group Securitisation Committee and Capital-Liquidity Alert Response Group.

The Board of Directors is ultimately accountable for the effective management of risks and for the system of internal controls in the Group. The system of internal control is designed to ensure thorough and regular evaluation of the nature and extent of risks and the ability of the Group to react accordingly. The Board is supported by the BRC on risk oversight matters and the GAC in relation to the effectiveness of the system of internal controls. Each of the Board Committees and the executive committees that form part of the risk governance framework operate in accordance with clear terms of reference, approved by the Board or parent executive committee, setting out their respective roles and responsibilities. Further detail outlining the key responsibilities of the Group's Board-level risk committees can be found on pages 113 and 117 within the Governance section.

2 Risk Management Framework *(continued)*

2.2 Governance and oversight *(continued)*



—— Delegation of authority -------- Reporting

2 Risk Management Framework *(continued)*

2.2 Governance and oversight *(continued)*

The **ERC** and **ALCO** are the Group's most senior management risk committees and operate with delegated authority from the Group Executive Committee (GEC), which monitors and oversees the performance of these committees. The Board Risk Committee (BRC) also exercises oversight of these committees, as outlined in their respective Terms of Reference.

The ERC is chaired by the Group CRO and the ALCO is chaired by the Group CFO. The membership of these committees comprises members of the Group Executive team and Group-wide divisional and control function executives. The ERC met 25 times and the ALCO met 16 times, during 2021.

The ERC is responsible for managing all risk types across the Group, with the exception of Market risk, Funding & Liquidity risk and Capital adequacy, which are managed by the ALCO. Responsibilities include monitoring and reviewing the Group's risk profile and compliance with risk appetite and other approved policy limits and approving risk policies and actions within discretion delegated by the GEC. The ERC and ALCO delegate specific responsibility for oversight of major classes of risk to specific appointed committees and individuals that are accountable to them.

The relevant ERC appointed committees are set out in the following table.

Committee	Delegated responsibility
Group Credit Risk Committee	Oversight of Credit risk related matters.
Group Regulatory and Conduct Risk Committee	Oversight of Conduct and regulatory risk.
Group Operational Risk Committee	Oversight of Operational risk.
Enterprise Risk Management Committee	Oversight of Business risk, Strategic risk, Life Insurance risk and People risk.
Risk Measurement Committee	Approval and oversight of all aspects of credit risk measurement systems and may also oversee other risk model classes used for management purposes within the Group.

The relevant ALCO appointed committees are set out in the following table.

Committee	Delegated responsibility
Balance Sheet & Structural Risk Committee	Responsible for supporting ALCO in the areas of Funds Transfer Pricing (FTP) and structural risk.
Market Risk Committee	Responsible for supporting ALCO in the governance, measurement and control of discretionary market risk and oversight of derivative activity.
Group Securitisation Committee	Supports ALCO in providing oversight of collateral management & asset encumbrance.
Capital-Liquidity Alert Response Group	May be established in line with the escalation process outlined in the Group's Recovery Plan to assist in the management of the Group's response to a stress scenario.

2 Risk Management Framework *(continued)*

2.2 Governance and oversight *(continued)*

Risk taxonomy

In order to ensure that all risks the Group may face have been identified and are being adequately addressed through its management of risk, the Group applies a methodology aimed at ensuring its risk taxonomy is comprehensive. Risks assumed or faced by the Group are classified into causes, events or outcomes:

- risk causes are internally generated or external environments that can precipitate or drive the occurrence of specific risk events; the categories of risk causes identified broadly align to the headings of inadequate process, systems, people, or external causes;
- risk events are identified as discrete, specific occurrences, which directly result in a negative outcome. Risk events are identified at a granular level and are intended to reflect an exhaustive / comprehensive inventory of potential risk events. These granular events are aggregated into hierarchical groupings based on similar characteristics, with the highest level representing the Group's 'Key Risk Types'; and
- risk outcomes are identified as categories of negative outcome for the Group, its customers and / or the community at large.

For the purposes of risk oversight, executive management accountability is allocated based on the risk events (through the key risk types), as given the collectively exhaustive and mutually exclusive nature of risk events, this approach minimises the likelihood of overlaps or gaps in risk oversight. While risk reporting is primarily through the key risk types, the categories of risk causes and risk outcomes also represent valuable risk reporting lenses which support a holistic view of risk.

Three Lines of Defence Operating Model

Three lines of defence approach

The Group follows a three lines of defence approach to risk management and oversight. This ensures a comprehensive and structured consideration of risk and is aligned with regulatory expectations.

First line of defence (1LOD): Primary responsibility and accountability for risk management lies with line management in individual businesses and relevant Group functions (the '1LOD Risk Owners'). They are responsible for the identification and management of risk at business unit / Group function level including the implementation of appropriate controls and reporting to the Group in respect of all major risk occurrences.

Second line of defence (2LOD): Group Risk and a number of central functions are responsible for maintaining independent risk oversight, including challenge and intervention where appropriate and ensuring that a risk control framework is in place. Nominated '2LOD Risk Oversight' executives are responsible for ensuring:

- that a policy or a process is in place for the risks assigned to them;
- exposure to the risk is correctly identified, assessed according to the Group's materiality criteria and reported;
- identified risks are managed using an appropriate risk strategy, or escalated; and
- independent oversight and analysis along with centralised risk reporting are provided.

Third line of defence (3LOD): Group Internal Audit (GIA) provides independent, reasonable assurance to key stakeholders on the effectiveness of the Group's risk management and internal control framework. GIA carries out risk based assignments covering Group businesses and functions (including outsourcing providers - subject to the right to audit), with ratings assigned as appropriate. Findings are communicated to senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates. Credit Review (CR), an independent function within GIA, is responsible for reviewing the quality and management of credit risk assets across the Group.

Management oversight of risk

The Board, ERC, ALCO and their appointed committees are subject to annual effectiveness reviews, which may result in further enhancement, as endorsed by the Board. Areas of specific focus for review include organisational design, governance structures and risk appetite design, articulation and implementation.

Group Risk is responsible for the Group's overall risk strategy and integrated risk reporting to the Board, the BRC and Group Executive team. The function is led by the Group CRO who is a member of the Group Executive team and reports directly to the Group CEO and may directly influence business decisions by:

- emphasising a portfolio approach to risk management in addition to a transactional approach;
- leading the discussion on the setting of risk appetite; and
- providing appropriate risk measurements to influence the assessment of business performance.

The Group CRO provides independent advice and constructive challenge to the Group Executive in the support of effective risk-informed business decisions. This involves acting as an enabler as well as a challenger of well-structured business growth opportunities that can be shown to fit within the Group's risk appetite. In 2021 the Group appointed a new Group CRO.

In addition, a number of other Group functions have 2LOD responsibility for certain key risk types, namely Group Finance (Business risk) and People Services (People risk). Strategic risk is managed by the relevant Divisional CEOs, with 2LOD Risk Oversight assigned to the Group Chief Strategy Officer. Life Insurance risk is managed within NIAC, an independent regulated subsidiary with its own independent board, with 2LOD Risk Oversight assigned to the CFO, NIAC.

Risk appetite

The Group's overall risk strategy is to ensure that the Group clearly defines its risk appetite as reflected in Group strategy and that it has appropriate risk governance, processes and controls in place as articulated in the Group Risk Framework to:

- address its target markets with confidence;
- protect its balance sheet; and
- deliver sustainable profitability.

2 Risk Management Framework *(continued)*

2.2 Governance and oversight *(continued)*

The Group seeks to accomplish its risk strategy by:

- defining risk appetite as the boundary condition for the Group's strategic plan and annual operating plan / budget;
- ensuring that all material risks are correctly identified, assessed, managed, monitored and reported;
- ensuring that capital and funding considerations shape the approach to risk selection / management in the Group;
- allocating clear roles and responsibilities / accountability for the control of risk within the Group;
- avoiding undue risk concentrations;
- engendering a prudent and balanced risk management culture;
- ensuring that the basis of remuneration for key decision makers is consistent with EBA guidelines, as appropriate; and
- ensuring that the Group's risk management structures remain appropriate to its risk profile and take account of lessons learnt and emerging internal and external factors.

Risk appetite defines the amount and type of risk the Group is prepared to accept in pursuit of its financial objectives. It informs Group strategy and, as part of the overall framework for risk governance, forms a boundary condition to strategy and guides the Group in its risk-taking and related business activities. The Group's approach to risk appetite is outlined in the Group Risk Appetite Framework, which includes a detailed description of the process to review risk appetite limits, the process to report risk appetite measures and the process to escalate breaches of risk appetite, should they occur.

Risk appetite is defined in qualitative terms as well as quantitatively through a series of high level limits and thresholds covering areas such as credit risk, market risk, funding and liquidity risk, operational risk and capital measures.

Risk frameworks and policies

In line with good risk management practices, the Group utilises a range of risk management tools to effectively and consistently manage risk across the Group, including frameworks (for how to manage risk), policies / policy standards (setting out the boundaries and minimum requirements to stay within appetite) and procedures / guidelines (for how to apply the policies and, in some cases, how discretion may be applied).

Subsidiary oversight

The Board has the overall responsibility for ensuring that there is an appropriate governance framework in place for the Group. The Board exercises oversight over Group subsidiaries, while respecting the independent legal and regulatory responsibilities that apply to the boards of such subsidiaries. The Group Subsidiary Governance Policy sets out how the Board exercises oversight of Group subsidiaries and the high-level governance standards that shall be applied across the Group in a proportionate manner.

2.3 Risk management lifecycle

The Risk Management Lifecycle articulates the primary categories of activity that the Group applies in the management of risk. These categories of activity are applicable to all key risk types and include identification, appetite setting, assessment, management, monitoring and reporting.

Risk identification

The Group ensures appropriate identification of risk through both top-down and bottom-up risk identification processes. On an annual basis, risks facing the Group are identified and assessed through a top-down Risk Identification and Materiality Assessment process. Arising out of this process, the identified risks are aggregated and key risk types are identified which could have a material impact on the Group's earnings, capital adequacy and / or on its ability to trade in the future. These key risk types form the basis on which risk is managed and reported in the Group.

An accountable 2LOD Risk Oversight executive is assigned to each key risk type and appropriate policies and / or processes are put in place and a formalised measurement and management process defined and implemented. Risk appetite measures for key risk types are set by the Board.

Separate from the Group's Risk Identification and Materiality Assessment process, a review of the top five risks facing the Group is carried out on a semi-annual basis. This process involves Senior Executive management identifying and ranking what they perceive to be the top risks facing the Group. This review facilitates the identification and discussion of new risks whose existence or importance may have been highlighted or elevated by unusual or out of course developments such as external market shocks or geopolitical event risks. It also facilitates discussion and assessment of how such risks or events may have a knock-on impact for the Group's identified key risk types.

In addition to these top-down risk identification processes, colleagues throughout the Group are required to continuously monitor for new or emerging risks. For non-financial risks, these granular level risks are recorded via the Group's Risk and Control Self-Assessment process.

Risk appetite setting

Aligned to the Group's Risk Appetite Framework, on an annual basis the Group reviews and updates where necessary, its Risk Appetite Statement. This document outlines both qualitative statements of risk appetite for each key risk type and a series of high level quantitative risk appetite metrics and limits.

These high level limits are cascaded where appropriate into more granular limits across portfolios and business units. Risk

2 Risk Management Framework *(continued)*

2.3 Risk management lifecycle *(continued)*

appetite guides the Group in its risk-taking and related business activities, having regard to managing financial volatility, ensuring solvency and protecting the Group's core franchises and growth platforms.

The Risk Appetite Statement includes specific limits on credit category and single name exposures among other qualitative and quantitative risk parameters and it also provides for the implementation of a hierarchy of credit category limits. The Risk Appetite Statement is reviewed at least annually or in light of changing business and economic conditions. It is set and approved by the Board following consideration and recommendation by the BRC.

Risk assessment

Risk assessment in the Group is performed through a range of processes. These processes include quantitative measurement for quantifiable risks, Risk and Control Self-Assessments (RCSAs) for non-financial risks and Strategic Risk Assessments for major decisions. Quantitative measurement involves using data and defined measurement methodologies to estimate a series of defined quantitative risk metrics on a regular basis. Materiality assessments for non-financial risks are conducted using the Group's RCSA process. Risks are identified, classified and rated using a likelihood and impact scale on a periodic basis. A dashboard aggregation of identified risks is monitored and reported, which enables timely management of highly rated risks. For major business decisions, Strategic Risk Assessments are conducted which assess key factors across each of the Group's key risk types. This informs management and key decision making committees regarding the materiality of risks associated with critical business decisions.

The nine key risk types are outlined below:

Risk management

The identified key risk types are actively analysed and measured in line with the formalised policies and management processes in place for each risk type.

For credit, funding and liquidity, life insurance, market, operational and pension risks, risk models are used to measure, manage and report on these respective risk types. Risk limits and diversification, together with regular review processes, are in place to manage potential credit risk and funding and liquidity risk concentrations which in turn could lead to increased volatility in the Group's expected financial outcomes. Additionally, the Group's calculation of economic capital takes into consideration the extent to which credit concentration risk exists in respect of single name, sector and geography.

At Group level, common measures and approaches for risk aggregation and measurement have also been adopted, in order to inform operational and strategic plans and to steer the business within the boundaries of its risk appetite. These include one-year or multi-year forecasting / stress testing and a capital allocation framework which incorporates economic capital modelling and risk adjusted return analysis. The Group uses a suite of risk measurement models and systems to support decision making processes at transaction and portfolio levels, e.g. approving a loan facility to a borrower.

Return on Capital

The common measure of return on risk used by the Group is Risk Adjusted Return on Capital (RAROC). RAROC is used to objectively assess the return of individual loans, portfolios and businesses and is a key performance metric for the Group in the context of allocation of capital.

Loan loss forecasting and solvency stress testing

Forecasting and stress testing are risk management tools used by the Group to alert management to potential adverse outcomes related to a variety of risks and inform risk appetite and contingent mitigating action.

The Group conducts:
- loan loss forecasting which informs senior management about potential outcomes related to loan loss evolution under chosen macroeconomic scenarios. This information is regularly used as an input into the Group's budget, strategic plan and ICAAP. Additionally, it can be used to forecast future provisioning needs and / or to understand and therefore anticipate, earnings volatility and future capital utilisation, such as at portfolio / transaction level. Results of forecasting are used by the Group to enhance the understanding of potential vulnerabilities and to make decisions around risk appetite and capital adequacy or to help prepare mitigating actions;
- solvency stress tests evaluate the Group's financial position under 'severe but plausible' scenarios or sensitivities and provide an indication of how much capital might be needed to absorb losses should such a shock occur. Scenarios for solvency stress testing are approved by ALCO but regulators can also request that a mandated stress scenario be run to assess capital needs across banks in a particular jurisdiction. The approved scenarios are applied to the Group's credit portfolios and financials as appropriate, in order to generate

2 Risk Management Framework *(continued)*

2.3 Risk management lifecycle *(continued)*

stressed loan loss forecasts and other impacts over the scenario period. The outputs of the solvency stress testing are reviewed and approved by the Board and used by the Group to inform risk appetite, strategy and capital planning and are an integral component of the Group's ICAAP process. They are also used by regulators to assess the Group's ability to continue to meet its capital requirements under severe adverse conditions; and
- reverse stress testing evaluates the Group's ability to survive an unforeseen severe event or combination of events that would cause the Group's business model to become unviable. Reverse stress testing complements and builds on solvency stress testing by exploring more extreme scenarios / events beyond the likelihood thresholds looked at in solvency stress testing. This is achieved as reverse stress testing is developed in reverse, working back from an outcome of business failure to causal analysis, while the more typical solvency stress testing works towards defining a range of outcomes or probabilities given defined inputs.

Due to the unprecedented nature of the COVID-19 economic shock, this continued to be a primary focus of loan loss forecasting and solvency stress testing activities during 2021. In parallel, the Group is developing its scenario modelling and scenario capabilities in the climate risk space (refer to page 32).

The Group also runs more frequent and / or ad hoc stress tests for general risk management purposes. These cover:

Market risk
The following market risks are subject to stress testing as part of its normal risk measurement and management process:
- discretionary market risk, consisting of Trading Book positions and discretionary Interest Rate Risk in the Banking Book (IRRBB) risk;
- structural IRRBB consisting of balance sheet basis risk; and
- structural FX, the sensitivity of Group capital ratios to exchange rate movement.

Discretionary risk and basis risk are stressed using empirically-based scenario analyses. In the case of discretionary risk, the stress test results are potential changes in the economic value of positions; in the case of basis risk, the results are potential changes in one year-ahead net interest income.

Operational risk
Operational risk stresses are modelled based on a scenario-based approach. Severe, yet plausible operational risk loss scenarios are applied on a Group-basis and are used to inform the assessment of the Group's economic capital requirement.

Life insurance risk
Life insurance regulations require each life company to complete an annual ORSA. The ORSA process is intended to consider severe but plausible risks to the business and the capital or mitigating actions required to withstand those risks within the context of its business plans. This assessment considers a range of sensitivities and scenario tests, including deterioration in the insurance risk experience.

Funding and liquidity risk
The Group stresses its exposure to liquidity risk through liquidity stress testing which provides senior management with the ability to assess the degree to which the Group is vulnerable to extreme but plausible adverse liquidity conditions. It is used to identify the potential impact of a range of adverse shocks, including the impacts of rating downgrades and the reduction / withdrawal of certain funding markets such as customer deposits or wholesale markets on the Group's ability to fund its outflows (asset financing and / or contractual obligations) at the required time and at a reasonable cost.

Recovery and resolution planning
In line with the BRRD for EU banks, the Group maintains a Recovery Plan which sets out options to restore financial stability and viability of the Group in the event of the relevant circumstances arising. The Group's Recovery Plan is approved by the Board on the recommendation of BRC and ALCO.

For institutions which are under the remit of the SRB, including the Group, resolution plans are prepared by the SRB to determine an institution's critical functions, to identify and address any impediments to its resolvability and to prepare for its possible resolution. The SRB published an Expectations for Banks document which sets out the actions required by institutions (including the Group) to demonstrate they are resolvable.

Monitoring and reporting

The Group CRO reports on risk to the ERC, the BRC and the Board on a regular basis. This allows Group management to be clear and consistent in communication with internal and external stakeholders, including markets, rating agencies and regulators. Additionally, it is a process which assists in discharging the regulatory responsibilities of the Group, which stipulates that management understand the major risks facing the Group and the process in place for managing those risks.

The key risk types identified under the Group's risk identification process are assessed and their status is reported quarterly by the Group CRO in the Board Risk Report which is reviewed by the ERC, the BRC and the Board. The content of the report includes an analysis of and commentary on, all key risk types as set out on pages 158 to 193. Updates on risk dashboards and risk appetite compliance are provided on a monthly basis. The frequency of reporting is assessed and increased as appropriate during times of stress / crisis.

As part of the Group's risk monitoring and review processes and in support of the Group's ICAAP, a suite of risk and capital reports are regularly reviewed by ALCO and ERC. In addition, the Group performs regular ongoing operational reporting and monitoring of credit quality, grade migration and other risk trends as well as the tracking of market risk and operational risk within the Group Risk functions. Furthermore, the measurement and reporting process is subject to ongoing review and is enhanced where appropriate.

Breaches of the Group Risk Framework, or breaches of key risk policies, are advised to the ERC by the relevant 2LOD Risk Oversight and reported, as necessary by the Chair of ERC, to the BRC and Board.

2 Risk Management Framework *(continued)*

2.3 Risk management lifecycle *(continued)*

The BRC also receives risk information through its review of the ERC minutes and through investigations carried out into specific risk matters. The GAC separately receives Internal Audit reports on a range of matters following completion of its independent, risk based assignments or ad hoc reviews.

2.4 Enablers

The Group Risk Framework recognises that risk management is required to be built on a foundation of key enablers primarily relating to appropriate culture and capabilities. Enablers are defined to recognise the robust foundation on which the Group Risk Framework is based.

Group Risk Framework Key Enablers

Process Excellence & Operational Resilience
Process Excellence and Operational Resilience are foundational elements in provision of reliable services and engendering trust within customer relationships.

Leadership
Leadership must be prepared to execute on their responsibilities with respect to risk, help to foster the appropriate risk culture and guide the organisation in line with the Group's Purpose and Values.

Resource Adequacy and Effectiveness
Resource adequacy and effectiveness is critical. Appropriate levels of resource with required capabilities and experience must be available to manage key risks according to materiality.

Systems and Infrastructure
Systems and infrastructure provide the tools for the Group to manage and oversee risk on a day-to-day basis.

Culture
The Group risk appetite articulates the level of risk the Group is prepared to take to achieve its strategic priorities. The culture of the Group reflects the balance between:
- risk management and financial return; and
- risk taking and incentives.

The Group's risk culture encompasses the general awareness, attitude and behaviour of employees to the taking of appropriate risk and the management of risk within the Group.

The Group's risk culture is a key element of the Group's effective risk management framework, which enables decisions to be taken in a sound and informed manner.

Standards of behaviour are detailed in the Group Code of Conduct to which all management and staff must adhere and affirm annually. The Speak Up Policy sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk or malpractice in the Group.

3 Management of key Group risks

3.1 Business risk

Key points:

- On an annual basis, the Board reviews the Group's strategic objectives and key underlying assumptions to confirm that the strategic shape and focus of the Group remains appropriate.
- Continued low levels of bond yields, official interest rates and discount rates, cause challenges and risk.
- The Group continues to manage the orderly transition of impacted customers and products to regulatory compliant interest rate benchmarks for new business and existing customers. This effort will continue until transition of USD London Inter Bank Offered Rate (LIBOR) contracts concludes by end June 2023.
- The impact of COVID-19 extends across all other business risks. It has accelerated existing trends, with consumer activity switching rapidly to digital alternatives and new ways of working impacting customers and colleagues and created an uncertain economic outlook with groups of customers and sectors likely to benefit from a recovery at differing scales and speeds.
- In terms of Brexit, the Group continues to monitor the trading relationship between the EU and UK identifying, monitoring and mitigating risks associated with the current trade agreement.

Definition

The risk of earnings volatility over the short term (one year time frame). This risk will manifest through adverse impact to the strength of the Group's franchise and / or operational economics including volumes, margins, costs and net worth. It can be driven by sudden shifts in customer behaviour / demand, competitive dynamics, new market entrants, new products, new product pricing, inadequate cost management and / or an inappropriate concentration of earnings.

Risk management, measurement and reporting

Divisions and business units are responsible for delivery of their business plans and management of such factors as pricing, sales and loan volumes, operating expenses and other factors that may introduce earnings volatility.

Monitoring of business risk is performed on a divisional basis and measured quarterly, with a scorecard addressing movements in key indicators around income diversification, margin trends, customer advocacy, costs and employee engagement. In addition to this, business risk is evaluated through quarterly updates in the Board Risk Report which is reviewed by the ERC, the BRC and the Board. Updates on risk dashboards and risk appetite compliance are provided on a monthly basis. The key dimensions evaluated within business risk are:

- the strength of the Group's returns;
- evaluation of financial projections;
- strength of the Group's competitive position; and
- management capability, technology capability and resource availability.

The Group also reviews business risk as part of the annual risk identification process. In addition, there is an annual review of business risk to ensure that the BRC is comfortable with the processes in place to manage business risk and that residual risk is within the Group's risk appetite.

Risk mitigation

The Group mitigates business risk through business planning methods, such as the diversification of revenue streams, cost base management and oversight of business plans, which are informed by expectations of the external environment and the Group's strategic priorities.

At an operational level, the Group's annual budget process sets expectation at a business unit level for lending volumes, margins and costs. The tracking of actual and regularly forecasted volumes, margins and costs against budgeted levels is a key financial management process in the mitigation of business risk.

3 Management of key Group risks *(continued)*

3.2 People risk

Key points:

- People risk has continued to be heavily influenced by COVID-19 during this year, albeit it is the effects of a long lasting pandemic on colleague mental health and the implications of a rebounding employment market on attraction and retention of skills and capacity required to deliver strategy that have been to the forefront during 2021.
- The level of transformation and business change across the organisation, combined with a global pandemic, resulted in increased management focus on organisational capacity / potential people strain during the year.
- Group and divisional level tracking and reporting of colleague health and wellbeing data has been introduced during the year as a result. Increased levels of colleague mental health challenges are reflective of societal pandemic trends, with major focus during the year on the provision of, raising awareness and de-stigmatising use of, Group provided colleague supports.
- The Group made significant progress, in line with strategic plans, in relation to organisational transformation with 1,585 colleagues exiting on redundancy as part of the Group-wide Voluntary Redundancy programme since its commencement in Q4 2020.
- After very limited activity during most of 2020 and the early parts of 2021, Q2 onwards saw an increase in employment market activity. While natural (non-redundancy) attrition remains low in overall terms, it has increased during the year returning to pre-COVID-19 levels, notably in specialist skills areas and including the announcement of the departure of the Group CFO. This brings into sharp focus the challenges associated with attraction and retention of key talent as well as leadership in the context of remuneration restrictions.

Definition

People risks are risks to the Group and its performance relating to the delivery of its strategic objectives which can be attributed to the workforce. Specifically, People risk captures the risk that the Group does not attract and maintain an employee base with the skills, capabilities and culture necessary to execute the Group's business objectives. People risk also includes risks relating to health and safety. As such, people risks can be categorised into those relating to capacity and capability (including leadership), culture and engagement and industrial relations, as well as health and safety.

There are a number of drivers of people risk. The economic environment may create uncertainty within the Group and in the wider financial market. The external environment (post-Brexit and reflective of the ongoing COVID-19 situation) and resulting BoI challenges e.g. improving efficiency, may impact the Group's ability to attract, motivate and retain qualified and experienced staff to execute strategy. In this context, People risk may also arise as a result of the Group's transformation and digitalisation as the organisation adapts to the changing needs and preferences of our customer base, with resultant need for staff flexibility and up-skilling alongside transitioning to a sustainable operating model. Associated people risks include impacts on employee engagement and culture embedding, as well as industrial relations risks and business continuity. Furthermore, people risks can be compounded by the continuing impact of remuneration restrictions (e.g. variable pay/bonuses and caps) in a labour market with ongoing high demand for particular skills and / or restricted mobility between jurisdictions.

Risk management, measurement and reporting

The Group believes that good customer outcomes are heavily influenced by good colleague outcomes which can only be delivered by good people risk management. People risk is managed in line with the Group People Risk Framework and associated policies which guide compliance with legal, regulatory and contractual obligations.

The Group acknowledges that a degree of people risk will arise in the operation of its business activities, with the limit of the Group's appetite for People risk being where the People risk would cause a material detrimental impact on the ability to deliver strategic organisational objectives. On an annual basis, the Board approves the Group Risk Appetite Statement, which incorporates a statement and metrics for people risk. Each component of overall People risk has risk committee reported metrics for which individual risk appetite measures are in place. Regular reporting on people metrics and trends, including on colleague health and wellbeing, is provided to senior management and Board, including inputs to the Board Risk Report.

Risk mitigation

The Group mitigates the potential impact of people risk through a number of measures. A suite of policies and Group-wide processes are in place to guide compliance with legal, regulatory and contractual obligations. Structured Group-wide programmes and strategies are in place to support a number of focus areas, including but not limited to: colleague wellbeing; capability uplift through the professionalisation and enterprise skills agenda; female talent development as well as broader inclusion and diversity initiatives; and Group-wide culture and employee engagement plans. A comprehensive colleague communications approach is also in place.

3 Management of key Group risks *(continued)*

3.3 Strategic risk

Key points:

- The Group is undergoing significant transformation across culture, business model and systems with a number of programmes underway delivering against this strategy.
- The Group continues to effectively manage a range of technology programmes including supporting the Group's strategy to accelerate its pivot to digital, complying with the evolving regulatory environment whilst continuing to invest in improving resilience, efficiencies and customer experience across channels.
- The Group continues to develop its RSB agenda and has enhanced Board and executive oversight. As part of our enterprise approach to manage climate risks, the Group is embedding the assessment of risks and opportunities into key business planning and risk management processes (page 37).
- We are committed to the UK market where our focus is on improving sustainable returns. We are implementing a multi-year restructuring programme that will, over time, reduce our balance sheet size, enabling us to lower our cost base and focus on higher margin businesses across mortgages, car finance and personal lending.

Definition

The risk of inadequate returns over the long-term (greater than one year). It includes the failure to develop an effective and sustainable long-term strategy, inadequate execution of a chosen strategy, or failure to adapt a chosen strategy where fundamental assumptions underpinning the strategy have changed.

Risk management, measurement and reporting

Business, divisional and portfolio strategy is developed within the boundaries of the Group's strategy as well as the Group's Risk Appetite Statement. These strategies are approved by business divisional CEOs and presented to the Board.

Monitoring of strategic risk is performed on a Group and divisional basis and measured quarterly. Strategic risk focuses on the appropriateness of the Group's strategic plan and financial projections over the longer term and is evaluated through quarterly updates in the Board Risk Report which is reviewed by the ERC, the BRC and the Board. Updates on risk dashboards are provided on a monthly basis.

On an annual basis, the Group reviews strategic risk as part of the risk identification process. In addition, an annual review and challenge of strategic risk is presented to BRC to ensure the Group is comfortable with the processes in place to manage strategic risk and that residual risk is within the Group's risk appetite.

Risk mitigation

The Group mitigates strategic risk through regular updates to the Board on industry developments, the macroeconomic environment and associated trends which may impact the Group's activities, review of the competitive environment and strategies at a divisional and business unit level.

3 Management of key Group risks *(continued)*

3.4 Credit risk

Key points:

- The macroeconomic environment in Ireland and the UK, which are the Group's key markets, recovered in 2021 having been materially impacted by the emergence of the COVID-19 pandemic and associated social restrictions in 2020.
- Total loans and advances to customers (before impairment loss allowance) at amortised cost[1] reduced to €77.9 billion at 31 December 2021 from €78.5 billion at 31 December 2020 reflecting the combined impacts of currency translation, utilisation of impairment loss allowances and net redemptions in the year.
- Credit risk metrics improved in 2021, having deteriorated in 2020 due to the economic impact of the COVID-19 pandemic and associated social restrictions. The Group's NPEs reduced in 2021 from €4.5 billion to €4.3 billion.
- Total net impairment gains on financial instruments of €194 million compared to a prior year loss of €1.1 billion. The net gain primarily reflects a €307 million gain recognised arising from impairment model updates incorporating the change in the macroeconomic outlook and a net impairment gain of €42 million from portfolio activity. These net gains were offset by the application of Group management adjustments at 31 December 2021 (c.€155 million net loss) which reflect a number of potential risks not included in modelled impairment loss allowances.

Definition of credit risk *(audited)*

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes counterparty default risk, concentration risk, cross border transfer risk, credit quality deterioration risk and collateral value deterioration risk. At portfolio level, credit risk is assessed in relation to the degree of name, product, industry and geographic concentration to inform the setting of appropriate risk mitigation and transfer mechanisms and to assess risk capital requirements. Risk appetite measures for credit risk are set by the Board.

Credit risk arises from loans and advances to customers and from certain other financial transactions such as those entered into by the Group with financial institutions, sovereigns and state institutions.

Credit facilities can be largely grouped into the following categories:

- cash advances (e.g. loans, overdrafts, revolving credit facilities (RCFs) and bonds), including associated commitments and letters of offer;
- credit related contingent facilities (issuing of guarantees / performance bonds / letters of credit);
- derivative instruments; and
- settlement / clearing lines.

The manner in which the Group's exposure to credit risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below.

Default risk

Default risk is the risk that financial institutions, sovereigns, state institutions, companies or individuals will be unable to meet the required payments on their debt obligations. Default may be as a result of one or a number of factors including, but not limited to:

- deterioration in macroeconomic or general market conditions;
- deterioration in a borrower's capacity to service its credit obligation;
- a credit event (e.g. a corporate transaction);
- a natural or manmade disaster;
- regulatory change, or technological development that causes an abrupt deterioration in credit quality;
- a mismatch between the currency of a borrower's income and their borrowing / repayments; and
- environmental factors that impact on the credit quality of the counterparty.

Credit concentration risk

Credit concentration risk is the risk of loss due to exposures to a single entity or group of entities engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Undue concentrations could lead to increased volatility in the Group's expected financial outcomes.

Cross border transfer risk

Cross border transfer risk is the risk that sovereign or other counterparties within a country may be unable, unwilling or precluded from fulfilling their cross-border obligations due to changing political, financial or economic circumstances such that a loss to the Group may arise.

Credit quality deterioration risk

Credit quality deterioration risk is the potential for loss due to an internal / external ratings downgrade which signals a change in the credit quality of the loan exposure.

Collateral value deterioration risk

Collateral value deterioration risk is the risk of loss arising from a change in the value or enforceability of security held in respect of a transaction with credit risk.

[1] *Excludes €0.4 billion of loans and advances to customers at 31 December 2021 that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9 (31 December 2020: €0.4 billion).*

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

Credit risk management *(audited)*

Credit risk statement
The Group actively seeks opportunities to provide appropriately remunerated credit facilities to borrowers who are assessed as having the capacity to service and discharge their obligations and to allow growth in the volume of loan assets in line with the Group's risk appetite and to provide a solid foundation for sustained growth in earnings and shareholder value.

The Group's credit strategy is to underwrite credit risk within a clearly defined Board-approved risk appetite and risk governance framework through the extension of credit to customers and financial counterparties in a manner that results in an appropriate return for the risks taken and on the capital deployed while operating within prudent Board-approved risk parameters and to maximise recoveries on loans that become distressed.

Credit risk management
The Group's approach to the management of credit risk is focused on a detailed credit analysis at origination followed by early intervention and active management of accounts where creditworthiness has deteriorated.

Through its ongoing credit review processes, the Group seeks early identification of deteriorating loans with a view to taking corrective action to prevent a loan becoming credit-impaired. Typically, loans that are at risk of becoming credit-impaired are managed by dedicated specialist units / debt collection teams focused on working out loans. For loans that become credit-impaired, the focus is to minimise the loss that the Group will incur. This may involve implementing forbearance solutions, entering into restructuring arrangements, action to enforce security, asset / portfolio disposals or securitisations.

The Group Credit Risk function has responsibility for the independent oversight of credit risk and for overall risk reporting to the GCRC, ERC, the BRC and the Board on developments in credit risk and compliance with specific risk limits. It is led by the Chief Credit Officer who reports directly to the Group CRO. The function provides independent oversight and management of the Group's credit risk strategy, credit risk management information and credit risk underwriting. A separate Customer Loans Solutions function also reports to the Group CRO and provides experienced and dedicated management of challenged assets.

Credit policy
The core values and principles governing the provision of credit are contained in Group Credit Policy which is approved by the Board. Individual business unit credit policies (which include specific sectoral / product credit policies) define in greater detail the credit approach appropriate to the units concerned. These policies are aligned with and have regard to, the Group's Risk Appetite Statement and applicable credit limits, the lessons learned from the Group's loss history, the markets in which the business units operate and the products which they provide.

Lending authorisation
The Group's credit risk management systems operate through a hierarchy of lending authorities which are related to internal loan ratings. All exposures above certain levels require approval by the Group Credit Transactions Committee (GCTC). Other exposures are approved according to a system of tiered individual authorities, which reflect credit competence, proven judgement and experience. Material lending proposals are referred to credit units for independent assessment / approval or formulation of a recommendation for subsequent adjudication by the applicable approval authority. Certain retail loan applications may be approved automatically where they meet both approved policy rules and minimum thresholds for the score produced by internal credit scoring tools.

Controls and limits
The Group imposes credit risk control limits and guide points to mitigate significant concentration risk. These limits and guide points are informed by the Group's Risk Appetite Statement which is approved annually by the Board.

It includes specific long-term limits for each category and maximum exposure limits to a customer or a group of connected customers.

The Board approves a framework of country maximum exposure guide points which are used as benchmarks for the setting of country limits. A maximum exposure limit framework for exposures to banks is also approved by the GCRC for each rating category. Limits are set and monitored for countries, sovereign obligors and banks in accordance with these frameworks.

Credit risk measurement *(audited)*

All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale. The risk and consequently the credit grade, is reassessed periodically. The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

Loan impairment
Under IFRS 9, essentially all credit risk exposures not measured at fair value through profit or loss (FVTPL) are subject to recognition of an impairment loss allowance for expected credit losses (ECL). The Group's impairment modelling methodologies are approved by Model Risk Committee (MRC) and / or RMC and the quantum of the Group's impairment gain or loss, NPEs and impairment loss allowances are reviewed by the GCRC and by the ERC in advance of providing a recommendation to the GAC.

The Group's credit risk rating systems and impairment models and methodologies play a key role in quantifying the appropriate level of impairment loss allowance. Further details are provided in the section on credit risk methodologies on page 168.

An analysis of the Group's impairment loss allowances at 31 December 2021 is set out in note 28 on page 275.

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

Credit risk mitigation *(audited)*

An assessment of the borrower's ability to service and repay the proposed level of debt (principal repayment source) is undertaken for credit requests and is a key element in the Group's approach to mitigating risk. In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks should these materialise, including hedging, securitisation, the taking of collateral (which acts as a secondary repayment source) and selective asset / portfolio disposals and securitisations.

Risk transfer

The objective of risk mitigation / transfer is to limit the risk impact to acceptable levels. At portfolio level, credit risk is assessed in relation to the degree of name, sector and geographic concentration. Where possible emergence of undue risk concentrations are identified, the risk capital implications are assessed and, where appropriate, risk transfer and mitigation options (e.g. disposals, securitisations, hedging strategies) are explored.

Collateral

Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. The Group takes collateral as a secondary repayment source, which can be called upon if the borrower is unable or unwilling to service and repay debt as originally envisaged. Various types of collateral are accepted, including property, securities, cash, guarantees and insurance.

The nature and level of collateral required depends on a number of factors including, but not limited to, the amount of the exposure, the type of facility made available, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or Probability of Default (PD).

The Group's requirements around completion, valuation and management of collateral are set out in appropriate Group or business unit policies and procedures. The extent to which collateral and other credit enhancements mitigate credit risk in respect of the Group's residential mortgage portfolio is set out in the tables on pages 356 and 364.

Counterparty credit risk arising from derivatives

Trading in over-the-counter (OTC) derivatives is governed by the European Market Infrastructure Regulation. The Group has executed standard internationally recognised documents such as International Swaps and Derivatives Association (ISDA) agreements and Credit Support Annexes (CSAs) with all of its derivative financial counterparties. In addition, the Group has Cleared Derivatives Execution Agreements (CDEAs) with its principal interbank derivative counterparties enabling the Group to clear eligible derivatives through an EU approved and regulated central counterparty. If a derivative contract cannot be cleared through a central counterparty, a CSA serves to limit the potential cost of replacing that contract at market price in the event of a default by the financial counterparty. All of the Group's interbank derivatives are covered by CDEAs or CSAs and are hence collateralised.

Credit risk reporting / monitoring *(audited)*

Credit risk at a Group, divisional and significant operating unit / product type level is reported on a monthly basis to senior management. This monthly reporting includes information and detailed commentary on loan book growth, quality of the loan book (credit grade and PD profiles and RWAs), impairment loss allowances and individual large credit-impaired exposures.

Credit risk, including compliance with key credit risk limits, is monitored and reported monthly in the Board Risk Report. This report is presented to and discussed by the ERC and the Board. The quarterly Board Risk Report is also presented to and discussed by the BRC. A report on exceptions to credit policy is presented to and reviewed by the GCRC, ERC, the BRC and the Board on a quarterly basis.

On a quarterly basis the GCRC considers credit concentration reports which track changes in sectoral and single name concentrations measured under agreed parameters.

In addition, other reports are submitted to senior management and the Board as required.

CR, an independent function within GIA, reviews the quality and management of credit risk assets across the Group. Using a risk based approach, CR carries out periodic reviews of Group lending portfolios, lending units and credit units.

Management of challenged assets *(audited)*

The Group has in place a range of initiatives to manage challenged and vulnerable credit. These include:
- enhanced collections and recoveries processes;
- specialist work-out teams to ensure early intervention in vulnerable cases;
- intensive review cycles for 'at risk' exposures and the management of excess positions; and
- support from central teams in managing 'at risk' portfolios at a business unit level.

Group forbearance strategies

Forbearance occurs when a borrower is granted a concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. If the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower, forbearance has not occurred.

The forbearance strategies adopted by the Group seek to maximise recoveries and minimise losses arising from non-repayment of debt, while providing suitable and sustainable restructure options that are supportive of customers in challenged circumstances. Such strategies may include, where appropriate, one or a combination of measures such as a temporary reduction in contractual payments, a term extension, capitalisation of arrears, adjustment or non-enforcement of covenants and / or more permanent restructuring measures. Forbearance requests are assessed on a case by case basis, taking due consideration of the individual circumstances and risk profile of the borrower.

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

A request for forbearance will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay prior to any decision to grant a forbearance treatment. This assessment may result in a deterioration in the credit grade assigned to the loan, potentially impacting how frequently the loan must be formally reviewed. This assessment may also result in a loan being considered to have experienced a 'significant increase in credit risk' or becoming classified as credit-impaired.

The Group Credit Policy and Group Credit Framework outlines the core principles and parameters underpinning the Group's approach to forbearance with individual business unit policies and procedures defining in greater detail the forbearance strategies appropriate to each unit.

Borrower compliance with revised terms and conditions may not be achieved in all cases. Non-compliance could, for example, arise because the individual circumstances and risk profile of the borrower continue to deteriorate, or fail to show an expected improvement, to the extent that an agreed reduced level of repayment can no longer be met. In the event of non-compliance, a request for further forbearance may be considered. It is possible that the Group, by virtue of having granted forbearance to a borrower, could suffer a loss that might otherwise have been avoided had enforcement action instead been taken - this could, for example arise, where the value of security held in respect of a loan diminishes over the period of a forbearance arrangement which ultimately proves unsustainable.

It is the Group's policy to measure the effectiveness of forbearance arrangements over the lifetime of those arrangements. A forbearance arrangement is considered to be effective where the risk profile of the affected borrower stabilises or improves over the measured time period, resulting in an improved outcome for the Group and the borrower. The measurement of effectiveness takes account of the nature and intended outcome of the forbearance arrangement and the period over which it applies.

As outlined on page 175, in line with regulatory guidance and wider industry practice, cases where customers availed of COVID-19 payment breaks or concessions were typically not classified as forborne.

Where customers required further support following the expiry of COVID-19 payment breaks or concessions (i.e. are unable to return to paying full capital and interest) the Group offered suitable and sustainable solutions. The Group has alternative repayment arrangements available, including forbearance arrangements, for customers who require further financial support and these are based on an assessment of the individual needs of each customer and what is the most suitable solution.

Asset quality - Loans and advances to customers

(audited except where denoted unaudited)

Asset quality methodology

The Group has allocated financial instruments into one of the following categories at the reporting date:

- **Stage 1 - 12 month expected credit losses (not credit-impaired)**
  Financial instruments which have not experienced a significant increase in credit risk since initial recognition and are not credit-impaired. An impairment loss allowance equal to 12-month ECL is recognised, which is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

- **Stage 2 - Lifetime expected credit losses (not credit-impaired)**
  Financial instruments which have experienced a 'significant increase in credit risk since initial recognition' and are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised, being the ECL resulting from all possible default events over the expected life of the financial instrument. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument.

- **Stage 3 - Lifetime expected credit losses (credit-impaired)**
  Credit-impaired financial instruments, other than Purchased or Originated Credit-impaired (POCI) financial assets. An impairment loss allowance equal to lifetime ECL is recognised. The manner in which the Group identifies financial assets as credit-impaired results in the Group's population of credit-impaired financial assets being consistent with its population of defaulted financial assets (in accordance with regulatory guidelines including European Banking Authority (EBA) Guidelines on the application of the definition of default under Article 178 of the Capital Requirements Regulation (CRR)). This encompasses loans where: (i) the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security and / or (ii) the borrower is greater than or equal to 90 days past due and the arrears amount is material.

- **Purchased or originated credit-impaired financial assets**
  Financial assets that were credit-impaired at initial recognition. A POCI is not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A POCI remains classified as such until it is derecognised, even if assessed as no longer credit-impaired at a subsequent reporting date.

Further information on the approach to identifying a 'significant increase in credit risk since initial recognition' and in identifying credit-impaired assets is outlined in the Credit risk methodologies section on page 171.

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

The Group continued to apply the following classifications at the reporting date.

Forborne loans
Loans where a forbearance measure has been granted and where the criteria to exit a forborne classification, in line with EBA guidance, are not yet met. Loans that have never been forborne or loans that are no longer required to be reported as 'forborne' are classified as 'non-forborne'.

Non-performing exposures
These are:
(i) credit-impaired loans which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security and / or loans where the borrower is greater than or equal to 90 days past due and the arrears amount is material; and
(ii) other loans meeting NPE criteria as aligned with regulatory requirements.

Quantitative information about credit risk can be found in note 28 Credit risk exposures.

Non-performing exposures
The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification as at 31 December 2021.

2021 Risk profile of loans and advances to customers - NPEs[1]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[2]	1,774	1,320	1,034	137	4,265
Not credit-impaired[3]	31	8	6	1	46
Total	**1,805**	**1,328**	**1,040**	**138**	**4,311**

2020 Risk profile of loans and advances to customers - NPEs[1]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired[2]	2,197	1,040	1,083	145	4,465
Not credit-impaired[3]	7	19	12	-	38
Total	**2,204**	**1,059**	**1,095**	**145**	**4,503**

Unaudited:
In addition to the NPEs on loans and advances to customers shown above, the Group has total non-performing off-balance sheet exposures amounting to €0.1 billion (31 December 2020: €0.1 billion).

NPEs decreased to €4.3 billion at 31 December 2021 from €4.5 billion at 31 December 2020. The movements in NPEs in the year are broadly consistent with the movements in credit-impaired loans as set out in the composition and impairment section below. At 31 December 2021, the Group's NPE impairment loss allowance cover ratio was 46% (31 December 2020: 50%), with the decrease reflecting the €0.1 billion impairment gain on loans and advances to customers in the year.

[1] *The above tables include NPEs relating to loans and advances to customers at amortised cost of €4,280 million (31 December 2020: €4,496 million) and loans and advances to customers measured at fair value through profit or loss of €31 million (31 December 2020: €7 million).*
[2] *Includes Stage 3 and POCI assets which remain credit-impaired at the reporting date.*
[3] *Not credit-impaired figures include forborne loans that had yet to satisfy internal exit criteria for NPE reporting purposes.*

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

Composition and impairment

The table below summarises the composition, credit-impaired volumes and related impairment loss allowance of the Group's loans and advances to customers at amortised cost as at 31 December 2021.

2021 **Total loans and advances to customers at amortised cost - Composition and impairment[1]**	**Advances (pre-impairment loss allowance) €m**	**Credit-impaired loans[2] €m**	**Credit-impaired loans as % of advances %**	**Credit-impaired impairment loss allowance[3] €m**	**Impairment loss allowance as % of credit-impaired loans %**
Residential mortgages	43,262	1,774	4.1%	416	23%
- Retail Ireland	*22,398*	*1,048*	*4.7%*	*362*	*35%*
- Retail UK	*20,864*	*726*	*3.5%*	*54*	*7%*
Non-property SME and corporate	20,774	1,320	6.4%	441	33%
- Republic of Ireland SME	*6,997*	*680*	*9.7%*	*258*	*38%*
- UK SME	*1,689*	*137*	*8.1%*	*30*	*22%*
- Corporate	*12,088*	*503*	*4.2%*	*153*	*30%*
Property and construction	8,613	1,034	12.0%	439	42%
- Investment	*7,552*	*1,003*	*13.3%*	*431*	*43%*
- Development	*1,061*	*31*	*2.9%*	*8*	*26%*
Consumer	5,229	137	2.6%	76	55%
Total	**77,878**	**4,265**	**5.5%**	**1,372**	**32%**

2020 **Total loans and advances to customers at amortised cost - Composition and impairment[1]**	**Advances (pre-impairment loss allowance) €m**	**Credit-impaired loans[2] €m**	**Credit-impaired loans as % of advances %**	**Credit-impaired impairment loss allowance[3] €m**	**Impairment loss allowance as % of credit-impaired loans %**
Residential mortgages	44,742	2,197	4.9%	374	17%
- Retail Ireland	*22,942*	*1,509*	*6.6%*	*329*	*22%*
- Retail UK	*21,800*	*688*	*3.2%*	*45*	*7%*
Non-property SME and corporate	19,858	1,040	5.2%	429	41%
- Republic of Ireland SME	*7,073*	*672*	*9.5%*	*261*	*39%*
- UK SME	*1,790*	*114*	*6.4%*	*26*	*23%*
- Corporate	*10,995*	*254*	*2.3%*	*142*	*56%*
Property and construction	8,591	1,083	12.6%	461	43%
- Investment	*7,633*	*1,049*	*13.7%*	*446*	*43%*
- Development	*958*	*34*	*3.5%*	*15*	*44%*
Consumer	5,271	145	2.8%	80	55%
Total	**78,462**	**4,465**	**5.7%**	**1,344**	**30%**

[1] Excludes €426 million of loans and advances to customers at 31 December 2021 (2020: €361 million) that are measured at fair value through profit or loss and are therefore not subject to impairment under IFRS 9.
[2] Credit-impaired loans include Stage 3 and POCI assets which remain credit-impaired at the reporting date.
[3] Includes loss allowance on POCI assets which remain credit-impaired at the reporting date.

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

At 31 December 2021, loans and advances to customers (pre impairment loss allowance) of €77.9 billion were €0.6 billion lower than 31 December 2020, reflecting the combined impacts of currency translation, utilisation of impairment loss allowances and net redemptions in the year.

Credit-impaired loans decreased to €4.3 billion or 5.5% of customer loans at 31 December 2021 from €4.5 billion or 5.7% at 31 December 2020. This decrease reflected resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty. Resolution strategies include the realisation of cash proceeds from property sales activity, securitisation of non-performing portfolios and, where appropriate, have given rise to utilisation of impairment loss allowance against loan amounts for which there is no reasonable expectation of recovery. The Group completed the securitisation of a pool of non-performing residential mortgages with a gross carrying value of €0.3 billion in the year, with an associated €12 million impairment gain.

The decrease from resolution strategies was partly offset by the emergence of new defaults for case-specific reasons primarily in the Corporate and Property and construction portfolios.

The application of updated FLI, updates to individually assessed risk ratings and re-assessment for post-model adjustments resulted in net migration of €3.3 billion loans from Stage 2 to Stage 1 in the period (i.e. cases that are no longer identified as having experienced a significant increase in credit risk). The net migration in part reflects the proportion of the Group's COVID-19 post-model management adjustment allocated to Stage 1 at 31 December 2020 (see page 228 of the Group's Annual Report for the year ended 31 December 2020). The stock of impairment loss allowance on credit-impaired loans was €1.4 billion at 31 December 2021, marginally higher than the stock at 31 December 2020. The net increase incorporates impairment loss allowance utilisation of €260 million, offset by the impact of the impairment loss on credit-impaired loans of €145 million and the impact of currency translation and other movements.

The total impairment loss allowance as at 31 December 2021 includes a total Group management adjustment of €392 million (31 December 2020: €237 million), €389 million of which was recognised against loans and advances to customers, with the remaining €3 million recognised against other financial instruments. Details on the Group management adjustment are provided in note 2 on page 233.

Impairment loss allowance as a percentage of credit-impaired loans was at 32% at 31 December 2021 (31 December 2020: 30%).

While at a Group level impairment loss allowance cover for credit-impaired loans was stable compared to the same period in 2020, there was a decrease in impairment cover observed in the non-property SME and corporate and development property portfolios reflecting case-specific impairment assessments for some larger defaulted assets. This was offset by higher impairment cover for credit-impaired assets in other portfolios, particularly for Retail Ireland residential mortgages reflecting changes to the LGD models implemented in the year (as outlined on page 170) and an increase in post-model Group Management adjustments (as outlined in note 2(a) on page 233).

The table below summarises the composition, NPEs and related impairment loss allowance of the Group's loans and advances to customers at 31 December 2021.

2021 **Total loans and advances to customers Composition and impairment[1,2]**	**Advances (pre-impairment) loss allowance €m**	**NPEs €m**	**NPEs as % of advances %**	**Total impairment loss allowance €m**	**Total Impairment loss allowance as % of NPEs %**
Residential mortgages	43,262	1,774	4.1%	504	28%
- Retail Ireland	*22,398*	*1,047*	*4.7%*	*426*	*41%*
- Retail UK	*20,864*	*727*	*3.5%*	*78*	*11%*
Non-property SME and corporate	20,774	1,328	6.4%	755	57%
- Republic of Ireland SME	*6,997*	*689*	*9.8%*	*433*	*63%*
- UK SME	*1,689*	*136*	*8.1%*	*50*	*37%*
- Corporate	*12,088*	*503*	*4.2%*	*272*	*54%*
Property and construction	8,613	1,040	12.1%	527	51%
- Investment	*7,552*	*1,009*	*13.4%*	*508*	*50%*
- Development	*1,061*	*31*	*2.9%*	*19*	*61%*
Consumer	5,229	138	2.6%	172	125%
Total	**77,878**	**4,280**	**5.5%**	**1,958**	**46%**

[1] Includes Stage 3 and POCI assets which remain credit-impaired at the reporting date.
[2] Excludes €426 million of loans and advances to customers at 31 December 2021 that are measured at fair value through profit or loss and are not subject to impairment under IFRS 9. The NPEs relating to these balances at 31 December 2021 of €31 million are also excluded.

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

2020 Total loans and advances to customers Composition and impairment[1]	Advances (pre-impairment) loss allowance €m	NPEs €m	NPEs as % of advances %	Total impairment loss allowance €m	Total Impairment loss allowance as % of NPEs %
Residential mortgages	44,742	2,197	4.9%	479	22%
- Retail Ireland	*22,942*	*1,508*	*6.6%*	*393*	*26%*
- Retail UK	*21,800*	*689*	*3.2%*	*86*	*12%*
Non-property SME and corporate	19,858	1,059	5.3%	931	88%
- Republic of Ireland SME	*7,073*	*685*	*9.7%*	*501*	*73%*
- UK SME	*1,790*	*120*	*6.7%*	*72*	*60%*
- Corporate	*10,995*	*254*	*2.3%*	*358*	*141%*
Property and construction	8,591	1,095	12.7%	596	54%
- Investment	*7,633*	*1,061*	*13.9%*	*556*	*52%*
- Development[2]	*958*	*34*	*3.5%*	*40*	*118%*
Consumer	5,271	145	2.8%	236	163%
Total	**78,462**	**4,496**	**5.7%**	**2,242**	**50%**

Unaudited:

The movements in NPEs in the year are broadly consistent with the movements in credit-impaired loans as set out on page 166. At 31 December 2021, the Group's NPE impairment loss allowance cover ratio was 46% (2020: 50%).

Credit risk methodologies *(audited)*

The Group's credit risk methodologies encompass internal credit rating models and scoring tools and impairment models and are set out below.

Internal credit rating models

The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

The primary model measures used are:

- PD: the probability of a given counterparty defaulting on any of its borrowings from the Group within the next twelve months;
- Exposure at Default (EAD): the exposure the Group has to a defaulting borrower at the time of default; and
- LGD: the loss incurred (after the realisation of any collateral) on a specific transaction should the borrower default, expressed as a percentage of EAD.

These measures are used to calculate regulatory expected loss and are fully embedded in and form an essential component of, the Group's operational and strategic credit risk management and credit pricing practices.

The structure of internal rating systems

The Group divides its internal rating systems into non-retail and retail approaches.

For the Group's retail consumer and smaller business portfolios, the credit risk assessment is grounded on application and behavioural scoring tools. For larger commercial and corporate customers, the risk assessment is underpinned by statistical risk rating models which incorporate quantitative information from the customer (e.g. financial statements) together with a qualitative assessment of non-financial risk factors such as management quality and market / trading outlook. Lending to financial institutions is assigned an internal rating supported by external ratings of the major rating agencies.

PD calculation

For the purposes of internal credit rating models, the Group produces estimates of PD on either or both of the following bases:

- Through-the-Cycle (TtC) estimates are estimates of default over an entire economic cycle, averaged to a twelve month basis. These are in effect averaged expectations of PD for a borrower over the economic cycle; and
- Cyclical estimates are estimates of default applicable to the next immediate twelve months. These cyclical estimates partially capture the economic cycle in that they typically rise in an economic downturn and decline in an economic upturn but not necessarily to the same degree as default rates change in the economy.

Non-retail internal rating systems

The Group has adopted the Foundation Internal Rating Based (FIRB) approach for most of its non-retail portfolios. Under this approach, the Group calculates its own estimates for PD and uses supervisory estimates of LGD and credit conversion factors.

[1] *Includes Stage 3 and POCI assets which remain credit-impaired at the reporting date.*
[2] *Excludes €361 million of loans and advances to customers at 31 December 2020 that are measured at fair value through profit or loss and are not subject to impairment under IFRS 9. The NPEs relating to these balances at 31 December 2020 of €7 million are also excluded.*

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

To calculate PD under the FIRB approach, the Group assesses the credit quality of borrowers based on transaction and borrower specific characteristics. Scorecards are developed for each significant portfolio or type of lending, with outputs used to assign a PD grade to each borrower.

In the case of financial institutions, external credit agency ratings are used to provide a significant challenge within the Group's ratings approach. For exposures other than financial institutions, external ratings, when available for borrowers, play a role in the independent validation of internal estimates.

For non-retail exposures, the Group calculates its own estimates of PD on a TtC basis and on a cyclical basis. The TtC PD estimates are based on internal default experience, or where default data is limited, statistical model estimates combined with available data to reflect the average default rate over the course of an economic cycle. The TtC PDs do not vary with the economic cycle and are used to calculate risk weighted exposure amounts and to determine minimum regulatory capital requirements. The cyclical PD estimates which capture a change in borrower risk over the economic cycle are used for internal credit management purposes. Both measures are estimated from the same borrower risk factors.

Retail internal rating systems

The Group has adopted the Retail Internal Rating Based (IRB) approach for the majority of its retail exposures. Under this approach, the Group calculates its own estimates for PD, LGD and credit conversion factors.

External ratings do not play a role within the Group's retail internal rating systems, however, external credit bureau data can play a role in assessing certain borrowers.

Under the Retail IRB approach, scorecards based on internal behavioural data and, where relevant, transaction-specific characteristics are developed for specific portfolios or product types, the output from the scorecard is used to determine the PD estimate.

The Group calculates retail PDs on a TtC or cyclical basis depending on the portfolio. The TtC estimates are calibrated based on long run average default rates over the course of an economic cycle (based on internal default experience) within identified discrete risk pools. The cyclical estimates are calibrated based on a weighted average of the expected long run default rate over the course of an economic cycle and the most recently observed annual default rate. These retail PDs are used for both the calculation of risk weighted exposure amounts and for internal credit management purposes.

LGD estimates are based on historic loss experience and associated costs for all observed defaults for a defined time period. The time period is set for each model to ensure LGD estimates are representative of economic downturn conditions. Estimates of credit conversion factors (which determine the extent to which a currently undrawn amount is assumed to be drawn and outstanding at point of default) are similarly derived based on historic experience from observed defaults and are calibrated to produce estimates of behaviour characteristic of an economic downturn if those are more conservative than the long run average.

The assumption that the time periods and data used for the estimation of LGD and credit conversion factors remain representative of economic downturn conditions is subject to review and challenge on an ongoing basis.

Other uses of internal estimates

Internal estimates play an essential role in risk management and decision making processes as well as the credit approval functions, the internal capital allocation function and the corporate governance functions of the Group. The specific uses of internal estimates differ from portfolio to portfolio and for retail and non-retail approaches, but typically include:
- credit decisioning / automated credit decisioning and borrower credit approval;
- credit management;
- calculation of RAROC;
- internal reporting; and
- internal capital allocation between businesses of the Group.

For other purposes, the cyclical PD estimates typically are used. Both estimates feature within internal management reporting.

Impairment models are described further on page 170.

Control mechanisms for credit rating and impairment models

The Group Model Risk Policy and Group Model Risk Standards, as approved by the BRC and ERC respectively, set out the Group's overall approach to model risk management. The Group also sets out more detailed requirements with respect to development, monitoring and validation of credit rating and impairment models. These standards are approved by the RMC and / or the MRC. Model development and redevelopment for credit rating and impairment models are approved by the RMC and the results of model performance monitoring are reported to the MRC with onward reporting at the RMC on a regular basis.

The Group mitigates model risk for credit rating and impairment models as follows:
- **model development standards:** the Group adopts centralised standards and methodologies over the operation and development of models. This ensures a common approach in key areas such as documentation, data quality and management and model testing;
- **model governance:** the Group adopts a uniform approach to the governance of all risk rating model-related activities and impairment model-related activities, ensuring the appropriate involvement of relevant stakeholders;
- **model performance monitoring:** credit risk rating and impairment models are subject to testing on a quarterly basis which is reported to the relevant committee. This includes assessment of model performance against observed outcomes, including:
  - rank order of borrowers;
  - accuracy of parameter estimates;
  - the stability of the rating;
  - the quality of data; and
  - the appropriateness of model use.
- **independent validation:** models are subject to in-depth analysis on a periodic basis, which includes an assessment of model performance against observed outcomes, including: rank order of borrowers; accuracy of parameter estimates; the stability of the rating population; the quality

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

of data; and the appropriateness of model use. This analysis is carried out by a dedicated unit (the Independent Validation Unit) which is independent of credit origination and management functions.

When issues are raised on risk rating or impairment models, plans are developed to remediate or replace such models within an agreed timeframe.

In addition, GIA regularly reviews the risk control framework, including policies and standards, to ensure that these are being adhered to, meet industry good practices and are compliant with regulatory requirements.

Methodology for loan loss provisioning under IFRS 9

Approach to measurement of impairment loss allowances
Impairment is measured in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Impairment is measured through the use of impairment models, individual discounted cash flow (DCF) analysis and modelled loss rates; supplemented where necessary by Group management adjustments.

In general, a loss allowance is recognised for all financial instruments in scope for the impairment requirements of IFRS 9. There have been no significant changes in the quality of collateral or credit enhancements as a result of changes in the Group's collateral policies during the year. The Group's methodologies for valuation of property collateral are set out on page 173, noting further that FLI (page 228) is applied as appropriate to RoI and UK property collateral values in measuring impairment loss allowances under IFRS 9. The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, are set out in note 2(a) to the consolidated financial statements.

An analysis of the Group's net impairment losses on financial instruments and impairment loss allowances is set out in notes 16, 27 and 28 of the consolidated financial statements.

Impairment models
The Group has in place a suite of IFRS 9 compliant impairment models which are executed on a monthly basis. The ECL framework allocates financial instruments to Stage 1, 2 or 3 and measures the applicable 12 month or lifetime ECL. The characteristics of an exposure determine which impairment model is applied, with influencing factors including product type (e.g. residential mortgage, unsecured personal loan, business loan) and market segment (e.g. owner occupier, Buy to Let (BTL), general corporate lending, general business lending).

ECLs are calculated as the sum of the marginal losses for each time period from the reporting date. The key components of the ECL calculation are probability of default (PD), EAD and LGD and are described below. Other components include discount rate and maturity. The current contractual interest rate is generally used as the discount rate as it is considered a suitable approximation of the effective interest rate determined at initial recognition. For term lending including committed RCFs, contractual maturity is used in the ECL calculation. For other revolving facilities, behavioural life is generally used.

IFRS 9 Probability of Default
Where available, the ratings or underlying scores from internal credit rating models are used as a starting point for IFRS 9 PD calibration. While calibration techniques are similar to those used for regulatory purposes, the IFRS 9 PD differs from through-the-cycle PDs as it is a point-in-time PD measure based on current conditions adjusted to reflect FLI under a range of scenarios.

A current point-in-time IFRS 9 PD is calculated as the expected default rate over the next 12 months. This PD is used in the calculation of 12-month ECL and as a starting point in the calculation of lifetime PD. Future point-in-time IFRS 9 PDs are also calculated, being the expected default rates for each year from the start of year two to maturity of the financial instrument. Transition matrices are used to determine how an exposure moves between different PD bands over time.

Together, the current point-in-time IFRS 9 PD and future point-in-time IFRS 9 PDs are used to calculate an IFRS 9 lifetime PD expectation for each FLI scenario. The scenario-weighted averages are used to generate an overall IFRS 9 lifetime PD expectation. At origination of a new financial instrument, these expectations are stored, together with prepayment estimates where relevant and allow for comparison at future reporting dates as one of the key determinants as to whether a 'significant increase in credit risk' has occurred. As lifetime PD was not calculated historically, the Group used reasonable and supportable information available without undue cost or effort to approximate the residual IFRS 9 lifetime PD expectations at initial recognition for most financial instruments originated prior to the adoption of IFRS 9 on 1 January 2018.

Due to the unprecedented nature of the COVID-19 macro-economic scenario, a greater degree of management judgement (based on available reasonable and supportable internal and external information) was incorporated into IFRS 9 PD estimates at 31 December 2020. For the year ending 31 December 2021, management assessed the modelled PD estimates, with reference to updated macroeconomic forecasts and determined that incorporation of management judgement into PD estimates was not required.

Further details are provided in note 2(a) Critical Accounting Estimates and Judgements.

IFRS 9 Exposure at Default
Current point-in-time EAD is the expected EAD were the borrower to default within the next 12 months. Future point-in-time EAD also incorporates expected contractual cash flows. IFRS 9 EAD differs from regulatory EAD in that it incorporates expected contractual cash flows and caps the exposure at the contractual limit.

IFRS 9 Loss Given Default
Current point-in-time LGD is the loss that would be incurred should default occur in the next 12 months. To facilitate the

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

calculation of lifetime ECL, future point-in-time LGDs are calculated for each year from the start of year 2 to maturity of the exposure. The starting point for individual components of the calculation is historical data. Cure rate is incorporated as appropriate into the calculation and represents the expected propensity of borrowers to return to the non-defaulted book without a loss having been realised. FLI is also incorporated into LGD as appropriate where RoI or UK property collateral is held. IFRS 9 LGD may differ from regulatory LGD as conservatism and downward assumptions are generally removed.

The LGD component of the residential mortgages impairment models was reviewed in the period, including consideration of the rationale for the €50 million Group management adjustment to impairment loss allowance for stage 3 Irish residential mortgages applied at 31 December 2020, as well as other internal and external information available at the period end.

Following completion of this review a number of changes to the residential mortgage LGD models have been implemented including adjustments to LGD parameters (e.g. sales ratio; cash recoveries) for long-dated stage 3 assets in the RoI mortgage portfolio. The combined impact of these changes is a c.€65 million increase in impairment loss allowance, noting that the €50 million Group management adjustment for stage 3 residential mortgages applied at 31 December 2020 is no longer considered to be required following the changes to LGD models outlined above.

The LGD component for relationship-managed Corporate and Business Banking impairment models are under review and a number of changes to the models are expected to be implemented in the next financial year including an enhancement to incorporate the impact of forward-looking information into the estimation of LGD. The most material impact of these changes is estimated to be a c.€32 million increase in impairment loss allowance in Corporate Banking impairment models for non-property and investment property portfolios and a post-model Group management adjustment has been recognised to reflect this expected change in model methodology. Further details are provided in note 2(a) Critical Accounting Estimates and Judgements.

The approach to applying forward-looking forecasts for residential and commercial property prices into the estimation of stage 3 impairment loss allowances in relevant models and discounted cash flow analysis (see below) was reviewed in 2021. The review considered regulatory guidance on non-performing loans. Following this review, the approach was refined whereby property price forecasts used to estimate stage 3 impairment loss allowances are adjusted so that the property collateral value at the point of liquidation does not incorporate an improvement on the current market condition. The combined impact of this change is a c.€16 million increase in impairment loss allowance (c.€14 million for residential mortgages and c.€2 million for property and construction).

Individual Discounted Cash Flow analysis

For credit-impaired financial instruments in Business Banking, Corporate Banking and certain other relationship-managed portfolios, the impairment loss allowance is primarily determined by an individual DCF analysis completed by lenders in business units and subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within Group Risk. The expected future cash flows are based on an assessment of future recoveries and include forecasted principal and interest payments (not necessarily contractual amounts due) and expected cash flows, if any, from the realisation of collateral / security held, less realisation costs.

The approach taken to incorporate forward-looking information into the estimation of stage 3 impairment loss allowances for relationship-managed cases where recovery values are dependent on non-property related cash flows and / or collateral was reviewed in 2021. Following this review, an enhanced approach was implemented whereby discounted cash flow analysis is flexed with respect to forward-looking information scenarios. The combined impact of this change in approach is a c.€4 million net increase in impairment loss allowance.

Modelled loss rates

For some smaller and / or lower risk portfolios, (primarily UK unsecured consumer lending and RoI asset finance portfolios) impairment loss allowances are measured by applying modelled loss rates to exposure amounts. Modelled loss rates are generally determined on a component basis taking into account factors such as the nature and credit quality of the exposures and past default and recovery experience on the portfolio or on portfolios with similar risk characteristics. Generally, a number of different loss rates will be set for a portfolio to allow differentiation of individual financial instruments within the portfolio based on their credit quality.

Identifying a significant increase in credit risk

The Group's standard criteria to identify financial instruments which have had a 'significant increase in credit risk since initial recognition' are applied to the vast majority of loans and advances to customers. 'Credit risk' in this context refers to the change in the risk of a default occurring over the expected life of the financial instrument. Unless credit-impaired or a POCI, a financial instrument is generally allocated to Stage 2 if any of the following criteria are met at the reporting date:

- remaining lifetime PD is more than double and more than 50 basis points higher than the remaining lifetime PD at the reporting date, as estimated based on facts and circumstances as at initial recognition (adjusted where relevant for changes in prepayment expectations);
- a contractual payment is greater than 30 days past due;
- the credit management PD risk rating for individually assessed / relationship-managed assets is above a defined risk threshold; and / or
- the exposure is a forborne loan or a NPE.

The above criteria are automatically applied as part of the monthly execution of the Group's impairment models. In addition, management considers whether there is reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred.

Where a financial asset has been modified but not derecognised, the quantitative assessment of 'significant increase in credit risk' continues to be based on the remaining lifetime PD at the reporting date as estimated based on facts and circumstances as at initial recognition (adjusted where relevant for changes in prepayment expectations).

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

The Group assesses the effectiveness of its staging criteria semi-annually, taking into account considerations such as the extent to which: (i) exposures have moved directly from Stage 1 to Stage 3; (ii) exposures have moved to Stage 3, having spent only a short period in Stage 2; (iii) exposures have moved frequently between Stages 1 and 2; and (iv) there is potential over-reliance on backstop or qualitative criteria in identifying Stage 2 exposures.

The Group applies the low credit risk expedient to all debt securities in scope for the impairment requirements of IFRS 9 (with the exception of a small amount of debt securities associated with corporate banking relationships) and similarly to loans and advances to banks, central banks and investment firms. 'Low credit risk' encompasses PD grades 1 to 5 on the Group's internal PD rating system, which broadly aligns with ratings of AAA to BBB- for the external major rating agencies. Such financial instruments are allocated to Stage 1.

For some smaller and / or low risk portfolios, the Group identifies a 'significant increase in credit risk since initial recognition' solely by reference to whether a contractual payment is greater than 30 days past due.

Identifying defaulted assets and credit-impaired assets

The Group's population of credit-impaired financial assets are consistent with its population of defaulted financial assets and closely aligned with the Group's definition of NPEs. Where default criteria are no longer met, the credit facility (obligor for non-retail exposures) exits credit-impaired (Stage 3), subject to meeting defined probation criteria, in line with regulatory requirements.

Under the definition of default the Group considers certain events as resulting in mandatory default and credit-impaired classification without further assessment. These include:

- greater than or equal to 90 days past due and the past due amount is material;
- more than 3 full monthly payments past due (retail credit facilities only);
- a forbearance arrangement is put in place and that arrangement involves debt forgiveness or reduction in interest rate / margin;
- legal action is underway by the Group to enforce repayment or realise security;
- the Group or a receiver takes security into possession;
- the Group has formally sought an insolvency arrangement in respect of the borrower;
- the exposure is classified as non-performing forborne for supervisory reporting purposes; and
- residential mortgages where default has occurred on another credit facility secured on the same property collateral, or more than 20% of overall balance sheet exposure to the customer in the mortgage portfolio is in default.

Certain other events necessitate a lender assessment and, if the outcome of the lender assessment is that the contractual amount of principal and interest will not be fully repaid in what is assessed to be the most likely cash flow scenario or will be repaid only via recourse by the Group to actions such as realising security, default and credit-impaired classification is mandatory. For larger value commercial lending cases (typically greater than €1 million or £850,000), the lender assessment involves production of an individual discounted cash flow analysis. The events differ by portfolio and include those set out below.

All portfolios:

- a forbearance measure has been requested by a borrower and formally assessed;
- the non-payment of interest (e.g. via interest roll-up, arrears capitalisation etc.) as a result of the terms of modification of loans, including refinancing and renegotiation of facilities where during the renegotiation process, the lender becomes aware that the borrower is under actual or apparent financial distress;
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- a borrower's sources of recurring income are no longer available to meet regular loan repayments;
- evidence of fraudulent activity by the borrower or another party connected with the loan;
- the contractual maturity date has passed without repayment in full;
- repayment of a credit obligation is suspended because of a law allowing this option or other legal restrictions;
- it becomes known that an insolvency arrangement is in force; or
- in respect of the borrower or that the borrower has formally sought an insolvency arrangement.

Residential mortgage portfolios:

- offer of voluntary surrender of security or sale of security at a possible shortfall; or
- it becomes known that the borrower has become unemployed with no comparable new employment secured.

Larger Small and Medium Enterprise / corporate and property loans:

- the borrower has breached the covenants of a credit contract with the Group;
- there is a crisis in the sector in which the counterparty operates, combined with a weak position of the counterparty in this sector;
- external credit rating has been downgraded below a certain level;
- financial statements or financial assessment indicates inability of the borrower to meet debt service obligations and / or a negative net assets position;
- the borrower has ceased trading;
- a fall in the assessed current value of security such that the LTV ratio is greater than or equal to 120% (Property and construction only);
- a fall in net rent such that it is inadequate to cover interest with little / no other income to support debt service capacity (investment property exposures only); or
- a fall in the assessed gross development value such that sale proceeds are no longer expected to fully repay debt (development exposures only).

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

Review of credit-impaired loans
It is Group policy to review credit-impaired loans above agreed thresholds semi-annually or on receipt of material new information, with the review including a reassessment of the recovery strategy and the continued appropriateness of a credit-impaired classification. The minimum requirements for a credit-impaired loan to return to non credit-impaired status are that the borrower must not be greater than 90 days past due on a material amount, the borrower must be considered likely to pay in full without recourse by the Group to actions such as realising security and there must be no forbearance arrangement in place where future reliance on realisation of collateral is expected for repayment in full when this was not originally envisaged. Typically, an updated assessment of the borrower's current financial condition and prospects for repayment is required with the borrower to have satisfactorily met repayments required under the original or modified agreement regularly for a reasonable period of time.

Methodologies for valuation of property collateral
The Group's approach to the determination of the market value of property collateral is set out in a Board-approved Group Property Collateral Valuation Policy, supported by GCRC approved Group Property Collateral Valuation Guidelines and is summarised below. The Group's approach to applying FLI to those values for the purposes of measuring impairment loss allowance for the year ended 31 December 2021 is set out in the Board-approved Group Impairment Policy and is described below.

Retail Ireland mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Central Statistics Office (CSO) Residential Property Price Index (RPPI). Retail UK mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Nationwide UK house price index.

Commercial property valuations may include formal written valuations from external or internal professionals, or 'internally assessed valuations' completed by business units. Internally assessed valuations are informed by the most appropriate sources available for the assets in question. This may include property specific information / characteristics, local market knowledge, comparable transactions, professional advice (e.g. asset management reports) or a combination thereof, in line with more detailed guidance approved at least annually by the GCRC. This guidance is informed by both internal and externally sourced market data / valuation information, including input from the Group's Real Estate Advisory Unit.

Internally assessed valuations are subject to review, challenge and, potentially, revision by independent credit professionals in underwriting units within the Group Risk function and are approved as part of the normal credit process.

Typically, more frequent valuations are required for properties held as security for NPEs with an annual valuation required for NPEs in excess of €300,000.

COVID-19 *(unaudited)*
In response to the COVID-19 pandemic and the imposition of social restrictions, the Group established a range of supports for personal and business customers in 2020, including credit-related supports such as payment breaks for impacted customers; working capital funding (including access to government supported schemes); and other concessions such as covenant waivers /amendments.

At 31 December 2021, there were c.79,000 cases (c.€8.0 billion exposure) for which the Group granted payment breaks during 2020. At 31 December 2021, all payment breaks had expired and 3% had been approved for new and / or additional forbearance.

The Group has considered regulatory and supervisory statements issued since the onset of the pandemic, which provided guidance on the treatment of COVID-19 payment breaks, including EBA guidelines on the criteria applicable in determining whether such payment breaks should be considered as forbearance. The approach adopted by the Group in response to COVID-19 is consistent with regulatory guidance and key elements of the Group's approach for the year ending 31 December 2021 are outlined below:

- FLI scenarios for the period from 2022 to 2026 take into account the impact of COVID-19 on key macroeconomic factors, including consideration of upside and downside risks associated with vaccine efficacy, emergence of new variants and implementation of social restrictions;
- individual assessments for corporate cases and the relationship-managed business banking cases, incorporate the case-specific impacts of COVID-19 on customers;
- top-down sectoral assessments for business banking portfolios have been considered with outputs utilised to inform post-model Group management adjustments to the model driven impairment loss allowances, as well as the appropriate staging classification;
- collective assessments have been considered for retail portfolios (i.e. residential mortgages, consumer lending and asset finance), with outputs utilised to inform post-model Group management adjustments to the model driven impairment loss allowance, as well as staging classification where appropriate; and
- application of management judgement (based on available reasonable and supportable internal and external information), where appropriate has been incorporated into impairment reporting processes.

Where customers required further support following the expiry of COVID-19 payment breaks or concessions, the Group offered suitable and sustainable solutions. As at 31 December 2021 c.3% customers have availed of new and / or additional forbearance arrangements following the expiry of their payment break arrangement. These cases are classified as forborne within the associated portfolios (refer to page 370 of the Supplemental Asset Quality section). Customers that are not in forbearance following expiry of payment breaks are subject to standard credit management processes, as outlined above. However, management has assessed certain portfolios for latent risk associated with ongoing government supports, that may mask

3 Management of key Group risks *(continued)*

3.4 Credit risk *(continued)*

credit risk in standard risk metrics and have applied post model Group management adjustments to impairment loss allowances where considered to be appropriate.

Further details on the selected FLI scenarios for the reporting period, Group management adjustments and management judgement incorporated into impairment model parameters are provided in note 2(a) Critical Accounting Estimates and Judgements.

Quantitative information about credit risk within financial instruments held by the Group can be found in note 28 Credit risk exposures.

Changes in estimates

Forward looking information

FLI refers to probability-weighted future macroeconomic scenarios approved semi-annually by the ERC and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 31 December 2021, a decrease from five scenarios in 2020, comprised of a central scenario, an upside scenario and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property price growth for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The central FLI scenario for the year ending 31 December 2021 is based on internal and external information and management judgement and follows the same process as used in prior periods.

The upside and downside scenarios in previous reporting periods were generated using a simulation model that uses historical volatilities and correlations for key macroeconomic variables to generate a distribution around the central forecast.

However, due to the unprecedented nature of the COVID-19 economic shock, the Group employed an amended approach for the selection of the upside and downside FLI scenarios for the 31 December 2021 and 31 December 2020 reporting dates in order to avoid counter-intuitive trends in the respective scenarios.

In order to incorporate available, reasonable and supportable information and apply meaningful upside and downside FLI scenarios, three narrative-driven alternative scenarios (one upside and two downside) were constructed to reflect different lengths of restrictions, depth of downturn and pace of economic recovery.

The existing FLI methodology was leveraged to assign probability weightings to the narrative driven scenarios, combined with senior management expert judgement. The FLI methodology is a simulation tool that uses recent actual observed values and historical data to produce a number of possible paths for the relevant economic variables based on their historical relationships and volatilities. The FLI model is used for scenario generation for a defined probability weighting and for assessing probability weights for a given scenario.

The narrative-driven scenarios were assessed relative to the simulated distribution. The model-derived probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The final weightings were also informed by other qualitative factors and expert judgment.

The overall ECL for an exposure is determined as a probability-weighted average of the ECL calculated for each scenario, weighted by the probability of each scenario occurring.

Beyond the forecast period, default rates are assumed to revert over time to an observed long run average and the value of property collateral for LGD purposes is assumed to grow at an observed long run rate.

Typically, one or two macroeconomic variables are incorporated into each impairment model, being those determined through macro regression techniques to be most relevant to forecasting default of the credit risk exposures flowing through that model.

The lifetime PD expectation for an exposure generated under each of the scenarios, weighted by the probability of each scenario occurring, is used to generate the lifetime PD expectations used for the assessment of 'significant increase in credit risk'.

Forecasts of residential and commercial property price growth are incorporated as appropriate into the LGD component of the ECL calculation.

As outlined on page 171 above, the application of property price growth forecasts for the estimation of stage 3 impairment loss allowances was refined in 2021, so that the property collateral value at the point of liquidation does not incorporate an improvement on the current market condition.

Forward-looking information is also taken into account in relation to the estimation of impairment loss allowances for relationship-managed corporate and business banking portfolios where recovery values are dependent on non-property cash flows and / or collateral.

For further information, see note 2(a) Critical Accounting Estimates and Judgements.

3 Management of key Group risks *(continued)*

3.5 Funding and liquidity risk

Key points:

- Group customer deposits of €92.8 billion have increased by €4.2 billion since 31 December 2020. The Group's LDR reduced by 4% to 82% at 31 December 2021 (31 December 2020: 86%). The main driver of this deposit movement was due to €6 billion growth in Retail Ireland, which was primarily driven by higher household and SME savings. On a constant currency basis, Group customer deposits increased by €3 billion (see page 376 for further information on alternative performance measures).
- The Group's LCR[1] at 31 December 2021 was 181% (31 December 2020: 153%). The Group's NSFR at 31 December 2021 was 144% (31 December 2020: 138%).

Definition of funding and liquidity risk *(audited)*

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. These factors are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities. The Group's ability to access funding markets at a sustainable cost and in a sufficient volume can be negatively impacted by a credit rating downgrade(s) or deterioration in market sentiment which in turn could impact the financial position of the Group.

Liquidity risk statement *(audited)*

Funding and liquidity risk arises from a fundamental part of the Group's business model; the maturity transformation of primarily short term deposits into longer term loans. The Group's funding and liquidity strategy is to maintain a stable funding base with loan portfolios substantially funded by retail originated customer deposit portfolios.

Liquidity risk framework *(audited)*

The Group has established a liquidity risk management framework which encompasses the liquidity policies, systems and controls in place to ensure that the Group is positioned to address its daily liquidity obligations and to withstand a period of liquidity stress. Principal components of this framework are the Group's Risk Appetite Statement and associated limits and the Group's Funding and Liquidity Policy, both of which are approved by the Board on the recommendation of ALCO.

The Group Funding and Liquidity Policy outlines the Group's governance process with respect to funding and liquidity risk and sets out the core principles that govern the manner in which the risk is mitigated, monitored and managed. The operation of this policy is delegated to the Group's ALCO.

These principal components are supported by further liquidity policies, systems and controls which the Group has to manage funding and liquidity risk.

Liquidity risk management *(audited)*

Liquidity risk management within the Group focuses on the control, within prudent limits, of risk arising from the mismatch in contracted maturities of assets and liabilities and the risks arising from undrawn commitments and other contingent liabilities. The Group manages its liquidity by jurisdiction with liquid assets predominantly held in the currency of each jurisdiction.

The Group's treasury function within Group Finance provides top down centralised management of the Group's funding and liquidity position including overall responsibility for the management of the Group's liquidity position and funding strategy. This ensures a coordinated approach to balance sheet management and is accomplished through the incorporation of funding and liquidity risk appetite metrics into risk appetite at a consolidated level, monitoring liquidity metrics for each jurisdiction and compliance by the business units with the Group's funds transfer pricing policy.

The Group Market and Liquidity Risk function provides independent oversight of funding and liquidity risk and is responsible for proposing and maintaining the Group's funding and liquidity risk management framework and associated risk appetite metrics.

Liquidity risk management consists of two main activities:

- structural liquidity management focuses on the balance sheet structure, the funding mix, the expected maturity profile of assets and liabilities and the Group's debt issuance strategy; and
- tactical liquidity management focuses on monitoring current and expected daily cash flows to ensure that the Group's liquidity needs can be met.

The Group is required to comply with the regulatory liquidity requirements of the SSM and the requirements of local regulators in those jurisdictions where such requirements apply to the Group. SSM requirements include compliance with CRR / CRD IV and associated Delegated Acts. The Group has remained in full compliance with the regulatory liquidity requirements throughout 2021 and as at 31 December 2021 maintained a buffer significantly in excess of regulatory liquidity requirements.

[1] *Prepared on a regulatory group basis, in accordance with the Capital Requirements Directive IV, which comprises banking and other relevant financial institutions within the Bank of Ireland Group, but excludes non-banking related institutions such as insurance entities. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.*

3 Management of key Group risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

Bank of Ireland (UK) plc is authorised by the PRA and is subject to the regulatory liquidity regime of the PRA. Bank of Ireland (UK) plc has remained in full compliance with the regulatory liquidity regime in the UK throughout 2021 and as at 31 December 2021 maintained a buffer significantly in excess of regulatory liquidity requirements.

The annual ILAAP enables the Board to assess the adequacy of the Group's funding and liquidity risk management framework, to assess the key liquidity and funding risks to which it is exposed; and details the Group's approach to determining the level of liquid assets and contingent liquidity that is required to be maintained under both business as usual and severe stress scenarios.

A key part of this assessment is cash flow forecasting that includes assumptions on the likely behavioural cash flows of certain customer products. Estimating these behavioural cash flows allows the Group assess the stability of its funding sources and potential liquidity requirements in both business as usual and stressed scenarios. The stressed scenarios incorporate Group specific and systemic risks and are run at different levels of possible, even if unlikely, severity. Actions and strategies available to mitigate the impacts of the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the BRC and the Board.

The Group also monitors a suite of Recovery Indicators and Early Warning Signals in order to identify the potential emergence of a liquidity stress. As part of its contingency and recovery planning, the Group has identified a suite of potential funding and liquidity options, which could be exercised to help the Group to restore its liquidity position on the occurrence of a major stress event.

Liquidity risk reporting *(audited)*
The Group's liquidity risk appetite is defined by the Board to ensure that funding and liquidity are managed in a prudent manner. The Board monitors adherence to the liquidity risk appetite through the monthly Board Risk Report.

Management informs the Board in the monthly Board Risk Report of any significant changes in the Group's funding or liquidity position. The Board Risk Report includes the results of the Group's liquidity stress testing. This estimates the potential impact of a range of stress scenarios on the Group's liquidity position including its available liquid assets and contingent liquidity.

Management reviews funding and liquidity reports and stress testing results on a daily, weekly and monthly basis against the Group's Risk Appetite Statement. It is the responsibility of ALCO to ensure that the measuring, monitoring and reporting of funding and liquidity is adequately performed and complies with the governance framework.

Liquidity risk measurement *(audited)*
The Group's cash flow and liquidity reporting processes provide management with daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on-balance sheet and off-balance sheet transactions.

The tables on the following page summarise the maturity profile of the Group's financial assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2021 and 31 December 2020. These maturity profiles are based on the remaining contractual maturity period at the reporting date (discounted). The Group measures liquidity risk by adjusting the contractual cash flows on deposit books to reflect their behavioural stability.

Unit-linked investment liabilities and unit-linked insurance liabilities with a carrying value of €6,671 million and €15,399 million respectively (2020: €5,892 million and €13,479 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain access features. These allow the customer to access a portion or all of their deposits notwithstanding that this withdrawal could result in a financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the following table.

3 Management of key Group risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

2021 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets						
Cash and balances at central banks	31,360	-	-	-	-	31,360
Trading securities	-	-	-	-	20	20
Derivative financial instruments	126	42	118	650	635	1,571
Other financial assets at FVTPL[1]	1,725	31	35	459	4,046	6,296
Loans and advances to banks	244	2,327	179	-	-	2,750
Debt securities at amortised cost	-	531	466	1,364	3,647	6,008
Financial assets at fair value through other comprehensive income	-	239	342	5,419	3,457	9,457
Loans and advances to customers (before impairment loss allowance)	1,721	4,731	8,437	31,899	31,516	78,304
Total	**35,176**	**7,901**	**9,577**	**39,791**	**43,321**	**135,766**
Liabilities						
Deposits from banks	92	235	-	-	-	327
Monetary Authorities secured funding	-	-	-	13,467	-	13,467
Customer accounts	84,582	5,064	1,992	903	213	92,754
Derivative financial instruments	177	63	251	823	871	2,185
Debt securities in issue	-	236	957	4,237	2,205	7,635
Subordinated liabilities	-	-	255	3	1,723	1,981
Lease liabilities	-	12	35	169	236	452
Short positions in trading securities	-	60	-	-	-	60
Total	**84,851**	**5,670**	**3,490**	**19,602**	**5,248**	**118,861**

2020 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets						
Cash and balances at central banks	10,953	-	-	-	-	10,953
Trading securities						
Derivative financial instruments	135	73	135	1,036	838	2,217
Other financial assets at FVTPL[1]	1,902	35	29	307	3,713	5,986
Loans and advances to banks	228	2,084	141	-	-	2,453
Debt securities at amortised cost	-	31	311	1,367	4,557	6,266
Financial assets at fair value through other comprehensive income	-	300	422	5,620	4,600	10,942
Loans and advances to customers (before impairment loss allowance)	1,854	4,119	7,314	31,557	33,979	78,823
Total	**15,072**	**6,642**	**8,352**	**39,887**	**47,687**	**117,640**
Liabilities						
Deposits from banks	97	363	-	-	-	460
Monetary Authorities secured funding	-	117	278	1,533	-	1,928
Customer accounts	77,902	6,101	3,187	1,395	52	88,637
Derivative financial instruments	173	55	90	787	1,152	2,257
Debt securities in issue	-	733	519	4,088	1,027	6,367
Subordinated liabilities	-	-	-	276	1,158	1,434
Lease liabilities	-	11	34	173	280	498
Short positions in trading securities	-	-	-	-	-	-
Total	**78,172**	**7,380**	**4,108**	**8,252**	**3,669**	**101,581**

[1] *Excluding equity shares which have no contractual maturity.*

3 Management of key Group risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

Funding strategy *(unaudited)*
The Group seeks to maintain a stable funding base with loan portfolios funded substantially by granular retail originated deposits with any residual funding requirements principally met through term wholesale funding and equity.

Customer deposits *(unaudited)*
The Group's customer deposit strategy is to:
- maintain and optimise its stable retail customer deposit base in line with balance sheet requirements;
- prudently manage deposit pricing and margins; and
- optimise stable funding levels in line with regulatory liquidity requirements.

Group customer deposits of €92.8 billion were €4.2 billion higher than 2020. The main driver of this movement was due to €6 billion growth in Retail Ireland, which was primarily driven by higher household and SME savings rates, whilst deposit volumes in Corporate and Markets remained stable. Deposit volumes in Retail UK decreased by £2.4 billion to £15.8 billion, primarily due to planned UK deleveraging.

At 31 December 2021, customer deposits of €92.8 billion (2020: €88.6 billion) do not include €0.4 billion (2020: €0.4 billion) of savings and investment products sold by Wealth and Insurance. These products have fixed terms (typically five to seven years) and consequently are an additional source of stable funding for the Group.

Wholesale funding *(unaudited)*
The Group in the normal course aims to maintain funding diversification, minimise concentrations across funding sources and minimise refinancing maturity concentrations.

The Group issued €2.1 billion of MREL eligible senior debt and down-streamed it to the Bank in 2021 (2020: €0.1 billion).

Foreign exchange funding mismatch *(unaudited)*
The Group's strategy is to originate all new retail lending in the UK through Bank of Ireland (UK) plc which is funded primarily via sterling deposits. During 2021, the Bank acquired £3 billion of performing mortgages from UK plc and UK plc repaid £1.4 billion of Group funding (2021: £0.8 billion) (2020: £2.2 billion).

The Group also provides banking services in the UK through its UK branch. This comprises corporate and business banking activities and the management of residential mortgage contracts which have not been transferred to Bank of Ireland (UK) plc and which are funded primarily via cross currency derivatives.

At 31 December 2021, the stock of sterling denominated assets funded by cross currency derivatives was c.£10.0 billion (2020: c.£9.3 billion) of which £0.8 billion relates to funding provided to Bank of Ireland (UK) plc.

Customer deposits	**2021 €bn**	**2020 €bn**
Retail Ireland	65	59
- Deposits	*24*	*23*
- Current account credit balances	*41*	*36*
Retail UK	19	21
Retail UK (Stg£bn equivalent)	*16*	*18*
- UK Post Office	*9*	*12*
- Other Retail UK	*7*	*6*
Corporate and Markets[1]	9	9
Total customer deposits	**93**	**89**
Loan to deposit ratio	**82%**	**86%**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

3 Management of key Group risks *(continued)*

3.5 Funding and liquidity risk *(continued)*

Wholesale funding maturity analysis[1] *(unaudited)*	2021 Unsecured funding €bn	2021 Secured funding from Monetary Authorities €bn	2021 Secured funding private sources €bn	2021 Total wholesale funding €bn	2020 Unsecured funding €bn	2020 Secured funding from Monetary Authorities €bn	2020 Secured funding private sources €bn	2020 Total wholesale funding €bn
Less than three months	-	-	-	-	1	-	1	2
Three months to one year	-	-	1	1	-	-	-	-
One to five years	2	14	1	17	2	2	2	6
More than five years	2	-	1	3	-	-	1	1
Wholesale funding	**4**	**14**	**3**	**21**	**3**	**2**	**4**	**9**

Funding and liquidity position *(unaudited)*
During 2021, the BOIG plc senior debt credit rating was upgraded by Moody's to Baa1 (from Baa2). The BOIG plc senior debt credit ratings from Standard & Poor's (S&P) and Fitch have remained unchanged during 2021 at BBB- and BBB respectively. Fitch revised the outlook on the BOIG plc senior debt credit rating to Stable from Negative.

The Bank's senior debt credit ratings from Moody's, S&P and Fitch have remained unchanged during 2021 at A2, A- and BBB+ respectively. Fitch revised the outlook on the Bank's senior debt credit rating to Stable from Negative.

Ireland - Senior debt *(unaudited)*	2021	2020
Standard & Poor's	AA- (Stable)	AA- (Stable)
Moody's	A2 (Positive)	A2 (Stable)
Fitch	A+ (Stable)	A+ (Stable)

BOIG plc - Senior debt *(unaudited)*	2021	2020
Standard & Poor's	BBB- (Negative)	BBB- (Negative)
Moody's	Baa1 (Stable)	Baa2 (Stable)
Fitch	BBB (Stable)	BBB (Negative)

The Governor and Company of the Bank of Ireland - Senior debt *(unaudited)*	2021	2020
Standard & Poor's	A- (Negative)	A- (Negative)
Moody's	A2 (Stable)	A2 (Stable)
Fitch	BBB+ (Stable)	BBB+ (Negative)

Balance sheet encumbrance *(audited)*
It is Group policy to ensure that the level of encumbrance of the balance sheet is consistent and supportive of the Group's unsecured funding issuance plans.

As part of managing its funding requirements, the Group from time to time encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, asset backed securities, securities repurchase agreements and other structures that are secured over customer loans. At 31 December 2021, €24 billion (2020: €11 billion) of the Group's assets and collateral received were encumbered[2], primarily through these structures. The Group's overall encumbrance level[2] was 18% (2020: 10%). The increase in encumbered assets is primarily due to the drawdown of TLTRO III funding by the Group.

Covered bonds, a key element of the Group's long-term funding strategy are issued through its subsidiary Bank of Ireland Mortgage Bank Unlimited Company (BoIMB)[3]. BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is required to maintain minimum contractual overcollateralisation of 5% and minimum legislative overcollateralisation of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the CBI.

1 *The maturity analysis has been prepared using the expected maturity of the liabilities.*
2 *Prepared on a regulatory group basis, in accordance with the Capital Requirements Directive IV, which comprises banking and other relevant financial institutions within the Bank of Ireland Group, but excludes non-banking related institutions such as insurance entities. For further information, see the Group's Pillar 3 disclosures (tab 1.3), available on the Group's website.*
3 *In November 2021, the Bank's name was amended from Bank of Ireland Mortgage Bank to Bank of Ireland Mortgage Bank Unlimited Company.*

3 Management of key Group risks *(continued)*

3.6 Life insurance risk

Key points:

- NIAC remains focused on the Irish insurance market, selling a core suite of products across a range of distribution channels, including the Bank of Ireland customer base. The risk profile in respect of life insurance risk is largely stable. The processes of appropriate underwriting at both the new business and claims stages, as well as reinsuring a proportion of the life insurance risk written, all remain key risk management tools.
- The 2021 ORSA will be completed and reported to the NIAC Board. The process confirmed the robustness of NIAC's financial position in the face of extreme but plausible adverse scenarios.
- NIAC maintains sufficient capital and liquid resources to enable it to meet cash flows associated with establishing and maintaining a portfolio of life insurance business. Available resources have been tested for adequacy under a wide range of adverse sensitivities and scenarios, with no significant weaknesses identified. The Company's capital structure is consistent with its risk profile.
- There has been no material adverse impact from COVID-19 on the life insurance risk profile to date. High levels of reinsurance act as a significant mitigant if there were adverse mortality developments, together with the diversification effect of mortality and longevity risks. The future trajectory of the COVID-19 pandemic remains uncertain and its impact will continue to be monitored. At this point and bearing in mind mitigating considerations, the impact in 2022 is not expected to be material.

Definition *(audited)*
Life insurance risk is the risk of unexpected variation in the amount and timing of claims associated with insurance benefits. This variation, arising from changing customer mortality, life expectancy, health or behaviour characteristics, may be short or long-term in nature. The sub-categories of life insurance risk such as mortality, longevity and persistency risk each relate to different sources of loss which arise as a result of writing life insurance business.

Risk management *(audited)*
Life insurance risk is underwritten and managed by NIAC, a wholly owned subsidiary of the Group. The management of insurance risk is the responsibility of the board of NIAC which is delegated through internal governance structures. Aggregate life insurance risk exposure and exposure to the sub-categories of life insurance risk are monitored through a suite of management reporting metrics.

The risks that arise as a result of writing life insurance business are also managed by a number of governance fora as well as senior management. The minimum standards required when managing these risks are set out in a suite of NIAC Board approved policies.

The Group transfers some life insurance risk to reinsurance companies who then meet an agreed share of the claims that arise on a book of business in return for a premium. This creates a credit exposure to these reinsurance companies which is managed within the NIAC risk management framework with responsibilities delegated through the Reinsurance Risk Policy. A review of the panel of reinsurers that may be used and the structure of reinsurance arrangements is carried out at least annually. Senior members of the management team with actuarial and underwriting expertise, contribute to the effective oversight of this risk.

Risk measurement *(audited)*
Risk experience is monitored regularly with actual claims experience being compared to the underlying risk assumptions. The results of this analysis are used to inform management of the appropriateness of those assumptions for use in pricing, capital management and new product design.

Exposure to life insurance risk is measured by means of sensitivity and scenario testing. Risk capital is calculated for each individual risk type by stressing the best estimate assumptions of future experience by extreme, but plausible, factors. The stress factors are pre-defined by regulation and are set at a level with an expected frequency of occurrence of one year in every 200. NIAC also carries out an ORSA annually which is overseen by the NIAC board. Within the ORSA, NIAC's risk profile is considered, both quantitatively and qualitatively, in a holistic manner with potential areas of risk identified along with conclusions in respect of how those risks will be mitigated. Further details can be found in note 37.

Risk mitigation *(audited)*
The Group mitigates the potential impact of insurance risk through a number of measures. Capital is held against exposure to life insurance risk. Exposure to risk is also managed and controlled by the use of medical and financial underwriting, risk mitigating contract design features and reinsurance, as detailed in risk management policies.

Risk reporting *(audited)*
An update on the status of life insurance risk is included in the Board Risk Report on a quarterly basis. Updates on risk dashboards and risk appetite compliance are included in the Board Risk Report on a monthly basis. NIAC's ORSA report in respect of the NIAC annual assessment is also presented to the ERC on an annual basis.

3 Management of key Group risks *(continued)*

3.7 Market risk

Key points:
- The VaR arising from discretionary risk-taking remained at relatively low levels during 2021. The Group continues to take moderate interest rate positions in both Trading and Banking books in addition to positions in FX and traded credit markets.
- With the exception of market basis risks, the Group manages structural market risks arising from interest rate and FX positions according to passive Asset Liability Management conventions, which are regularly reviewed by the ALCO.

Definition and background *(audited)*
Market risk is the risk of loss arising from movements in interest rates, FX rates, credit spread or other market prices. Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk-taking. The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the Group's strategic objectives.

Risk management, measurement and reporting *(audited)*
The management of market risk in the Group is governed by the Group's Risk Appetite Statement and by the Group Policy on Market Risk, both of which are approved by the Board. These are supplemented by a range of ALCO approved limits and controls. The Group has an established governance structure for market risk that involves the Board, its risk committees (BRC and ERC) and ALCO, which has primary responsibility for the oversight of market risk in the Group.

The Board monitors adherence to market risk appetite through the monthly Board Risk Report.

Group Market & Liquidity Risk (GM&LR) provides second line oversight of the Group's exposure to market risk, ensuring that the Group correctly identifies and assesses the market risks to which it is exposed. GM&LR is a part of the Group Risk Function reporting to the Group CRO.

It is Group policy to minimise exposure to market risk, subject to defined limits for discretionary risk. Nonetheless, certain structural market risks remain and, in some cases, are difficult to eliminate fully. In addition, the Group bears economic exposure to adverse movements in the credit spreads of bonds held as liquid assets, or held as matching assets in the NIAC. The latter is the predominant economic exposure arising on the NIAC fixed interest portfolio.

Market risks that arise are transferred to and managed by Bank of Ireland Global Markets (BoIGM), the treasury execution arm of the Group. These market risks are hedged by BoIGM as a matter of course with the external market or, in the case of a small quantum of the risks concerned, are run as short-term discretionary risk positions subject to policy and limits. Discretionary risk-taking is confined to interest rate risk (including inflation exposure), FX risk and traded credit risk.

Similarly, market risks in the Group's life assurance business, NIAC, are managed within defined tolerances. However, certain residual risks are inherent in this business, notably exposure to credit spreads on assets held to match policyholder liabilities and indirect exposure to equity markets through changes in the discounted value of fees applied to equity assets held by policyholders in insurance contracts. This is outlined in greater detail below.

Classification of market risk *(unaudited)*
In accordance with Group policy and aligned with regulatory requirements and guidance, the Group classifies market risk as follows:
- Interest Rate Risk in the Banking Book: This is interest rate risk that arises naturally through the conduct of retail and wholesale banking business. This is broken down into re-pricing risk, yield curve risk, basis risk and optionality risk. It also includes earnings risk arising from non-interest bearing, floored or perpetually fixed assets and liabilities.
- Trading Book Risk: This consists of risk positions that are pro-actively assumed and which are booked in the Trading Book in compliance with the CRR.
- Other market-related risks to earnings and / or capital: Risks to earnings and / or capital that do not fall naturally within the regulatory-defined categories of Trading Book and IRRBB fall under this heading. For the most part, these risks reflect the application of mark-to-market accounting to particular portfolios or the impact of FX rate movements on what is a dual-currency balance sheet. The most material risks arise from the fair valuation of credit risk in securities portfolios and derivative books.

Balance sheet linkage *(audited)*
The accompanying table (page 182) classifies the balance sheet in terms of Banking Book, Trading Book (as defined above) and Insurance assets and liabilities. The principal risk factors which drive changes in earnings or value in relation to each line item are also outlined. Trading Book assets and liabilities were a small proportion of the balance sheet at 31 December 2021 and this is representative of the position throughout the year. Interest rates are the most significant risk factor.

Discretionary market risk *(audited)*
Discretionary risk is a risk that is carried in the expectation of gain from near-term movements in liquid financial markets. BoIGM is the sole Group business unit permitted to run discretionary market risk.

Discretionary risk can be taken by leaving naturally arising retail or wholesale generated risks unhedged for a period (discretionary IRRBB) or by taking proprietary positions in the market (Trading Book risk). In conformity with the CRR, customer derivatives are booked in the Trading Book and can be a source of trading risk if not fully closed out.

3 Management of key Group risks *(continued)*

3.7 Market risk *(continued)*

Market risk linkage to the balance sheet (unaudited) 2021	Total €m	Trading €m	Non-trading €m	Insurance €m	Primary Risk Sensitivity
Assets					
Cash and balances at central banks	31,360	-	31,360	-	Interest Rate
Derivative financial instruments	1,571	645	926	-	Interest Rate, FX, Credit Spread
Trading and other financial assets at FVTPL	20,098	20	124	19,954	Interest Rate, FX, Credit Spread
Loans and advances to banks	2,750	-	2,531	219	Interest Rate
Loans and advances to customers	76,346	-	76,346	-	Interest Rate
Debt securities at amortised cost	6,008	-	6,008	-	Interest Rate
Financial assets at fair value through other comprehensive income	9,457	-	9,457	-	Interest Rate, FX, Credit Spread
ViF asset	-	-	(700)	700	Equity
Other assets	7,678	-	5,018	2,660	Interest Rate
Total assets	**155,268**	**665**	**131,070**	**23,533**	
Liabilities					
Deposits from banks	12,946	-	12,946	-	Interest Rate
Customer deposits	92,754	-	92,754	-	Interest Rate
Derivative financial instruments	2,185	584	1,601	-	Interest Rate, FX, Credit Spread
Debt securities in issue	8,483	-	8,483	-	Interest Rate
Liabilities arising from insurance and investment contracts	22,070	-	-	22,070	Interest Rate, FX, Credit Spread, Equity
Loss allowance provision on loan commitments and financial guarantees	48	-	48	-	Interest Rate
Lease Liabilities	452	-	452	-	Interest Rate, FX
Other liabilities	3,011	-	2,289	722	Interest Rate, FX
Subordinated liabilities	1,981	-	1,981	-	Interest Rate
Total liabilities	**143,930**	**584**	**120,554**	**22,792**	

Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with. BoIGM's discretionary market risk is confined to interest rate risk (including inflation exposure), FX risk and credit spread exposure. A limit on discretionary risk is set in the Risk Appetite Statement approved by the Board and an accompanying high-level stop loss is set by ERC. These are supplemented by an ALCO approved framework of limits and controls, based on VaR (see below), scenario stress tests and sensitivities. The Group does not seek to generate a material proportion of its earnings through discretionary risk-taking and it has a low tolerance for earnings volatility arising from this activity which is reflected in policy, limits and other controls applied.

The Group employs a VaR approach to measure and set limits on, discretionary market risk whether taken in the Banking Book (discretionary IRRBB) or pro-actively assumed in the Trading Book. The Group utilises a monte-carlo simulation model approach for the calculation of the interest rate risk component and a parametric VaR approach for the FX, inflation and credit risk components at a 99% (two tailed) confidence level, using a one day holding period and based on one year of historic data. The volatilities and correlations which are used to generate VaR numbers are estimated using the exponentially weighted moving average approach which gives more weight to recent data and responds quickly to changes in market volatility. VaR is backtested and reported on a daily basis with all exceptions subject to review and explanation.

For the nature of risks assumed by the Group, VaR remains a reliable basis of risk measurement, supplemented by stress testing.

The Group uses VaR to allocate capital to discretionary trading book risk in its ICAAP but uses the standardised approach (TSA) for Pillar 1 Trading Book capital.

The Group recognises that VaR is subject to certain inherent limitations and therefore VaR limits are supplemented by scenario-based stress tests. These are particularly important in periods of low market volatility when VaR numbers can understate the risks of loss from large adverse market moves. Position limits and 'stop losses' are also a central element of the control environment.

The table below shows total VaR at 31 December 2021 was €0.5 million (2020: €0.5 million). Total VaR is the sum of overall interest rate, FX and traded credit VaR. Overall Interest Rate VaR is a correlated measure of trading book interest rate and discretionary IRRBB.

3 Management of key Group risks *(continued)*

3.7 Market risk *(continued)*

Total VaR *(audited)*	**2021 €m**	**2020 €m**
Total	0.5	0.5

The Group's peak, average and end-period VaR numbers for the Trading Book by risk class and discretionary IRRBB are shown in the 'VaR' table below for 31 December 2021 and 2020.

Total VaR *(audited)*	**2021 €m**	**2020 €m**
Discretionary IRRBB		
Peak	0.4	1.2
Average	0.2	0.3
End period	0.2	0.1
Trading book interest rate VaR		
Peak	1.1	0.9
Average	0.5	0.5
End period	0.2	0.3
Foreign exchange VaR		
Peak	0.8	0.8
Average	0.2	0.4
End period	0.1	-
Traded credit risk VaR		
Peak	0.4	0.5
Average	0.2	0.2
End period	0.1	-

Structural and other risks *(audited)*
Notwithstanding the overriding objective of running minimal levels of market risk, certain structural market risks remain and are managed centrally as part of the Group's asset and liability management process.

Structural interest rate risk *(unaudited)*
Structural interest rate risk is predominantly the exposure of Group earnings to interest rate changes arising from the presence of non-interest bearing or behaviourally fixed-rate assets and liabilities on the balance sheet. The principal non-interest bearing liabilities are equity and non-interest bearing current accounts. It is Group policy to invest its net non-interest bearing liabilities (or free funds) in a portfolio of swaps with an average life of 3.5 years and a maximum life of seven years. This has the effect of helping to mitigate the impact of the interest rate changes on interest income. The table below outlines the Group's average volumes of structural hedges and contribution to interest income.

Structural hedge *(unaudited)*	**2021**	**2020**
Average structural hedge volume (€bn)	36.2	35.6
Interest income from structural hedge (€m)	84.0	124

Other structural risks arise from credit-impaired loans and floored loans and deposits.

Net interest income sensitivity analysis *(unaudited)*
The Group uses net interest income sensitivity analysis to measure the responsiveness of earnings to scenarios for short and long-term rates.

The following table shows the estimated sensitivity of the Group's net interest income (before tax) to an instantaneous and sustained 1% parallel movement in interest rates. The estimates are based on management assumptions primarily related to the repricing of customer transactions; the relationship between key official interest rates set by Monetary Authorities and market determined interest rates; and the assumption of a constant balance sheet by size and composition. The sensitivities should not be considered a forecast of future performance in these rate scenarios as they do not capture potential management action in response to unexpected changes in the interest rate environment.

Estimated sensitivity of Group income (1 year horizon) *(unaudited)*	**2021 €m**	**2020 €m**
100bps higher	c.275	c.220
100bps lower	(c.215)	(c.220)

Basis risk *(unaudited)*
Basis risk is the exposure of the Group's earnings to sustained changes in the differentials between the floating market related benchmark rates to which the Group's assets, liabilities and derivative hedges are linked. In the Group's case, the principal rates used for product and derivative repricing are one, three and six month Euro Inter Bank Offered Rate (EURIBOR), Sterling Overnight Index Average, EUR short-term rate, the ECB refinancing rate and the BoE base rate. In addition, the Group funds an element of its sterling balance sheet in part from euro which creates a structural exposure to the cost of this hedging.

The Group applies notional limits and stress scenario analysis to its basis positions.

Credit spread risk *(unaudited)*
Credit spread risk arises from the potential impact of changes to the spread between the bond yield and swap rates. Bonds purchased primarily as liquid assets and classified as fair value through other comprehensive income (FVOCI) are held at fair value on the balance sheet and as such, movements in the credit spreads can result in adverse impacts on the fair value of these holdings. At 31 December 2021, the Group held €9.5 billion in securities classified as FVOCI (2020: €10.9 billion). A 1% increase in the average credit spread of the book in 2021 would have reduced its value by €404 million (2020: €490 million).

An analogous economic risk exists in relation to securities held by NIAC to match policyholder liabilities and to invest its capital. At 31 December 2021, NIAC's bond portfolio had a market value of €1.5 billion (2020: €1.6 billion). At 31 December 2021, a 1% widening of all credit spreads (measured as bond yields minus the corresponding swap rate) would have had an impact on

3 Management of key Group risks *(continued)*

3.7 Market risk *(continued)*

earnings of €109 million negative, while a 1% tightening would have had a positive impact of €125 million (2020: €122 million negative and €143 million positive respectively).

The Group also models the spread risk for both the FVOCI and NIAC portfolios over a one-year horizon using a delta-normal VaR model and deterministic spread stress model respectively. They approximate a potential one-year loss in portfolio value due to changes in credit spreads.

Interest rate risk in New Ireland Assurance Company plc *(unaudited)*

In managing the interest rate risk in its business, NIAC has regard to the sensitivity of its capital position, as well as its IFRS earnings, to market movements. NIAC follows a policy of asset / liability matching to ensure that the exposure of its capital position to interest rate movements remains within tolerances, while also managing the impact on IFRS profits. At 31 December 2021, a 1% fall in swap and yield rates would have reduced its excess own funds (own funds less solvency capital requirement (SCR)) by €46 million and decreased its IFRS profit by €6 million (2020: €56 million negative and €2 million negative respectively).

Equity risk *(unaudited)*

NIAC's earnings are also indirectly exposed to changes in equity markets. This arises because a management fee is charged on the value of €6.9 billion of equities held for policyholders in insurance contracts in its unit-linked book. As equity markets move up and down, this gives rise to a change in current and discounted future streams of equity-related fees which is reflected in NIAC's earnings. Every 1% fall in equity markets applied to positions at 31 December 2021 would have reduced NIAC's earnings by €3 million (2020: €2 million reduction). Every 1% increase in equity markets would have had a broadly equal and opposite impact.

Structural FX *(unaudited)*

The Group defines structural FX risk as the exposure of its key capital ratios to changes in exchange rates. Changes in exchange rates can increase or decrease the overall euro-equivalent level of RWAs. It is Group policy to manage structural FX risk by ensuring that the currency composition of its RWAs and its structural net asset position by currency are broadly similar. This is designed to minimise the impact of exchange rate movements on the principal capital ratios.

At 31 December 2021, the estimated sensitivity of the Group's fully loaded CET1 ratio to a combined 10% movement of sterling and dollar combined against the euro was four basis points.

The structural FX positions at 31 December 2021 and the preceding year end were as follows:

Structural FX position *(audited)*	**2021 €m**	**2020 €m**
Sterling - net asset position	2,799	2,156
US dollar - net asset position	412	366
Total structural FX position	**3,211**	**2,522**

Use of derivatives in the management of market risk *(audited)*

The activities set out above involve, in many instances, transactions in a range of derivative instruments. The Group makes extensive use of derivatives to hedge its balance sheet, service its customer needs and, to a lesser extent, assume discretionary risk. The Group's participation in derivatives markets is subject to policy approved by the ALCO. The Group makes a clear distinction between derivatives which must be transacted on a perfectly hedged basis and those whose risks can be managed within broader interest rate or FX books.

Discretionary market risk can only be assumed in clearly defined categories of derivatives which are traded in well-established liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods.

The approach to hedging and managing market risk is governed by policies explicitly designed to ensure that all hedging activities are risk reducing. Interest rate risk arising on customer lending and term deposit-taking is centralised by way of internal hedging transactions with BoIGM. This exposure is, in turn, substantially eliminated by BoIGM through external hedges.

Structural risk is managed by way of selective and strategic hedging initiatives which are executed under ALCO's authority.

Policy requires that, where behavioural optionality hedging relies on assumptions about uncertain customer behaviour and where material, it is subject to limits or other controls.

3 Management of key Group risks *(continued)*

3.8 Conduct and regulatory risk

Key points:

- Regulatory oversight by supervisory bodies during 2021 continued to focus on COVID-19 related impacts and the key areas of business model and profitability risk, credit risk, payment breaks, impairment provisioning (IFRS 9), capital adequacy, business continuity management, operational resilience and cyber risk.
- The Group maintained a strong focus on continuing compliance with the regulatory requirements of the jurisdictions in which it operates, with material investment in new and existing programmes established to close out legacy conduct and regulatory matters to continue preparations for the significant regulatory change agenda over the coming years.
- Group Compliance implemented a number of key changes throughout 2021, including: i) the development and implementation of vision and mission statement for the Group Compliance function supported by five key strategic priorities; ii) enhanced management reporting metrics to facilitate the monitoring of principal conduct and regulatory risks; iii) repositioning and restructure of the overall structure of Conduct Risk to ensure adequate independent oversight and support of the business; and iv) enhancement of overall Group Compliance reporting to senior management and Board.
- The Group Compliance function had ongoing involvement and oversight of the various strategic and regulatory change programmes, overseeing decisions and actions taken to support good / fair customer outcomes.
- The substantial regulatory and compliance agenda is expected to continue in 2022, particularly relating to continuing changes to the retail banking and regulatory landscape, recently announced growth opportunities, investment in transformation agenda, ongoing remediation of legacy conduct and regulatory related matters and ongoing and latent impacts of the COVID-19 pandemic.

Definition

Conduct and regulatory risk is defined as the risk that the Group and/or its staff, conduct business in an inappropriate or negligent manner that leads to adverse customer outcomes and / or non-compliance with laws, rules and regulations related to conduct of business, data protection and financial crime. It is also the risk of the failure to appropriately identify and implement governance arrangements for compliance with any new laws, rules and regulations that relate to licensed financial services activity. Conduct and regulatory risk is categorised as a non-financial risk within the Group Risk Framework and is further broken down into distinct risk categories:

Customer-focused strategy: The risk of not delivering fair outcomes to customers. It also covers those laws, regulations, codes and guidelines that govern the activities of the Group with regard to consumer protection requirements, advertising and marketing compliance, mortgage arrears and lending codes. This also includes regulatory expectations with regard to the delivery of good / fair customer outcomes laid out in formal industry communications such as Dear CEO letters.

Product and Service Governance Lifecycle Management: The risk of the design and development of products and services that do not continue to be appropriate and suitable over the lifetime of the product or respond to changing customer needs. It also covers those laws, regulations, codes and guidelines that govern the activities of the Group with regard to product and services design, development, oversight and governance.

Colleague Compliance and Culture: The risk of colleagues not meeting set regulatory compliance standards as well as standards of behaviour that have a material negative outcome for stakeholders including customers, colleagues and communities (including shareholders, suppliers and regulators). It also covers the Group's Individual Accountability Framework and Accountability Risk as well as those laws, regulations, codes and guidelines that govern the activities of the Group with regard to conduct and other standards required of individuals and the business.

Regulatory Compliance: The risk of failure by the Group to implement effective governance in respect of regulatory change, as well as failure to appropriately manage our regulatory engagements or to comply with conduct of business laws, regulations, codes and guidelines.

Data Protection and Privacy: The risk of failing to comply with data protection and privacy principles and requirements and / or protect the personal data of our customers, employees and other individuals who allow the Group to process their personal data. It covers laws, regulations and guidelines relating to data protection and privacy within all jurisdictions in which the Group operates.

Financial Crime: The risk that the measures adopted by the Group to prevent and detect money laundering, terrorist financing, sanctions evasion or fraud, are not effective and/or do not meet regulator expectations. It also covers those laws and regulations that require the Group to design and manage processes to identify, assess, mitigate and report on AML, Counter Financing Terrorism (CFT) and Financial Sanctions (FS) risks and to ensure that staff are aware of those laws and ensure they are alert to those risks when required to do so.

Risk management and measurement

The Group Risk Framework identifies the Group's formal governance process around risk, including its framework for setting risk appetite and is implemented by accountable executives and monitored by the GRCRC, the ERC, the BRC and Board, in line with the overall Group risk governance structure, outlined on pages 150 to 154.

The Conduct and Regulatory Risk Framework (CRRF), which sits below the overarching Group Risk Framework, sets out the structures and methodologies by which the Group identifies and manages conduct and regulatory risk. There are two components within the Framework:

- **Governance and Oversight:** Governance arrangements and management oversight of conduct and regulatory risk, including specific roles and responsibilities across three lines of defence.

3 Management of key Group risks *(continued)*

3.8 Conduct and regulatory risk *(continued)*

- **Risk Management Lifecycle:** The conduct and regulatory risk management lifecycle recognises the importance of regular risk identification and assessment, diligently setting risk appetite and having robust measurement in place to monitor and report against this.

The effective management of conduct and regulatory risk is primarily the responsibility of business management and is supported by Group Compliance. On an annual basis, the Board approves the Group Risk Appetite Statement, which incorporates statements for all material risks, including conduct and regulatory risk.

Risk mitigation

The primary risk mitigants for conduct and regulatory risk are the suite of policies and policy standards and the existence of appropriate controls in place throughout the business. The Group Conduct and Regulatory Risk Framework and associated policies / policy standards set out the minimum requirements for the effective management of conduct and regulatory risk to ensure that the Group's overall exposure remains within the Board approved risk appetite. The Group also mitigates conduct and regulatory risk through the early identification, appropriate assessment, measurement and reporting of risks.

Risk reporting

The current status of conduct and regulatory risk is reported to the ERC and the Board members through a variety of forms including the Group Chief Compliance Officer Report and Board Risk Report on a quarterly basis. Monthly updates on the conduct and regulatory risk profile are provided to GRCRC. The GRCRC oversees the status of conduct and regulatory risk in the Group, including the progress of associated risk mitigation initiatives, issues and breaches and significant regulatory interactions on a monthly basis.

3 Management of key Group risks *(continued)*

3.9 Operational risk

Key points:

- The management of Operational risk has continued to mature across the Group resulting in enhanced risk identification and assessment, leading to improved risk based decisions and prioritisation of mitigating activities.
- The Group continues its multi-year programme to make substantial investment in its IT systems and given the risk attendant to any large transformation, there is continued focus to ensure the sustainability and integrity of the Group's operations.
- The global pandemic, resulting from COVID-19, impacted on how the Group provided its services to customers and accelerated the adoption of remote working and digital solutions. Business disruption was avoided by the swift and effective utilisation of the Group's Crisis Management Framework and business continuity arrangements.
- The Group continues to proactively manage its exposure to model risk through investment in model redevelopment and enhancement programmes and updating standards and tooling to deal with the evolving nature of model risk as more digital solutions are adopted across the Group.
- In 2021, the Group was fined and reprimanded for breaches relating to its IT service continuity framework and related internal controls failings between 2008 and 2019. A Group-wide programme of work completed in 2019 to comprehensively address these breaches.
- During 2021, a number of operational risk management tools were successfully embedded across the Group, including control certification and the updated risk libraries. Progress continues to enhance the broader operational risk taxonomy, business process mapping capability and transition to greater use of automation and forward looking risk management tools and processes.

Definition
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This risk includes business continuity, change execution, business process, data quality and availability, information security and cyber, information technology, legal and contractual, model, payments, sourcing and physical security.

Risk management
The Group faces operational risks in the normal pursuit of its business objectives. The primary goals of operational risk management are ensuring the sustainability and integrity of the Group's operations and the protection of its reputation by controlling, mitigating or transferring the impact of operational risk. Operational risk cannot be fully eliminated. The Group has established a formal approach to the management of operational risk in the form of an 'Operational Risk Framework' which defines the Group's approach to identifying, assessing, managing, monitoring and reporting the operational risks which may impact the achievement of the Group's business objectives.

This framework outlines, inter alia the following:
- formulation and dissemination of an Operational Risk Policy specifying the risk management obligations of management and staff within the Group;
- maintaining organisational structures for the oversight, monitoring and management of operational risk throughout the Group;
- setting aside capital and maintaining a suite of insurance policies;
- setting out the boundary conditions in which operational risks are to be managed, by way of Board approved Risk Appetite Statement; and
- embedding formal operational risk management processes and standards throughout the Group.

Operational risk policy and governance
The Group continues to maintain its ongoing oversight and control of its exposure to operational risk. A critical component of the operational risk framework is a BRC approved Operational Risk Policy which sets out the Group's objectives and the obligations of management in respect of operational risk.

Governance and oversight of operational risk forms part of the Group's Risk Framework which aims to ensure that risk management activities are adequate and commensurate with the Board approved risk appetite. The GORC is appointed by the ERC and is responsible for the oversight and monitoring of operational risk within the Group and material subsidiaries. Business units hold primary responsibility for the management of operational risk and compliance with internal control requirements.

The Non-Financial Risk Function is accountable for the development and maintenance of an Operational Risk Framework to ensure a robust, consistent and systematic approach is applied to managing operational risk exposures across the Group.

Operational risk appetite
The Board has set out its appetite for operational risk in terms of both qualitative factors and quantitative measures reflecting the nature of non-financial risks. As such, the monitoring of operational risk indicators is supplemented with qualitative review and discussion at senior management executive committees to ensure appropriate actions are taken to enhance controls.

Risk assessment
A systematic identification and assessment of the operational risks faced by the Group is a core component of the Group's overall operational risk framework. This is known as the Risk and

3 Management of key Group risks *(continued)*

3.9 Operational risk *(continued)*

Control Self Assessment (RCSA) and is a framework for capturing, measuring and managing operational risk as well as providing a mechanism for consistent identification, monitoring, reviewing, updating and reporting of risks throughout the Group. A key element of this process is the categorisation of risks by taxonomy.

Risk mitigation and transfer
In addition to business unit risk mitigation initiatives, the Group implements specific policies and risk mitigation measures for key operational risks including, but not limited to, sourcing, technology and business disruption risks. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme, whereby selected risks are reinsured externally. The Group Insurance programme is reviewed annually to ensure coverage remains appropriate to the Group's risk management objectives. The Group's capital requirements arising from operational risk are calculated for Pillar 1 using TSA and Pillar 2 as assessed under the Group's ICAAP process.

Risk reporting
Regular reporting of operational risk is a key component of the Group's Operational Risk Framework.

The Board receives monthly updates on the operational risk profile via the Board Risk Report which provides a timely assessment of material operational risks against risk appetite.

At least four times a year, the Head of Non-Financial Risk reports to GORC on the status of operational risk in the Group, including the status of the material operational risks, the progress of risk mitigation initiatives and programmes, significant loss events and the nature, scale and frequency of overall losses.

In addition, specified operational risk information is collated for the purposes of reporting to regulatory supervisors in the jurisdictions in which the Group operates.

4 Capital management

Key points:

- CET1 ratio of 17.0% under regulatory rules and 16.0% on a fully loaded basis at 31 December 2021.
- The Group is required to maintain a minimum CET1 ratio of 9.77% on a regulatory basis as at 31 December 2021:
  - this includes a Pillar 1 requirement of 4.5%, a Pillar 2 requirement (P2R) of 1.27%, a capital conservation buffer (CCB) of 2.5% and an Other Systemically Important Institutions (O-SII) buffer of 1.5%;
  - Pillar 2 guidance (P2G) is not disclosed in accordance with regulatory preference.
- Total capital ratio of 22.3% under regulatory rules at 31 December 2021.
- Leverage ratio of 6.6% on a regulatory basis and 6.2% on a fully loaded basis as at 31 December 2021.
- MREL ratio of 31.4% at 31 December 2021, c.645 basis points above 1 January 2022 requirement of 24.95%.

Capital management objectives and policies *(audited)*
The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy and, at all times, to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital while the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the regulatory authorities and economic capital based on internal models are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that these requirements are met.

The current status of capital adequacy, including risk dashboards and risk appetite compliance, is reported to Senior Executives and the Board through the Board Risk Report on a monthly basis.

Internal Capital Adequacy Assessment Process *(unaudited)*
The ICAAP is carried out by the Group on an annual basis. The ICAAP process facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risk profile to ensure the Group holds sufficient capital to cover these risks and support its strategy. Underpinning the ICAAP process, the Group prepares detailed financial projections. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions and the stress case is prepared based on a severe but plausible stress economic scenario.

The ICAAP process demonstrates that the Group has sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives having regard to Board approved Risk Appetite and Strategy and to meet its regulatory capital, leverage and liquidity requirements.

The Board approved ICAAP Report and supporting documentation is submitted to the ECB and CBI on an annual basis and is subject to regulatory review as part of the SREP.

4 Capital management *(continued)*

CRD IV - 2020 *(unaudited)* Regulatory €m	CRD IV - 2020 *(unaudited)* Fully loaded €m		CRD IV - 2021[1] *(unaudited)* Regulatory €m	CRD IV - 2021[1] *(unaudited)* Fully loaded €m
		Capital Base		
9,621	9,621	Total equity	11,338	11,338
-	-	- less foreseeable distribution deduction[2]	(104)	(104)
(975)	(975)	- less AT1 capital	(975)	(975)
8,646	**8,646**	**Total equity less foreseeable dividend distribution and equity instruments not qualifying as Common equity tier 1**	**10,259**	**10,259**
(281)	**(1,230)**	**Regulatory adjustments being phased in / out under CRD IV**	**(725)**	**(1,244)**
(658)	*(1,101)*	*- Deferred tax assets[3]*	*(750)*	*(1,071)*
(56)	*(129)*	*- 10% / 15% threshold deduction*	*(126)*	*(173)*
433	*-*	*- IFRS 9 transitional adjustment*	*151*	*-*
(1,149)	**(999)**	**Other regulatory adjustments**	**(1,638)**	**(1,633)**
(111)	*-*	*- Expected loss deduction*	*(5)*	*-*
(478)	*(478)*	*- Intangible assets and goodwill*	*(515)*	*(515)*
(10)	*(10)*	*- Coupon expected on AT1 instrument*	*(10)*	*(10)*
26	*26*	*- Cash flow hedge reserve*	*36*	*36*
3	*3*	*- Own credit spread adjustment (net of tax)*	*10*	*10*
(5)	*(5)*	*- Securitisation deduction*	*(9)*	*(9)*
(131)	*(131)*	*- Pension asset deduction*	*(607)*	*(607)*
(443)	*(404)*	*- Other adjustments[4]*	*(538)*	*(538)*
7,216	**6,417**	**Common equity tier 1**	**7,896**	**7,382**
		Additional tier 1		
975	975	AT1 instruments (issued by parent entity[5])	975	975
8,191	**7,392**	**Total tier 1 capital**	**8,871**	**8,357**
		Tier 2		
1,038	1,038	Tier 2 instruments (issued by parent entity[5])	1,595	1,595
215	215	Instruments issued by subsidiaries that are given recognition in Tier 2 capital[6]	34	34
-	138	Provisions in excess of expected losses on defaulted assets	-	62
		Regulatory adjustments		
(160)	(160)	Other adjustments	(160)	(160)
1,093	**1,231**	**Total tier 2 capital**	**1,469**	**1,531**
9,284	**8,623**	**Total capital**	**10,340**	**9,888**
48.4	**48.0**	**Total risk weighted assets (€bn)**	**46.4**	**46.2**
		Capital ratios[7]		
14.9%	13.4%	Common equity tier 1	17.0%	16.0%
16.9%	15.4%	Tier 1	19.1%	18.1%
19.2%	18.0%	Total capital[6]	22.3%	21.4%
7.1%	6.4%	Leverage ratio[6]	6.6%	6.2%

[1] *Capital ratios have been presented including the benefit of the retained profit in the year. Under Article 26 (2) of the Capital Requirements Regulation, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the ECB and such permission has been obtained.*
[2] *A foreseeable distribution deduction of €104 million (31 December 2020: nil) has been made as required under Article 2 of European Union Regulation No. 241/2014.*
[3] *Deduction relates to deferred tax assets on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 70% in 2021, increasing annually at a rate of 10% thereafter.*
[4] *Includes technical items such as non-qualifying Common equity tier 1 items, Prudential Valuation Adjustment, Calendar Provisioning and IFRS 9 addback adjustment to the deferred tax charge.*
[5] *The parent entity refers to BOIG plc.*
[6] *The calculation of the Group's Total Capital and Leverage ratios at 31 December 2021 are stated after a prudent application of the requirements of Article 87 of the Capital Requirements Regulation. As a result of the establishment of BOIG plc and due to the requirements of Article 87 of the Capital Requirements Regulation, regulatory capital instruments issued by subsidiaries (i.e. The Governor and Company of the Bank of Ireland) cannot be recognised in full in the prudential consolidation.*
[7] *The capital ratios are calculated using unrounded risk weighted asset amounts.*

4 Capital management *(continued)*

CRD IV - 2020 *(unaudited)* Regulatory €bn	CRD IV - 2020 *(unaudited)* Fully loaded €bn		CRD IV - 2021 *(unaudited)* Regulatory €bn	CRD IV - 2021 *(unaudited)* Fully loaded €bn
		Risk weighted assets[1,2]		
38.0	37.8	Credit risk	35.6	35.5
0.8	0.8	Counterparty credit risk	1.0	1.0
0.8	0.8	Securitisation	1.2	1.2
0.6	0.6	Market risk	0.3	0.3
4.2	4.2	Operational risk	4.3	4.3
4.0	3.8	Other assets / 10% / 15% threshold deduction	4.0	3.9
48.4	**48.0**	**Total RWA**	**46.4**	**46.2**

Capital Requirements Directive IV *(unaudited)*
The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent amendments, including EU Regulation 2019/876 (CRR II) and EU Directive 2019/878 (CRD V) published on 7 June 2019 and EU Regulation 2020/873 published on 26 June 2020 (COVID Quick Fix).

In line with the above regulations, the Group's regulatory capital ratios reflect the phased implementation of the DTAs (dependent on future profitability) deduction and the transitional implementation of IFRS 9. These items will be fully implemented in 2024 and 2025 respectively.

Regulatory Capital Developments *(unaudited)*
The CRD IV rules continue to evolve through amendments to current regulations, directives and the adoption of new technical standards. The key changes impacting capital ratios as at 31 December 2021 contained in CRR II, include a binding leverage requirement and the implementation of the standardised approach for Counterparty Credit Risk. The amendments did not have a material impact on the Group's capital ratios.

The revisions to the capital requirements for Market Risk, originally intended to apply in 2021, have been deferred until 2023.

The Basel Committee revisions to the Basel Framework focus on the standardised and internal ratings-based approaches to measuring credit risk. These include the introduction of an aggregate output floor to ensure banks' RWAs calculated via internal models are no lower than 72.5% of RWAs calculated under the standardised approach. The revised standards which were originally due to take effect from 1 January 2022, are now deferred to 1 January 2025 following a European Commission review in October 2021, with a phase-in period of five years for the aggregate output floor. The Group continues to monitor developments with any impact dependent on the implementation at EU level.

Capital actions *(unaudited)*
In May 2021, the Group issued a €500 million 10.25 year (callable at any time between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument. The bond carries a coupon of 1.375%.

In June 2021, the Group entered into the sale (via securitisation) of a portfolio of c.€0.3 billion of non-performing RoI mortgages predominantly secured on owner occupied and buy-to-let investment properties. The mortgages and related customer relationships will continue to be maintained by the Group, however the assets have been derecognised from the Group's balance sheet.

In October 2021, the Group executed a credit risk transfer (CRT) transaction referencing a portfolio of c.€1.4 billion of Irish mortgages and involved the execution of credit protection agreements for c.€265 million of potential credit losses on the reference portfolio.

In December 2021, the Group executed a CRT transaction on a reference portfolio of US$2.85 billion (c.€2.5 billion) of European and US Acquisition Finance (AF) Loans whereby the investors assume the credit risk for US$456 million (c.€400 million) of potential credit losses via a risk sharing structure. The transaction supported the refinancing of the Group's existing AF CRT transaction.

These CRT transactions reduce the Group's credit risk exposure through a risk sharing structure whereby the investors assume the credit risk for potential credit losses on the reference portfolios of loan assets. No assets were derecognised from the Group balance sheet and the reference portfolio of loan assets and related customer relationships will continue to be maintained by the Group.

Capital requirements / buffers *(unaudited)*
The table below sets out the Group's CET1 capital requirements for 2021 and the authorities responsible for setting those requirements.

The Group is required to maintain a CET 1 ratio of 9.77% on a regulatory basis at 31 December 2021. This includes a Pillar 1 requirement of 4.5%, a CET1 P2R of 1.27%, a CCB of 2.5% and an O-SII Buffer of 1.5%. P2G is not disclosed in accordance with regulatory preference.

Countercyclical Capital Buffers (CCyBs) are independently set in each country by the relevant designated authority.

In December 2021, the Bank of England announced the reintroduction of the UK CCyB at 1% effective from December 2022 and increasing to 2% from Q2 2023 provided the economic recovery continues. This results in a UK CCyB requirement of c.0.3% for the Group from December 2022; with a potential further increase of c.0.3% from Q2 2023 if the UK CCyB is increased to 2% at that time.

In November 2021, the CBI announced that if the current outlook for the economic recovery holds, it would expect to announce a gradual rebuilding of the RoI CCyB in 2022. In this scenario, an RoI CCyB requirement would become effective during 2023.

[1] *Risk weighted assets reflect the application of certain Central Bank of Ireland required Balance Sheet Assessment adjustments and the updated treatments of expected loss.*
[2] *Further details on risk weighted assets as at 31 December 2021 can be found in the Group's Pillar 3 disclosures for the year ended 31 December 2021 available on the Group's website.*

4 Capital management *(continued)*

Pro forma CET1 Regulatory *(unaudited)* Capital Requirements	Set by	2020	2021	2022
Pillar 1 - CET1	CRR	4.50%	4.50%	4.50%
Pillar 2 Requirement	SSM	1.27%	1.27%	1.27%
Capital Conservation Buffer	CRD	2.50%	2.50%	2.50%
Countercyclical buffer				
Ireland (c.60% of RWA)	CBI	-	-	-
UK (c.30% of RWA)	FPC (UK)	-	-	0.30%
US and other (c.10% of RWA)	Fed / Various	-	-	-
O-SII Buffer	CBI	1.00%	1.50%	1.50%
Systemic Risk Buffer - Ireland	CBI	-	-	-
Pro forma Minimum CET1 Regulatory Requirements		**9.27%**	**9.77%**	**10.07%**
Pillar 2 Guidance		**Not disclosed in line with regulatory preference**		

The CBI has advised that the Group is required to maintain an O-SII buffer of 1.5% from 1 July 2021. The O-SII buffer is subject to annual review by the CBI.

The Group expects to maintain both regulatory and fully loaded capital ratios significantly in excess of minimum regulatory requirements.

Minimum Requirement for Own Funds and Eligible Liabilities *(unaudited)*
The Group's interim binding MREL requirements, to be met by 1 January 2022, are 24.95% on RWA basis and 7.59% on a leverage basis. The MREL RWA requirement consists of a SRB target of 20.95% (based on the Group's capital requirements as at 30 June 2020) and the Group's Combined Buffer Requirement (CBR) of 4% on 1 January 2022 (comprising the Capital Conservation Buffer of 2.5% and an O-SII buffer of 1.5%).

The SRB target is subject to annual review; while the CBR is dynamic, updating as changes in capital requirements become effective. Therefore, the Group's 2024 MREL requirement is expected to increase to c.28% (based on the Group's capital requirements as at 31 December 2021) as the SRB target is updated to reflect the phase-in of the O-SII buffer and the phase-out of MREL adjustments.

The Group's MREL position at 31 December 2021 is 31.4% on an RWA basis and 10.8% on a leverage basis. The Group expects to maintain a buffer over its MREL requirements.

Risk weighted assets *(unaudited)*
Risk weighted assets (RWAs) on a regulatory basis, were €46.4 billion at 31 December 2021 (31 December 2020: €48.4 billion). The decrease of €2.0 billion in RWA primarily reflects decreases in RWA from capital optimisation initiatives and changes in asset quality being offset by increases from loan book growth and FX movements.

Regulatory ratio *(unaudited)*
The CET 1 ratio is 17.0% at 31 December 2021 (14.9% at 31 December 2020). The increase of c.210 basis points since 31 December 2020 is primarily due to the benefit of pre-impairment organic capital generation (c.+180 basis points), the benefit of balance sheet optimisation (c.+95 basis points) and other net movements, including in the Group's defined benefit pension schemes (c.+30 basis points); offset by the impact of CRD phasing for 2021 (c.-25 basis points), RWA growth (c.-5 basis points), investment in the Group's transformation programmes (c.-45 basis points) and an accrual for a proposed distribution (c.-20 basis points).

Fully loaded ratio *(unaudited)*
The Group's fully loaded CET 1 ratio is 16.0% at 31 December 2021 (31 December 2020: 13.4%). The increase of c.260 basis points since 31 December 2020 is primarily due to organic capital generation (c.+185 basis points), net reduction in impairment (c.+30 basis points), the benefit of balance sheet optimisation (c.+90 basis points) and other net movements, including in the Group's defined benefit pension scheme (c.+30 basis points); offset by RWA growth (c.-10 basis points), investment in the Group's transformation programmes (c.-45 basis points) and an accrual for a proposed distribution (c.-20 basis points).

Leverage ratio *(unaudited)*
The leverage ratio at 31 December 2021 is 6.6% on a CRD IV regulatory basis (31 December 2020: 7.1%) and 6.2% on a proforma fully loaded basis (31 December 2020: 6.4%).

A binding leverage requirement of 3% is applicable from 28 June 2021. The Group expects to remain well in excess of this requirement.

4 Capital management *(continued)*

Distribution policy *(unaudited)*
Consistent with the ECB Recommendation regarding the suspension of distributions for all significant institutions during the COVID-19 pandemic, the Group did not propose a distribution in respect of the 2020 financial year. Following the announcement by the ECB that it would not extend its recommendation beyond 30 September 2021, the Board has proposed the recommencement of distributions.

In respect of the 2021 financial year, the Board proposed a distribution of €104 million including a dividend of €54 million, equivalent to 5 cents per share and intends to carry out an ordinary share buyback of €50 million in 2022 subject to regulatory approval. The recommencement of distributions also recognises the Group's planned capital investment (c.200 basis points CET1) in the execution of the KBCI portfolios and Davy transactions.

The Group expects that distributions will increase on a prudent and progressive basis over time. The distribution level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments.

Distributable items *(unaudited)*
As at 31 December 2021, the Company had reserves available for distribution of €6.2 billion (2020: €6.2 billion). Further information on the Company's equity is provided on page 342.

Individual consolidation *(unaudited)*
The regulatory CET1 ratio of the Bank calculated on an individual consolidated basis as referred to in Article 9 of the CRR is 17.0% at 31 December 2021 (2020: 13.7%).

Impediments to the transfer of funds *(unaudited)*
There is a requirement to disclose any impediment to the prompt transfer of funds within the Group. In respect of the Group's licensed subsidiaries, the Group is obliged to meet certain license conditions in respect of capital and / or liquidity.

These requirements may include meeting or exceeding appropriate capital and liquidity ratios and obtaining appropriate regulatory approvals for the transfer of capital or, in certain circumstances, liquidity. The Group's licensed subsidiaries would be unable to remit funds to the parent when to do so would result in such ratios or other regulatory permissions being breached. Apart from this requirement, there is no restriction on the prompt transfer of own funds or the repayment of liabilities between the subsidiary companies and the parent.

At 31 December 2021, own funds were in excess of the required minimum requirement.

Financial Statements

Contents

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Independent Auditor's Report set out on pages 196 to 202, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with IFRS adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS, the EU (Credit Institutions: Financial Statements) Regulations, 2015 and, in respect of the consolidated financial statements, Article 4 of the IAS Regulation. Company law requires the Directors to prepare Group and Company financial statements for each financial year.

The Directors are responsible for preparing the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 'Reduced disclosure framework' and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law the Directors shall not approve the Group's and Company's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with IFRS adopted by the EU and the Company financial statements have been prepared in accordance with Financial Reporting Standards (FRS) 101 and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Company; and
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy.

The Directors are also responsible under section 282 of the Companies Act 2014 for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014, including Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are responsible for monitoring the effectiveness of the Company's systems of internal control in relation to the financial reporting process and have a general responsibility for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Central Bank (Investment Market Conduct) Rules to include a management report containing a fair review of the business and a description of the Principal Risks and Uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:
- they have complied with the above requirements in preparing the financial statements;
- the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group and of the profit of the Group;
- the Company financial statements, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company;
- the management report contained in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the Principal Risks and Uncertainties that they face; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board by
25 February 2022

Patrick Kennedy	***Richard Goulding***	***Francesca McDonagh***
Chairman	*Deputy Chairman*	*Group Chief Executive*

Independent Auditor's Report
to the members of Bank of Ireland Group plc

Opinion
We have audited the Non-Statutory financial statements of Bank of Ireland Group plc (the 'Company') and its consolidated undertakings (the 'Group') for the year ended 31 December 2021 set out on pages 203 to 347 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and related notes, including Group accounting policies set out in note 1 and the Company accounting policies set out on pages 342 to 343. Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are incorporated in the financial statements by cross-reference and are identified as audited. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, Irish Law and FRS 101 Reduced Disclosure Framework issued in the United Kingdom by the Financial Reporting Council.

In our opinion:
- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our reporting to the Group Audit Committee (GAC).

We were appointed as auditor by the Board of Directors on 19 April 2018. The period of total uninterrupted engagement is therefore four years ended 31 December 2021. We have fulfilled our ethical responsibilities under and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Other Matter Non-statutory financial statements
The Non-Statutory financial statements of Bank of Ireland Group plc and its consolidated undertakings for the year ended 31 December 2021 are a true copy of the human readable layer of the statutory financial statements which are prepared in accordance with Commission Delegated Regulation 2019/815 regarding the single electronic reporting format (ESEF) whereas the non-statutory financial statements are not prepared in accordance with ESEF.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Director's assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included the following:
- we used our knowledge of the Group and Company, the financial services industry and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period were;
  - the availability of funding and liquidity in the event of a market wide stress scenario; and
  - the impact on regulatory capital requirements in the event of an economic slowdown or recession.
- we also considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Based on the work we have performed, we have not identified a material uncertainty relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

We found the assumptions associated with the use of the going concern basis of accounting, outlined in the disclosure in note 1 to be acceptable.

In relation to the Group and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

The impact of climate change on our audit
In planning our audit, we considered the potential impact of climate change on the Group's business and financial statements. The Group has set out its commitments to making

its own operations net zero by 2030. Climate change risk could have a significant impact on the Group's business as the operations and strategy of the Group are adapted to address the potential financial risks which could arise from both the physical and transition risks associated with climate change. Climate change initiatives and commitments impact the Group in a variety of ways including credit risk and market risk and accordingly, greater narrative and disclosure of the impact of climate change risk is also incorporated into the annual report. As a part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. We have assessed how the Group considers the impact of climate change risk on the Business, including physical and transition risks across a range of scenarios and there was no impact of this on our key audit matters.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows, were as follows:

Impairment loss allowance under IFRS 9

Refer to page 215 and 216 (accounting policy) and note 27 (financial statement disclosures)

The key audit matter

The calculation of credit provisions requires a high degree of judgement to reflect recent developments in credit quality, arrears experience and/or emerging macroeconomic risks.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's compliance with IFRS 9 include but are not limited to:

Accuracy of PD models

The Probability of Default (PD) models are the key drivers of the expected credit loss calculation and also impact the staging of assets.

We have therefore identified a significant risk of error in expected credit losses (ECLs) as a result of inaccurate PDs being generated by the models.

Post model adjustment

Post model adjustments are raised by management to address known impairment model limitations, data limitations, market uncertainty and / or emerging trends.

There is a high degree of estimation uncertainty and management judgment involved in post model adjustments (PMA's).

Economic scenarios

IFRS 9 requires the Group to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied to them especially when considering the current economic environment.

Identification and quantification of Stage 3 loans

There is a risk that individually assessed ECLs held against counterparties are incorrectly or inappropriately calculated by management. Management judgement is applied to value the collateral, in determining the probability weighting of scenarios used to calculate the level of provisioning required and the impact of the likely courses of action with borrowers on ECL.

We have identified a significant risk due to error and fraud with respect to the measurement of impairment of stage 3 individually assessed assets.

How the matter was addressed in our audit

Accuracy of PD models

- We performed end-to-end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the design and operating effectiveness of the key controls over the completeness and accuracy of the significant assumptions and data into the IFRS 9 impairment models.
- In conjunction with our credit modelling specialists, we tested the design, implementation and operating effectiveness of key controls including: model validation, implementation and model monitoring processes for the PD models; monitoring the staging effectiveness to assess whether the PD models are appropriately identifying assets which have experienced a significant increase in credit risk; and controls over model outputs.
- We inspected the testing and outputs of the model validation work performed by the Independent Validation Unit in the Bank.
- In conjunction with our credit modelling specialists, for a sample of models which were changed or updated during the year, we evaluated whether the changes (including the updated model code) were appropriate by assessing the updated model methodology.
- In conjunction with our credit modelling specialists, we performed detailed model code inspections and independently calculated certain key model calculations, as well as challenged the appropriateness of the PDs, PMAs and overall ECL having regard for the risk profile of loan books, recent loss history and performance of the relevant portfolios and market uncertainties such as COVID-19.

Post model adjustment

- We performed end to end process walkthroughs and assessed the design, implementation and operating effectiveness of key controls over the authorisation and calculation of PMAs.
- In conjunction with our credit modelling specialists, we assessed the completeness and adequacy of post model adjustments for certain portfolios, having regard for the risk profile of loan books, recent loss history and performance of the relevant portfolios and market uncertainties such as COVID-19.
- We assessed the reasonableness of PMAs by inspecting the calculation methodology and tracing a sample of the data used back to source documentation.
- We challenged key assumptions with reference to issues arising from our model testing, comparing PMAs across

portfolios, considering changes in portfolios and credit risk and performing benchmarking against other banks.
- We assessed whether any PMAs identified for testing are indicative of fraud / management bias or other deficiencies.

Economic scenarios
- We performed end to end process walkthroughs and tested the design and implementation of key controls relating to the selection and implementation of macroeconomic forecasts used in measuring ECL including the economic scenarios and probability weightings applied to them.
- In conjunction with our economic specialists, we assessed the reasonableness of the Group's methodology for determining the economic scenarios used and the probability weightings applied to them with reference to IFRS 9 requirements and industry practice.
- We assessed the key economic variables used in FLI and challenged the overall reasonableness of macroeconomic variables with reference to independent and observable economic forecasts.
- We challenged the reasonableness of management's FLI upside / downside scenario weightings, having regard to relevant available information at year-end.
- We critically assessed the sensitivity analysis of the ECL impact from the application of alternative weightings applied to upside and downside scenarios in FLI.

Identification and quantification of Stage 3 loans
- We performed end to end process walkthroughs and tested the design, implementation and operating effectiveness of key controls relating to the assignment of credit risk grades and overrides and the assignment to the higher risk and watchlist categories and calculation of individual impairments.
- For a selection of performing loans, we performed independent credit file reviews to assess the appropriateness of credit grade and staging allocations, by reference to the underlying documentation and through inquiry of management with a particular focus on high-risk sectors including those impacted by COVID-19; and
- For a selection of credit-impaired loans, we performed independent credit file reviews and assessed the reasonableness of base case Impairment Loss Allowance, challenging management in respect of key assumptions underpinning the individually assessed impairment calculations.
- We found the significant judgments used by management in determining the ECL charge and provision, including the accuracy of PD models, application of PMAs, economic scenarios and identification and quantification of stage 3 loans, to be reasonable.

Valuation of defined benefit pension net asset €598 million (2020: €126 million deficit)

Refer to page 223 and 224 (accounting policy) and note 47 (financial statement disclosures)

The key audit matter

The Group operates a number of defined benefit pension schemes which in total are significant in the context of both the overall balance sheet and the results of the Group. The schemes have an aggregate IAS 19 defined benefit pension asset of €598 million at 31 December 2021.

The valuations of the pension obligations are calculated with reference to a number of actuarial assumptions. We identified a significant risk relating to the assumptions which we consider to be most subjective and to which the valuation of the defined benefit pension net asset is most sensitive, being the discount rates.

We regard the determination of the Group's defined benefit pension net asset as a key audit matter because its valuation is complex and requires judgement in choosing appropriate actuarial assumptions. Small changes in these significant assumptions can have a material impact on the obligation.

How the matter was addressed in our audit
- We performed end to end process walkthroughs and tested the design and implementation of key controls relating to the defined benefit pension schemes.
- In conjunction with our actuarial specialists, we made inquiries with management and the scheme actuary to understand any changes in methodology, assessed the appropriateness of the methodology used and challenged the reasonableness of the significant assumptions used in the calculations, comparing them to industry benchmarks.
- We also assessed the adequacy of the Group's disclosures in respect to the sensitivity of the pension liability to these significant assumptions.
- Overall, we found that the significant assumptions and methodologies used by management in the valuation of the retirement benefit obligations, including the discount rates, to be reasonable.

Valuation of the insurance contract liabilities €15.4 billion (2020: €13.5 billion) and the Value in Force business (ViF) asset €700 million (2020: €615 million)

Refer to page 225 and 226 (accounting policy) and notes 37 and 41 (financial statement disclosures)

The key audit matter

We consider the valuation of insurance contract liabilities and the related ViF asset to be a key audit matter owing to the complex calculations and the use of detailed methodologies and significant judgements. This includes judgement over uncertain future outcomes which for insurance contract liabilities mainly relate to the ultimate settlement value of long term policyholder liabilities; and for the ViF asset, includes future margins on insurance contracts.

The valuation of the insurance contract liabilities and the related ViF asset is based on a number of significant assumptions such as future mortality, morbidity, persistency, lapses, longevity, expenses and PHI recovery rates.

How the matter was addressed in our audit

In testing the valuation of the insurance contract liabilities and ViF asset:
- we performed end to end process walkthroughs and evaluated and tested the design and implementation of key controls relevant to the valuation of the insurance contract liabilities and the ViF asset;
- in conjunction with our actuarial specialists, we evaluated the methodologies applied and the assumptions and judgements including consideration of alternatives used in the valuation of the insurance contract liabilities and the ViF asset;
- we assessed and challenged the methodologies and basis used to set the underlying significant assumptions used in the insurance contract liabilities and the ViF asset with reference to guidance issued by the European Insurance and Occupational Pensions Authority (EIOPA), the Group's actuarial experience investigations and our experience of similar companies in the marketplace as applicable;

- we tested, on a sample basis, the completeness and accuracy of the key data used within the valuation calculation of the insurance contract liabilities and the ViF asset;
- we assessed the calculation of insurance contract liabilities and the ViF asset through;
  - agreeing all significant assumptions and key data inputs into the actuarial models to those we have evaluated;
  - testing the design and implementation of management's key controls over the output of the calculations; and
  - evaluating the reports of the Group's external actuarial expert in relation to the examination of management's methodologies, significant assumptions and calculations.
- we found that the significant assumptions used in the valuation of the insurance contract liabilities and the ViF asset, including future mortality, morbidity, persistency, lapses, longevity, expenses and PHI recovery rates, were reasonable.

Conduct risk

Refer to page 223 (accounting policy) and note 44 (financial statement disclosures)

The key audit matter

The calculation of provisions for conduct matters requires the Directors to determine a number of key inputs and to consider a range of information. The most significant conduct-related provision at year-end relates to the Group's provision in respect of the tracker mortgage examination (TME) which is approximately €94 million, primarily relating to remaining unpaid customer remediation and appeals costs, enforcement action costs and other remaining programme costs.

In addition to the TME, we also consider other conduct related matters, for which the Group has provided €12 million at 31 December 2021 to be a key audit matter due to the level of judgement and estimation uncertainty involved.

The level of uncertainty associated with the ultimate outcome of these matters remains high at year end.

Therefore, the risk associated with conduct-related provisions has significant estimation uncertainty, with a potential range of reasonable outcomes that are greater than our materiality for the financial statements as a whole. As a result, we consider the conduct risk provision to be a key audit matter.

How the matter was addressed in our audit

- We read relevant correspondence between the CBI and the Group in relation to the TME and other conduct matters and discussed the key matters with the Company and with those charged with governance.
- We obtained an understanding of the methodology used by management in the determination of the TME provision and other conduct matters and assessed the design and implementation of controls relating to the provision calculation at year-end.
- For significant assumptions inherent in the TME provision at year-end and in particular those related to estimates as to remaining enforcement costs, we challenged the judgements made by management with regard to other available and relevant information, where possible, to determine whether they were reasonable.
- In respect of other conduct related matters, we inspected legal correspondence obtained by the Group and challenged the judgements made by management in the determination of provisions or contingent liabilities as required under IAS 37.
- We inspected the adequacy of disclosures in respect of the TME and other conduct matters provision to determine whether they were consistent with our understanding and in line with the relevant accounting standard.
- We found the key inputs and assumptions used by management in determining the conduct-related provisions, including the remaining enforcement costs, to be reasonable and the disclosures provided in respect of the TME and other conduct matters to be in accordance with the relevant accounting standard.

IT Operational Risk

The key audit matter

As with many banks, the Group is highly dependent on IT systems for the processing and recording of significant volumes of transactions. Our audit approach relies extensively on automated controls and therefore on the effectiveness of controls over IT systems.

In particular, we consider privileged user access management controls to be critical in ensuring that only appropriately authorised changes are made to relevant IT systems. Moreover, appropriate access controls contribute to mitigating the risk of potential fraud or error as a result of changes to applications and data.

The Group has a complex IT environment and operates a large number of applications, many of which are legacy systems which we understand will be replaced as the Group executes its multiyear investment programme to replace its core banking IT platforms. This programme operates in tandem with existing initiatives to maintain the operating effectiveness of the Group's existing IT systems. Each of these elements has been brought together in an Integrated IT Plan. Management has an ongoing risk management programme in place to identify, rate, mitigate and report on risk including IT and Operational risk matters.

We regard this area as a key audit matter owing to the high level of IT dependency within the Group as well as the associated complexity and the risk that automated controls are not designed and operating effectively.

How the matter was addressed in our audit

- We tested the design and implementation and operating effectiveness, of the key controls over the continued integrity of the IT systems that are relevant to financial reporting.
- In conjunction with our IT audit specialists, we updated our understanding of the Group's IT environment having particular regard for developments with respect to the Group's Integrated IT plans. We used this understanding to identify those IT systems which support financial reporting processes.
- We tested the design of the governance framework associated with the Group's IT architecture. We tested relevant General IT Controls for IT applications we considered relevant to the financial reporting process, including access management, program development and change management.
- We also tested the design and implementation and operating effectiveness, of key IT application controls, including the configuration, security and accuracy of end user computing controls. Where IT controls could not be relied upon, we conducted additional substantive procedures and where relevant, we determined whether compensating controls were effective mitigants for any design or operating deficiencies.
- While we continue to identify certain design and operating effectiveness deficiencies with user access controls, the existence of compensating controls provided us with

sufficient evidence to rely on the operation of the Group's IT systems for the purposes of our audit.

Recoverability of deferred tax assets (DTAs) €1,044 million (2020: €1,165 million)
Refer to page 224 (accounting policy) and note 35 (financial statement disclosures)

The key audit matter
The Group has DTAs of €1,044 million which are projected to be recovered by 2032. The total DTAs before netting by jurisdiction is €1,251 million. This includes unutilised tax losses of €1,118 million, of which €1,044 million relates to Ireland and €68 million relates to the UK, with recovery periods of 11 and 10 years respectively.

Detailed projections of future taxable profits for a five-year period are prepared by the Group. The projections for the final year are then extrapolated, at estimated annual long term growth rates for the Irish and UK economies for the purposes of projecting future taxable profits beyond five years.

The recognition of a DTA relies on management's judgements relating to the probability, timing and sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance and current legislation governing the use of historical trading losses carried forward. These are inherently subjective and subject to a high degree of estimation uncertainty.

Under UK and Irish tax legislation, there is no time limit on the utilisation of the Group's tax losses. However, in the UK the amount of a bank's annual profits that can be sheltered with trading losses carried forward is restricted to 25%.

We regard this area as a key audit matter because of the judgements required by management as the estimation of future taxable profits is inherently judgemental.

How the matter was addressed in our audit
- We tested the design, implementation and operating effectiveness of key controls over the determination and approval of the forecast profits used to support the recognition of the deferred tax assets.
- With the assistance of our tax specialist's, we tested the accuracy of the DTA calculations and the appropriateness of tax utilisation strategies applied.
- We considered the expected future growth projections and cost reduction assumptions of the Group for reasonableness using our knowledge of the business, Group strategy and wider initiatives within the Group.
- We critically assessed the reasonableness of the external economic assumptions applied in the assessment with reference to observable market data.
- We assessed how management considered alternative outcomes and potential estimation uncertainty in arriving at their projections considering base and stressed case;
- We inspected key assumptions within the DTA calculations to ensure they were internally consistent.
- We assessed the reasonableness of the period over which the asset is projected to be recovered.
- We assessed the adequacy of disclosures in the Group's financial statements.
- On the basis of the work performed, we found the assumptions associated with the recoverability of the DTA, including the timing and sufficiency of future taxable profits, to be reasonable.

Recoverability of the carrying value of the investment by BOIG plc in the Governor and Company of the Bank of Ireland (Company only risk and key audit matter) €8,010 million (2020: €7,962 million)
Refer to page 342 and 343 (accounting policy) and note c (financial statement disclosures)

The key audit matter
The Group completed a corporate reorganisation during 2017 which included the creation of a new Group holding company, Bank of Ireland Group plc (the 'Company').

The Company balance sheet includes a €8 billion investment in The Governor and Company of the Bank of Ireland (GovCo).

The accounting policy followed by the Company is to carry the investment at cost less impairment. Impairment testing includes the comparison of the carrying value with its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs of disposal or its value in use.

We consider this a key audit matter because of the significance of the investment to the Company and the judgement associated with its recovery which is predicated on the achievement of future projections and key assumptions associated with recoverability of the carrying value, including the underlying projections in the Group's value in use calculations and the discount rate.

How the matter was addressed in our audit
- We tested the design, implementation and operating effectiveness of key controls over the over the forecasting and approval of the projections of future profits.
- We assessed the accuracy of management's fair value assessment, which was based on the market capitalisation both before and after the year end and on external broker reports and challenged the significant assumptions underlying the value in use calculations.
- We assessed and challenged the assumptions underlying the projections in the value in use calculations and considered other potential plausible scenarios by considering the relevant factors for each input that would return the investment to break-even and sensitising these to determine at what point each stressed scenario would generate a material impairment charge.
- We assessed the adequacy of disclosures in the Company's financial statements.
- On the basis of the work performed, we found that the key assumptions associated with recoverability of the carrying value, including the underlying projections in the Group's value in use calculations and the discount rate, to be reasonable.

Our application of materiality and an overview of the scope of our audit
The materiality for the Group financial statements as a whole was set at €44.8 million (2020: €32.5 million). This represents 3.6% of the Group's benchmark of profit before taxation of €1,221 million, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. We reported to the GAC all corrected and uncorrected misstatements we identified through our audit with a value in excess of €2.2 million (2020: €1.5 million) in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The materiality for the Company financial statements is €91 million (2020: €87 million) which represents 1% of net assets. The

Company is the ultimate holding company of the Group and its activities to date have been limited to its investment in GovCo and the issue of subordinated liabilities and debt securities. Hence a benchmark based on net assets reflects the focus of the users of the financial statements.

Our audit work addressed each of the Group's five operating segments which are headquartered in Ireland and the UK: Retail Ireland, Wealth and Insurance, Retail UK, Corporate and Markets and Group Centre. In planning the audit, we used materiality to assist in making the determination to perform full scope audits of the complete financial information of the Retail Ireland, Wealth and Insurance, Retail UK, Corporate and Markets and Group Centre operating segments.

We applied materiality to assist us determine what risks were significant risks and the Group audit team instructed component auditors as to the significant areas to be covered by them, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the materiality for components which ranged from €13 million to €22 million, having regard to the mix of size and risk profile of the Group across the components.

The Group team undertook an assessment of the audit risk and strategy and regular video-conference meetings were held with component auditors. At these meetings, the findings reported to the Group team were discussed in more detail and any further work required by the Group team was then performed by the component auditor.

Audit coverage for individual line items within the consolidated income statement and consolidated balance sheet falls above 90% in most instances. The work on 2 of the 5 components was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Other information
The Directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information and, included in the Strategic Report on pages 3 to 52, the unaudited sections of the Risk Management Report on pages 137 to 193, the Financial review on pages 53 to 76, the Governance section (including Report of the Directors) on pages 77 to 136 (except for the Renumeration Report on page 134), the unaudited parts of Other Information on pages 348 to 382.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that, in those parts of the Directors' report specified for our consideration:
- we have not identified material misstatements in the Directors' report;
- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within The Report of the Directors on page 120 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the Directors' explanation in the Report of the Directors of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other corporate governance disclosures
We are required to address the following items and report to you in the following circumstances:
- fair, balanced and understandable: if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- report of the Audit Committee: if the section of the Annual Report describing the work of the GAC does not appropriately address matters communicated by us to the GAC;
- statement of compliance with UK Corporate Governance Code: if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules of Euronext Dublin and the UK Listing Authority for our review; and
- if the Directors' statement relating to Going Concern required under the Listing Rules of Euronext Dublin and / or the UK Listing Authority set out on page 120 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 77 to 136 that:
- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act;
- based on our knowledge and understanding of the Parent Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Corporate Governance Section contains the information required by the European Union (Disclosure of Non-Financial

and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited, information and returns for our audit have been received from branches of the Company not visited by us and the Company financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made;
- the Company has not provided the information required by Section 1110N in relation to its remuneration report for the financial year ended 31 December 2020;
- the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2020 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

The Listing Rules of Euronext Dublin and/or the UK Listing Authority require us to review:

- the Directors' Statement, set out on page 120, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on page 78 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee.

We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 195, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

N. Marshall

N Marshall
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

25 February 2022

Consolidated financial statements

Consolidated income statement *(for the year ended 31 December 2021)*

	Note	2021 €m	*Restated*[1] 2020 €m
Interest income calculated using the effective interest method	4	2,398	2,321
Other interest income	4	372	387
Interest income		**2,770**	**2,708**
Interest expense	5	(543)	(619)
Net interest income		**2,227**	**2,089**
Net insurance premium income	6	2,018	1,627
Fee and commission income	7	448	428
Fee and commission expense	7	(179)	(172)
Net trading income	8	111	26
Life assurance investment income, gains and losses	9	1,284	270
Other leasing income	10	63	65
Other leasing expense	10	(47)	(55)
Other operating income	11	153	57
Total operating income		**6,078**	**4,335**
Insurance contract liabilities and claims paid	12	(3,089)	(1,690)
Total operating income, net of insurance claims		**2,989**	**2,645**
Total operating expenses		(1,859)	(2,036)
- Other operating expenses	13	*(1,858)*	*(1,888)*
- Impairment of intangible assets	32	*(1)*	*(139)*
- Impairment of goodwill	32	*-*	*(9)*
Cost of restructuring programme	14	(110)	(245)
Operating profit before impairment losses on financial instruments		**1,020**	**364**
Net impairment gains / (losses) on financial instruments	16	194	(1,133)
Operating profit / (loss)		**1,214**	**(769)**
Share of results of associates and joint ventures (after tax)	17	5	(4)
Gain on disposal / liquidation of business activities	18	2	13
Profit / (loss) before tax		**1,221**	**(760)**
Taxation (charge) / credit	19	(166)	53
Profit / (loss) for the year		**1,055**	**(707)**
Attributable to shareholders		1,048	(742)
Attributable to non-controlling interests	51	7	35
Profit / (loss) for the year		**1,055**	**(707)**
Earnings per ordinary share	20	91.2c	(72.4c)
Diluted earnings per ordinary share	20	91.2c	(72.4c)

[1] *As outlined in the Group accounting policies on page 212, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments. See note 65 for additional information.*

Consolidated statement of comprehensive income *(for the year ended 31 December 2021)*

	2021 €m	2020 €m
Profit / (loss) for the year	**1,055**	**(707)**
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss in subsequent years:		
Debt instruments at FVOCI reserve, net of tax:		
Changes in fair value	(20)	11
Transfer to income statement - asset disposal	(14)	(6)
Net change in debt instruments at FVOCI reserve	**(34)**	**5**
Cash flow hedge reserve, net of tax:		
Changes in fair value	(801)	344
Transfer to income statement	791	(356)
Net change in cash flow hedge reserve	**(10)**	**(12)**
Foreign exchange reserve:		
Foreign exchange translation gains / (losses)	183	(169)
Transfer to income statement	1	(5)
Net change in foreign exchange reserve	**184**	**(174)**
Total items that may be reclassified to profit or loss in subsequent years	**140**	**(181)**
Items that will not be reclassified to profit or loss in subsequent years:		
Remeasurement of the net defined benefit pension liability, net of tax	597	(80)
Revaluation of property, net of tax	-	(7)
Net change in liability credit reserve, net of tax	(5)	2
Total items that will not be reclassified to profit or loss in subsequent years	**592**	**(85)**
Other comprehensive income for the year, net of tax	**732**	**(266)**
Total comprehensive income for the year, net of tax	**1,787**	**(973)**
Total comprehensive income attributable to equity shareholders	1,780	(1,008)
Total comprehensive income attributable to non-controlling interests	7	35
Total comprehensive income for the year, net of tax	**1,787**	**(973)**

The effect of tax on these items is shown in note 19.

Consolidated balance sheet *(as at 31 December 2021)*

	Note	2021 €m	2020 €m
Assets			
Cash and balances at central banks	52	31,360	10,953
Items in the course of collection from other banks		159	166
Trading securities		20	-
Derivative financial instruments	21	1,571	2,217
Other financial assets at FVTPL	22	20,078	17,392
Loans and advances to banks	23	2,750	2,453
Debt securities at amortised cost	24	6,008	6,266
Financial assets at FVOCI	25	9,457	10,942
Assets classified as held for sale	26	5	5
Loans and advances to customers	27	76,346	76,581
Interest in associates	30	59	54
Interest in joint ventures	31	57	54
Intangible assets and goodwill	32	852	751
Investment properties	33	992	843
Property, plant and equipment	34	820	889
Current tax assets		38	42
Deferred tax assets	35	1,044	1,165
Other assets	36	2,912	2,819
Retirement benefit assets	47	740	162
Total assets		**155,268**	**133,754**
Equity and liabilities			
Deposits from banks	38	12,946	2,388
Customer accounts	39	92,754	88,637
Items in the course of transmission to other banks		207	216
Derivative financial instruments	21	2,185	2,257
Debt securities in issue	40	8,483	6,367
Liabilities to customers under investment contracts	41	6,671	5,892
Insurance contract liabilities	41	15,399	13,479
Other liabilities	42	2,364	2,234
Leasing liabilities	43	452	498
Current tax liabilities		18	12
Provisions	44	190	268
Loss allowance provision on loan commitments and financial guarantees	46	48	99
Deferred tax liabilities	35	90	64
Retirement benefit obligations	47	142	288
Subordinated liabilities	48	1,981	1,434
Total liabilities		**143,930**	**124,133**
Equity			
Share capital	49	1,079	1,079
Share premium account		456	456
Retained earnings		8,842	7,337
Other reserves		(53)	(260)
Own shares held for the benefit of life assurance policyholders		(20)	(25)
Shareholders' equity		**10,304**	**8,587**
Other equity instruments - Additional Tier 1	50	966	966
Total equity excluding non-controlling interests		**11,270**	**9,553**
Non-controlling interests	51	68	68
Total equity		**11,338**	**9,621**
Total equity and liabilities		**155,268**	**133,754**

Patrick Kennedy	Richard Goulding	Francesca McDonagh	Sarah McLaughlin
Chairman	*Deputy Chairman*	*Group Chief Executive*	*Group Secretary*

Consolidated statement of changes in equity

(for the year ended 31 December 2021)

	Share capital €m	Share premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Liability credit reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Merger reserve €m	Other reserves: Revaluation reserve €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2021	**1,079**	**456**	**7,337**	**163**	**(26)**	**(1)**	**(877)**	**437**	**17**	**27**	**(25)**	**8,587**	**966**	**68**	**9,621**
Profit for the year	-	-	1,048	-	-	-	-	-	-	-	-	1,048	-	7	1,055
Other comprehensive income for the year	-	-	597	(34)	(10)	(5)	184	-	-	-	-	732	-	-	732
Total comprehensive income for the year	**-**	**-**	**1,645**	**(34)**	**(10)**	**(5)**	**184**	**-**	**-**	**-**	**-**	**1,780**	**-**	**7**	**1,787**
Transactions with owners															
Contributions by and distributions to owners of the Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- AT1 securities issued during the year, net of expenses (note 52)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Redemption of NCI - AT1 securities (note 51)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Distribution paid to NCI - AT1 coupon (note 51)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Distribution paid on other equity instruments - AT1 coupon (note 50)	-	-	(68)	-	-	-	-	-	-	-	-	(68)	-	-	(68)
- Dividends paid to NCI - preference stock (note 51)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	5	5	-	-	5
Total transactions with owners	**-**	**-**	**(68)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**(63)**	**-**	**(7)**	**(70)**
Transfer from retained earnings to capital reserves	-	-	(72)	-	-	-	-	72	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2021	**1,079**	**456**	**8,842**	**129**	**(36)**	**(6)**	**(693)**	**509**	**17**	**27**	**(20)**	**10,304**	**966**	**68**	**11,338**

Consolidated statement of changes in equity
(for the year ended 31 December 2020)

	Share capital €m	Share premium account €m	Retained earnings €m	Other reserves: Debt instruments at FVOCI reserve €m	Other reserves: Cash flow hedge reserve €m	Other reserves: Liability credit reserve €m	Other reserves: Foreign exchange reserve €m	Other reserves: Capital reserve €m	Other reserves: Merger reserve €m	Other reserves: Revaluation reserve €m	Own shares held for benefit of life assurance policyholders €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2020	**1,079**	**456**	**8,180**	**158**	**(14)**	**(3)**	**(703)**	**451**	**17**	**34**	**(30)**	**9,625**	**-**	**808**	**10,433**
Loss for the year	-	-	(742)	-	-	-	-	-	-	-	-	(742)	-	35	(707)
Other comprehensive income for the year	-	-	(80)	5	(12)	2	(174)	-	-	(7)	-	(266)	-	-	(266)
Total comprehensive income for the year	**-**	**-**	**(822)**	**5**	**(12)**	**2**	**(174)**	**-**	**-**	**(7)**	**-**	**(1,008)**	**-**	**35**	**(973)**
Transactions with owners															
Contributions by and distributions to owners of the Group															
- AT1 securities issued during the year, net of expenses (note 50)	-	-	-	-	-	-	-	-	-	-	-	-	966	-	966
- Redemption of NCI - AT1 securities (note 51)	-	-	(10)	-	-	-	-	-	-	-	-	(10)	-	(740)	(750)
- Distribution paid to NCI - AT1 coupon (note 51)	-	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
- Distribution paid on other equity instruments - AT1 coupon (note 50)	-	-	(25)	-	-	-	-	-	-	-	-	(25)	-	-	(25)
- Dividends paid to NCI - preference stock (note 51)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
- Changes in value and amount of shares held	-	-	-	-	-	-	-	-	-	-	5	5	-	-	5
Total transactions with owners	**-**	**-**	**(35)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**(30)**	**966**	**(775)**	**161**
Transfer from capital reserve to retained earnings	-	-	14	-	-	-	-	(14)	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**1,079**	**456**	**7,337**	**163**	**(26)**	**(1)**	**(877)**	**437**	**17**	**27**	**(25)**	**8,587**	**966**	**68**	**9,621**

Consolidated cash flow statement *(for the year ended 31 December 2021)*

	Note	2021 €m	2020 €m
Cash flows from operating activities			
Profit / (loss) before tax		1,221	(760)
Share of results of associates and joint ventures	17	(5)	4
Gain on disposal / liquidation of business activities	18	(2)	(13)
Depreciation and amortisation	10,13	247	281
Net impairment (gains) / losses on financial instruments, excluding cash recoveries	16	(159)	1,171
Impairment of property, plant and equipment	34	30	6
Revaluation loss on property	13	-	4
Impairment of intangible assets and goodwill	32	2	148
Reversal of impairment on property	14,13	(2)	(3)
Revaluation of investment property	33	17	77
Interest expense on subordinated liabilities	5	78	74
Interest expense on lease liabilities	5	11	14
Charge for pension and similar obligations	47	99	50
Net change in accruals and interest payable		7	(82)
Net change in prepayments and interest receivable		(60)	22
Charge for provisions	44	102	256
Non-cash and other items		94	47
Cash flows from operating activities before changes in operating assets and liabilities		**1,680**	**1,296**
Net change in items in the course of collection from other banks		(2)	54
Net change in trading securities		(20)	32
Net change in derivative financial instruments		934	(515)
Net change in other financial assets at FVTPL		(2,681)	(934)
Net change in loans and advances to banks		(38)	186
Net change in loans and advances to customers		2,328	77
Net change in other assets		(33)	(355)
Net change in deposits from banks		10,396	298
Net change in customer accounts		2,762	5,914
Net change in debt securities in issue		2,083	(2,380)
Net change in liabilities to customers under investment contracts		779	2
Net change in insurance contract liabilities		1,920	785
Net change in other operating liabilities		(264)	(250)
Net cash flow from operating assets and liabilities		**18,164**	**2,914**
Net cash flow from operating activities before tax		**19,844**	**4,210**
Tax paid		(87)	(56)
Net cash flow from operating activities		**19,757**	**4,154**
Investing activities (section a below)		842	(2,111)
Financing activities (section b below)		293	(212)
Effect of exchange translation and other adjustments		(226)	108
Net change in cash and cash equivalents		**20,666**	**1,939**
Opening cash and cash equivalents		13,265	11,326
Closing cash and cash equivalents	52	**33,931**	**13,265**

Consolidated cash flow statement *(for the year ended 31 December 2021) (continued)*

	Note	2021 €m	2020 €m
(a) Investing activities			
Additions to financial assets at FVOCI	25	(1,446)	(3,029)
Disposal / redemption of financial assets at FVOCI	25	2,620	2,863
Additions to debt securities at amortised cost		(312)	(1,858)
Redemption of debt securities at amortised cost		432	91
Additions to property, plant and equipment - owned assets	34	(73)	(54)
Disposal of property, plant and equipment		22	25
Additions to intangible assets	32	(247)	(229)
Additions to investment property	33	(157)	-
Disposal of investment property		1	65
Dividends received from joint ventures	31	-	16
Net change in interest in associates	30	2	(1)
Cash flows from investing activities		**842**	**(2,111)**
(b) Financing activities			
Net proceeds from the issue of subordinated liabilities	48	498	-
Interest paid on subordinated liabilities	53	(73)	(84)
Distribution on other equity instruments - AT1 coupon	50	(68)	(25)
Payment of lease liability	43	(46)	(62)
Interest paid on lease liability	43	(11)	(14)
Dividend paid to non-controlling interests - preference stock	51	(7)	(7)
Net proceeds from the issue of other equity instruments	50	-	966
Redemption of non-controlling interests - AT1 securities	51	-	(750)
Repayment of subordinated liabilities	53	-	(208)
Distribution to non-controlling interests - AT1 coupon	51	-	(28)
Cash flows from financing activities		**293**	**(212)**

Notes to the consolidated financial statements

1 Group accounting policies

Basis of preparation

These consolidated financial statements are financial statements of the Bank of Ireland Group plc ('BOIG plc' or the 'Company') and its subsidiaries (collectively the 'BOIG plc Group' or the 'Group').

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, the Consolidated cash flow statement, the notes to the consolidated financial statements on pages 210 to 339 and the notes to the Company financial statements on pages 342 to 347.

The financial statements include the information that is described as being an integral part of the audited financial statements contained in:

i. Sections 3.4, 3.5, 3.6, 3.7 and 4 of the Risk Management Report as described further on the bottom of page 137;
ii. the Remuneration Report as described further on page 134; and
iii. Other Information - Group exposures to selected countries as described further on the top of page 349.

The financial statements also include the tables in Other Information - Supplementary asset quality disclosures that are described as being an integral part of the audited financial statements as described further on the top of page 352.

The amounts presented in the financial statements are rounded to millions.

The consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the EU (Credit Institutions: Financial Statements) regulations 2015 and the Asset Covered Securities Acts 2001 and 2007.

These Non-Statutory financial statements are a true copy of the human readable layer of the statutory financial statements which are prepared in accordance with Commission Delegated Regulation 2019/815 regarding the single electronic reporting format (ESEF) whereas the non-statutory financial statements are not prepared in accordance with ESEF.

The Statutory financial statements prepared in accordance with ESEF are included on the Group's website.

For more information click here or go to:
https://investorrelations.bankofireland.com/results-centre/

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements applied in the consolidated financial statements is set out in note 2.

The accounting policies and critical accounting estimates applied by the Company are included in note a to the Company financial statements on page 342.

FX rates used during the year are as follows:

	2021		2020	
	Average	Closing	Average	Closing
€ / Stg£	0.8596	0.8403	0.8897	0.8990
€ / US$	1.1827	1.1326	1.1422	1.2271

References to the 'State' throughout this document should be taken to refer to the Republic of Ireland (RoI), its Government and, where and if relevant, Government departments, agencies and local Government bodies.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for 2021 is a period of twelve months from the date of approval of these financial statements (the 'period of assessment').

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, together with a range of other factors such as the economic outlook in the Group's core markets and the ongoing challenges and continued impact of COVID-19.

The matters of primary consideration by the Directors are set out below:

Capital

The Group has developed capital plans under base and stress scenarios and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

Funding and liquidity

The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment.

Conclusion

On the basis of the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

1 Group accounting policies *(continued)*

Adoption of new and amended accounting standards and voluntary change in accounting policy

The following amendments to standards have been adopted by the Group during the year ended 31 December 2021:

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)

The Interest Rate Benchmark Reform - Phase 2 amendments deal with issues affecting financial reporting during the implementation of the benchmark rate (BMR) reform. The amendments provide practical expedients related to accounting for changes in the basis for determining contractual cash flows of financial instruments and lease contracts, arising as a direct consequence of the BMR reform. The amendments also provide additional temporary exceptions from applying specific hedge accounting requirements of IAS 39 and IFRS 9 to hedge accounting relationships, which will generally allow hedging accounting relationships directly affected by the BMR reform to continue.

The key amendments adopted by the Group are as follows:

Changes in the basis for determining contractual cashflows

On transition to an alternative BMR, changes in the basis of determining the contractual cash flows of a financial instrument are treated in the same way as changes to market rates for a floating rate instrument by updating the effective interest rate, without the recognition of a modification gain or loss. This practical expedient is only applied where:

- the change to the contractual cash flows is necessary as a direct consequence of the BMR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Where additional changes to the basis for determining the contractual cash flows of a financial instrument are made at the same time as changes required by the BMR reform, the Group first applies the practical expedient noted above to the changes arising as a direct consequence of the BMR reform and then applies its existing policy to account for the additional modifications.

Hedge accounting changes

The Group applies the following reliefs where changes are made to hedge relationships as a result of the BMR reform:

- amending the formal hedge designations and documentation to reflect one or more of specified changes required by the BMR reform, without discontinuing those hedge accounting relationships;
- when performing retrospective hedge effectiveness assessment for hedge accounting relationships where hedge designations are amended as a direct result of the BMR reform, electing on the amendment date to reset the cumulative fair value changes of the hedging instrument and the hedged item to zero;
- when the description of the hedged item is amended to reference the alternative BMR, the amount accumulated in the cash flow hedge reserve in equity is deemed to be based on the alternative BMR on which the hedged future cash flows are determined; and
- allocating hedged items to subgroups based on the benchmark rate being hedged and designating the benchmark rate for each subgroup as the hedged risk when an item in a group of items designated as the hedged items is amended as a direct result of the BMR reform.

These amendments do not have a significant impact on the Group during the year ended 31 December 2021. See note 64 for further information.

Voluntary change in accounting policy on the presentation of interest income and expense on derivatives designated as hedging instruments

The Group has voluntarily changed its accounting policy for the presentation of interest income and expense on derivatives designated as hedges of financial assets and liabilities.

In prior periods, interest on the hedging derivatives was presented on the same line as the interest income or expense on the hedged item. Interest on the hedging derivatives was presented as interest income where the hedged item was an asset and as interest expense where the hedged item was a liability.

To provide reliable and more relevant information on the impact of hedge accounting on the Group's performance, the Group has adopted an amended accounting policy in 2021, such that:

- interest income or expense on derivatives designated as hedging instruments continues to be presented in net interest income, in line with the underlying hedged asset or liability;
- for macro fair value hedges of financial liabilities and macro fair value hedges and cash flow hedges of financial assets, the Group aggregates the interest income or expense on the hedged assets or liabilities with the interest income or expense on the related derivatives designated as hedging instruments. Where the resulting total is an expense, the amount is presented as interest expense on the assets or liabilities. Where the resulting total is income, it is presented as interest income on the assets or liabilities; and
- for micro fair value hedges of financial assets or liabilities, the Group aggregates, for each hedged asset or liability separately, the interest income or expense on the asset or liability with the interest income or expense on the related derivative or derivatives designated as hedging instruments. Where the resulting total for an asset or liability is an expense, the amount is presented as interest expense on the asset or liability. Where the resulting total is income, it is presented as interest income on the asset or liability.

The Group believes this revised accounting policy provides reliable and more relevant information on the Group's interest income and expense and in particular the impact of hedge accounting.

This change in accounting policy has been accounted for retrospectively as required under IAS 8 and the comparative period has been restated to reflect this change. The effect of this change is explained further in notes 4, 5 and 65.

Comparatives

Comparative figures have been restated where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period. Any adjustments to comparatives are disclosed in the relevant note or supplementary asset disclosure as appropriate.

Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method for financial

1 Group accounting policies *(continued)*

instruments measured at amortised cost and financial assets which are debt instruments measured at FVOCI, in accordance with IFRS 9.

The Group presents interest resulting from negative effective interest rates on financial liabilities as interest income. The Group presents interest resulting from negative effective interest rates on financial assets as interest expense.

The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or liability and in the allocation and recognition of interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the ECL (except, in accordance with IFRS 9 in the case of POCI financial assets where ECL are included in the calculation of a 'credit-adjusted effective interest rate'). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In the case of a financial asset that is neither credit-impaired nor a POCI financial asset, interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

In the case of a financial asset that is not a POCI financial asset but is credit-impaired at the reporting date, interest revenue is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount adjusted for any impairment loss allowance.

In the case of a POCI financial asset, interest revenue is recognised by applying the credit-adjusted effective interest rate to the amortised cost.

Where the Group revises its estimates of payments or receipts on a financial instrument (excluding modifications of a financial asset and changes in ECL), it recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The adjustment is recognised as interest income or expense.

Interest income or expense on derivatives designated as hedging instruments are presented in net interest income, in line with the underlying hedged asset or liability.

For macro fair value hedges of financial liabilities and macro fair value hedges and cash flow hedges of financial assets, the Group aggregates the interest income or expense on the hedged assets or liabilities with the interest income or expense on the related derivatives designated as hedging instruments. Where the resulting total is an expense, the amount is presented as interest expense on the assets or liabilities. Where the resulting total is income, it is presented as interest income on the assets or liabilities.

For micro fair value hedges of financial assets or liabilities, the Group aggregates, for each hedged asset or liability separately, the interest income or expense on the asset or liability with the interest income or expense on the related derivative or derivatives designated as hedging instruments. Where the resulting total for an asset or liability is an expense, the amount is presented as interest expense on the asset or liability. Where the resulting total is income, it is presented as interest income on the asset or liability.

Interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges) is included in other interest income or expense. Interest income or expense on derivatives held with trading intent is included in trading income.

Interest income on debt financial assets measured at FVTPL, excluding assets held for trading and those within the Group's life assurance operations, is recognised when earned and presented within other interest income.

Interest expense on debt financial liabilities measured at FVTPL, excluding liabilities held for trading, is recognised when incurred and presented in other interest expense.

Modifications

Where the contractual cash flows of a financial asset are modified and the modification does not result in derecognition of the financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognises a modification gain or loss in the income statement. Where a modification is a forbearance measure which does not result in derecognition, the modification gain or loss is included in the income statement within net impairment gains or losses. Otherwise, the modification gain or loss is included within interest income.

As a result of the Interest Rate Benchmark Reform, on transition to an alternative benchmark rate (BMR), changes in the basis of determining the contractual cash flows of a financial instrument are treated in the same way as changes to market rates for a floating rate instrument by updating the effective interest rate, without the recognition of a modification gain or loss. This practical expedient is only applied where:

- the change to the contractual cash flows is necessary as a direct consequence of the BMR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Where additional changes to the basis for determining the contractual cash flows of a financial instrument are made at the same time as changes required by the BMR reform, the Group first applies the practical expedient noted above to the changes arising as a direct consequence of the BMR reform and then applies its existing policy to account for the additional modifications.

1 Group accounting policies *(continued)*

Financial assets

1. Recognition, classification and measurement

A financial asset is recognised in the balance sheet when and only when, the Group becomes a party to its contractual provisions. At initial recognition, a financial asset is measured at fair value (plus, in the case of a financial asset not at FVTPL, directly attributable transaction costs) and is assigned one of the following classifications for the purposes of subsequent measurement:

- financial assets at amortised cost;
- financial assets at FVOCI; or
- financial assets at FVTPL.

The Group determines the appropriate classification based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held.

In determining the business model for a group of financial assets, the Group considers factors such as how performance is evaluated and reported to key management personnel (KMP); the risks that affect performance and how they are managed; how managers are compensated; and the expected frequency, value and timing of sales of financial assets.

In considering the contractual cash flow characteristics of a financial asset, the Group determines whether the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In making the determination, the Group assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers contingent events, leverage features, prepayment and term extensions, terms which limit the Group's recourse to specific assets and features that modify consideration of the time value of money.

a. Financial assets at amortised cost.

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at amortised cost where it meets both of the following conditions and has not been designated as measured at FVTPL:

- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by holding financial assets to collect contractual cash flows.

Purchases and sales of debt securities at amortised cost are recognised on trade date: the date on which the Group commits to purchase or sell the asset. Loans measured at amortised cost are recognised when cash is advanced to the borrowers.

Interest revenue using the effective interest method is recognised in the income statement. An impairment loss allowance is recognised for ECL with corresponding impairment gains or losses recognised in the income statement.

b. Financial assets at fair value through other comprehensive income

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at FVOCI where it meets both of the following conditions and has not been designated as measured at FVTPL:

- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Purchases and sales of debt instruments at FVOCI are recognised on trade date. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI). Interest revenue using the effective interest method and FX gains and losses on the amortised cost of the financial asset are recognised in the income statement.

The impairment loss allowance for ECL does not reduce the carrying amount but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement. On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified to the income statement.

Equity instruments

Where an irrevocable election has been made by the Group at initial recognition, an investment in an equity instrument that is neither 'held for trading' nor contingent consideration recognised by the acquirer in a business combination to which IFRS 3 'Business Combinations' applies, is measured at FVOCI. Amounts presented in OCI are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Regular way purchases and sales of financial assets measured at FVOCI are recognised on trade date.

c. Financial assets at fair value through profit or loss

All other financial assets are measured, subsequent to initial recognition, at FVTPL. Financial assets at FVTPL comprise:

Financial assets mandatorily measured at fair value through profit or loss

Financial assets meeting either of the conditions below are mandatorily measured at FVTPL (other than in respect of an equity investment designated as at FVOCI):

- financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

1 Group accounting policies *(continued)*

- financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor both collecting contractual cash flows and selling financial assets. This includes financial assets held within a portfolio that is managed and whose performance is evaluated on a fair value basis, such as investments held by the Group's life assurance business. It further includes portfolios of financial assets which are 'held for trading', which includes financial assets acquired principally for the purpose of selling in the near term and financial assets that on initial recognition are part of an identified portfolio where there is evidence of a recent pattern of short-term profit-taking.

Financial assets designated as measured at fair value through profit or loss

A financial asset may be designated at FVTPL only if doing so eliminates or significantly reduces measurement or recognition inconsistencies (an 'accounting mismatch') that would otherwise arise from measuring financial assets or liabilities or recognising gains and losses on them on different bases.

Regular way purchases and sales of financial assets at FVTPL are recognised on trade date. They are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

2. Reclassification

When and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. Reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period, interim or annual, following the change in business model that results in the reclassification. Any previously recognised gains, losses or interest are not restated.

3. Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards of ownership. Where the Group retains the obligation to service the transferred financial asset, the transferred asset is derecognised if it meets the derecognition criteria and an asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (an asset) or is less than adequate (a liability) for performing the servicing.

Where a modification results in a substantial change on a quantitative or qualitative basis, to the contractual cash flows of a financial asset, it may be considered to represent expiry of the contractual cash flows, resulting in derecognition of the original financial asset and recognition of a new financial asset at fair value. The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Impairment of financial instruments

Scope

The Group recognises impairment loss allowances for ECL on the following categories of financial instruments unless measured at FVTPL:

- financial assets that are debt instruments;
- loan commitments;
- lease receivables recognised under IFRS 16 'Leases';
- financial guarantee contracts issued and not accounted for under IFRS 4 'Insurance Contracts'; and
- receivables and contract assets recognised under IFRS 15 'Revenue from Contracts with Customers'.

Basis for measuring impairment

The Group allocates financial instruments into the following categories at each reporting date to determine the appropriate accounting treatment.

Stage 1: 12-month expected credit losses (not credit-impaired)

These are financial instruments where there has not been a significant increase in credit risk since initial recognition. An impairment loss allowance equal to 12- month ECL is recognised. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

Stage 2: Lifetime expected credit losses (not credit-impaired)

These are financial instruments where there has been a significant increase in credit risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised. Lifetime ECL are the ECL resulting from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime expected credit losses (credit-impaired)

These are financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognised.

Purchased or Originated Credit-impaired financial assets

These are financial assets that were credit-impaired at initial recognition. They are not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A POCI financial asset remains classified as such until it is derecognised, even if assessed as no longer credit-impaired at a subsequent reporting date.

With the exception of POCI financial assets, a financial instrument may migrate between stages from one reporting date to the next.

Significant increase in credit risk

In determining if a financial instrument has experienced a significant increase in credit risk since initial recognition, the Group assesses whether the risk of default over the remaining expected life of the financial instrument is significantly higher than had been anticipated at initial recognition, taking into account changes in prepayment expectations where relevant. The Group uses reasonable and supportable information available without undue cost or effort at the reporting date, including forward-looking information. A combination of quantitative, qualitative and backstop indicators are generally applied in making the determination. For certain portfolios, the Group assumes that no significant increase in credit risk has occurred if credit risk is 'low' at the reporting date.

Credit-impaired

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1 Group accounting policies *(continued)*

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event;
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e. the disappearance of an active market for that financial asset because of financial difficulties; or
f. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Measurement of expected credit losses and presentation of impairment loss allowances
ECL are measured in a way that reflects:
a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL are measured as follows:
- Financial assets that are not credit-impaired at the reporting date: the present value of the difference between all contractual cash flows due to the Group in accordance with the contract and all the cash flows the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: the present value difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive.
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover, discounted at an appropriate risk-free rate.

Expected cash flows arising from the sale on default of a loan are included in the measurement of expected credit losses under IFRS 9 where the following conditions are met:
- selling the loan is one of the recovery methods that the Group expects to pursue in a default scenario;
- the Group is neither legally nor practically prevented from realising the loan using that recovery method; and
- the Group has reasonable and supportable information upon which to base its expectations and assumptions.

For financial assets, the discount rate used in measuring ECL is the effective interest rate (or 'credit-adjusted effective interest rate' for a POCI financial asset) or an approximation thereof. For undrawn loan commitments, it is the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment.

Impairment loss allowances for ECL are presented in the financial statements as follows:
- **Financial assets at amortised cost:** as a deduction from the gross carrying amount in the balance sheet.
- **Loan commitments and financial guarantee contracts:** generally, as a provision in the balance sheet.
- **Debt instruments at fair value through other comprehensive income:** an amount equal to the allowance is recognised in OCI as an accumulated impairment amount.

Utilisation of impairment loss allowances
The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include the collection process having been exhausted or it becoming clear during the collection process that recovery will fall short of the amount due to the Group. The Group considers, on a case-by-case basis, whether enforcement action in respect of an amount that has been written off from an accounting perspective is or remains appropriate. Any subsequent recoveries are included in the income statement as an impairment gain.

Forbearance
Forbearance occurs when a borrower is granted a concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred if the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower.

Prior to any decision to grant forbearance, the Group performs an assessment of a customer's financial circumstances and ability to repay and assesses whether the loan is credit-impaired. Where the loan is credit-impaired, it is allocated to Stage 3 (unless a POCI financial asset). If a forborne loan has a variable interest rate, the discount rate for measuring ECL is the current effective interest rate determined under the contract before the modification of terms.

Financial assets to which forbearance has been applied continue to be reported as forborne until such time as they satisfy conditions to exit forbearance in line with EBA guidance on non-performing and forborne classifications. Forborne financial assets which are not credit-impaired are generally classified as Stage 2. A financial asset can only be reclassified from Stage 3 when certain conditions are met over a pre-defined period of time or probation period, in line with regulatory requirements.

Where the cash flows from a forborne loan are considered to have expired, due to the loan being restructured in such a way that results in a substantial modification, the original financial asset is derecognised and a new financial asset is recognised, initially measured at fair value. Any difference between the carrying value of the original financial asset and the fair value of the new financial asset on initial recognition are recognised in the income statement. The new financial asset may be initially allocated to Stage 1 or, if credit-impaired, be categorised as a POCI financial asset.

Where a forbearance measure represents a modification of the contractual cash flows of a financial asset and does not result in its derecognition, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate (before any modification of terms) and a modification gain or loss is included in the income statement within net impairment gains or losses.

1 Group accounting policies *(continued)*

Financial liabilities

The Group classifies its financial liabilities as being measured at amortised cost unless it has designated liabilities at FVTPL or is required to measure liabilities mandatorily at FVTPL, such as derivative liabilities. Financial liabilities are initially recognised at fair value, (normally the issue proceeds i.e. the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For financial liabilities carried at amortised cost, any difference between the proceeds, net of transaction costs and the redemption value is recognised in the income statement using the effective interest method.

When a financial liability that is measured at amortised cost is modified without resulting in derecognition, a gain or loss is recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified contractual cash flows discounted at the original effective interest rate.

Preference shares which carry a mandatory coupon are classified as financial liabilities. The dividends on these preference shares are recognised in the income statement as interest expense using the effective interest method.

A financial liability may be designated as at FVTPL only when:
i. it eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
iii. a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The Group designates certain financial liabilities at FVTPL as set out in note 60 to the financial statements.

The movement in own credit risk related to financial liabilities designated at FVTPL is recorded in OCI unless this would create or enlarge an accounting mismatch in profit or loss for the Group (in which case all gains or losses are recognised in profit or loss).

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Targeted Longer-Term Refinancing Operations

In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of Targeted Longer-Term Refinancing Operations (TLTRO III), which provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022, with the actual rate dependent on whether the Group equals or exceeds benchmark net lending targets.

The Group considers TLTRO funding provided by the ECB to be on market terms on the basis that the ECB has established a separate market with TLTRO programmes. They have specific terms which are different from other sources of funding available to banks, including those provided by the ECB. Consequently, the rate under TLTRO is considered to be a market conforming rate and TLTRO funding is recognised fully as a financial liability.

The Group interprets the rate set by the ECB as consisting of a floating rate element (average interest rate on the ECB's deposit facility) and a fixed rate element (amount receivable for equalling or exceeding benchmark net lending targets) on the TLTRO financial liability.

For floating-rate financial liabilities, periodic re-estimation of cash flows to reflect movements in the market interest rates alters the effective interest rate. Changes in the Group's expectations of meeting the benchmark lending targets are treated as an adjustment of the amortised cost of the TLTRO financial liability, to reflect actual and revised estimated contractual cash flows. This adjustment is recognised in profit or loss as income or expense. The details involved in measuring interest income and amortised cost of the TLTRO III funding are set in note 4 Interest Income.

Sale and repurchase agreements and lending of assets

Assets sold subject to repurchase agreements ('repos') are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or customer accounts, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate.

The difference between sale and repurchase price is treated as interest and recognised in the income statement over the life of the agreement using the effective interest method.

Securities lent to counterparties are also retained on the balance sheet. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the securities is recorded at fair value as a trading liability.

Issued debt and equity securities

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense using the effective interest method. Where the Group has absolute discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity

1 Group accounting policies *(continued)*

and any coupon payments are classified as distributions in the period in which they are made.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in other operating income, net of any costs or fees incurred.

Derivative financial instruments and hedge accounting

The Group has made the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39.

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each reporting date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments that are not financial assets are separated from the host contract and accounted for as derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the entire host contract is not carried at FVTPL.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either:

i hedges of the exposure to changes in the fair value of recognised assets or liabilities that is attributable to a particular risk (fair value hedge); or

ii. hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge).

Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge relationships are concluded to be effective if the hedging instruments that are used in hedging transactions offset the changes in fair value or cash flow of the hedged items within a range of 80% to 125%.

Where a hedging instrument is novated to a clearing counterparty, the Group does not discontinue hedge accounting where the following criteria are met:

- the novation arises due to laws or regulations, or the introduction of laws and regulations;
- the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and
- the novation does not result in changes to the terms of the original instrument except for those changes necessary to effect the change in counterparty.

Hedges directly affected by the BMR reform

When there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the formal hedge designations and documentation to reflect one or more of specified changes required by the BMR reform, without discontinuing those hedge accounting relationships. The hedge designations and documentations are amended by the end of the reporting period during which a change required by BMR reform is made to the hedged risk, hedged item or hedging instrument and only to make one or more of the following changes:

- designating an alternative BMR as the hedged risk;
- amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- amending the description of the hedging instrument.

The description of the hedging instrument is only amended if the following conditions are met:

- the Group makes a change required by the BMR reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen transition approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

When performing retrospective hedge effectiveness assessment for hedge accounting relationships where hedge designations are amended as a direct result of the BMR reform, the Group elects on the amendment date to reset the cumulative fair value changes of the hedging instrument and the hedged item to zero.

When the description of the hedged item designated in a cash flow hedge is amended to reference the alternative BMR, the amount accumulated in the cash flow hedge reserve in equity is deemed to be based on the alternative BMR on which the hedged future cash flows are determined.

When an item in a group of items designated as the hedged items is amended as a direct result of the BMR reform, the Group allocates hedged items to subgroups based on the benchmark rate being hedged and designates the benchmark rate for each subgroup as the hedged risk.

a. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The hedged item in a micro fair value hedge is a single specified item e.g. a fixed rate commercial loan or a FVOCI bond.

The hedged item in a macro fair value hedge is a pool of assets or liabilities with similar risk characteristics and profiles, such as a pool of fixed rate mortgages. Unlike micro fair value hedge accounting, macro fair value hedge accounting is not discontinued if an individual asset or liability within the pool of hedged items is sold, so long as the overall pool of hedged items retains its characteristics as documented at inception of the hedge. In addition, hedge

1 Group accounting policies *(continued)*

effectiveness testing is performed on a portfolio basis rather than on an individual hedge relationship by hedge relationship basis.

The Group also avails of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. The Group applies these relaxed provisions to portfolio fair value hedges of interest rate risk on its demand deposit and mortgage lending books. The Group resets portfolio fair value hedges of its demand deposit book on a weekly basis and other macro fair value hedges are reset either fortnightly or on a monthly basis.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the straight line method for macro hedges and the effective interest method for micro hedges. When a hedged item held at amortised cost that is designated in a micro fair value hedge or included in a repricing time period of a portfolio hedge is derecognised, the unamortised fair value adjustment included in the carrying value of that hedged item is immediately reclassified to the income statement.

b. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in OCI are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately reclassified to the income statement.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not a financial asset within the scope of IFRS 9, an embedded derivative is separated from the host and accounted for as a derivative if and only if, its economic characteristics and risks are not closely related to those of the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at FVTPL.

Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument.

Financial guarantees held by the Group

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Where the Group is the holder of such a guarantee and it is considered integral to the contractual terms of the guaranteed debt instrument(s), the guarantee is not accounted for separately but is considered in the determination of the impairment loss allowance for ECL of the guaranteed instrument(s).

Financial guarantees issued by the Group

The Group issues financial guarantees to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities and in connection with the performance of customers under payment obligations related to contracts and the payment of import duties. The Group's liability under an issued financial guarantee contract is initially measured at fair value. The liability is subsequently measured at the higher of the amount of the impairment loss allowance for ECL determined in accordance with the requirements of IFRS 9 and the initial measurement less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Any change in the liability is taken to the income statement and recognised on the balance sheet within provisions. Where the Group issues a financial liability which contains a financial guarantee, the liability is measured at amortised cost using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No impairment loss allowance for ECL is recognised on a financial asset, or portion thereof, which has been offset.

Valuation of financial instruments

The Group recognises trading securities, other financial assets and liabilities designated at FVTPL, derivatives and financial assets at FVOCI at fair value in the balance sheet. Fair value is 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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

1 Group accounting policies *(continued)*

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price in an arm's length transaction, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which uses only observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the income statement to the extent that it arises from a change in a factor that market participants would consider in setting a price. Straight line amortisation is used where it approximates to that amount. Subsequent changes in fair value are recognised immediately in the income statement without the reversal of deferred day one profits or losses.

Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

For liabilities designated at FVTPL, the fair values reflect changes in the Group's own credit spread.

Transfers between levels of the fair value hierarchy
The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

Group accounts

1. **Subsidiaries**
   Subsidiary undertakings are investees controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control. The existence and effect of potential voting rights are considered when assessing whether the Group controls an investee only if the rights are substantive.

   A structured entity is an entity designed so that its activities are not governed by way of voting rights. The Group assesses whether it has control over such entities by considering factors such as: the purpose and design of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns from the entity.

   Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements or, where relevant, additional financial information, made up to the end of the financial year.

   Business combinations
   Except for where predecessor accounting applies, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill.

   Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. In addition, FX gains and losses which arise on the retranslation to functional currency of intercompany monetary assets and liabilities are not eliminated.

   Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

2. **Associates and Joint Ventures**
   Associates are all entities over which the Group has significant influence, but not control, over the entity's financial and operating decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights. A joint arrangement is an arrangement of which two or more parties have joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures.

   Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

   The Group utilises the venture capital exemption for investments where significant influence is present and the business operates as a venture capital business. These investments are designated at initial recognition at FVTPL.

   A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

   The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

   Accounting policies of associates and joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

1 Group accounting policies *(continued)*

3. Non-controlling interests
Transactions with non-controlling interests where the Group has control over the entity are accounted for using the Economic entity model. This accounting model requires that any surplus or deficit that arises on any transaction(s) with non-controlling interests to dispose of or to acquire additional interests in the entity that does not result in loss of control is recognised in equity.

4. Securitisations
Certain Group undertakings have entered into securitisation transactions in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet and a liability recognised for the proceeds of the funding transaction, unless:

- the rights to the cash flows have expired or been transferred;
- substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full; or
- a significant portion, but not all, of the risks and rewards have been transferred outside the Group. In this case the asset is derecognised entirely if the transferee has the ability to sell the financial asset. Otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

Where the above conditions apply to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements of the Group and the financial statements of the Company are presented in euro.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions. FX gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated into the appropriate functional currency using the exchange rate at the transaction date and those measured at fair value are translated at the exchange rate at the date the fair value was determined. Exchange rate differences on non-monetary items are recognised based on the classification of the underlying items.

Assets, liabilities and equity of all the Group entities that have a functional currency different from the presentation currency ('foreign operations') are translated at the closing rate at the reporting date and items of income and expense are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). All resulting exchange differences are recognised in OCI and accumulated in a separate component of equity. On disposal of a foreign operation the amount accumulated in the separate component of equity is reclassified from equity to profit or loss. The Group may dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital, abandonment or through loss of control or significant influence.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Operating profit / loss

Operating profit / loss includes the Group's earnings from ongoing activities after net impairment losses on financial instruments and before share of profit or loss on associates and joint ventures (after tax), profit / loss on disposal of property and gain / loss on disposal / liquidation of business activities.

Fee and commission income

The Group accounts for fee and commission income when the contract with the customer is agreed and each party's rights under the contract, together with the payment terms, are identified. In addition it must be probable that the Group will collect the consideration to which it is entitled. Fee and commission income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Fee income on the provision of current accounts to customers is recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Loan syndication and arrangement fees are recognised at a point in time when the performance obligation is completed. Other fees including interchange income, ATM fees and FX fees are recognised on completion of the transaction and once the Group has completed its performance obligations under the contract.

Leases

Identifying a lease
Under IFRS 16, 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.

A Group company is the lessee
The Group recognises a RoU asset and lease liability at the lease commencement date. This policy is applied to contracts entered into (or changed) on or after 1 January 2019. RoU assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurement of lease liabilities. The recognised RoU assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. RoU assets are subject to impairment under IAS 36 'Impairment of Assets'.

1 Group accounting policies *(continued)*

The Group has elected not to recognise Right of Use asset (RoU) assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

RoU assets, comprised of leases of buildings which do not meet the definition of investment properties and computer equipment, are presented in property, plant and equipment. RoU assets which meet the definition of investment properties are presented within investment properties.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Incremental Borrowing Rate (IBR) if the interest rate implicit in the lease is not readily determinable. Lease payments include fixed rental payments. Generally, the Group uses its IBR as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonable certain not to be exercised.

When the lease liability is remeasured a corresponding adjustment is made to the RoU asset and / or profit or loss, as appropriate.

The Group has applied judgement in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and RoU assets recognised.

The Group has a number of leases which contain break options and applies judgement in evaluating whether it is reasonably certain not to exercise the option. That is, on commencement of a lease the Group considers all relevant factors that create an incentive for it to exercise the option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Under IFRS 16, where the Group is an intermediate lessor the subleases are classified with reference to the RoU asset arising from the head lease, not with reference to the underlying asset. Where the Group continues to retain the risks and rewards of ownership as the intermediate lessor, it retains the lease liability and the RoU asset relating to the head lease in its balance sheet. If the Group does not retain the risks and rewards of ownership as the intermediate lessor, these subleases are deemed finance leases. During the term of the sublease, the group recognises both finance lease income on the sublease and interest expense on the head lease.

A Group company is the lessor

When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

Property, plant and equipment

Freehold land and buildings are initially recognised at cost and subsequently are revalued annually to fair value by independent external valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the reporting date.

RoU assets recognised as property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurement of lease liabilities.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings, are recognised in OCI. Decreases that offset previous increases on the same asset are recognised in OCI: all other decreases are charged to the income statement.

The Directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:
- adaptation works on freehold and leasehold property - 15 years, or the remaining period of the lease;
- computer and other equipment - maximum of ten years; and
- the recognised RoU assets are depreciated on a straight-line basis over the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its Value in Use (VIU).

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued then any amount in OCI relating to that asset is reclassified directly to retained earnings on disposal rather than the income statement.

Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property, except where the property is used by the Group for administrative purposes or the supply of services, in which case it is classified as owner

1 Group accounting policies *(continued)*

occupied property. Investment property comprises freehold and long leasehold land and buildings. It is carried at fair value in the balance sheet based on annual revaluations at open market value as determined by external qualified property surveyors and is not depreciated. Changes in fair values are recorded in the income statement. Rental income from investment properties is recognised as it becomes receivable over the term of the lease.

Intangible assets

a. Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with research activities or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, which is normally between five and ten years.

b. Other intangible assets

Other intangible assets are carried at cost less amortisation and impairment, if any and are amortised on a straight line basis over their useful lives, which range from five years to twenty years.

Computer software and other intangible assets are assessed for impairment indicators annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indicators exist, the asset's recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its VIU.

c. Goodwill

Goodwill represents the excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in intangible assets.
Goodwill is tested annually for impairment or more frequently if there is any indication that it may be impaired and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. An impairment loss arises if the carrying value of the CGU exceeds the recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the CGU.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. A levy payable to a Government is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

Employee benefits

a. Pension obligations

The Group operates both defined contribution and defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Where a plan amendment, curtailment or settlement occurs and the net defined benefit liability is remeasured to determine past service cost or the gain or loss on settlement, the current service cost and net interest for the remainder of the period are remeasured using the same assumptions.

Service cost and net interest on the net defined benefit liability / (asset) are recognised in profit or loss, within operating expenses.

Remeasurements of the net defined benefit liability / (asset) that are recognised in OCI include:
- actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions; and
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability / (asset).

1 Group accounting policies *(continued)*

A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

For defined contribution plans, contributions are recognised as employee benefit expense when they are due.

b. 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 employees' service is rendered.

c. Termination payments
Termination payments are recognised as an expense at the earlier of:
- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For this purpose, in relation to termination benefits for voluntary redundancies, the Group is considered to be no longer able to withdraw the offer on the earlier of the following dates:
- when the employee accepts the offer; and
- when a restriction (e.g. a legal, regulatory or contractual requirement) on the Group's ability to withdraw the offer takes effect.

Income taxes

a. Current income tax
Income tax payable on profits, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date, is recognised as an expense in the period in which profits arise.

Tax provisions are provided on a transaction by transaction basis using either the 'most likely amount' method or the 'expected value' method as appropriate for the particular uncertainty and by management assessing the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that there will be a future outflow of funds to a fiscal authority to settle the obligation. Interest on tax liabilities is recognised as interest expense.

b. Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as DTAs to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. DTAs and deferred tax liabilities are not discounted.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items taken to OCI is also recognised in OCI and is subsequently reclassified to the income statement together with the deferred gain or loss. Income tax on items recognised directly in equity is recognised directly in equity, except for the income tax consequences of dividends on a financial instrument classified as equity, which are recognised according to where the previous transactions or events that generated distributable profits were recognised.

c. Uncertain tax positions
The Group considers uncertain tax positions together or separately depending on which approach better predicts how the uncertainties will be resolved. Where the Group concludes it is not probable that a tax authority will accept its assessment of an uncertain tax position, it reflects the effect of the uncertainty using either the 'most likely amount' method or the 'expected value' method, as appropriate for the particular uncertainty.

Where the Group concludes it is probable that a tax authority will accept its assessment of an uncertain tax position, the taxable profit or loss, the tax bases, unused tax losses, unused tax credits and the tax rates are determined consistently with the tax treatment used or planned to be used in the income tax filing.

Share capital and reserves

1. Equity transaction costs
Incremental external costs directly attributable to equity transactions, including the issue of new equity shares or options, are shown as a deduction from the component of equity in which the equity transaction is recognised, net of tax.

2. Dividends on ordinary shares
Final dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders on the recommendation of the Board of Directors, or approved by the Board of Directors, as appropriate. Interim dividends are recognised in equity in the period in which they are paid.

3. Treasury shares
Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in

1 Group accounting policies *(continued)*

shareholders' equity. Any changes in the value of treasury shares held are recognised in equity at the time of the disposal and dividends are not recognised as income or distributions.

4. Capital reserve
The capital reserve represents transfers from share capital, retained earnings and other reserves in accordance with relevant legislation. The capital reserve is not distributable.

5. Foreign exchange reserve
The FX reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations since 1 April 2004. Gains and losses accumulated in this reserve are reclassified to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on disposal or partial disposal of the operation.

6. Revaluation reserve
The revaluation reserve represents the cumulative gains and losses on the revaluation of property occupied by Group businesses, included within property, plant and equipment and non-financial assets classified as held for sale. The revaluation reserve is not distributable.

7. Share premium account
Where the company issues shares at a premium, a sum equal to the aggregate amount or value of the premiums on those shares is transferred to the share premium account. Where, pursuant to Section 84 of the Companies Act 2014, there has been a reduction of the Company's share capital by the cancellation of share premium, the resulting profits available for distribution, as defined by Section 117 of the Companies Act 2014, are reclassified from the share premium account to retained earnings.

8. Cash flow hedge reserve
The cash flow hedge reserve represents the cumulative changes in fair value, excluding any ineffectiveness, of cash flow hedging derivatives. These are transferred to the income statement when hedged transactions impact the Group's profit or loss.

9. Merger reserve
In the Company balance sheet, the merger reserve represents the difference between the carrying value of the Company's initial investment in the Bank arising from the corporate reorganisation in 2017 and the nominal value of the shares issued as part of that reorganisation, less amounts capitalised as share premium. In the Consolidated balance sheet, the merger reserve also includes an adjustment to eliminate the capital stock, share premium, capital reserve and retained earnings of the Bank at the date of corporate reorganisation, which do not carry forward to the balance sheet of the Group.

10. Debt instruments at fair value through other comprehensive income reserve
The debt instruments at FVOCI reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI together with the impact of fair value hedge accounting, less the ECL allowance recognised in profit or loss.

11. Liability credit reserve
The liability credit reserve represents the cumulative changes in the fair value of financial liabilities designated as at FVTPL that are attributable to changes in the credit risk of those liabilities, other than those recognised in profit or loss.

Life assurance operations

In accordance with IFRS 4, the Group classifies all life assurance products as either insurance or investment contracts for accounting purposes.

Insurance contracts are those contracts that transfer significant insurance risk. These contracts are accounted for using an embedded value basis.

Investment contracts are accounted for in accordance with IFRS 9. All of the Group's investment contracts are unit-linked in nature. These contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit-linked funds. The value of the unit-linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

The Group recognises an asset for deferred acquisition costs relating to investment contracts. Upfront fees received for investment management services are deferred. These amounts are amortised over the period of the contract.

Non unit-linked insurance liabilities are calculated using a gross premium method of valuation. The computation is made on the basis of recognised actuarial methods annually by an actuary, with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. This represents the present value of expected future cash flows, using appropriate assumptions in assessing factors such as future mortality, lapse rates and levels of expenses and discounting using the risk free interest rate curve. Thus, the use of best estimate assumptions in the valuation of the ViF asset ensures that the net carrying amount of insurance liabilities less the ViF asset is adequate.

The ViF asset in the consolidated balance sheet and movements in the asset in the income statement are presented on a gross of tax basis. The tax charge comprises both current and deferred tax expense and includes tax attributable to both shareholders and policyholders for the period.

Premiums and claims

Premiums receivable in respect of non unit-linked insurance contracts are recognised as revenue when due from policyholders.

Premiums received in respect of unit-linked insurance contracts are recognised in the same period in which the related policyholder liabilities are created. Claims are recorded as an expense when they are incurred.

1 Group accounting policies *(continued)*

Reinsurance
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are dealt with as insurance contracts, subject to meeting the significant insurance risk test in IFRS 4. The impairment requirements of IFRS 4 are applied to these assets. Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

Collateral
The Group enters into master agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded on the Group balance sheet.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the balance sheet. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

Operating segments
The Group's reportable operating segments have been identified on the basis that the chief operating decision maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information.

Impact of new accounting standards
The following standards will be relevant to the Group but were not effective at 31 December 2021 and have not been applied in preparing these financial statements. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in future reporting periods. The Group's current view of the impact of these standards is outlined as follows:

Pronouncement
IFRS 17 'Insurance Contracts'

Nature of change
IFRS 17 replaces IFRS 4 'Insurance Contracts', which was introduced as an interim standard in 2004. IFRS 17 addresses the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosures of insurance contract liabilities, ensuring an entity provides relevant information that faithfully represents those contracts.

The standard was endorsed by the EU on 19 November 2021.

Effective date
The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.

Impact
The Group issues insurance contracts through its subsidiary NIAC, which forms part of the Wealth and Insurance operating segment. The Group expects that IFRS 17 is likely to have a material impact on recognition, measurement and presentation of the insurance business in the Group's financial statements. The Value In Force asset recognised under IFRS 4 will be derecognised and estimated future profits on insurance contracts issued will instead be included in the measurement of the insurance contract liability as the contractual service margin (CSM). While there is no change in the profit over the life of the contract, the implementation of IFRS 17 will result in the profit being gradually recognised over the life of the insurance contract, rather than generally at the inception of the insurance contract.

Solvency II remains as NIAC's capital and regulatory framework and is unchanged: NIAC's ability to pay dividends to its parent is therefore unaffected.

The Group IFRS 17 implementation programme has focused on interpreting the requirements of the standard and developing systems and data requirements to enable IFRS 17 readiness. The development of methodologies and accounting policies is well progressed with auditor review ongoing. It is expected that the key methodology and decision papers following audit and technical partner review will complete in Quarter 1 2022. The work required to scope and assess changes required to the reporting data and the data sourcing work in now complete on all administration systems and the build phase of the development is well advanced and on track. The Actuarial modelling development required for IFRS 17 compliance is now complete and tested.

End to end testing and parallel runs will be completed during 2022.

The Group will adopt IFRS 17 from 1 January 2023, with comparative figures for 2022 restated. Equity at transition will be impacted by the elimination of the VIF asset and the creation of a CSM liability. However given the ongoing implementation activity, the Group is not yet in a position to reasonably estimate the impact on the Group's financial statements.

1 Group accounting policies *(continued)*

Pronouncement
Amendments to IAS 1 - Classification of liabilities as current or non-current

Nature of change
The purpose of these amendments is to promote consistency in application and to clarify the requirements on determining whether a liability is current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments also clarify the situations that are considered to be the settlement of a liability.

The amendments are still subject to EU endorsement.

Effective date
The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.

Impact
The amendments are not expected to have a significant impact on the Group.

Pronouncement
Amendments to IAS 8 – Definition of accounting estimates

Nature of change
The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are still subject to EU endorsement.

Effective date
The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.

Impact
The amendments are not expected to have a significant impact on the Group.

Pronouncement
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies

Nature of change
The effect of the amendments is that an entity will disclose its material accounting policies, instead of its significant accounting policies. Further amendments are made to IAS 1 to explain how an entity can identify a material accounting policy. To support the amendments, the IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments are still subject to EU endorsement.

Effective date
The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.

Impact
The amendments are not expected to have a significant impact on the Group.

2 Critical accounting estimates and judgements

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in estimating the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

a. Impairment loss allowance on financial assets

The measurement of impairment loss allowance requires significant judgement and estimation and is dependent on complex impairment models.

In arriving at impairment loss allowances, accounting estimates which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include:
- generation of forward looking macroeconomic scenarios and their probability weightings which are used in both the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances; and
- valuing property collateral (including residential property).

2 Critical accounting estimates and judgements *(continued)*

Accounting judgements which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include determining if Group management adjustments may be necessary to impairment model outputs to address impairment model limitations or late breaking events.

Other key accounting estimates which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:
- determining the period over which to measure ECL for uncommitted RCFs; and
- determining timeframes to realisation and likely net sale proceeds.

Other key accounting judgements which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:
- the Group's criteria for assessing if there has been a significant increase in credit risk since initial recognition such that a loss allowance for lifetime rather than 12 month ECL is required;
- the selection of appropriate methodologies and model factors for internal risk rating and impairment models;
- the approximation made at transition to IFRS 9 of the residual lifetime PD expectations for most exposures originated prior to adoption of IFRS 9; and
- selection of the most relevant macroeconomic variables for particular portfolios and determining associations between those variables and model components such as PD and LGD.

The Group's approach to measurement of impairment loss allowances and associated methodologies is set out in the credit risk methodologies section on pages 170 to 173.

Changes in estimates
Forward Looking Information
FLI refers to probability weighted future macroeconomic scenarios approved semi-annually by the ERC and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9. The Group has used four RoI FLI scenarios and four UK FLI scenarios at 31 December 2021, a decrease from five scenarios in 2020, comprising of a central scenario, an upside scenario and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property for years beyond the forecast period. The Group keeps under review the number of FLI scenarios and the need to produce projections for other jurisdictions.

The central FLI scenario for the year ending 31 December 2021 is based on internal and external information and management judgement and follows the same process as used in prior periods.

The upside and downside scenarios in previous reporting periods were generated using a simulation model that used historical volatilities and correlations for key macroeconomic variables to generate a distribution around the central forecast.

However, due to the unprecedented nature of the COVID-19 economic shock, the Group employed an amended approach for the selection of the upside and downside FLI scenarios for the 31 December 2021 and 31 December 2020 reporting date in order to avoid counter-intuitive trends in the respective periods.

In order to incorporate available reasonable and supportable information and apply meaningful upside and downside FLI scenarios, three narrative driven alternative scenarios (one upside and two downside) were constructed.

The existing FLI methodology was leveraged to assign probability weightings to the narrative driven scenarios. The FLI methodology is a simulation tool that uses recent actual observed values and historical data to produce a number of possible paths for the relevant economic variables based on their historical relationships and volatilities. The FLI model is used for scenario generation for a defined probability weighting and for assessing probability weights for a given scenario.

The narrative-driven scenarios were assessed relative to the simulated distribution. The probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution. The weightings were also informed by external forward looking information (e.g. equity market indicators).

The table below shows the mean average forecast values for the key macroeconomic variables under each scenario for the forecast period 2022 to 2026, together with the scenario weightings for both the RoI and the UK.

	Republic of Ireland				United Kingdom			
			Downside				Downside	
	Central Scenario	Upside scenario	Scenario 1	Scenario 2	Central Scenario	Upside scenario	Scenario 1	Scenario 2
Scenario probability weighting	45%	20%	25%	10%	45%	20%	25%	10%
GDP Growth[1]	3.8%	4.2%	3.2%	2.1%	2.3%	2.8%	1.7%	0.7%
GNP Growth[1]	3.8%	4.1%	3.1%	2.0%	n/a	n/a	n/a	n/a
Unemployment rate[2]	5.9%	5.1%	7.3%	9.3%	4.4%	3.8%	5.8%	8.0%
Residential property price growth[3]	2.2%	3.4%	(0.8%)	(3.0%)	1.8%	3.0%	(1.2%)	(3.6%)
Commercial property price growth[3]	1.4%	2.4%	(0.4%)	(3.4%)	1.6%	2.8%	(0.4%)	(3.4%)

[1] *Gross Domestic Product (GDP) and Gross National Product (GNP) - annual growth rate.*
[2] *Average yearly rate.*
[3] *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

The tables below sets out the forecast values for 2022 and 2023 and the average forecast values for the period 2024 to 2026 for the key macroeconomic variables which underpin the above mean average values

	Republic of Ireland			United Kingdom		
	2022	2023	2024-2026	2022	2023	2024-2026
Central scenario - 45% weighting						
GDP Growth[1]	5.7%	3.9%	3.2%	5.2%	1.8%	1.5%
GNP Growth[1]	6.1%	3.6%	3.0%	n/a	n/a	n/a
Unemployment rate[2]	7.0%	6.0%	5.5%	4.6%	4.4%	4.3%
Residential property price growth[3]	4.0%	1.0%	2.0%	3.0%	0.0%	2.0%
Commercial property price growth[3]	0.0%	1.0%	2.0%	0.0%	1.0%	2.3%
Upside - 20% weighting						
GDP Growth[1]	7.0%	4.1%	3.3%	6.6%	2.1%	1.7%
GNP Growth[1]	7.3%	3.8%	3.2%	n/a	n/a	n/a
Unemployment rate[2]	6.4%	5.2%	4.6%	4.3%	3.8%	3.7%
Residential property price growth[3]	6.0%	2.0%	3.0%	5.0%	1.0%	3.0%
Commercial property price growth[3]	1.0%	2.0%	3.0%	2.0%	2.0%	3.3%
Downside scenario 1 - 25% weighting						
GDP Growth[1]	3.9%	3.7%	2.9%	3.2%	1.6%	1.2%
GNP Growth[1]	4.2%	3.4%	2.7%	n/a	n/a	n/a
Unemployment rate[2]	8.2%	7.2%	7.1%	6.0%	5.9%	5.8%
Residential property price growth[3]	0.0%	(2.0%)	(0.7%)	(1.0%)	(3.0%)	(0.7%)
Commercial property price growth[3]	(3.0%)	(1.0%)	0.7%	(3.0%)	(1.0%)	0.7%
Downside scenario 2 - 10% weighting						
GDP Growth[1]	1.6%	0.5%	2.7%	0.3%	(0.3%)	1.2%
GNP Growth[1]	1.9%	0.2%	2.6%	n/a	n/a	n/a
Unemployment rate[2]	9.1%	9.7%	9.3%	7.1%	8.5%	8.2%
Residential property price growth[3]	(5.0%)	(4.0%)	(2.0%)	(6.0%)	(6.0%)	(2.0%)
Commercial property price growth[3]	(8.0%)	(6.0%)	(1.0%)	(8.0%)	(6.0%)	(1.0%)

The central, upside and downside scenarios are described below for the both the RoI and the UK:

Central scenario
The roll-out of COVID-19 vaccines and the re-opening of the Irish and UK economies have boosted activity, with the two countries set to post robust GDP growth in 2021. In the RoI, domestic demand is rebounding and the multinational sector is going strong; while in the UK, the economy is continuing to recover the ground it lost during the pandemic. Large GDP gains are also in store for 2022 as consumer spending and business investment increase further, followed by more moderate growth over the rest of the forecast horizon. Against this backdrop, the Central Scenario has the unemployment rate tracking lower in both countries. Inflation is expected to pick up in the short term though reflecting inter alia high energy prices and COVID-19 and post-Brexit supply bottlenecks before easing over the medium term.

Upside scenario
With vaccines keeping the public health situation under control and COVID-19 restrictions lifted, the Upside Scenario sees the Irish and UK economies benefitting from stronger confidence effects. Amid a consumer spending splurge and buoyant business activity, GDP expands vigorously in 2021 and again in 2022. Solid growth continues over the remainder of the forecast horizon and unemployment settles at a low rate in both countries.

Downside scenario 1
Vaccines fail to prevent a resurgence of COVID-19 in the downside scenario 1, leading to the re-imposition of some public health restrictions. These persist through much of 2022 and briefly tip the Irish and UK economies into mild recession. Cautious consumer behaviour and increasing business failures keep a lid on the subsequent GDP recovery and mean the unemployment rate in the two countries stays high out the forecast horizon.

1 *Gross Domestic Product (GDP) and Gross National Product (GNP) - annual growth rate.*
2 *Average yearly rate.*
3 *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

Downside scenario 2

The downside scenario 2 sees an intensification of COVID-19 related bottlenecks and post-Brexit disruption (including the termination of the EU-UK trade agreement) which, together with higher oil prices, dampens economic activity and adds significantly to inflation in the RoI and the UK. Financial conditions tighten considerably as markets price in rising central bank interest rates, further depressing consumer and business confidence and spending. GDP growth slows sharply in the early years of the forecast horizon, with both economies in recession for a time in 2022 and again in 2023. Activity picks up and inflation eases in later years but the unemployment rate in the two countries remains elevated.

Property price growth, all scenarios

In the central scenario, following significant growth throughout 2021 residential price growth slows to 4% and 3% in RoI and the UK in 2022 respectively. Growth slows further in 2023 to 1% in RoI and is flat in the UK. From 2024 onwards both markets record stable positive growth of 2% pa. Following commercial property price falls in RoI in 2021 and marginal growth in the UK, prices are flat in 2022 in both jurisdictions before recovering in 2023 to 1% and remaining in a range of 2-2.5% pa in remaining years.

In the downside scenarios, residential price growth is lower than the central scenario in each year of the forecast period and this is more negative in downside 2. For RoI and the UK respectively, downside scenario 1 produces a trough point of -4% to -6% whilst downside scenario 2 produces -15% to -18%. Similarly, commercial prices see additional negativity in 2022 with this negativity persisting into 2023 in downside scenario 1 and 2024 and 2025 in downside scenario 2 before returning to flat growth in 2026. Downside scenario 1 produces a trough of -4% and downside scenario 2 -17% in both jurisdictions.

In the upside scenario for RoI and the UK respectively residential prices slow from a high level of growth in 2021 to 6% and 5% in 2022 before slowing further to 2% and 1% in 2023. Price growth remains positive through the remainder of the forecast period increasing by 3% in each year in both jurisdictions. Commercial prices are marginally positive in 2022 in both jurisdictions before showing modest growth levels of 2% to 3.5% p.a. out to the end of the forecast period.

The quantum of impairment loss allowance is impacted by the application of four probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 31 December 2021 was increased by virtue of applying multiple scenarios rather than only a central scenario. This analysis excludes post model Group management adjustments, as such adjustments to impairment loss allowance are applied using management judgement outside of the macro-economic conditioned ECL model framework (refer to the Management Judgement in Impairment Measurement section below).

Comparative figures as at 31 December 2020 are also outlined below (and in subsequent tables in this section). Changes in the figures as at 31 December 2021 compared to the previous reporting date reflect a number of inter-related dynamics including changes in forward-looking scenarios and associated probability weights; impairment model methodology updates in the year; and the composition of the underlying portfolios at the respective reporting dates.

2021	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
Impact of applying multiple scenarios rather than only central scenario[1]	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	2	37%	3	74%	6	2%	11	4%
- Retail Ireland	*1*	*24%*	*2*	*82%*	*4*	*2%*	*7*	*3%*
- Retail UK	*1*	*49%*	*1*	*62%*	*2*	*7%*	*4*	*14%*
Non-property SME and corporate	7	14%	24	20%	-	-	31	5%
Property and construction	1	6%	10	19%	4	1%	15	3%
Consumer	4	10%	3	12%	-	-	7	5%
Total	**14**	**13%**	**40**	**19%**	**10**	**1%**	**64**	**4%**

[1] *The scenarios outlined in the table are based on the FLI weightings outlined on page 229.*

2 Critical accounting estimates and judgements *(continued)*

2020 Impact of applying multiple scenarios rather than only central scenario[1]	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %	Impact €m	Impact %
Residential mortgages	5	15%	6	34%	5	2%	16	4%
- Retail Ireland	*3*	*14%*	*4*	*34%*	*3*	*1%*	*10*	*3%*
- Retail UK	*2*	*17%*	*2*	*34%*	*2*	*6%*	*6*	*9%*
Non-property SME and corporate	7	8%	29	10%	-	-	36	4%
Property and construction	-	1%	12	12%	3	1%	15	3%
Consumer	13	15%	3	13%	-	-	16	8%
Total	**25**	**11%**	**50**	**11%**	**8**	**1%**	**83**	**4%**

The following table indicates the approximate extent to which impairment loss allowance, excluding Group management adjustments, would be higher or lower than reported were a 100% weighting applied to the central, upside and downside future macroeconomic scenarios respectively:

2021 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios[1]	Multiple scenarios	Central scenario		Upside scenario		Downside scenario 1		Downside scenario 2	
	Impairment loss allowance €m	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Residential mortgages	287	(11)	(4%)	(12)	(4%)	19	7%	93	32%
- Retail Ireland	*251*	*(7)*	*(3%)*	*(7)*	*(3%)*	*7*	*3%*	*42*	*17%*
- Retail UK	*36*	*(4)*	*(14%)*	*(5)*	*(14%)*	*12*	*33%*	*51*	*142%*
Non-property SME and corporate	619	(31)	(5%)	(59)	(10%)	48	8%	205	33%
Property and construction	510	(15)	(3%)	(26)	(5%)	18	4%	89	17%
Consumer	153	(7)	(5%)	(13)	(8%)	10	7%	34	22%
Total	**1,569**	**(64)**	**(4%)**	**(110)**	**(7%)**	**95**	**6%**	**421**	**27%**

2020 Impact of applying only central scenarios rather than multiple probability weighted scenarios	Multiple Scenarios	Central Scenario 1		Central Scenario 2	
	Impairment loss allowance €m	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Residential mortgages	377	(16)	(4%)	(3)	(1%)
- Retail Ireland	*309*	*(10)*	*(3%)*	*1*	*-*
- Retail UK	*68*	*(6)*	*(9%)*	*(4)*	*(6%)*
Non-property SME and corporate	837	(36)	(4%)	(26)	(3%)
Property and construction	585	(15)	(3%)	4	1%
Consumer	206	(16)	(8%)	(7)	(3%)
Total	**2,005**	**(83)**	**(4%)**	**(32)**	**(2%)**

[1] *The scenarios outlined in the table are based on the FLI weightings outlined on page 229.*

2 Critical accounting estimates and judgements *(continued)*

2020 Impact of applying only upside scenarios rather than multiple probability weighted scenarios	Multiple Scenarios Impairment loss allowance €m	Upside Scenario Impairment loss allowance €m	Impact %
Residential mortgages	377	(43)	(11%)
- Retail Ireland	*309*	*(29)*	*(9%)*
- Retail UK	*68*	*(14)*	*(21%)*
Non-property SME and corporate	837	(86)	(10%)
Property and construction	585	(41)	(7%)
Consumer	206	(36)	(17%)
Total	**2,005**	**(206)**	**(10%)**

2020 Impact of applying only downside scenarios rather than multiple probability weighted scenarios	Multiple Scenarios Impairment loss allowance €m	Downside Scenario 1 Impairment loss allowance €m	Impact %	Downside Scenario 2 Impairment loss allowance €m	Impact %
Residential mortgages	377	75	20%	143	38%
- Retail Ireland	*309*	*33*	*11%*	*58*	*19%*
- Retail UK	*68*	*42*	*62%*	*85*	*125%*
Non-property SME and corporate	837	115	14%	242	29%
Property and construction	585	46	8%	97	17%
Consumer	206	47	23%	79	38%
Total	**2,005**	**283**	**14%**	**561**	**28%**

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding post model Group management adjustments, would be higher or lower than the application of the central scenario if there was an immediate change in residential property prices. Although such changes would not be observed in isolation, as economic indicators tend to be correlated in a coherent scenario, this gives insight into the sensitivity of the Group's impairment loss allowance for residential mortgages to a once-off change in residential property values.

2021 Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances	Impairment loss allowance - central scenario €m	Residential property price reduction of 10% Impact €m	Impact %	Residential property price reduction of 5% Impact €m	Impact %	Residential property price increase of 5% Impact €m	Impact %	Residential property price increase of 10% Impact €m	Impact %
Residential mortgages	276	50	18%	24	9%	(20)	(7%)	(38)	(14%)
- Retail Ireland	*244*	*34*	*14%*	*17*	*7%*	*(14)*	*(6%)*	*(28)*	*(11%)*
- Retail UK	*32*	*16*	*50%*	*7*	*22%*	*(6)*	*(19%)*	*(10)*	*(31%)*

2 Critical accounting estimates and judgements *(continued)*

2020 **Impact of an immediate change in residential property prices compared to central scenario 1 impairment loss allowances**	**Impairment loss allowance - central scenario 1 €m**	**Residential property price reduction of 10%**		**Residential property price reduction of 5%**		**Residential property price increase of 5%**		**Residential property price increase of 10%**	
		Impact €m	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**	**Impact €m**	**Impact %**
Residential mortgages	361	84	23%	40	11%	(35)	(10%)	(65)	(18%)
- Retail Ireland	*300*	*58*	*19%*	*28*	*9%*	*(25)*	*(8%)*	*(47)*	*(16%)*
- Retail UK	*61*	*26*	*43%*	*12*	*20%*	*(10)*	*(16%)*	*(18)*	*(30%)*

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 31 December 2021 to Stage 2 would increase the Group's impairment loss allowance by c.€14 million excluding Group management adjustments.

Management judgement in impairment measurement
Management judgement has been incorporated into the Group's impairment measurement process for 2021. Management judgement can be described with reference to:
- management judgement in impairment model parameters; and
- post-model Group management adjustments to impairment loss allowance and staging classification.

Management judgement in impairment model parameters
In 2020 initial PD estimates from impairment models were considered to be unreasonable when benchmarked against observed default rates and / or pre COVID-19 expectations. Management judgement was utilised to select appropriate PDs for the central scenario. Corresponding PDs in the upside and downside scenarios were derived from the central scenario taking into account the severity of the respective scenarios. PD adjustments in 2020 reflected the macroeconomic situation, including the impact of COVID-19 and related governmental income supports, which was unprecedented compared to historic experience. This resulted in impairment models generating PD estimates that in certain cases were not considered to be reasonable.

For the year ending 31 December 2021, management has assessed the modelled PD estimates, with reference to updated macroeconomic forecasts and concluded that the PD adjustments are not required. Modelled impairment loss allowances and stage classifications are subject to review for post model Group management adjustments as outlined below.

The ECL model framework was also updated in the period to reflect changes to the LGD component of the residential mortgages impairment models (as outlined on page 170 in the asset quality section of the Risk Management Report) and other model factor updates to reflect observed information. The changes to the LGD component of the residential mortgages impairment models, results in an increase in impairment loss allowance of c.€65 million, noting that the €50 million Group management adjustment for Stage 3 residential mortgages recognised at 31 December 2020 is no longer considered to be required (as outlined below).

The approach taken to incorporate forward-looking information into the estimation of Stage 3 impairment loss allowances for relationship-managed cases where recovery values are dependent on non-property related cash flows and / or collateral was updated in 2021. An enhanced approach was implemented whereby discounted cash flow analysis is flexed with respect to forward-looking scenarios. The combined impact of this change in approach is a c.€4 million net increase in impairment loss allowance.

Furthermore the approach to applying forward-looking forecasts for residential and commercial property prices into the estimation of Stage 3 impairment loss allowances in relevant models and discounted cash flow analysis was updated in 2021. The approach was refined whereby property price forecasts used to estimate Stage 3 impairment loss allowances are adjusted so that the property collateral value at the point of liquidation does not incorporate an improvement on the current market condition. The combined impact of this change is a c.€16 million increase in impairment loss allowance (c.€14 million for residential mortgages and c.€2 million for property and construction).

Post-model Group management adjustment
To ensure that the measurement of impairment reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, the need for a Group management adjustment to the outputs of the Group's staging and impairment measurement methodologies is considered at each reporting date in arriving at the final impairment loss allowance. Such a need may arise, for example, due to a model limitation or late breaking event. At 31 December 2021, the Group's stock of impairment loss allowance of €2.0 billion includes a c.€392 million total post-model Group management adjustment (2020: €237 million). Details of the components of the post-model Group management adjustment are outlined below.

Group management adjustment for COVID-19
At 31 December 2021, the Group considered the data and measurement limitations arising from the unprecedented impact of COVID-19, including the availability of government supports and the general availability of payment breaks in 2020 and early 2021 to all customers regardless of credit status.

While all payment breaks have expired prior to the reporting date the Group's view is that modelled impairment losses at 31 December 2021 may not fully capture expected COVID-

2 Critical accounting estimates and judgements *(continued)*

19 related credit losses as ongoing government supports in particular may be masking increased credit risk for certain cohorts of customers.

As a result, a total post-model management adjustment of c.€132 million was applied (2020: €163 million). €20 million of the total adjustment is related to RoI and UK Residential mortgages, a further €80 million relates to the RoI and UK SME portfolios, €19 million is related to the Consumer portfolio and €13 million relates to Property and construction. The total post model adjustment comprises a c.€15 million increase in Stage 1 impairment loss allowance and a c.€117 million increase in Stage 2 impairment loss allowance. €129 million of the post model management adjustment is applied to loans and advances to customers, with the remaining €3 million applied to other financial instruments (i.e. off balance sheet commitments).

Sector-level COVID-19 risk assessments for the business banking portfolios were completed informed by management judgement with reference to observed credit performance in 2021 and internal and external sectoral analysis. In line with the position at 31 December 2020, certain sectors (e.g. hospitality and entertainment) were identified to be highly impacted where the COVID-19 risk was not considered to be adequately captured in the modelled PD estimates. Furthermore, other risk indicators (e.g. utilisation of a second payment break, payment performance post expiry of payment break) were also considered to identify highly impacted cases in micro-SME portfolios.

Similarly the mortgage, consumer and asset finance portfolios were reviewed to identify highly impacted customers, with reference to the outputs of the IFRS 9 impairment models, combined with other available data sources including a customer vulnerability assessment and management judgement. The vulnerability assessments were informed by data on loans that previously availed of payment breaks (particularly customers who availed of a second payment break) with cross reference to other credit characteristics (e.g. employment type; employment status; employment sector; IFRS 9 staging status).

The post model Group management adjustment of €132 million includes the application of a staging adjustment whereby highly impacted customers, as referenced above, that impairment models classify as Stage 1 are classified as Stage 2 with a lifetime impairment loss allowance applied. The impact of this staging adjustment is a c.€3.2 billion increase in Stage 2 volumes and a c.€31 million increase in impairment loss allowances (€3 million of which relates to Residential mortgages; €24 million to RoI SME; €1 million to Property and construction; and €3 million to UK SME).

Given the level at which the management adjustment review was performed for consumer and asset finance portfolios, the Group did not reclassify any exposures into a different stage than that initially identified by the impairment models for these portfolios. The Group's management adjustment includes a €23 million impairment loss allowance in Stage 1 for these portfolios and is broadly equivalent to the impact from a transfer of c.€0.2 billion of Stage 1 assets into Stage 2.

The requirement to apply this post-model adjustment for latent risk associated with COVID-19 will continue to be assessed during 2022 as government supports are unwound and underlying customer specific risk can be identified in risk management models and credit metrics.

Group management adjustments for residential mortgages

The LGD component of the residential mortgages impairment models has been reviewed in 2021, including consideration of the rationale for the €50 million Group management adjustment to impairment loss allowance for Stage 3 Irish residential mortgages applied at 31 December 2020, as well as other internal and external information available at the period end.

A number of enhancements to model parameters (e.g. sales ratio, cash recoveries) for long-dated Stage 3 assets in the ROI mortgage portfolio were completed within the model framework (as outlined above and on page 164 of the asset quality section of the Risk Management Report). Accordingly the previous €50 million post model Group management adjustment is no longer required.

However, it was considered appropriate to recognise a post-model management adjustment to account for risk associated with diminished internal data on distressed asset sales in recent years, which limits the Group's ability to appropriately calibrate LGD estimates for variances between indexed valuations and individual property values for distressed sales. The quantification of this post-model adjustment has been estimated with reference to application of LGD floors for residential mortgage impairment loss allowance calculation.

Accordingly a €117 million post-model management adjustment is included in the residential mortgages impairment loss allowance at 31 December 2021. The adjustment is allocated to the ROI mortgage portfolio (€80 million) and the UK mortgage portfolio (€37 million). The requirement for this post-model adjustment will continue to be assessed with reference to further review of the residential mortgage LGD methodology in 2022.

In addition, the impairment loss allowance for Stage 3 residential mortgages at 31 December 2021 includes an €80 million post model management adjustment to reflect the potential for the Group to utilise portfolio sales and / or securitisations to a greater extent in its resolution strategies for NPEs in the Residential mortgages portfolios. The requirement for post-model adjustments reflects the fact that modelled LGD parameters are calibrated based on historical resolution strategies, which were more heavily reliant on case-by-case resolution (e.g. forbearance arrangements, voluntary sales or legal recovery processes).

The Group has identified cohorts of loans with certain current characteristics (e.g. defaulted cases in deep arrears) that may potentially form part of future portfolio sales and/or securitisations. The quantum of the post-model adjustment was calculated with reference to independent external benchmarking, internal impairment cover for these cohorts (i.e. incorporating the impact other post-model adjustments in the mortgage portfolios) and an assessment

2 Critical accounting estimates and judgements *(continued)*

of the likelihood of the completion of future asset sales/ securitisations. The full amount of this post-model adjustment is recognised in the Retail Ireland Residential mortgages portfolio.

Group management adjustment for Loss Given Default in Corporate portfolios

A €32 million post model management adjustment has been recognised to reflect the estimated impact of enhancements to the Group's impairment models to be implemented in 2022.

While a number of enhancements to impairment models were implemented in 2021 (as outlined on page 170 of the Risk Management Report), a number of other items are to be implemented after the reporting date.

Internal analysis indicates that the most material item to be completed after the reporting date relates to an enhanced approach to applying forward-looking information within the LGD component of the impairment models within Corporate Banking. Accordingly the Group considers that it is appropriate to recognise the estimated impact of this enhancement as at 31 December 2021. The adjustment is allocated to the non-property corporate portfolio (€28 million) and the investment property portfolio (€4 million). The requirement for this adjustment should extinguish upon completion of impairment model updates in 2022.

Group management adjustment for RoI SME model

A review of the modelled impairment loss allowances for the relationship managed segment of the RoI SME portfolio indicated that the utilisation of the elevated RoI GDP growth rate in 2021 resulted in PD estimates that were not considered to be reasonable with reference to internal and external information. This dynamic within the model is expected to moderate in 2022 as the impact of COVID-19 on GDP metrics diminishes and growth rates revert to lower levels.

A post model adjustment of €31 million to RoI SME impairment loss allowance has been applied, which was calculated with reference to an upward adjustment in the PD estimate within the associated impairment model.

Group management adjustment for late breaking events

A post-model management adjustment to the Group's impairment loss allowance of €24 million was recognised as at 31 December 2020 to reflect the impact on macroeconomic scenarios of an acceleration in the incidence of COVID-19 and related announcements on increased social restrictions in the Group's key markets in late December 2020. At 31 December 2021 this adjustment is not considered to be required, noting the Group's impairment models have been updated and reflects information available at the reporting date (including forward-looking information).

b. Taxation

The current taxation charge of €110 million (note 19) accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates, based on a judgement of the application of law and practice in certain cases, to determine the quantification of any liabilities arising. At 31 December 2021, the net DTA was €954 million (2020: €1,101 million), of which €1,118 million (2020: €1,157 million) related to trading losses. The closing DTA includes €1,044 million of Irish trading losses, €68 million of UK trading losses and €6 million of US trading losses.

A significant judgement relates to the Group's assessment of the recoverability of the portion of the DTA relating to trading losses.

The recognition of a DTA relies on management's estimate of the probability and sufficiency of future taxable profits and the future reversals of existing taxable temporary differences against which the losses can be utilised. This is particularly relevant due to the material impact of COVID-19 on business and financial performance in the previous period. Under current UK and Irish legislation, there is no time limit on the utilisation of these losses.

RoI deferred tax asset

Judgement

The Group's judgement takes into consideration the impact of both positive and negative evidence in assessing the recoverability of the deferred tax asset. Positive factors which have been considered include:

- as evidenced by the return to profitability in the current year and with the exception of the previous year and the years of the financial crisis, the Group has a sustained history of Irish operating profits and a large market share and it is considered likely that the Group's Irish activities will be profitable into the future;
- the absence of any expiry dates for Irish and UK tax losses; and
- external economic forecasts for Ireland and the UK which indicate continued economic growth and improved employment levels in 2022.

The Group also considered negative evidence and the inherent uncertainties in any long term financial assumptions and projections, including:

- the absolute level of deferred tax assets compared to the Group's equity;
- the quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised;
- the challenge of projecting over a long period, taking account of the level of competition and the low interest rate environment; and
- accelerated transformation of banking business models.

Based on the Group's financial projections, the DTA in respect of tax losses is estimated to be recovered in full by the end of 2032 (2020: 2039). The decrease in the recovery period is due to increased operating profits in 2021 and improved underlying profitability projections, primarily driven by higher lending volumes and margins due to the projected higher interest rate environment, together with an improved impairment outlook.

Based on the Group's proven earnings history, its strong position within the Irish financial services market and its strategic priorities to deliver sustained future Irish profits, the Directors believe that the Group will be profitable over

2 Critical accounting estimates and judgements *(continued)*

the longer term but acknowledge the external challenges facing the banking industry, in particular, the traditional, full service banks and the inherent uncertainties of long-term financial projections.

There is a risk that the final taxation outcome could be different to the amounts currently recorded. If future profits or subsequent forecasts differ from current forecasts, an adjustment may be required to the DTA.

UK deferred tax assets

Judgement

UK legislation restricts the proportion of a bank's annual taxable profit that can be offset by carried forward losses to 25%. This restriction significantly lengthens the period over which the Group could use its UK trading losses and has been considered in the context of the measurement and recognition of the deferred tax asset at 31 December 2021.

UK Branch

Judgement

Notwithstanding the absence of any expiry date for trading losses in the UK, the Group continues to conclude that, for the purpose of valuing its DTA, its brought forward trading losses within the Bank's UK branch (the 'UK branch') will be limited by reference to a ten year period of projected UK branch profits at the prevailing UK tax rates. This ten year timescale is the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in the UK branch. Any remaining unutilised UK branch carried forward trading losses have been recognised for DTA purposes at the Irish tax rate, on the basis that it is expected that these will be utilised against future Bank profits in Ireland as permitted by current tax legislation.

The DTA of the UK Branch relating to trading losses has been reassessed and increased by €7 million at 31 December 2021 (31 December 2020: reduction of €14 million).

Bank of Ireland (UK) plc

Judgement

The Directors believe that Bank of Ireland (UK) plc will be profitable for the foreseeable future but acknowledge external challenges facing the UK banking industry and wider economy. In particular, during 2020 and 2021 the economic environment in which the Bank operates has become more uncertain with changing customer product and service expectations, accelerated transformation of the banking business models, increased volatility in interest rate projections and residual uncertainties over the medium term impacts of the COVID-19 pandemic.

Therefore, notwithstanding the absence of any expiry date for trading losses in the UK, management believes it continues to be appropriate to restrict the recognition of the DTA relating to the tax losses of Bank of Ireland (UK) plc to the amount of losses that are expected to be used within ten years. This ten year timescale is supported by forecast taxable profits and takes into account the Group's long-term financial and strategic plans and reflects the period over which the Group believes it can conclude that it is probable that future taxable profits will arise in Bank of Ireland (UK) plc.

Due to improved profitability projections primarily driven by higher projected market interest rates, lending mix and margins, reduced funding costs and an improved impairment outlook, the Group are projecting a greater utilisation of Bank of Ireland (UK) plc tax losses than had been projected at December 2020 which results in a further reassessment and increase of the DTA relating to trading losses of €50 million at 31 December 2021 (31 December 2020: reduction of €21 million).

There is a risk that the final taxation outcome could be different to the amounts currently recorded. If future profits or subsequent forecasts differ from current forecasts, a further adjustment may be required to the DTA.

Sources of estimation uncertainty

To the extent that the recognition of a DTA is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required to support the conclusion that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The Group's profitability projections are based on its strategic priorities where the focus will be to increase overall returns, improve cost efficiencies and grow sustainable profits. The projections also reflect the significant impact of COVID-19 on business performance, the external challenges facing the banking industry including the low interest rate environment and the residual uncertainty around the impact of Brexit on the UK economy.

The Group's assessment of deferred tax recoverability is based on its financial projections covering its five year initial planning period with an annual 2% growth rate thereafter. The forecast for after year five is based on the projections within that fifth year of the initial planning period and the deferred tax recoverability is most sensitive to the forecast in the initial planning period.

If the projected rate of growth of taxable profits after the fifth year of the strategic planning period was decreased by two percentage points or increased by one percentage point, the Group estimates that this would have no impact on the DTA recovery period.

c. Retirement benefit obligations

The Group sponsors a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial values of the liabilities of the schemes are calculated by external actuaries. This involves modelling their future development and requires management to make assumptions as to discount rates, price inflation, salary and pensions increases, member mortality and other demographic assumptions.

Sources of estimation uncertainty

There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. A quantitative analysis of the sensitivity of the defined benefit pension liability to changes in the key assumptions is set out in note 47.

2 Critical accounting estimates and judgements *(continued)*

d. Life assurance operations

The Group accounts for the value of the shareholders' interest in its long-term assurance business using MCEV Principles and Guidelines. Embedded value is comprised of the net tangible assets of Bank of Ireland Wealth and Insurance and the ViF asset. The ViF asset represents the expected future profits on insurance contracts and this is calculated using an embedded value approach with market consistent assumptions. The ViF asset is measured by projecting expected future surpluses using best estimate and market consistent assumptions and a risk free interest rate curve.

Sources of estimation uncertainty

The estimation of future surpluses will depend on experience in a number of areas such as investment returns, lapse rates, mortality and investment expenses. Surpluses are projected by making assumptions about future experience, having regard to both actual experience and projected long-term economic trends.

Changes to these assumptions may cause the present value of future surpluses to differ from those assumed at the reporting date and could significantly affect the value attributed to the in force business. The ViF asset could also be affected by changes in the amounts and timing of other net cash flows (principally annual management charges and other fees levied upon the policyholders) or the rate at which the future surpluses and cash flows are discounted. In addition, the extent to which actual experience is different from that assumed will be recognised in the income statement for the period. A quantitative analysis of the sensitivity of profit to changes in the key life assurance assumptions is set out in note 37.

e. Tracker Mortgage Examination Review

At 31 December 2021 the Group holds a provision of €94 million (2020: €74 million) in respect of the industry wide Tracker Mortgage Examination Review ('Review'). While the supervisory phase of the Review by the CBI has concluded, the CBI's investigation of tracker issues under its administrative sanctions procedure is ongoing. This provision covers the estimated costs of remediation of any remaining impacted customers, addressing customer appeals and closing out all other outstanding costs of the exercise and in particular any sanction that may be incurred under the CBI's administrative sanctions procedure.

Judgement

The Group has exercised judgement in particular in determining the level of potential appeals and the impact of any potential administrative sanction. With respect to the latter, the Group considers that there is a range of potential sanction outcomes based on general and specific circumstances and the amount of any sanction imposed may differ from the amount provided at 31 December 2021.

3 Operating segments

The Group has five reportable operating segments which reflect the internal financial and management reporting structure and are organised as follows:

Retail Ireland

Retail Ireland is one of the largest providers of financial services in Ireland with a network of branches across the country, mobile and online banking applications and customer contact centre. Retail Ireland offers a broad range of financial products and services including current accounts, savings, mortgages, credit cards, motor finance and loans to personal and business banking customers and is managed through a number of customer focused business lines namely EveryDay Banking, Home Buying (including Bank of Ireland Mortgage Bank Unlimited Company) and Business Banking (including Bank of Ireland Finance) supported by Distribution, Marketing and Risk Management partners.

Wealth and Insurance

Wealth and Insurance includes the Group's life assurance subsidiary NIAC which distributes protection, investment and pension products to the Irish market, across three core channels made up of the Group's distribution channels, independent financial brokers and its own financial advisor network as well as corporate partners. It also includes Investment markets and the Group's general insurance brokerage, Bank of Ireland Insurance Services, which offers home, car and travel insurance cover through its agency with insurance providers.

Retail UK

Retail UK incorporates the financial services partnership and FX joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group's branch network in NI, the Group's business banking business in NI and the Northridge Finance motor and asset finance, vehicle leasing and fleet management business. The Group also has a business banking business in GB which is being run down. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licenced banking subsidiary.

Corporate and Markets[1]

Corporate and Markets incorporates the Group's corporate banking, wholesale financial markets, specialised acquisition finance and large transaction property lending business, across the RoI, UK and internationally, with offices in Ireland, the UK, the US, Germany, France and Spain.

Group Centre

Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, People Services, Group Strategy and Development and Group Internal Audit. These Group central functions establish and oversee policies and provide and manage certain processes and delivery platforms for the divisions.

Other reconciling items

Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.

Basis of preparation of segmental information

The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance. The CEO and CFO are considered to be the chief operating decision maker for the Group. The Group's operating segments reflect its organisational and management structures. The CEO and CFO review the Group's internal reporting based around these segments to assess performance and allocate resources. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The measures of segmental assets and liabilities provided to the chief operating decision maker are not adjusted for transfer pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

On an ongoing basis, the Group reviews the methodology for allocating funding and liquidity costs in order to ensure that the allocations continue to reflect each division's current funding requirement.

External revenue comprises interest income, net insurance premium income, fee and commission income, net trading income or expense, life assurance investment income gains and losses, other operating income, other leasing income and share of results of associates and joint ventures.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit' in its internal management reporting systems. Underlying profit or loss excludes:

- transformation programme costs[2];
- IT Service Continuity Framework;
- gross-up for policyholder tax in the Wealth and Insurance business;
- investment return on Treasury shares held for policyholders;
- customer redress charges;
- portfolio divestments;
- gain on disposal / liquidation of business activities;
- announced acquisition transaction costs; and
- impairment of internally generated computer software.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*

3 Operating segments *(continued)*

2021	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
Net interest income	**922**	**(7)**	**623**	**682**	**(2)**	**1**	**2,219**
Other income, net of insurance claims	217	300	5	191	10	2	725
Total operating income, net of insurance claims	**1,139**	**293**	**628**	**873**	**8**	**3**	**2,944**
Other operating expenses	(616)	(128)	(262)	(163)	(385)	-	(1,554)
- Other operating expenses (before transformation investment and levies and regulatory charges)	*(616)*	*(125)*	*(257)*	*(163)*	*(234)*	-	*(1,395)*
- Transformation investment charge	-	-	-	-	*(29)*	-	*(29)*
- Levies and regulatory charges	-	*(3)*	*(5)*	-	*(122)*	-	*(130)*
Depreciation and amortisation	(52)	(9)	(23)	(8)	(130)	-	(222)
Impairment of goodwill and intangibles	-	(1)	-	-	-	-	(1)
Total operating expenses	**(668)**	**(138)**	**(285)**	**(171)**	**(515)**	**-**	**(1,777)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**471**	**155**	**343**	**702**	**(507)**	**3**	**1,167**
Net impairment gains / (losses) on financial instruments	30	-	77	95	(8)	-	194
Share of results of associates and joint ventures	7	-	(2)	-	-	-	5
Underlying profit before tax	**508**	**155**	**418**	**797**	**(515)**	**3**	**1,366**

2021 **Reconciliation of underlying profit before tax to profit before tax**	**Group €m**
Underlying profit before tax	1,366
Transformation programme costs[3]	(122)
IT Service Continuity Framework	(25)
Gross-up for policyholder tax in the Wealth and Insurance business	24
Customer redress charges	(22)
Portfolio divestments	8
Investment return on treasury shares held for policyholders	(8)
Gain on disposal / liquidation of business activities	2
Announced acquisitions transaction costs	(2)
Impairment of internally generated computer software	-
Profit before tax	**1,221**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.*
[3] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*

3 Operating segments *(continued)*

2020	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
Net interest income	**937**	**(7)**	**559**	**630**	**(2)**	**(2)**	**2,115**
Other income, net of insurance claims	205	178	(2)	131	(10)	3	505
Total operating income, net of insurance claims	**1,142**	**171**	**557**	**761**	**(12)**	**1**	**2,620**
Other operating expenses	(642)	(106)	(254)	(172)	(416)	(2)	(1,592)
- Other operating expenses (before transformation investment and levies and regulatory charges)	*(642)*	*(104)*	*(250)*	*(172)*	*(241)*	*(2)*	*(1,411)*
- Transformation investment charge	-	-	-	-	*(56)*	-	*(56)*
- Levies and regulatory charges	-	*(2)*	*(4)*	-	*(119)*	-	*(125)*
Depreciation and amortisation	(67)	(9)	(42)	(11)	(124)	-	(253)
Impairment of goodwill and intangibles	-	-	(9)	-	(3)	-	(12)
Total operating expenses	**(709)**	**(115)**	**(305)**	**(183)**	**(543)**	**(2)**	**(1,857)**
Underlying operating profit / (loss) before impairment charges on financial instruments	**433**	**56**	**252**	**578**	**(555)**	**(1)**	**763**
Net impairment gains / (losses) on financial instruments	(314)	-	(268)	(549)	(2)	-	(1,133)
Share of results of associates and joint ventures	(3)	-	(1)	-	-	-	(4)
Underlying profit / (loss) before tax	**116**	**56**	**(17)**	**29**	**(557)**	**(1)**	**(374)**

2020 **Reconciliation of underlying loss before tax to loss before tax**	**Group €m**
Underlying loss before tax	(374)
Transformation programme costs[3]	(245)
Impairment of internally generated computer software	(136)
Customer redress charges	(39)
IT Service Continuity Framework	-
Portfolio divestments	5
Gain on disposal / liquidation of business activities	13
Investment return on treasury shares held for policyholders	9
Gross-up for policyholder tax in the Wealth and Insurance business	7
Announced acquisition transaction costs	-
Loss before tax	**(760)**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.*
[3] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*

3 Operating segments *(continued)*

2021 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
Investment in associates and joint ventures	**59**	**-**	**56**	**-**	**1**	**-**	**116**
External assets[3]	33,010	23,537	33,407	36,197	29,120	(3)	155,268
Inter segment assets	83,620	483	1,313	108,501	28,289	(222,206)	-
Total assets	**116,630**	**24,020**	**34,720**	**144,698**	**57,409**	**(222,209)**	**155,268**
External liabilities	66,061	22,841	23,274	23,653	8,105	(4)	143,930
Inter segment liabilities	45,609	247	9,085	122,447	44,835	(222,223)	-
Total liabilities	**111,670**	**23,088**	**32,359**	**146,100**	**52,940**	**(222,227)**	**143,930**

Restated[4,5] 2020 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
Investment in associates and joint ventures	**54**	**-**	**54**	**-**	**-**	**-**	**108**
External assets[3]	33,933	20,666	32,688	36,107	10,375	(15)	133,754
Inter segment assets[4]	76,481	486	1,040	86,193	23,406	(187,606)	-
Total assets	**110,414**	**21,152**	**33,728**	**122,300**	**33,781**	**(187,621)**	**133,754**
External liabilities	61,256	20,132	24,158	13,359	5,234	(6)	124,133
Inter segment liabilities[5]	44,026	255	7,312	111,592	24,450	(187,635)	-
Total liabilities	**105,282**	**20,387**	**31,470**	**124,951**	**29,684**	**(187,641)**	**124,133**

2021 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Other reconciling items[2] €m	Group €m
External revenue	**1,291**	**3,464**	**776**	**1,323**	**(1)**	**(1)**	**6,852**
Inter segment revenues	567	23	136	361	292	(1,379)	-
Revenue before claims paid	**1,858**	**3,487**	**912**	**1,684**	**291**	**(1,380)**	**6,852**
Insurance contract liabilities and claims paid	-	(3,089)	-	-	-	-	(3,089)
Revenue	**1,858**	**398**	**912**	**1,684**	**291**	**(1,380)**	**3,763**
Interest expense	**(33)**	**-**	**(84)**	**(225)**	**(246)**	**45**	**(543)**
Capital expenditure	**18**	**24**	**93**	**45**	**144**	**-**	**324**

[1] Formerly Corporate and Treasury, renamed Corporate and Markets.
[2] Other reconciling items represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.
[3] External asset balances are inclusive of investments in associates and joint ventures.
[4] Comparative figures for Inter segment assets have been restated as certain segmental balances were incorrectly allocated between segments in 2020. Retail Ireland assets have been restated from €73,281 million to €76,481 million, Retail UK assets have been restated by €161 million from €879 million to €1,040 million, Corporate and Markets assets have been restated by €11,297 million from €97,490 million to €86,193 million, Group Centre assets have been restated from €23,804 million to €23,406 million and Other reconciling items have been restated from €195,940 million to €187,606 million.
[5] Comparative figures for Inter segment liabilities have been restated as certain segmental balances were incorrectly allocated between segments in 2020. Retail UK liabilities have been restated from €7,151 million to €7,312 million, Corporate and Markets liabilities have been restated from €119,689 million to €111,592 million, Group Centre liabilities have been restated from €24,848 million to €24,450 million and Other reconciling items have been restated from €195,969 million to €187,635 million.

3 Operating segments *(continued)*

Restated[1] 2020 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[2] €m	Group Centre €m	Other reconciling items €m	Group €m
External revenue	**1,233**	**1,955**	**1,057**	**994**	**9**	**(71)**	**5,177**
Inter segment revenues	530	(9)	(84)	542	197	(1,176)	-
Revenue before claims paid	**1,763**	**1,946**	**973**	**1,536**	**206**	**(1,247)**	**5,177**
Insurance contract liabilities and claims paid	-	(1,691)	-	-	1	-	(1,690)
Revenue	**1,763**	**255**	**973**	**1,536**	**207**	**(1,247)**	**3,487**
Interest expense	**(58)**	**-**	**(176)**	**(276)**	**(171)**	**62**	**(619)**
Capital expenditure	**10**	**96**	**58**	**25**	**144**	**-**	**333**

2021 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	Total €m
External revenue	**5,747**	**1,014**	**91**	**-**	**6,852**
Inter segments revenue	83	76	13	(172)	-
Revenue before claims paid	**5,830**	**1,090**	**104**	**(172)**	**6,852**
Insurance contracts liabilities and claims paid	(3,089)	-	-	-	(3,089)
Revenue	**2,741**	**1,090**	**104**	**(172)**	**3,763**
Capital expenditure	**228**	**93**	**3**	**-**	**324**
External assets	119,034	34,498	1,736	-	155,268
Inter segment assets	12,192	2,259	779	(15,230)	-
Total assets	**131,226**	**36,757**	**2,515**	**(15,230)**	**155,268**
External liabilities	120,056	23,797	77	-	143,930
Inter segment liabilities	2,309	10,692	2,231	(15,232)	-
Total liabilities	**122,365**	**34,489**	**2,308**	**(15,232)**	**143,930**

Restated[1] 2020 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	Total €m
External revenue	3,972	1,106	99	-	5,177
Inter segment revenues	102	121	16	(239)	-
Revenue before claims paid	**4,074**	**1,227**	**115**	**(239)**	**5,177**
Insurance contract liabilities and claims paid	(1,691)	-	1	-	(1,690)
Revenue	**2,383**	**1,227**	**116**	**(239)**	**3,487**
Capital expenditure	**284**	**49**	**-**	**-**	**333**
External assets	98,449	33,915	1,390	-	133,754
Inter segment assets	10,003	2,862	1,293	(14,158)	-
Total assets	**108,452**	**36,777**	**2,683**	**(14,158)**	**133,754**
External liabilities	99,259	24,798	76	-	124,133
Inter segment liabilities	1,810	9,887	2,463	(14,160)	-
Total liabilities	**101,069**	**34,685**	**2,539**	**(14,160)**	**124,133**

[1] As outlined in the Group accounting policies on page 212, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and interest expense on derivatives designated as hedging instruments. See note 65 for additional information.
[2] Formerly Corporate and Treasury, renamed Corporate and Markets.

4 Interest income

Interest income includes interest on debt financial assets measured at FVTPL (excluding assets held for trading and those within the Group's life assurance operations); and interest income on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

Interest income on loans and advances to customers is shown net of a charge of €3 million (2020: €4 million) related to redress arising from the Tracker Mortgage Examination Review.

Interest income on loans and advances to customers includes a credit of €11 million (2020: €22 million charge) arising from an interest rate implementation review which was carried out by the Group in 2020. For further details, see note 44.

Interest income recognised on loans and advances to customers
In 2021, interest income of €92 million (2020: €87 million) was recognised and €100 million was received (2020: €98 million) on credit-impaired loans and advances to customers.

In 2021, interest income of €170 million (2020: €152 million) was recognised and €169 million (2020: €154 million) was received on total forborne loans and advances to customers.

Transferred from cash flow hedge reserve
Interest income is presented net of a charge of €82 million (2020: €61 million charge) transferred from the cash flow hedge reserve (note 19).

Interest income recognised on debt securities at FVOCI
Interest income on FVOCI financial assets is recognised net of negative interest on derivatives which are in a hedge relationship with the relevant financial asset of €25 million (2020: €28 million)[2].

Interest income on TLTRO III
In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of TLTRO III, which provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022, with the actual rate dependent on whether the Group equals or exceeds benchmark net lending targets.

In determining the effective interest rate of this financial liability at initial recognition, the Group did not assume that it would exceed the benchmark net lending targets during the additional special reference period (1 October 2020 to 31 December 2021).

In measuring the amortised cost of the liability at 31 December 2021, the Group reflected the fact that it did exceed the benchmark net lending targets during the additional special reference period, resulting in a reduction in the amortised cost of the liability and recognition of an additional €51 million of interest income.

Net interest income of €62 million was recognised through participating in the TLTRO III programme during the year, consisting of €104 million of interest income on the TLTRO III liability, less €42 million of interest expense on placing the funds at a negative interest rate of 0.50%.

Interest income recognised on customer accounts
Interest income on customer accounts of €181 million (2020: €135 million) comprises interest income of €71 million resulting from negative effective interest rates (2020: €31 million) and interest income of €110 million (2020: €104 million) arising on related derivatives which are in a hedge relationship.

	2021 €m	*Restated*[1] 2020 €m
Financial assets measured at amortised cost		
Loans and advances to customers	2,079	2,129
Debt securities at amortised cost	6	7
Loans and advances to banks	5	10
Interest income on financial assets measured at amortised cost	**2,090**	**2,146**
Financial assets at FVOCI		
Debt securities at FVOCI	22	38
Interest income on financial assets at FVOCI	**22**	**38**
Negative Interest on financial liabilities		
Customer Accounts	181	135
Deposits from banks	105	2
Negative interest on financial liabilities	**286**	**137**
Interest income calculated using the effective interest method	**2,398**	**2,321**
Other interest income		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	193	197
Finance leases and hire purchase receivables	161	171
Loans and advances to customers at FVTPL	18	18
Other financial assets at FVTPL	-	1
Other interest income	**372**	**387**
Interest income	**2,770**	**2,708**

[1] As outlined in the Group accounting policies on page 212, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments. See note 65 for additional information.
[2] The comparative disclosure of negative interest on derivatives in a hedge relationship with debt securities at FVOCI has been restated in line with the voluntary change in the Group's accounting policy. Negative interest on derivatives in a hedge relationship with debt securities at FVOCI decreased by €58 million from €86 million to €28 million.

5 Interest expense

Interest expense includes interest on debt financial liabilities measured at FVTPL (excluding liabilities held for trading); and interest expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

Interest expense recognised on debt securities in issue
Interest expense on debt securities in issue is recognised on an Effective Interest Rate basis net of interest income of €49 million (2020: €49 million) on derivatives which are in a hedge relationship with the relevant liability.

Interest expense recognised on subordinated liabilities
Interest expense on subordinated liabilities is recognised on an Effective Interest Rate basis, net of interest income of €15 million (2020: €11 million) on derivatives which are in a hedge relationship with the relevant liability.

Interest expense recognised on Debt securities at amortised cost
Interest expense of €20 million on debt securities at amortised cost (2020: €11 million) comprises interest income of €22 million (2020: €23 million) recognised net of interest expense on related derivatives which are in a hedge relationship of €42 million (2020: €34 million).

Interest expense recognised on Debt securities at FVOCI
Interest expense of €34 million on debt securities at FVOCI (2020: €23 million) comprises interest income of €24 million (2020: €35 million) recognised net of interest expense on related derivatives which are in a hedge relationship of €58 million (2020: €58 million).

Other interest expense
Other interest expense of €5 million in 2020 primarily related to interest expense on certain taxable gains arising from liability management exercises between 2009 and 2011 (see note 19 for further information).

	2021 €m	*Restated*[1] 2020 €m
Financial liabilities measured at amortised cost		
Customer accounts	74	164
Debt securities in issue	70	84
Subordinated liabilities	63	63
Lease liabilities	11	14
Deposits from banks	3	9
Interest expense from financial liabilities measured at amortised cost	**221**	**334**
Negative interest on financial assets		
Loans and advances to banks	77	10
Debt securities at FVOCI	34	23
Debt securities at amortised cost	20	11
Negative interest on financial assets	**131**	**44**
Interest expense calculated using the effective interest method	**352**	**378**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	189	231
Customer accounts at FVTPL	2	5
Other interest expense	-	5
Other interest expense	**191**	**241**
Interest expense	**543**	**619**

[1] *As outlined in the Group accounting policies on page 212, comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments. See note 65 for additional information.*

6 Net insurance premium income

	2021 €m	2020 €m
Gross premiums written	2,189	1,905
Ceded reinsurance premiums	(171)	(278)
Net premium written	**2,018**	**1,627**

7 Fee and commission income and expense

2021 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Group €m
Retail banking customer fees	256	-	60	44	-	360
Credit related fees	5	-	2	22	-	29
Insurance commissions	-	11	1	-	-	12
Asset management fees	-	3	-	-	-	3
Brokerage fees	-	-	-	-	-	-
Other	6	5	5	28	-	44
Fee and commission income	**267**	**19**	**68**	**94**	**-**	**448**

2020 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets[1] €m	Group Centre €m	Group €m
Retail banking customer fees	229	-	64	40	-	333
Credit related fees	6	-	2	14	-	22
Insurance commissions	-	11	1	-	-	12
Asset management fees	-	3	-	-	-	3
Brokerage fees	2	-	1	-	-	3
Other	7	3	22	23	-	55
Fee and commission income	**244**	**17**	**90**	**77**	**-**	**428**

Expense

Fee and commission expense of €179 million (2020: €172 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

8 Net trading income

Net trading income includes the gains and losses on financial instruments mandatorily measured at FVTPL and those designated at FVTPL (other than unit-linked life assurance assets and investment contract liabilities). It includes the fair value movement on these instruments and the realised gains and losses arising on the purchase and sale. It also includes the interest income receivable and expense payable on financial instruments held for trading and €13 million of a net gain arising from FX (2020: net gain €14 million).

It does not include interest income on debt financial assets mandatorily measured at FVTPL, interest expense on financial liabilities designated at FVTPL and interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges).

Net fair value hedge ineffectiveness reflects a net gain from hedging instruments of €35 million (2020: net charge of €42 million) offsetting a net charge from hedged items of €32 million (2020: net gain of €39 million).

The total hedging ineffectiveness on cash flow hedges reflected in the income statement in 2021 amounted to €nil (2020: €nil).

	2021 €m	2020 €m
Financial liabilities designated at fair value	(72)	40
Related derivatives held for trading	72	(44)
	-	**(4)**
Net income from financial instruments mandatorily measured at fair value through profit or loss[1]		
Other financial instruments held for trading	84	31
Equities[2]	21	6
Loans and advances	1	(2)
Non-trading debt securities[2]	2	(2)
	108	**29**
Net fair value hedge ineffectiveness	3	(3)
Net trading income	**111**	**26**

9 Life assurance investment income, gains and losses

Life assurance investment income, gains and losses comprise the investment return, realised gains and losses and unrealised gains and losses which accrue to the Group on all investment assets held by the Wealth and Insurance division, other than those held for the benefit of policyholders whose contracts are considered to be investment contracts. These instruments are mandatorily measured at FVTPL.

Life assurance investment income gains are €1,284 million for the year ended 31 December 2021 (2020: gains of €270 million). The gains on other financial assets is consistent with favourable investment market performance. Movement in insurance contract liabilities (note 41) is consistent with the investment returns in the year.

The gains / (losses) on investment property is consistent with change in fair value revaluation gain/(loss) net of rental income and expenses.

	2021 €m	2020 €m
Gains / (losses) on other financial assets held on behalf of Wealth and Insurance policyholders	1,258	299
Gains / (losses) on investment property held on behalf of Wealth and Insurance policyholders	26	(29)
Life assurance investment income, gains and (losses)	**1,284**	**270**

[1] Net income from other financial assets mandatorily measured at fair value through profit or loss includes dividend income from equities. It also includes realised and unrealised gains and losses.

[2] Non-trading equities and debt securities mandatorily measured at fair value through profit or loss are reported in the balance sheet under the caption other financial assets at fair value through profit or loss. The income from life assurance investments which also comprise other financial assets at fair value through profit or loss is reported in note 9 Life assurance investment income, gains and losses.

10 Other leasing income and expense

Other leasing income and expense relate to the business activities of Marshall Leasing Limited (MLL), a wholly-owned subsidiary of the Group. MLL is a car and commercial leasing and fleet management company based in the UK.

	2021 €m	2020 €m
Other leasing income	63	65
- Operating lease payments	*37*	*35*
- Sale of leased assets	*21*	*25*
- Other income	*5*	*5*
Other leasing expense	(47)	(55)
- Depreciation of rental vehicles	*(25)*	*(28)*
- Other selling and disposal costs	*(22)*	*(27)*
Net other leasing income	**16**	**10**

11 Other operating income

	2021 €m	2020 €m
Other insurance income	52	58
Movement in Value of in Force asset (note 37)	85	(16)
Transfer from debt instruments at FVOCI reserve on asset disposal (note 25)	16	7
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	(3)	4
Other income	-	3
Dividend income	3	1
Other operating income	**153**	**57**

12 Insurance contract liabilities and claims paid

	2021 €m	2020 €m
Claims paid		
Policy surrenders	836	915
Death and critical illness claims	207	187
Annuity payments	110	91
Other claims	114	79
Gross claims paid	**1,267**	**1,272**
Recovered from reinsurers	(150)	(124)
Net claims paid	**1,117**	**1,148**
Change in insurance contract liabilities		
Change in gross liabilities	1,923	786
Change in reinsured liabilities	49	(244)
Net change in insurance contract liabilities	**1,972**	**542**
Insurance contract liabilities and claims paid	**3,089**	**1,690**

13 Other operating expenses

Administrative expenses and staff costs	2021 €m	2020 €m
Staff costs excluding transformation programme[1] and transformation investment staff costs	811	826
Amortisation of intangible assets (note 32)	150	164
Levies and regulatory charges	130	125
- Irish bank levy	*25*	*34*
- Other	*105*	*91*
Depreciation of property, plant and equipment	72	89
Transformation investment charge	29	56
Lease expenses	2	9
- Variable lease payments (note 43)	*1*	*8*
- Short-term leases (note 43)	*1*	*1*
Revaluation loss on property (note 34)	-	4
Reversal of previously recognised impairment (note 34)	-	(3)
Other administrative expenses	664	618
Total	**1,858**	**1,888**
Total staff costs are analysed as follows:		
Wages and salaries	626	681
Social security costs	72	78
Retirement benefit costs (defined benefit plans) (note 47)	105	66
Retirement benefit costs (defined contribution plans)	35	35
Other staff expenses	10	-
	848	**860**
Staff costs capitalised	(37)	(34)
Staff costs excluding transformation programme[1] and transformation investment staff costs	**811**	**826**
Additional transformation programme[1] and transformation investment staff costs:		
Included in transformation programme costs[1] (note 14)	23	193
Included in transformation investment charge	4	13
Total staff costs recognised in the income statement	**838**	**1,032**

The Group has incurred levies and regulatory charges of €130 million (2020: €125 million).

Transformation investment charge of €29 million (2020: €56 million) includes €nil million (2020: €12 million) for associated application and infrastructure costs.

There was €45 million (2020: €63 million) depreciation of RoU assets under IFRS 16 included within depreciation of property, plant and equipment.

Other administrative expenses includes a charge of €28 million (2020: €10 million) relating to the Tracker Mortgage Examination Review and €2 million (2020: €3 million) arising from an interest rate implementation review which was carried out by the Group in 2020 (see note 44 for further details).

Pension costs of €140 million were €39 million or 39% higher than 2020. Defined benefit pension costs have increased by €39 million due to a €26 million gain in 2020 in respect of a change in allowance for future pension increases in the NIAC pension scheme. There is no negative past service cost recognised in 2021 (2020: €26 million).

Staff numbers

At 31 December 2021, the number of staff (full time equivalents) was 8,696 (2020: 9,782) which reflects the number of employees who exited the Group under the Voluntary Redundancy Scheme up to and including 31 December 2021.

The table below outlines the reduction in the average number of staff employed by the Group.

Average number of staff (full time equivalents)	2021	2020
Retail Ireland	3,512	4,056
Retail UK	1,325	1,433
Wealth and Insurance	816	891
Corporate and Markets[2]	626	697
Group Centre	3,063	3,226
Total	**9,342**	**10,303**

[1] *Formerly transformation investment costs. Transformation programme costs includes cost of restructuring and other transformation programme costs.*
[2] *Formerly Corporate and Treasury, renamed Corporate and Markets.*

14 Cost of restructuring programme

	2021 €m	*Restated*[1] 2020 €m
Transformation programme costs[2]	110	245
- Property-related costs	*70*	*6*
- UK Strategic review costs	*22*	*16*
- Staff costs	*19*	*193*
- Programme management costs	*4*	*22*
- Other restructuring (credit) / charges	*(5)*	*8*
Total	**110**	**245**

Cost of restructuring programme costs are required to meet the definition of 'restructuring' under IAS 37. In 2021, the Group had €110 million (2020: €245 million) which relate to:

- the implementation of the Group's RoI property strategy of €70 million (2020: €6 million) which includes impairment of property and other related costs;
- costs incurred of €22 million (2020: €16 million) relating to planning, scoping and implementation of the strategic review of the Group's UK operations, of which €4 million (2020: €nil) is staff costs;
- staff costs of €19 million includes voluntary redundancy costs of €16 million (2020: €189 million) for employees and €3 million (2020: €4 million) for other staff costs;
- external programme management costs of €4 million (2020: €22 million); offset by
- a gain of €5 million (2020: €8 million charge) within other restructuring costs, relating to the release of €3 million provision and reversal of €2 million impairment on property recognised in prior periods.

15 Auditor's remuneration (excluding Value Added Tax)

Audit and assurance services	Note	RoI (i) €m	Overseas (ii) €m	2021 €m	2020[3] €m
Audit and assurance services					
Statutory audit of financial statements		3.5	1.3	4.8	4.4
Other assurance services	iii	0.8	0.1	0.9	1.0
		4.3	**1.4**	**5.7**	**5.4**
Tax advisory services		-	-	-	0.1
Total Auditor's remuneration		**4.3**	**1.4**	**5.7**	**5.5**

Disclosure of Auditor's fees is made in accordance with Section 322 of the Companies Act which mandates the disclosure of fees in particular categories and that fees payable to the Group Auditor (KPMG) for services provided to the Group be disclosed in this format. All years presented are on that basis.

The GAC has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

i. Fees paid to the Statutory Auditor, KPMG.
ii. Fees paid to overseas auditors consist of fees paid to KPMG UK in the UK.
iii. Other assurance services consist primarily of review of the interim financial statements, fees in connection with reporting to regulators including the CBI, letters of comfort and review of compliance with the Government Guarantee Schemes.

[1] Comparative figures for transformation programme costs (formerly transformation investment costs) have been restated from €237 million to €245 million, to include €8 million other restructuring charges previously shown separately to total transformation programme costs on the table above.
[2] Formerly transformation investment costs.
[3] As outlined in the Group accounting policies on page 212, comparative figures have been restated to reflect the additional fee recognised in 2021 income statement for incremental demands in completing the audit given the challenges caused by COVID-19, new auditing standards, additional IT work and other areas of incremental effort.

16 Net impairment gains / (losses) on financial instruments

	2021 €m	2020 €m
Loans and advances to customers	147	(1,061)
- *Movement in impairment loss allowances* (note 27)	*112*	*(1,099)*
- *Cash recoveries*	*35*	*38*
Loan commitments	52	(65)
Guarantees and irrevocable letters of credit	1	(4)
Other financial assets	(6)	(3)
Net impairment gains / (losses) on financial instruments	**194**	**(1,133)**

Loans and advances to customers at amortised cost

Net impairment gains / (losses)

The Group's net impairment gains / (losses) on loans and advances to customers at amortised cost are set out in this table.

In June 2021, the Group completed a transaction whereby it derecognised €0.3 billion of loans and advances to customers (after impairment loss allowance). Expected cash flows arising from the sale on default of a loan are included in the measurement of expected credit losses under IFRS 9, where certain conditions are met. As this transaction satisfied these conditions, the cash flows have been included in the impairment calculation.

As a result, net impairment gains / (losses) on financial instruments includes a net impairment gain of €12 million arising on this transaction. See note 27 for further information.

	2021 €m	2020 €m
Residential mortgages	(41)	(53)
- *Retail Ireland*	*(58)*	*(23)*
- *Retail UK*	*17*	*(30)*
Non-property SME and corporate	102	(512)
- *Republic of Ireland SME*	*37*	*(217)*
- *UK SME*	*23*	*(29)*
- *Corporate*	*42*	*(266)*
Property and construction	43	(388)
- *Investment*	*28*	*(372)*
- *Development*	*15*	*(16)*
Consumer	43	(108)
Total	**147**	**(1,061)**

17 Share of results of associates and joint ventures (after tax)

	2021 €m	2020 €m
Associates (note 30)	7	(3)
First Rate Exchange Services (note 31)	(2)	(1)
Share of results of associates and joint ventures (after tax)	**5**	**(4)**

18 Gain on disposal / liquidation of business activities

In 2021, €1 million (2020: €8 million) was released to the income statement relating to the 2019 disposal of the UK Credit card portfolio upon final review of the migration.

As part of the Group's focus on simplifying its corporate structure, the Group has an ongoing programme of winding up a number of wholly-owned, dormant and non-trading companies, a number of which are foreign operations. During 2021, the Group voluntarily appointed a liquidator to manage the winding up of a number of foreign operations. Upon appointment of the liquidator, the Group is considered to have lost control of the foreign operations and has accounted for this loss of control as a disposal. In accordance with IAS 21, the Group has reclassified net cumulative FX gains of €1 million relating to these foreign operations from the FX reserve to the income statement during 2021 (2020: gain of €5 million).

	2021 €m	2020 €m
Disposal of Retail UK card portfolio	1	8
Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities	1	5
Gain on disposal / liquidation of business activities	**2**	**13**

19 Taxation

The taxation charge for the year is €166 million with an effective statutory taxation rate of 14% (2020: taxation credit of €53 million and taxation rate of 7%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses, the impact of the UK corporation tax rate change and the re-assessment of the tax value of the losses carried forward.

The Group conducted a series of liability management exercises between 2009 and 2011 in order to enhance its equity capital which involved the repurchase or exchange of certain of its external liabilities in the UK at less than par, thus generating gains. During 2021, the Group agreed with the UK tax authority, HM Revenue & Customs (HMRC) that some of those gains are taxable whilst others are not subject to UK tax. The existing provision of €16 million, comprising c.€12 million tax and €4 million interest continues to be recognised at 31 December 2021. The provision is expected to be settled during 2022.

Recognised in income statement	2021 €m	2020 €m
Current tax		
Irish Corporation Tax		
- Current year	30	6
- Adjustment in respect of prior year	(7)	-
Foreign tax		
- Current year	91	25
- Adjustments in respect of prior year	(4)	7
Current tax charge	**110**	**38**
Deferred tax		
Current year profits / (losses)	95	(100)
Adjustments in respect of prior year	3	(7)
Origination and reversal of temporary differences	28	(10)
Impact of Corporation Tax rate change	(13)	(9)
Reassessment of value of tax losses carried forward	(57)	35
Deferred tax charge / (credit)	**56**	**(91)**
Taxation charge / (credit)	**166**	**(53)**

19 Taxation *(continued)*

Reconciliation of tax on the profit / (loss) before taxation at the standard Irish corporation tax rate to actual tax charge / (credit)	**2021 €m**	**2020 €m**
Profit / (loss) before tax multiplied by the standard rate corporation tax in Ireland of 12.5% (2020: 12.5%)	153	(95)
Effects of:		
Reassessment of value of tax losses carried forward	(57)	35
Foreign earnings subject to different rates of tax	70	4
Wealth and Insurance companies - different basis of accounting	17	(9)
Adjustments in respect of prior year	(8)	-
Impact of Corporation Tax rate change (note 35)	(13)	(9)
Other adjustments for tax purposes	4	21
Taxation charge / (credit)	**166**	**(53)**

	2021			**2020**		
	Pre-tax €m	**Tax €m**	**Net of Tax €m**	**Pre-tax €m**	**Tax €m**	**Net of Tax €m**
Debt instruments at FVOCI reserve						
Changes in fair value	(23)	3	(20)	13	(2)	11
Transfer to income statement - asset disposal	(16)	2	(14)	(7)	1	(6)
Net change in debt instruments at FVOCI reserve	**(39)**	**5**	**(34)**	**6**	**(1)**	**5**
Remeasurement of the net defined benefit pension liability	**710**	**(113)**	**597**	**(87)**	**7**	**(80)**
Cash flow hedge reserve						
Changes in fair value	(921)	120	(801)	394	(50)	344
Transfer to income statement	906	(115)	791	(403)	47	(356)
- Net trading income / (expense)	*824*	*(104)*	*720*	*(464)*	*54*	*(410)*
- Net interest income	*82*	*(11)*	*71*	*61*	*(7)*	*54*
Net change in cash flow hedge reserve	**(15)**	**5**	**(10)**	**(9)**	**(3)**	**(12)**
Net change in foreign exchange reserve	**184**	**-**	**184**	**(174)**	**-**	**(174)**
Net change in revaluation reserve	**-**	**-**	**-**	**(9)**	**2**	**(7)**
Liability credit reserve						
Changes in fair value of liabilities designated at fair value through profit or loss due to own credit risk	(6)	1	(5)	2	-	2
Other comprehensive income for the year	**834**	**(102)**	**732**	**(271)**	**5**	**(266)**

20 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding treasury shares (own shares held for the benefit of life assurance policyholders).

Diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding treasury shares adjusted for the effect of all dilutive potential ordinary shares.

For 2021 and 2020, there was no difference in the weighted average number of units of share used for basic and diluted earnings per share.

	2021 €m	2020 €m
Basic and diluted earnings per share		
Profit / (loss) attributable to shareholders	1,048	(742)
Distributions on other equity instruments - AT1 coupon	(68)	(25)
Redemption of NCI - AT1 securities	-	(10)
Profit / (loss) attributable to ordinary shareholders	**980**	**(777)**
	Shares (millions)	**Shares (millions)**
Weighted average number of shares in issue excluding treasury shares	1,075	1,073
Basic and diluted earnings per share (cent)	91.2c	(72.4c)

21 Derivative financial instruments

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management Report on pages 137 to 193. The notional amounts of certain types of derivatives do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risk. The derivative instruments give rise to assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

Derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting. Derivatives classified as held for hedging comprise only those derivatives to which the Group applies hedge accounting.

The Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €1.6 billion at 31 December 2021 (2020: €2.2 billion):

- €1.4 billion (2020: €2.0 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities. At 31 December 2021, cash collateral of €0.1 billion (2020: €0.2 billion) was held against these assets and is reported within deposits from banks (note 38); and
- €0.2 billion (2020: €0.2 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the reporting date.

At 31 December 2021, placements with other banks include cash collateral of €0.8 billion (2020: €0.6 billion) and loans and advances to customers include cash collateral of €0.1 billion (2020: €0.1 billion) placed with derivative counterparties in respect of a net derivative liability position of €0.9 billion (2020: €0.5 billion) and is reported within loans and advances to banks (note 23) and loans and advances to customers (note 27).

The notional amounts and fair values of derivative instruments held by the Group are set out in the table below.

21 Derivative financial instruments *(continued)*

	2021			2020		
	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m	Contract notional amounts €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading						
Foreign exchange derivatives						
Currency swaps	5,641	73	66	2,068	13	13
Currency forwards	2,947	28	42	3,894	63	55
Over the counter currency options	377	3	4	115	1	1
Total foreign exchange derivatives held for trading	**8,965**	**104**	**112**	**6,077**	**77**	**69**
Interest rate derivatives						
Interest rate swaps	171,204	899	1,025	173,036	1,268	1,393
Cross currency interest rate swaps	442	10	11	1,801	34	19
Over the counter interest rate options	14,933	37	15	12,090	8	7
Interest rate futures	158	-	-	20	-	-
Forward rate agreements	2,092	1	1	4,304	2	3
Total interest rate derivatives held for trading	**188,829**	**947**	**1,052**	**191,251**	**1,312**	**1,422**
Equity contracts, commodity contracts and credit derivatives						
Equity index-linked contracts held	2,051	38	19	1,866	38	29
Total equity contracts and credit derivatives	**2,051**	**38**	**19**	**1,866**	**38**	**29**
Total derivative assets / liabilities held for trading	**199,845**	**1,089**	**1,183**	**199,194**	**1,427**	**1,520**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	52,979	482	513	46,522	595	707
Cross currency interest rate swaps	82	-	7	82	-	4
Total designated as fair value hedges	**53,061**	**482**	**520**	**46,604**	**595**	**711**
Derivatives designated as cash flow hedges						
Cross currency interest rate swaps	10,989	-	471	11,875	180	21
Interest rate swaps	217	-	11	857	15	5
Total designated as cash flow hedges	**11,206**	**-**	**482**	**12,732**	**195**	**26**
Total derivative assets / liabilities held for hedging	**64,267**	**482**	**1,002**	**59,336**	**790**	**737**
Total derivative assets / liabilities	**264,112**	**1,571**	**2,185**	**258,530**	**2,217**	**2,257**

In addition to the derivatives disclosed in the table above, as set out in note 55 the Group has entered into a binding agreement with KBCI and KBC Group for the acquisition of c.€8.8 billion of performing mortgages, c.€0.1 billion of performing commercial and consumer loans and c.€4.4 billion of deposits. The Group will acquire the performing mortgages for 103.6% of par value. This agreement is considered to represent a derivative financial instrument, the fair value of which was not material at 31 December 2021.

21 Derivative financial instruments *(continued)*

Interest rate benchmark reform

At 31 December 2021, USD LIBOR represented the most significant interbank offered rate benchmarks subject to reform to which the Group's fair value and cash flow hedge relationships of interest rate risk are exposed.

The process being used by the Group to manage the transition to alternative benchmark rates is further discussed in note 64.

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships. The Group has applied judgement in relation to market expectations when determining the fair value of the hedging instrument and the present value of the estimated cash flows of the hedged item. The key judgement is that the cash flows for contracts indexing rates subject to the BMR reform are currently expected to be broadly equivalent to the cash flows when those contracts transition to alternative BMRs. However, if upon transition to an alternative benchmark rate, the new basis for determining contractual cash flows is not economically equivalent to the previous basis and the modification is deemed to be substantial, the hedging instrument and / or hedged item will be required to be derecognised, which would imply discontinuation of the corresponding hedge accounting relationship. Any subsequent re-designation of such hedge relationships may increase hedge ineffectiveness.

The timing of the nominal amounts of hedging instruments (excluding those subject to a dynamic macro-hedging process) and the applicable average rates were as follows.

	2021				2020			
Hedging strategy	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**	**Up to 1 year €m**	**1-2 years €m**	**2-5 years €m**	**>5 years €m**
Fair value hedge								
Interest rate risk								
- Interest rate swap - notional amount	3,363	3,125	8,112	6,939	1,783	4,375	7,438	8,127
- Average fixed interest rate	0.62%	0.62%	0.25%	0.36%	0.38%	0.69%	0.46%	0.41%
Foreign Exchange risk								
- Cross currency interest rate swap - notional amount	-	-	-	82	-	-	-	82
- Average EUR - JPY foreign exchange rate	-	-	-	0.01	-	-	-	0.01
Cash flow hedge								
Interest rate risk								
- Interest rate swap - notional amount	-	-	-	217	434	-	-	423
- Average fixed interest rate	-	-	-	0.50%	0.84%	-	-	0.63%
Foreign exchange risk								
- Cross currency interest rate swap - notional amount	4,510	4,682	1,321	476	4,569	4,353	2,953	-
- Average EUR - GBP foreign exchange rate	0.87	0.89	0.84	0.84	0.89	0.87	0.91	-

Fair value hedges

Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and FX exposure on the Group's fixed rate debt held, fixed rate mortgages, customer accounts and debt issued portfolios. The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year were as follows:

2021 **Items designated as hedging instruments and hedge ineffectiveness** **Risk category**	**Hedging instrument**[1]	**Nominal amount of the hedging instrument €m**	**Carrying amount of the hedging instrument** **Assets €m**	 **Liabilities €m**	**Changes in value used to calculate hedge ineffectiveness**[2,3] **€m**	**Ineffectiveness recognised in profit or loss**[2,3] **€m**	**Nominal amount of the hedging instruments affected by BMR reform**[4] **€m**
Interest rate risk	Interest rate swaps	52,979	482	(513)	37	3	980
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	82	-	(7)	(2)	-	-
Total		**53,061**	**482**	**(520)**	**35**	**3**	**980**

1 *All hedging instruments are included within derivative financial instruments on the balance sheet.*
2 *Ineffectiveness is included within net trading income on the income statement.*
3 *The main cause of ineffectiveness in the Group's fair value hedge relationships are differences in maturities between certain interest rate swaps and their related hedged items.*
4 *Consists of USD LIBOR interest rate swaps of which, €472 million in nominal value mature after the USD LIBOR cessation date of 30 June 2023 and €508 million mature before the cessation date.*

21 Derivative financial instruments *(continued)*

2020 Items designated as hedging instruments and hedge ineffectiveness Risk category	Hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Liabilities €m	Changes in value used to calculate hedge ineffectiveness[2,3] €m	Ineffectiveness recognised in profit or loss[2,3] €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk	Interest rate swaps	46,522	595	(707)	(38)	(3)	7,035
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	82	-	(4)	(4)	-	-
Total		**46,604**	**595**	**(711)**	**(42)**	**(3)**	**7,035**

2021 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	9,021	-	8	-	(213)	27
Debt securities at amortised cost	5,053	-	43	-	(173)	1
Loans and advances to customers	10,826	-	(74)	-	(155)	(1)
Customer accounts	-	(20,664)	-	86	373	(66)
Debt securities in Issue	-	(6,161)	-	(57)	110	(1)
Subordinated liabilities	-	(1,865)	-	(7)	24	-
Foreign exchange risk						
Debt securities in issue	-	(75)	-	2	2	-
Total	**24,900**	**(28,765)**	**(23)**	**24**	**(32)**	**(40)**

2020 Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item Assets €m	Liabilities €m	Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item Assets €m	Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Remaining adjustments for discontinued hedges €m
Interest rate risk						
Debt instruments measured at FVOCI	10,837	-	271	-	69	43
Debt securities at amortised cost	5,706	-	233	-	71	-
Loans and advances to customers	7,720	-	87	-	63	2
Customer accounts	-	(17,727)	-	(308)	(129)	(78)
Debt securities in issue[4]	-	(5,271)	-	(170)	(25)	(1)
Subordinated liabilities[4]	-	(1,324)	-	(26)	(14)	-
Foreign exchange risk						
Debt securities in issue	-	(78)	1	-	4	-
Total	**24,263**	**(24,400)**	**592**	**(504)**	**39**	**(34)**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within net trading income on the income statement.*
[3] *The main cause of ineffectiveness in the Group's fair value hedge relationships are differences in maturities between certain interest rate swaps and their related hedged items.*
[4] *In the table above, the hedged item amounts related to debt securities in issue have been restated in order exclude and separately disclose the hedged item amounts related to subordinated liabilities in line with their balance sheet presentation. Within debt securities in issue, the carrying amount of the hedged item has been decreased by €1,324 million to €5,271 million, the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item has been decreased by €26 million to €170 million and the change in value used for calculating hedge ineffectiveness has been decreased by €14 million to €25 million; with corresponding increases in subordinated liabilities.*

21 Derivative financial instruments *(continued)*

Cash flow hedges

The Group designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets and liabilities and from foreign currency assets.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year were as follows.

2021 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or (loss) [2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or (loss)[4] €m	Nominal amount of the hedging instruments affected by BMR reform[5] €m
Interest rate risk								
Interest rate swaps	217	-	(11)	20	(20)	-	(6)	-
Foreign exchange risk								
Cross currency interest rate swaps	10,989	-	(471)	(838)	838	-	912	5
Total	**11,206**	**-**	**(482)**	**(818)**	**818**	**-**	**906**	**5**

2020 Risk category and hedging instrument[1]	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	 Liabilities €m	Changes in value used for calculating hedge ineffectiveness €m	Changes in the value of the hedging instrument recognised in other comprehensive income €m	Ineffectiveness recognised in profit or (loss)[2,3] €m	Amount reclassified from the cash flow hedge reserve to profit or (loss)[4] €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk								
Interest rate swaps	856	15	(5)	9	(9)	-	(28)	228
Foreign exchange risk								
Cross currency interest rate swaps	11,876	180	(21)	464	(464)	-	(375)	3,152
Total	**12,732**	**195**	**(26)**	**473**	**(473)**	**-**	**(403)**	**3,380**

[1] *All hedging instruments are included within derivative financial instruments on the balance sheet.*
[2] *Ineffectiveness is included within net trading income on the income statement.*
[3] *There are no material causes of ineffectiveness in the Group's cash flow hedges.*
[4] *Balances include €nil (2020: €nil) amounts transferred to profit or loss for which hedge accounting was previously applied but for which hedged future cash flows are not expected to occur. The line items affected in profit or loss because of the reclassification are net interest income and net trading income.*
[5] *Represents one cross-currency interest rate swap covered by the ISDA fallback protocol, which was triggered immediately after the GBP LIBOR cessation date of 31 December 2021.*

21 Derivative financial instruments *(continued)*

2021 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	(20)	16	12
Foreign exchange risk	838	14	-
Total	**818**	**30**	**12**

2020 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discontinued hedges €m
Interest rate risk	(9)	(5)	8
Foreign exchange risk	(464)	24	-
Total	**(473)**	**19**	**8**

In 2021 and 2020, there were no forecast transactions to which the Group had applied hedge accounting which were no longer expected to occur.

Movements in the cash flow hedge reserve are shown in note 19 (page 252).

Movement in cash flow hedge reserve	2021 €m	2020 €m
Changes in fair value		
- Interest rate risk	(19)	41
- Foreign exchange risk	(902)	353
Transfer to income statement		
Interest income		
- Interest rate risk	(2)	(7)
- Foreign exchange risk	84	68
Net trading income / (expense)		
- Interest rate risk	(4)	(21)
- Foreign exchange risk	828	(443)
Deferred tax on reserve movements	5	(3)
Net decrease in cash flow hedge reserve	**(10)**	**(12)**

22 Other financial assets at fair value through profit or loss

Other financial assets at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost.

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the policyholders. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal change in the value of the amounts due to policyholders. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet. At 31 December 2021, such assets were €17,991 million (2020: €15,258 million). Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €13,108 million (2020: €10,889 million) (note 58).

Other financial assets of €2,087 million (2020: €2,134 million) include €1,964 million (2020: €1,980 million) relating to assets held by the Group's life assurance business for solvency margin purposes or as backing for non-linked policyholder liabilities. Further details on financial assets mandatorily measured at FVTPL is set out in note 61. Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €303 million (2020: €219 million) (note 58).

	2021 €m	2020 €m
Assets linked to policyholder liabilities		
Equity securities	13,674	11,266
Unit trusts	1,450	1,710
Debt securities	1,900	1,644
Government bonds	967	638
	17,991	**15,258**
Other financial assets		
Government bonds	836	904
Debt securities	868	898
Unit trusts	275	192
Equity securities	108	140
	2,087	**2,134**
Other financial assets at fair value through profit or loss	**20,078**	**17,392**

23 Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost or financial assets mandatorily at FVTPL. The associated impairment loss allowance on loans and advances to banks at amortised cost is measured on a 12-month or lifetime ECL approach.

Loans and advances to banks at FVTPL include assets managed on a fair value basis by the life assurance business and those assets which do not meet the requirements in order to be measured at FVOCI or amortised cost. At 31 December 2021, the Group's loans and advances to banks includes €184 million (2020: €200 million) of assets held on behalf of Wealth and Insurance life policyholders.

Mandatory deposits with central banks includes €1.2 billion relating to collateral in respect of the Group's issued bank notes in NI (2020: €1.2 billion).

Placements with other banks includes cash collateral of €0.8 billion (2020: €0.6 billion) placed with derivative counterparties in relation to net derivative liability positions (note 21).

The Group enters into transactions to purchase securities with agreement to resell and accepts collateral that it is permitted to be sold or repledged in the absence of default by the owner of the collateral. At 31 December 2021, the fair value of this collateral was €61 million (2020: €nil). This balance is now included in the loans and advances to banks at FVTPL.

	2021 €m	2020 €m
Mandatory deposits with central banks	1,263	1,288
Placements with banks	1,172	917
Funds placed with central banks not on demand	36	22
	2,471	**2,227**
Less impairment loss allowance on loans and advances to banks	(1)	(1)
Loans and advances to banks at amortised cost	**2,470**	**2,226**
Loans and advances to banks at FVTPL	280	227
Loans and advances to banks	**2,750**	**2,453**

There has been no significant change in the impairment loss allowance on loans and advances to banks held at amortised cost during the year. The composition of loans and advances to banks at amortised cost by stage is set out on page 275 and the asset quality of loans and advances to banks at amortised cost is set out on page 285.

Loans and advances to banks at FVTPL are not subject to impairment under IFRS 9.

24 Debt securities at amortised cost

The following table details the significant categories of debt securities at amortised cost.

At 31 December 2021, debt securities at amortised cost with a fair value of €4,712 million (2020: €99 million) had been pledged to third parties in sale and repurchase agreements. This relates to Irish Government bonds pledged to the CBI as part of the TLTRO III drawdown. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

The composition of debt securities at amortised cost by stage is set out on page 275 and the asset quality of debt securities at amortised cost is set out on page 285.

	2021 €m	2020 €m
Government bonds	5,231	5,494
Other debt securities at amortised cost	737	739
Asset backed securities	41	36
Less impairment loss allowance	(1)	(3)
Debt securities at amortised cost	**6,008**	**6,266**

25 Financial assets at fair value through other comprehensive income

At 31 December 2021, debt instruments at FVOCI with a fair value of €5,326 million (2020: €24 million) had been pledged to third parties in sale and repurchase agreements. This relates to government and corporate bonds pledged to the CBI as part of the TLTRO III drawdown. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

The impairment loss allowance for ECL of €3 million (2020: €3 million) on debt instruments at FVOCI does not reduce the carrying amount, but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement. The composition of debt instruments at FVOCI by stage is set out on page 275 and the asset quality of debt instruments at FVOCI is set out on page 285.

In 2021, the Group disposed of debt instruments at FVOCI of €1,924 million (2020: €1,124 million) which resulted in a transfer of €16 million (2020: €7 million) from the debt instruments at FVOCI reserve to the income statement.

At 31 December 2021, financial assets at FVOCI included €5,486 million (2020: €921 million) placed with Monetary Authorities as collateral, to access intra-day and other funding facilities. These include assets pledged to the CBI as part of the TLTRO III.

	2021 €m	2020 €m
Debt instruments at FVOCI		
Government bonds	5,082	5,879
Other debt securities - listed	4,375	5,063
Total debt instruments at FVOCI	**9,457**	**10,942**
Impairment loss allowance on debt instruments at FVOCI	**(3)**	**(3)**

Fair value	2021 €m	2020 €m
Opening balance	**10,942**	**10,797**
Additions	1,446	3,029
Redemptions and disposals	(2,620)	(2,863)
Revaluation, exchange and other adjustments	(311)	(21)
Closing balance	**9,457**	**10,942**

26 Assets classified as held for sale

At 31 December 2021, the Group is in the process of disposing of a number of its RoI and NI branch properties and two ATM fleets with a carrying value of €5 million. These transactions are as follows:

- Retail UK is in the process of disposing of some of its NI branch properties with a carrying value of €2 million. As a result, these assets have been reclassified from property, plant and equipment to assets classified as held for sale. The assets are measured at their fair value less costs to sell of €2 million; and
- Retail UK reached an agreement in 2020 to transfer ownership of c.1,400 ATMs directly to the Post Office and to remove a further c.600 Bank of Ireland UK Post Office ATMs. The remaining assets at 31 December 2021 are measured at their fair value less costs to sell of €2 million (2020: €3 million).

	2021 €m	2020 €m
Retail UK	4	3
- NI Branches	*2*	-
- Post Office ATMs	*2*	*3*
Retail RoI	1	2
At end of year	**5**	**5**

- Retail Ireland is in the process of disposing of its non-branch ATMs and a small number of its ROI branch properties with a combined carrying value of €1 million (2020: €2 million)

27 Loans and advances to customers

Loans and advances to customers includes cash collateral of €118 million (2020: €5 million) placed with derivative counterparties in relation to net derivative liability positions.

Of loans and advances to customers at FVTPL, €225 million (2020: €239 million) represent the Life Loan mortgage product, which was offered by the Group until November 2010. The cash flows of the Life Loans are not considered to consist solely of payments of principal and interest and as such are classified as FVTPL. The remaining €201 million (2020: €122 million) of loans and advances to customers at FVTPL relate to syndicated corporate facilities. As the Group's objective is to realise cash flows through the sale of these assets, they are classified as loans and advances to customers at FVTPL.

Included within loans and advances to customers is €360 million (2020: €328 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

In June 2021, the Group completed a transaction whereby it derecognised €0.3 billion of loans and advances to customers (after impairment loss allowance) as follows:

- the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs through an unconsolidated special purpose vehicle, Mulcair 2 (note 58). The portfolio had a gross carrying value of €339 million (before impairment loss allowance) and a net carrying value of €301 million (after impairment loss allowance);
- the Group has transferred the beneficial interest in the loans to Mulcair 2 which in turn has issued notes backed by these loans. The Group have retained 5% of the risks, rewards and cash flows in Mulcair 2 by way of a Vertical Risk Retention Loan which is held in debt securities at amortised cost;
- the residential mortgage assets have been derecognised from the balance sheet; and
- the Group has recognised an impairment gain of €12 million relating to the disposal of these loans which has been reported through net impairment losses on financial instruments, see note 16.

	2021 €m	2020 €m
Loans and advances to customers at amortised cost	74,324	74,870
Finance leases and hire purchase receivables	3,554	3,592
	77,878	**78,462**
Less allowance for impairment charges on loans and advances to customers	(1,958)	(2,242)
Loans and advances to customers at amortised cost	**75,920**	**76,220**
Loans and advances to customers at fair value through profit or loss[1]	426	361
Total loans and advances to customers	**76,346**	**76,581**
Amounts include:		
Due from joint ventures and associates	131	106

[1] *Loans and advances to customers at fair value through profit or loss are not subject to impairment under IFRS 9.*

27 Loans and advances to customers *(continued)*

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost.

2021 Gross carrying amount at amortised cost (before impairment loss allowance)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	38,708	14,354	3,280	4,863	61,205
Stage 2 - Lifetime ECL (not credit-impaired)	2,779	5,100	4,299	229	12,407
Stage 3 - Lifetime ECL (credit-impaired)	1,773	1,305	970	137	4,185
Purchased / originated credit-impaired[1]	2	15	64	-	81
Gross carrying amount at 31 December 2021	**43,262**	**20,774**	**8,613**	**5,229**	**77,878**

2021 Impairment loss allowance	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	28	67	10	65	170
Stage 2 - Lifetime ECL not credit-impaired	60	247	78	31	416
Stage 3 - Lifetime ECL credit-impaired	416	439	416	76	1,347
Purchased / originated credit-impaired[1]	-	2	23	-	25
Impairment loss allowance at 31 December 2021	**504**	**755**	**527**	**172**	**1,958**

2020 Gross carrying amount at amortised cost (before impairment loss allowance)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	40,016	10,637	2,639	4,961	58,253
Stage 2 - Lifetime ECL (not credit-impaired)	2,528	8,181	4,869	165	15,743
Stage 3 - Lifetime ECL (credit-impaired)	2,196	1,014	1,021	145	4,376
Purchased / originated credit-impaired[1]	2	26	62	-	90
Gross carrying amount at 31 December 2020	**44,742**	**19,858**	**8,591**	**5,271**	**78,462**

2020 Impairment loss allowance	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Stage 1 - 12 month ECL (not credit-impaired)	74	134	9	129	346
Stage 2 - Lifetime ECL not credit-impaired	31	368	126	27	552
Stage 3 - Lifetime ECL credit-impaired	374	416	442	80	1,312
Purchased / originated credit-impaired[1]	-	13	19	-	32
Impairment loss allowance at 31 December 2020	**479**	**931**	**596**	**236**	**2,242**

[1] *At 31 December 2021, Purchased /Originated credit impaired (POCI) assets of €81 million (December 2020 : €90 million) included €1 million (December 2020 : €1 million) of assets with an impairment loss allowance of €nil (December 2020: €nil) which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.*

27 Loans and advances to customers *(continued)*

The following tables show the changes in gross carrying amount and impairment loss allowances of loans and advances to customers at amortised cost for the year ended 31 December 2021. The tables are prepared based on a combination of aggregation of monthly movements for material term loan portfolios (i.e. incorporating all movements a loan in these portfolios has made during the year) and full year movements for revolving-type facilities and less material (primarily Consumer) portfolios.

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the credit risk section of the Risk Management Report on pages 171 to 172 and the Group accounting policies note on page 215 with updates for 2021 outlined in the Credit Risk section of the Risk Management Report on pages 164 to 174.

Transfers between each stage reflect the balances and impairment loss allowances prior to transfer. The impact of re-measurement of impairment loss allowance on stage transfer is reported within 're-measurement' in the new stage that a loan has transferred into. For those tables based on an aggregation of the months transfers between stages, transfers may include loans which have subsequently transferred back to their original stage or migrated further to another stage.

'Net changes in exposure' comprise the movements in the gross carrying amount and impairment loss allowance as a result of new loans originated and repayments of outstanding balances throughout the reporting period.

'Net impairment (losses) / gains in income statement' does not include the impact of cash recoveries which are recognised directly in the income statement (note 16).

'Remeasurements' includes the impact of remeasurement on stage transfers noted above, other than those directly related to the update of FLI and / or other model and parameter updates, changes in management adjustments and remeasurement due to changes in asset quality that did not result in a transfer to another stage.

'ECL model parameter changes' represents the impact on impairment loss allowances of semi-annual updates to the FLI and other model and parameter updates used in the measurement of impairment loss allowances, including the impact of stage migrations where the migration is directly related to the update of FLI and / or other model and parameter updates.

'Impairment loss allowances utilised' represents the reduction in the gross carrying amount and associated impairment loss allowance on loans where the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The utilisation of an allowance does not, of itself, alter a customer's obligations nor does it impact on the Group's rights to take relevant enforcement action.

2021 **Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit impaired) €m**	**Stage 2 - Lifetime ECL (not credit impaired) €m**	**Stage 3 - Lifetime ECL (credit impaired) €m**	**Purchased / originated credit impaired [1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**58,253**	**15,743**	**4,376**	**90**	**78,462**
Total net transfers	(1,049)	173	876	-	-
- to 12-month ECL not credit-impaired	*9,095*	*(9,086)*	*(9)*	-	-
- to lifetime ECL not credit-impaired	*(9,828)*	*10,356*	*(528)*	-	-
- to lifetime ECL credit-impaired	*(316)*	*(1,097)*	*1,413*	-	-
Net changes in exposure	2,034	(3,910)	(937)	2	(2,811)
Impairment loss allowances utilised	-	-	(244)	(16)	(260)
Exchange adjustments	2,050	387	113	5	2,555
Measurement reclassification and other movements	(83)	14	1	-	(68)
Gross carrying amount at 31 December 2021	**61,205**	**12,407**	**4,185**	**81**	**77,878**

[1] *At 31 December 2021, POCI assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.*

27 Loans and advances to customers *(continued)*

2021 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**346**	**552**	**1,312**	**32**	**2,242**
Total net transfers	128	(166)	38	-	-
- to 12-month ECL not credit-impaired	*235*	*(232)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(102)*	*165*	*(63)*	-	-
- to lifetime ECL credit-impaired	*(5)*	*(99)*	*104*	-	-
Net impairment (losses) / gains in income statement	(315)	22	174	7	(112)
- Re-measurement	*(186)*	*249*	*313*	*7*	*383*
- Net changes in exposure	*9*	*(130)*	*(165)*	-	*(286)*
- ECL model parameter changes	*(138)*	*(97)*	*26*	-	*(209)*
Impairment loss allowances utilised	-	-	(244)	(16)	(260)
Exchange adjustments	10	6	16	2	34
Measurement reclassification and other movements	1	2	51	-	54
Impairment loss allowance at 31 December 2021	**170**	**416**	**1,347**	**25**	**1,958**
Impairment coverage at 31 December 2021 (%)	**0.28%**	**3.35%**	**32.19%**	**30.86%**	**2.51%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2021 includes €97 million of contractual amounts outstanding that are still subject to enforcement activity.

Total gross loans and advances to customers decreased during the period by €0.6 billion from €78.5 billion as at 31 December 2020 to €77.9 billion as at 30 December 2021.

Stage 1 loans have increased by €3.0 billion primarily reflecting the impact of net new lending of €2.0 billion and positive foreign exchange movements of €2.0 billion offset by net transfers to other risk stages of €1.0 billion. Total net transfers to other risk stages reflects the impact of a post model staging adjustment whereby customers identified as highly impacted by COVID-19, that impairment models classify as Stage 1 are classified as Stage 2.

Impairment loss allowances (ILAs) on Stage 1 loans have decreased by €176 million resulting in a decrease in coverage on Stage 1 loans from 0.59% at 31 December 2020 to 0.28% at 31 December 2021. ECL model parameter changes, which includes the impact of FLI / impairment model parameter updates, resulted in a reduction of €138 million during 2021 due to positive changes in the macroeconomic outlook. Re-measurements contributed a decrease of €186 million reflecting a reduction in the proportion of the Group's COVID-19 post-model management adjustment applied to Stage 1 loans, combined with the impact of re-measuring net transfers from other stages from lifetime ECL to 12 month ECL.

Stage 2 loans have decreased by €3.3 billion with net repayments of €3.9 billion, primarily in the Non-property SME and corporate portfolio offset by foreign exchange movements of €0.4 billion and net transfers from other stages of €0.2 billion. Net transfers from other stages of €0.2 billion reflects the impact of the post model staging adjustment of €3.2 billion at 31 December 2021 offset by impairment model updates incorporating the improved macroeconomic outlook.

Coverage on Stage 2 loans has decreased from 3.51% at 31 December 2020 to 3.35% at 31 December 2021. The impact of the net repayment of Stage 2 exposures noted above was a reduction in ILAs with net transfers to other stages resulting in a reduction of €166 million. 'ECL model parameter changes' contributing a decrease of €97 million, of which €89 million relates to the Non-property SME and corporate portfolio reflecting the improved macroeconomic outlook. Re-measurement increased Stage 2 ILAs by €249 million, reflected an increase in post-model management adjustments allocated to Stage 2 loans.

Stage 3 loans have decreased by €0.2 billion with the key drivers being the impact of net reductions in exposures of €0.9 billion (including the €0.3 billion securitisation of ROI Mortgages NPEs) and the utilisation of impairment loss allowances of €0.2 billion, offset by a net transfer in from other stages of €0.9 billion. The net transfer in from other stages reflects the emergence of new defaults for case specific reasons primarily in the Corporate and Property and construction portfolios partly offset by ongoing resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

Stage 3 ILAs have increased by €35 million with re-measurement of €313 million and ECL model parameter changes of €26 million offset by the utilisation of ILAs of €244 million and the impact of net reductions in exposure of €165 million across all portfolios. The increase in ILA due to Re-measurement reflects the impact of a net increase of €92 million in post-model management adjustments on Stage 3 Residential Mortgages as well as other model updates in Residential Mortgages and case specific loss emergence on a small number of defaulted cases in the Corporate Banking portfolio.

[1] At 31 December 2021, POCI assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.

[2] The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2021 is €nil.

27 Loans and advances to customers *(continued)*

Cover on Stage 3 loans has increased from 30% at 31 December 2020 to 32% at 31 December 2021. The increase is primarily driven by an increase in Stage 3 cover in the Residential Mortgages portfolio from 17% at 31 December 2020 to 23% at 31 December 2020 due to the impact of the increase in post model management adjustments. This was offset by a decrease in impairment cover observed in the Non-property SME and corporate from 41% to 34% reflecting case specific impairment assessments for some larger defaulted assets.

2020 **Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit impaired) €m**	**Stage 2 - Lifetime ECL (not credit impaired) €m**	**Stage 3 - Lifetime ECL (credit impaired) €m**	**Purchased / originated credit impaired[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**71,778**	**5,571**	**3,099**	**95**	**80,543**
Total net transfers	(13,909)	11,867	2,042	-	-
- to 12-month ECL not credit-impaired	*4,139*	*(4,076)*	*(63)*	-	-
- to lifetime ECL not credit-impaired	*(17,512)*	*18,036*	*(524)*	-	-
- to lifetime ECL credit-impaired	*(536)*	*(2,093)*	*2,629*	-	-
Net changes in exposure	2,149	(1,457)	(528)	(1)	163
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(1,849)	(234)	(65)	(4)	(2,152)
Measurement reclassification and other movements	84	(4)	1	-	81
Gross carrying amount at 31 December 2020	**58,253**	**15,743**	**4,376**	**90**	**78,462**

2020 **Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1,2] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2020	**142**	**188**	**976**	**2**	**1,308**
Total net transfers	(3)	(58)	61	-	-
- to 12-month ECL not credit-impaired	*110*	*(101)*	*(9)*	-	-
- to lifetime ECL not credit-impaired	*(101)*	*161*	*(60)*	-	-
- to lifetime ECL credit-impaired	*(12)*	*(118)*	*130*	-	-
Net impairment (losses) / gains in income statement	212	424	433	30	1,099
- Re-measurement	*116*	*165*	*602*	*30*	*913*
- Net changes in exposure	*(1)*	*(63)*	*(131)*	-	*(195)*
- ECL model parameter changes	*97*	*322*	*(38)*	-	*381*
Impairment loss allowances utilised	-	-	(173)	-	(173)
Exchange adjustments	(4)	(2)	(9)	-	(15)
Measurement reclassification and other movements	(1)	-	24	-	23
Impairment loss allowance at 31 December 2020	**346**	**552**	**1,312**	**32**	**2,242**
Impairment coverage at 31 December 2020 (%)	**0.59%**	**3.51%**	**29.98%**	**35.56%**	**2.86%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2020 included €78 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 31 December 2020, POCI assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2020 was €nil.*

27 Loans and advances to customers *(continued)*

The movement in both the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost by portfolio asset class is set out in the following tables. These tables are prepared on the same basis as the total Group tables as set out above.

Residential Mortgages

2021 **Residential mortgages - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**40,016**	**2,528**	**2,196**	**2**	**44,742**
Total net transfers	(890)	743	147	-	-
- to 12-month ECL not credit-impaired	*3,820*	*(3,820)*	*-*	*-*	*-*
- to lifetime ECL not credit-impaired	*(4,519)*	*4,859*	*(340)*	*-*	*-*
- to lifetime ECL credit-impaired	*(191)*	*(296)*	*487*	*-*	*-*
Net changes in exposure	(1,857)	(540)	(581)	-	(2,978)
Impairment loss allowances utilised	-	-	(37)	-	(37)
Exchange adjustments	1,435	46	48	-	1,529
Measurement reclassification and other movements	4	2	-	-	6
Gross carrying amount at 31 December 2021	**38,708**	**2,779**	**1,773**	**2**	**43,262**

2021 **Residential mortgages - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1,2] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**74**	**31**	**374**	**-**	**479**
Total net transfers	59	(44)	(15)	-	-
- to 12-month ECL not credit-impaired	*75*	*(75)*	*-*	*-*	*-*
- to lifetime ECL not credit-impaired	*(15)*	*42*	*(27)*	*-*	*-*
- to lifetime ECL credit-impaired	*(1)*	*(11)*	*12*	*-*	*-*
Net impairment (losses) / gains in income statement	(109)	72	83	1	47
- Re-measurement	*(68)*	*81*	*101*	*1*	*115*
- Net changes in exposure	*(18)*	*(8)*	*(34)*	*-*	*(60)*
- ECL model parameter changes	*(23)*	*(1)*	*16*	*-*	*(8)*
Impairment loss allowances utilised	-	-	(37)	-	(37)
Exchange adjustments	4	1	3	(1)	7
Measurement reclassification and other movements	-	-	8	-	8
Impairment loss allowance at 31 December 2021	**28**	**60**	**416**	**-**	**504**
Impairment coverage at 31 December 2021 (%)	**0.07%**	**2.16%**	**23.46%**	**-**	**1.16%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2021 includes €6 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 31 December 2021, POCI assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2021 is €nil.*

27 Loans and advances to customers *(continued)*

2020 Residential mortgages - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total gross carrying amount €m
Opening balance 1 January 2020	**42,898**	**1,677**	**1,693**	**3**	**46,271**
Total net transfers	(1,788)	1,050	738	-	-
- to 12-month ECL not credit-impaired	*1,827*	*(1,787)*	*(40)*	-	-
- to lifetime ECL not credit-impaired	*(3,330)*	*3,657*	*(327)*	-	-
- to lifetime ECL credit-impaired	*(285)*	*(820)*	*1,105*	-	-
Net changes in exposure	78	(168)	(190)	(1)	(281)
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1,190)	(31)	(25)	-	(1,246)
Measurement reclassification and other movements	18	-	-	-	18
Gross carrying amount at 31 December 2020	**40,016**	**2,528**	**2,196**	**2**	**44,742**

2020 Residential mortgages - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**16**	**36**	**380**	**-**	**432**
Total net transfers	34	(36)	2	-	-
- to 12-month ECL not credit-impaired	*45*	*(42)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(10)*	*38*	*(28)*	-	-
- to lifetime ECL credit-impaired	*(1)*	*(32)*	*33*	-	-
Net impairment (losses) / gains in income statement	25	32	3	-	60
- Re-measurement	*13*	*28*	*52*	-	*93*
- Net changes in exposure	*(4)*	-	*(16)*	-	*(20)*
- ECL model parameter changes	*16*	*4*	*(33)*	-	*(13)*
Impairment loss allowances utilised	-	-	(20)	-	(20)
Exchange adjustments	(1)	(1)	(2)	-	(4)
Measurement reclassification and other movements	-	-	11	-	11
Impairment loss allowance at 31 December 2020	**74**	**31**	**374**	**-**	**479**
Impairment coverage at 31 December 2020 (%)	**0.18%**	**1.23%**	**17.03%**	**-**	**1.07%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2020 included €16 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *At 31 December 2020, POCI assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.*

[2] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2020 was €nil.*

27 Loans and advances to customers *(continued)*

Non-property SME and corporate

2021 Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**10,637**	**8,181**	**1,014**	**26**	**19,858**
Total net transfers	681	(1,175)	494	-	-
- to 12-month ECL not credit-impaired	*3,896*	*(3,890)*	*(6)*	-	-
- to lifetime ECL not credit-impaired	*(3,137)*	*3,260*	*(123)*	-	-
- to lifetime ECL credit-impaired	*(78)*	*(545)*	*623*	-	-
Net changes in exposure	2,683	(2,150)	(132)	3	404
Impairment loss allowances utilised	-	-	(95)	(16)	(111)
Exchange adjustments	341	228	21	1	591
Measurement reclassification and other movements	12	16	3	1	32
Gross carrying amount at 31 December 2021	**14,354**	**5,100**	**1,305**	**15**	**20,774**

2021 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**134**	**368**	**416**	**13**	**931**
Total net transfers	60	(91)	31	-	-
- to 12-month ECL not credit-impaired	*138*	*(136)*	*(2)*	-	-
- to lifetime ECL not credit-impaired	*(76)*	*100*	*(24)*	-	-
- to lifetime ECL credit-impaired	*(2)*	*(55)*	*57*	-	-
Net impairment (losses) / gains in income statement	(128)	(34)	70	4	(88)
- Re-measurement	*(91)*	*143*	*106*	*4*	*162*
- Net changes in exposure	*22*	*(88)*	*(46)*	-	*(112)*
- ECL model parameter changes	*(59)*	*(89)*	*10*	-	*(138)*
Impairment loss allowances utilised	-	-	(95)	(16)	(111)
Exchange adjustments	-	2	2	1	5
Measurement reclassification and other movements	1	2	15	-	18
Impairment loss allowance at 31 December 2021	**67**	**247**	**439**	**2**	**755**
Impairment coverage at 31 December 2021 (%)	**0.47%**	**4.84%**	**33.64%**	**13.33%**	**3.63%**

Impairment loss allowances utilised on Non-property SME and corporate during 2021 includes €40 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2021 is €nil.*

27 Loans and advances to customers *(continued)*

2020 Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2020	**17,474**	**2,175**	**757**	**27**	**20,433**
Total net transfers	(7,786)	7,196	590	-	-
- to 12-month ECL not credit-impaired	*1,393*	*(1,377)*	*(16)*	-	-
- to lifetime ECL not credit-impaired	*(9,020)*	*9,132*	*(112)*	-	-
- to lifetime ECL credit-impaired	*(159)*	*(559)*	*718*	-	-
Net changes in exposure	1,277	(1,045)	(222)	-	10
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	(389)	(143)	(23)	(1)	(556)
Measurement reclassification and other movements	61	(2)	1	-	60
Gross carrying amount at 31 December 2020	**10,637**	**8,181**	**1,014**	**26**	**19,858**

2020 Non-property SME and corporate - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**56**	**78**	**353**	**-**	**487**
Total net transfers	(38)	13	25	-	-
- to 12-month ECL not credit-impaired	*38*	*(35)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(72)*	*92*	*(20)*	-	-
- to lifetime ECL credit-impaired	*(4)*	*(44)*	*48*	-	-
Net impairment (losses) / gains in income statement	117	277	126	13	533
- Re-measurement	*100*	*91*	*214*	*13*	*418*
- Net changes in exposure	*(27)*	*(38)*	*(87)*	-	*(152)*
- ECL model parameter changes	*44*	*224*	*(1)*	-	*267*
Impairment loss allowances utilised	-	-	(89)	-	(89)
Exchange adjustments	-	-	(2)	-	(2)
Measurement reclassification and other movements	(1)	-	3	-	2
Impairment loss allowance at 31 December 2020	**134**	**368**	**416**	**13**	**931**
Impairment coverage at 31 December 2020 (%)	**1.26%**	**4.50%**	**41.03%**	**50.00%**	**4.69%**

Impairment loss allowances utilised on Non-property SME and corporate during 2020 included €11 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2020 was €nil.*

27 Loans and advances to customers *(continued)*

Property and construction

2021 Property and construction - Gross carrying amount (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total gross carrying amount €m
Opening balance 1 January 2021	**2,639**	**4,869**	**1,021**	**62**	**8,591**
Total net transfers	(649)	469	180	-	-
- to 12-month ECL not credit-impaired	*1,268*	*(1,268)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(1,915)*	*1,968*	*(53)*	-	-
- to lifetime ECL credit-impaired	*(2)*	*(231)*	*233*	-	-
Net changes in exposure	1,333	(1,141)	(205)	(1)	(14)
Impairment loss allowances utilised	-	-	(64)	-	(64)
Exchange adjustments	58	106	40	4	208
Measurement reclassification and other movements	(101)	(4)	(2)	(1)	(108)
Gross carrying amount at 31 December 2021	**3,280**	**4,299**	**970**	**64**	**8,613**

2021 Property and construction - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1,2] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**9**	**126**	**442**	**19**	**596**
Total net transfers	6	(25)	19	-	-
- to 12-month ECL not credit-impaired	*12*	*(12)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(6)*	*12*	*(6)*	-	-
- to lifetime ECL credit-impaired	*-*	*(25)*	*25*	-	-
Net impairment (losses) / gains in income statement	(5)	(24)	(9)	2	(36)
- Re-measurement	*(8)*	*3*	*72*	*2*	*69*
- Net changes in exposure	*6*	*(22)*	*(82)*	*-*	*(98)*
- ECL model parameter changes	*(3)*	*(5)*	*1*	*-*	*(7)*
Impairment loss allowances utilised	-	-	(64)	-	(64)
Exchange adjustments	-	1	9	2	12
Measurement reclassification and other movements	-	-	19	-	19
Impairment loss allowance at 31 December 2021	**10**	**78**	**416**	**23**	**527**
Impairment coverage at 31 December 2021 (%)	**0.30%**	**1.81%**	**42.89%**	**35.94%**	**6.12%**

Impairment loss allowances utilised on Property and construction during 2021 includes €7 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] At 31 December 2021, POCI assets included €nil of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.

[2] The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2021 is €nil.

27 Loans and advances to customers *(continued)*

2020 **Property and construction - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2020	**5,985**	**1,513**	**549**	**65**	**8,112**
Total net transfers	(4,158)	3,541	617	-	-
- to 12-month ECL not credit-impaired	*769*	*(769)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(4,895)*	*4,963*	*(68)*	-	-
- to lifetime ECL credit-impaired	*(32)*	*(653)*	*685*	-	-
Net changes in exposure	896	(128)	(104)	-	664
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	(90)	(55)	(15)	(3)	(163)
Measurement reclassification and other movements	6	(2)	-	-	4
Gross carrying amount at 31 December 2020	**2,639**	**4,869**	**1,021**	**62**	**8,591**

2020 **Property and construction - Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2020	**6**	**42**	**180**	**2**	**230**
Total net transfers	(1)	(22)	23	-	-
- to 12-month ECL not credit-impaired	*10*	*(10)*	*-*	-	-
- to lifetime ECL not credit-impaired	*(11)*	*17*	*(6)*	-	-
- to lifetime ECL credit-impaired	*-*	*(29)*	*29*	-	-
Net impairment (losses) / gains in income statement	4	106	262	17	389
- Re-measurement	*-*	*16*	*282*	*17*	*315*
- Net changes in exposure	*2*	*(5)*	*(21)*	*-*	*(24)*
- ECL model parameter changes	*2*	*95*	*1*	*-*	*98*
Impairment loss allowances utilised	-	-	(26)	-	(26)
Exchange adjustments	-	-	(3)	-	(3)
Measurement reclassification and other movements	-	-	6	-	6
Impairment loss allowance at 31 December 2020	**9**	**126**	**442**	**19**	**596**
Impairment coverage at 31 December 2020 (%)	**0.34%**	**2.59%**	**43.29%**	**30.65%**	**6.94%**

Impairment loss allowances utilised on Property and construction during 2020 included €20 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2020 was €nil.*

27 Loans and advances to customers *(continued)*

Consumer

2021 Consumer - Gross carrying amount (before impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2021	**4,961**	**165**	**145**	**-**	**5,271**
Total net transfers	(191)	136	55	-	-
- to 12-month ECL not credit-impaired	*111*	*(108)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(257)*	*269*	*(12)*	-	-
- to lifetime ECL credit-impaired	*(45)*	*(25)*	*70*	-	-
Net changes in exposure	(125)	(79)	(19)	-	(223)
Impairment loss allowances utilised	-	-	(48)	-	(48)
Exchange adjustments	216	7	4	-	227
Measurement reclassification and other movements	2	-	-	-	2
Gross carrying amount at 31 December 2021	**4,863**	**229**	**137**	**-**	**5,229**

2021 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**129**	**27**	**80**	**-**	**236**
Total net transfers	3	(6)	3	-	-
- to 12-month ECL not credit-impaired	*10*	*(9)*	*(1)*	-	-
- to lifetime ECL not credit-impaired	*(5)*	*11*	*(6)*	-	-
- to lifetime ECL credit-impaired	*(2)*	*(8)*	*10*	-	-
Net impairment (losses) / gains in income statement	(73)	8	30	-	(35)
- Re-measurement	*(19)*	*22*	*34*	-	*37*
- Net changes in exposure	*(1)*	*(12)*	*(3)*	-	*(16)*
- ECL model parameter changes	*(53)*	*(2)*	*(1)*	-	*(56)*
Impairment loss allowances utilised	-	-	(48)	-	(48)
Exchange adjustments	6	2	2	-	10
Measurement reclassification and other movements	-	-	9	-	9
Impairment loss allowance at 31 December 2021	**65**	**31**	**76**	**-**	**172**
Impairment Coverage at 31 December 2021 (%)	**1.34%**	**13.54%**	**55.47%**	**-**	**3.29%**

Impairment loss allowances utilised on consumer during 2021 includes €44 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2021 is €nil.*

27 Loans and advances to customers *(continued)*

2020 Consumer - Gross carrying amount (before impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total gross carrying amount €m
Opening balance 1 January 2020	**5,421**	**206**	**100**	**-**	**5,727**
Total net transfers	(177)	80	97	-	-
- to 12-month ECL not credit-impaired	*150*	*(143)*	*(7)*	-	-
- to lifetime ECL not credit-impaired	*(267)*	*284*	*(17)*	-	-
- to lifetime ECL credit-impaired	*(60)*	*(61)*	*121*	-	-
Net changes in exposure	(102)	(116)	(12)	-	(230)
Impairment loss allowances utilised	-	-	(38)	-	(38)
Exchange adjustments	(180)	(5)	(2)	-	(187)
Measurement reclassification and other movements	(1)	-	-	-	(1)
Gross carrying amount at 31 December 2020	**4,961**	**165**	**145**	**-**	**5,271**

2020 Consumer - Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total impairment loss allowance €m
Opening balance 1 January 2020	**64**	**32**	**63**	**-**	**159**
Total net transfers	2	(13)	11	-	-
- to 12-month ECL not credit-impaired	*17*	*(14)*	*(3)*	-	-
- to lifetime ECL not credit-impaired	*(8)*	*14*	*(6)*	-	-
- to lifetime ECL credit-impaired	*(7)*	*(13)*	*20*	-	-
Net impairment (losses) / gains in income statement	66	9	42	-	117
- Re-measurement	*3*	*30*	*54*	-	*87*
- Net changes in exposure	*28*	*(20)*	*(7)*	-	*1*
- ECL model parameter changes	*35*	*(1)*	*(5)*	-	*29*
Impairment loss allowances utilised	-	-	(38)	-	(38)
Exchange adjustments	(3)	(1)	(2)	-	(6)
Measurement reclassification and other movements	-	-	4	-	4
Impairment loss allowance at 31 December 2020	**129**	**27**	**80**	**-**	**236**
Impairment Coverage at 31 December 2020 (%)	**2.60%**	**16.36%**	**55.17%**	**-**	**4.48%**

Impairment loss allowances utilised on consumer during 2020 included €31 million of contractual amounts outstanding that are still subject to enforcement activity.

[1] *The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially POCI during 2020 was €nil.*

27 Loans and advances to customers *(continued)*

Finance leases and hire purchase receivables

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and business customers.

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed in the table below. The net investment in finance leases at 31 December 2021 was €3,554 million, a decrease of €38 million since 31 December 2020. This was primarily driven by volume decreases in the Northridge business in Retail UK.

	2021 €m	2020 €m
Gross investment in finance leases		
Not later than 1 year	1,081	1,169
1 to 2 years	1,017	1,057
2 to 3 years	845	926
3 to 4 years	595	496
4 to 5 years	256	186
Later than 5 years	13	15
	3,807	**3,849**
Unearned future finance income on finance leases	(253)	(257)
Net investment in finance leases	**3,554**	**3,592**
The net investment in finance leases is analysed as follows:		
Not later than 1 year	1,008	1,090
1 to 2 years	948	986
2 to 3 years	790	864
3 to 4 years	556	463
4 to 5 years	240	175
Later than 5 years	12	14
	3,554	**3,592**

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both residential mortgages and commercial loans. In general, the assets, or interests in the assets, are transferred to structured entities, which then issue securities to third party investors or to other entities within the Group. With the exception of Mulcair Securities DAC and Mulcair Securities No.2 DAC, all of the Group's securitisation structured entities are consolidated. See note 58 for further details.

28 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the credit risk methodologies are set out on pages 168 to 174.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: funding and liquidity risk, market risk and life insurance risk. The Group's approach to the management of these risks, together with its approach to Capital management, are set out in sections 3.4 (credit risk), 3.5 (funding and liquidity risk), 3.6 (life insurance risk), 3.7 (market risk) and 4 (capital management) of the Risk Management Report.

The table below illustrates the relationship between the Group's internal credit risk rating grades as used for credit risk management purposes and PD percentages and further illustrates the indicative relationship with credit risk ratings used by external rating agencies.

28 Credit risk exposures *(continued)*

Internal credit risk ratings

PD Grade	PD %	Indicative S&P type external ratings
1-4	0% ≤ PD < 0.26%	AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB
5-7	0.26% ≤ PD < 1.45%	BBB-, BB+, BB, BB-
8-9	1.45% ≤ PD < 3.60%	B+
10-11	3.60% ≤ PD < 100%	B, Below B
12 (credit-impaired)	100%	n/a

Financial assets

Composition and risk profile

The tables below summarise the composition and risk profile of the Group's financial assets subject to impairment and the impairment loss allowances on these financial assets.

2021 Financial assets exposure by stage (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	61,205	12,407	4,185	81	77,878
Loans and advances to banks	2,470	1	-	-	2,471
Debt securities	6,006	3	-	-	6,009
Other financial assets	31,530	-	-	-	31,530
Total financial assets measured at amortised cost	**101,211**	**12,411**	**4,185**	**81**	**117,888**
Debt instruments at FVOCI	9,457	-	-	-	9,457
Total	**110,668**	**12,411**	**4,185**	**81**	**127,345**

2021 Impairment loss allowance on financial assets	Stage 1 - 12 month ECL (not credit-impaired) €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	170	416	1,347	25	1,958
Loans and advances to banks	1	-	-	-	1
Debt securities	1	-	-	-	1
Other financial assets	11	-	-	-	11
Total financial assets measured at amortised cost	**183**	**416**	**1,347**	**25**	**1,971**
Debt instruments at FVOCI	3	-	-	-	3
Total	**186**	**416**	**1,347**	**25**	**1,974**

[1] *At 31 December 2021 POCI assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.*

28 Credit risk exposures *(continued)*

Loans and advances to customers in the table below and on the preceding page excludes €426 million (2020: €361 million) of loans mandatorily at FVTPL at 31 December 2021 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (note 27).

At 31 December 2021, other financial assets includes: cash and balances at central banks of €31,371 million (2020: €10,957 million) and items in the course of collection from other banks of €159 million (2020: €166 million). The tables below and on the preceding page exclude loan commitments, guarantees and letters of credit of €16,023 million at 31 December 2021 (2020: €15,897 million) that are subject to impairment (note 46).

2020 **Financial assets exposure by stage (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	58,253	15,743	4,376	90	78,462
Loans and advances to banks	2,227	-	-	-	2,227
Debt securities	6,258	11	-	-	6,269
Other financial assets	11,123	-	-	-	11,123
Total financial assets measured at amortised cost	**77,861**	**15,754**	**4,376**	**90**	**98,081**
Debt instruments at FVOCI	10,942	-	-	-	10,942
Total	**88,803**	**15,754**	**4,376**	**90**	**109,023**

2020 **Impairment loss allowance on financial assets**	**Stage 1 - 12 month ECL (not credit-impaired) €m**	**Stage 2 - Lifetime ECL (not credit-impaired) €m**	**Stage 3 - Lifetime ECL (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	346	552	1,312	32	2,242
Loans and advances to banks	1	-	-	-	1
Debt securities	1	2	-	-	3
Other financial assets	4	-	-	-	4
Total financial assets measured at amortised cost	**352**	**554**	**1,312**	**32**	**2,250**
Debt instruments at FVOCI	3	-	-	-	3
Total	**355**	**554**	**1,312**	**32**	**2,253**

[1] *At 31 December 2020, POCI assets included €1 million of assets with an impairment loss allowance of €nil which, while credit-impaired upon purchase or origination were no longer credit-impaired at the reporting date due to improvements in credit risk. These assets will remain classified as POCI until derecognition.*

28 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

The table below summarises the composition and risk profile of the Group's loans and advances to customers at amortised cost.

	2021				2020			
Loans and advances to customers Composition and risk profile (before impairment loss allowance)[1]	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Total %**
Residential mortgages	41,487	1,773	43,260	56%	42,544	2,196	44,740	57%
- Retail Ireland	*21,349*	*1,047*	*22,396*	*29%*	*21,432*	*1,508*	*22,940*	*29%*
- Retail UK	*20,138*	*726*	*20,864*	*27%*	*21,112*	*688*	*21,800*	*28%*
Non-property SME and corporate	19,454	1,305	20,759	26%	18,818	1,014	19,832	25%
- Republic of Ireland SME	*6,317*	*680*	*6,997*	*9%*	*6,401*	*672*	*7,073*	*9%*
- UK SME	*1,552*	*137*	*1,689*	*2%*	*1,676*	*114*	*1,790*	*2%*
- Corporate	*11,585*	*488*	*12,073*	*15%*	*10,741*	*228*	*10,969*	*14%*
Property and construction	7,579	970	8,549	11%	7,508	1,021	8,529	11%
- Investment	*6,549*	*939*	*7,488*	*10%*	*6,584*	*987*	*7,571*	*10%*
- Development	*1,030*	*31*	*1,061*	*1%*	*924*	*34*	*958*	*1%*
Consumer	5,092	137	5,229	7%	5,126	145	5,271	7%
Total	**73,612**	**4,185**	**77,797**	**100%**	**73,996**	**4,376**	**78,372**	**100%**
Impairment loss allowance on loans and advances to customers[2]	**586**	**1,347**	**1,933**	**2%**	**898**	**1,312**	**2,210**	**3%**

Asset quality - not credit-impaired

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are not credit-impaired.

2021	Stage 1				Stage 2			
Not credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	**Loans €m**	**Loans as % of total advances %**	**Impairment loss allowance €m**	**Impairment loss allowance as % of loans %**	**Loans €m**	**Loans as % of total advances %**	**Impairment loss allowance €m**	**Impairment loss allowance as % of loans %**
Residential mortgages	38,708	50%	28	0.07%	2,779	4%	60	2.16%
- Retail Ireland	*19,573*	*25%*	*17*	*0.09%*	*1,776*	*2%*	*47*	*2.65%*
- Retail UK	*19,135*	*25%*	*11*	*0.06%*	*1,003*	*2%*	*13*	*1.30%*
Non-property SME and corporate	14,354	18%	67	0.47%	5,100	7%	247	4.84%
- Republic of Ireland SME	*4,241*	*5%*	*39*	*0.92%*	*2,076*	*3%*	*136*	*6.55%*
- UK SME	*1,102*	*1%*	*4*	*0.36%*	*450*	*1%*	*16*	*3.56%*
- Corporate	*9,011*	*12%*	*24*	*0.27%*	*2,574*	*3%*	*95*	*3.69%*
Property and construction	3,280	4%	10	0.30%	4,299	5%	78	1.81%
- Investment	*2,596*	*3%*	*6*	*0.23%*	*3,953*	*5%*	*71*	*1.80%*
- Development	*684*	*1%*	*4*	*0.58%*	*346*	*-*	*7*	*2.02%*
Consumer	4,863	6%	65	1.34%	229	-	31	13.54%
Total	**61,205**	**78%**	**170**	**0.28%**	**12,407**	**16%**	**416**	**3.35%**

[1] Excluded from the table above are POCI assets of €81 million (2020: €90 million), €1 million (2020: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition.

[2] Excluded from the table above is Impairment loss allowance of €25 million (2020: €32 million) on POCI assets.

28 Credit risk exposures *(continued)*

2020 Not credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	Stage 1 Loans €m	Stage 1 Loans as % of total advances %	Stage 1 Impairment loss allowance €m	Stage 1 Impairment loss allowance as % of loans %	Stage 2 Loans €m	Stage 2 Loans as % of total advances %	Stage 2 Impairment loss allowance €m	Stage 2 Impairment loss allowance as % of loans %
Residential mortgages	40,016	51%	74	0.18%	2,528	3%	31	1.23%
- Retail Ireland	*19,552*	*25%*	*44*	*0.23%*	*1,880*	*2%*	*20*	*1.06%*
- Retail UK	*20,464*	*26%*	*30*	*0.15%*	*648*	*1%*	*11*	*1.70%*
Non-property SME and corporate	10,637	14%	134	1.26%	8,181	11%	368	4.50%
- Republic of Ireland SME	*4,155*	*5%*	*96*	*2.31%*	*2,246*	*3%*	*144*	*6.41%*
- UK SME	*1,064*	*1%*	*9*	*0.85%*	*612*	*1%*	*37*	*6.05%*
- Corporate	*5,418*	*8%*	*29*	*0.54%*	*5,323*	*7%*	*187*	*3.51%*
Property and construction	2,639	3%	9	0.34%	4,869	6%	126	2.59%
- Investment	*2,357*	*3%*	*7*	*0.30%*	*4,227*	*5%*	*103*	*2.44%*
- Development	*282*	*-*	*2*	*0.71%*	*642*	*1%*	*23*	*3.58%*
Consumer	4,961	6%	129	2.60%	165	-	27	16.36%
Total	**58,253**	**74%**	**346**	**0.59%**	**15,743**	**20%**	**552**	**3.51%**

The table below provides analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve month PD of each loan to a PD grade based on the table provided on page 275.

2021 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages €m	Residential mortgages %	Non-property SME and corporate €m	Non-property SME and corporate %	Property and construction €m	Property and construction %	Consumer €m	Consumer %	Total €m	Total %
Stage 1										
1-4	3,523	8%	4,636	24%	226	3%	11	-	8,396	11%
5-7	31,746	77%	6,534	34%	2,507	33%	612	12%	41,399	56%
8-9	2,465	6%	2,327	12%	399	5%	2,785	55%	7,976	11%
10-11	974	2%	857	4%	148	2%	1,455	29%	3,434	5%
Total Stage 1	**38,708**	**93%**	**14,354**	**74%**	**3,280**	**43%**	**4,863**	**96%**	**61,205**	**83%**
Stage 2										
1-4	32	-	211	1%	-	-	-	-	243	-
5-7	1,515	4%	1,567	7%	2,352	32%	2	-	5,436	7%
8-9	435	1%	1,658	9%	1,153	15%	67	1%	3,313	5%
10-11	797	2%	1,664	9%	794	10%	160	3%	3,415	5%
Total Stage 2	**2,779**	**7%**	**5,100**	**26%**	**4,299**	**57%**	**229**	**4%**	**12,407**	**17%**
Not credit-impaired										
1-4	3,555	8%	4,847	25%	226	3%	11	-	8,639	11%
5-7	33,261	81%	8,101	41%	4,859	65%	614	12%	46,835	63%
8-9	2,900	7%	3,985	21%	1,552	20%	2,852	56%	11,289	16%
10-11	1,771	4%	2,521	13%	942	12%	1,615	32%	6,849	10%
Total not credit-impaired	**41,487**	**100%**	**19,454**	**100%**	**7,579**	**100%**	**5,092**	**100%**	**73,612**	**100%**

[1] *Excluded from the table above are POCI assets of €81 million (2020: €90 million), €1 million (2020: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These assets will remain classified as POCI until derecognition.*

28 Credit risk exposures *(continued)*

2020 Not credit-impaired loans and advances to customers Asset quality[1] - PD grade	Residential mortgages €m	Residential mortgages %	Non-property SME and corporate €m	Non-property SME and corporate %	Property and construction €m	Property and construction %	Consumer €m	Consumer %	Total €m	Total %
Stage 1										
1-4	1,819	4%	1,351	7%	-	-	1	-	3,171	4%
5-7	20,287	48%	2,290	12%	2,198	29%	325	6%	25,100	34%
8-9	13,952	33%	4,824	26%	375	5%	2,803	55%	21,954	30%
10-11	3,958	9%	2,172	12%	66	1%	1,832	36%	8,028	11%
Total Stage 1	**40,016**	**94%**	**10,637**	**57%**	**2,639**	**35%**	**4,961**	**97%**	**58,253**	**79%**
Stage 2										
1-4	-	-	48	-	-	-	-	-	48	-
5-7	266	1%	2,040	11%	1,933	26%	-	-	4,239	6%
8-9	946	2%	1,953	10%	1,994	27%	23	-	4,916	7%
10-11	1,316	3%	4,140	22%	942	12%	142	3%	6,540	8%
Total Stage 2	**2,528**	**6%**	**8,181**	**43%**	**4,869**	**65%**	**165**	**3%**	**15,743**	**21%**
Not credit-impaired										
1-4	1,819	4%	1,399	7%	-	-	1	-	3,219	4%
5-7	20,553	49%	4,330	23%	4,131	55%	325	6%	29,339	40%
8-9	14,898	35%	6,777	36%	2,369	32%	2,826	55%	26,870	37%
10-11	5,274	12%	6,312	34%	1,008	13%	1,974	39%	14,568	19%
Total not credit-impaired	**42,544**	**100%**	**18,818**	**100%**	**7,508**	**100%**	**5,126**	**100%**	**73,996**	**100%**

Asset quality - credit-impaired

Credit-impaired (CI) loans include loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security and loans where the borrower is greater than 90 days past due and the arrears amount is material. All credit-impaired loans and advances to customers are risk rated PD grade 12.

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are credit-impaired (i.e. Stage 3).

Credit-impaired loans and advances to customers Composition and impairment loss allowance[1]	2021 Credit-impaired loans €m	2021 CI loans as % of total advances %	2021 Impairment loss allowance €m	2021 ILA as % of loans %	2020 Credit-impaired loans €m	2020 CI loans as % of total advances %	2020 Impairment loss allowance €m	2020 ILA as % of loans %
Residential mortgages	1,773	2%	416	23%	2,196	3%	374	17%
- Retail Ireland	*1,047*	*1%*	*362*	*35%*	*1,508*	*2%*	*329*	*22%*
- Retail UK	*726*	*1%*	*54*	*7%*	*688*	*1%*	*45*	*7%*
Non-property SME and corporate	1,305	2%	439	34%	1,014	1%	416	41%
- Republic of Ireland SME	*680*	*1%*	*258*	*38%*	*672*	*1%*	*261*	*39%*
- UK SME	*137*	*-*	*30*	*22%*	*114*	*-*	*26*	*23%*
- Corporate	*488*	*1%*	*151*	*31%*	*228*	*-*	*129*	*57%*
Property and construction	970	1%	416	43%	1,021	1%	442	43%
- Investment	*939*	*1%*	*408*	*43%*	*987*	*1%*	*427*	*43%*
- Development	*31*	*-*	*8*	*26%*	*34*	*-*	*15*	*44%*
Consumer	137	-	76	55%	145	-	80	55%
Total credit-impaired	**4,185**	**5%**	**1,347**	**32%**	**4,376**	**5%**	**1,312**	**30%**

[1] *Excluded from the table above are POCI assets of €81 million (2020: €90 million), €1 million (2020: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase or origination. These loans will remain classified as POCI loans until derecognition.*

28 Credit risk exposures *(continued)*

Segmental analysis

The tables below provide an analysis of the risk profile of loans and advances to customers at amortised cost by division.

2021 Risk profile of loans and advances to customers (before impairment loss allowance)	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets[1] €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit-impaired)	26,196	23,338	11,671	61,205
Stage 2 - Lifetime ECL (not credit-impaired)	4,790	1,865	5,752	12,407
Stage 3 - Lifetime ECL (credit-impaired)	2,010	1,224	951	4,185
Purchased / originated credit-impaired	2	64	15	81
Gross carrying amount at 31 December 2021	**32,998**	**26,491**	**18,389**	**77,878**

2020 Risk profile of loans and advances to customers (before impairment loss allowance)	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets[1] €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit-impaired)	26,124	24,712	7,417	58,253
Stage 2 - Lifetime ECL (not credit-impaired)	5,181	1,783	8,779	15,743
Stage 3 - Lifetime ECL (credit-impaired)	2,557	1,202	617	4,376
Purchased / originated credit-impaired	2	61	27	90
Gross carrying amount at 31 December 2020	**33,864**	**27,758**	**16,840**	**78,462**

2021 Risk profile of loans and advances to customers - non-performing exposures	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets[1] €m**	**Total Group €m**
Credit-impaired[2]	2,011	1,288	966	4,265
Not credit-impaired[3]	42	4	-	46
Total	**2,053**	**1,292**	**966**	**4,311**

2020 Risk profile of loans and advances to customers - non-performing exposures	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets[1] €m**	**Total Group €m**
Credit-impaired[2]	2,558	1,263	644	4,465
Not credit-impaired[3]	30	8	-	38
Total	**2,588**	**1,271**	**644**	**4,503**

[1] *Formerly Corporate and Treasury, renamed Corporate and Markets.*
[2] *Credit-impaired loans include Stage 3 and POCI assets which remain credit-impaired at the reporting date.*
[3] *Not credit-impaired figures include forborne loans that had yet to satisfy exit criteria in line with European Banking Authority guidance to return to performing.*

28 Credit risk exposures *(continued)*

Geographical and industry analysis of loans and advances to customers

The following tables provide a geographical and industry breakdown of loans and advances to customers at amortised cost and the associated impairment loss allowances.

2021	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
Geographical[1] / industry analysis	RoI €m	UK €m	RoW[2] €m	Total €m	RoI €m	UK €m	RoW[2] €m	Total €m
Personal	**24,436**	**24,055**	**-**	**48,491**	**487**	**189**	**-**	**676**
- Residential mortgages	*22,398*	*20,864*	*-*	*43,262*	*426*	*78*	*-*	*504*
- Other consumer lending	*2,038*	*3,191*	*-*	*5,229*	*61*	*111*	*-*	*172*
Property and construction	**7,585**	**1,028**	**-**	**8,613**	**243**	**284**	**-**	**527**
- Investment	*6,557*	*995*	*-*	*7,552*	*226*	*282*	*-*	*508*
- Development	*1,028*	*33*	*-*	*1,061*	*17*	*2*	*-*	*19*
Non-property SME & corporate[3]	**17,363**	**2,233**	**1,178**	**20,774**	**652**	**75**	**28**	**755**
- Manufacturing	*3,432*	*311*	*499*	*4,242*	*62*	*6*	*15*	*83*
- Administrative and support service activities	*2,147*	*380*	*175*	*2,702*	*91*	*9*	*1*	*101*
- Wholesale and retail trade	*1,963*	*299*	*45*	*2,307*	*70*	*5*	*-*	*75*
- Agriculture, forestry and fishing	*1,482*	*228*	*-*	*1,710*	*49*	*5*	*-*	*54*
- Accommodation and food service activities	*1,561*	*101*	*39*	*1,701*	*89*	*5*	*4*	*98*
- Human health services and social work activities	*1,352*	*207*	*104*	*1,663*	*37*	*17*	*2*	*56*
- Financial and Insurance activities	*1,005*	*49*	*-*	*1,054*	*11*	*2*	*-*	*13*
- Transport and storage	*744*	*87*	*76*	*907*	*59*	*7*	*1*	*67*
- Other services	*707*	*52*	*127*	*886*	*55*	*3*	*3*	*61*
- Real estate activities	*596*	*176*	*-*	*772*	*58*	*8*	*-*	*66*
- Professional, scientific and technical activities	*618*	*28*	*57*	*703*	*16*	*-*	*-*	*16*
- Arts, entertainment and recreation	*429*	*56*	*7*	*492*	*30*	*6*	*1*	*37*
- Education	*297*	*78*	*29*	*404*	*3*	*-*	*-*	*3*
- Other sectors	*1,030*	*181*	*20*	*1,231*	*22*	*2*	*1*	*25*
Total	**49,384**	**27,316**	**1,178**	**77,878**	**1,382**	**548**	**28**	**1,958**
Analysed by stage:								
Stage 1	36,561	23,783	861	61,205	104	62	4	170
Stage 2	10,219	1,939	249	12,407	336	68	12	416
Stage 3	2,587	1,530	68	4,185	940	395	12	1,347
Purchased / originated credit-impaired	17	64	-	81	2	23	-	25
Total	**49,384**	**27,316**	**1,178**	**77,878**	**1,382**	**548**	**28**	**1,958**

[1] The geographical breakdown is primarily based on the location of the business unit where the asset is booked.
[2] Rest of World (RoW).
[3] The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities. Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.

28 Credit risk exposures *(continued)*

2020	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
Geographical[1] / industry analysis	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**	**RoI €m**	**UK €m**	**RoW[2] €m**	**Total €m**
Personal	**24,933**	**25,080**	**-**	**50,013**	**464**	**251**	**-**	**715**
- Residential mortgages	*22,942*	*21,800*	*-*	*44,742*	*393*	*86*	*-*	*479*
- Other consumer lending	*1,991*	*3,280*	*-*	*5,271*	*71*	*165*	*-*	*236*
Property and construction	**7,379**	**1,212**	**-**	**8,591**	**317**	**279**	**-**	**596**
- Investment	*6,477*	*1,156*	*-*	*7,633*	*287*	*269*	*-*	*556*
- Development	*902*	*56*	*-*	*958*	*30*	*10*	*-*	*40*
Non-property SME & corporate[3]	**16,292**	**2,383**	**1,183**	**19,858**	**798**	**99**	**34**	**931**
- Manufacturing	*3,101*	*341*	*458*	*3,900*	*98*	*16*	*16*	*130*
- Administrative and support service activities	*1,913*	*324*	*199*	*2,436*	*113*	*13*	*6*	*132*
- Wholesale and retail trade	*2,022*	*291*	*36*	*2,349*	*118*	*9*	*-*	*127*
- Accommodation and food service activities	*1,542*	*144*	*35*	*1,721*	*84*	*6*	*1*	*91*
- Agriculture, forestry and fishing	*1,460*	*211*	*-*	*1,671*	*63*	*4*	*-*	*67*
- Human health services and social work activities	*1,196*	*211*	*113*	*1,520*	*52*	*22*	*1*	*75*
- Transport and storage	*855*	*88*	*51*	*994*	*63*	*4*	*2*	*69*
- Other services	*717*	*58*	*145*	*920*	*58*	*3*	*5*	*66*
- Professional, scientific and technical activities	*600*	*37*	*69*	*706*	*19*	*1*	*1*	*21*
- Financial and Insurance activities	*619*	*76*	*1*	*696*	*15*	*1*	*-*	*16*
- Real estate activities	*414*	*173*	*-*	*587*	*47*	*10*	*-*	*57*
- Arts, entertainment and recreation	*462*	*56*	*11*	*529*	*30*	*7*	*1*	*38*
- Education	*294*	*78*	*39*	*411*	*8*	*-*	*1*	*9*
- Other sectors	*1,097*	*295*	*26*	*1,418*	*30*	*3*	*-*	*33*
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**
Analysed by stage:								
Stage 1	32,404	25,095	754	58,253	200	139	7	346
Stage 2	13,320	2,015	408	15,743	438	93	21	552
Stage 3	2,851	1,504	21	4,376	928	378	6	1,312
Purchased / originated credit-impaired	29	61	-	90	13	19	-	32
Total	**48,604**	**28,675**	**1,183**	**78,462**	**1,579**	**629**	**34**	**2,242**

[1] The geographical breakdown is primarily based on the location of the business unit where the asset is booked.
[2] Rest of World (RoW).
[3] The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities. Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.

28 Credit risk exposures *(continued)*

The following tables provide an analysis of loans and advances to customers at amortised cost and the associated impairment loss allowances, by portfolio, sub-sector and stage.

2021	**Gross carrying amount (before impairment loss allowance)**					**Impairment loss allowance**				
Sectoral analysis by stage	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI €m**	**Total €m**	**Stage 1 €m**	**Stage 2 €m**	**Stage 3 €m**	**POCI €m**	**Total €m**
Personal										
Residential mortgages	38,708	2,779	1,773	2	43,262	28	60	416	-	504
Other consumer	4,863	229	137	-	5,229	65	31	76	-	172
- Motor lending UK	*1,731*	*46*	*26*	*-*	*1,803*	*7*	*3*	*11*	*-*	*21*
- Loans UK	*1,297*	*48*	*43*	*-*	*1,388*	*39*	*19*	*33*	*-*	*91*
- Motor lending RoI	*720*	*-*	*27*	*-*	*747*	*8*	*-*	*9*	*-*	*17*
- Loans RoI	*653*	*122*	*30*	*-*	*805*	*9*	*7*	*16*	*-*	*32*
- Credit cards - RoI	*462*	*13*	*11*	*-*	*486*	*2*	*2*	*7*	*-*	*11*
	43,571	**3,008**	**1,910**	**2**	**48,491**	**93**	**91**	**492**	**-**	**676**
Property and construction	**3,280**	**4,299**	**970**	**64**	**8,613**	**10**	**78**	**416**	**23**	**527**
- Investment	*2,596*	*3,953*	*939*	*64*	*7,552*	*6*	*71*	*408*	*23*	*508*
- Development	*684*	*346*	*31*	*-*	*1,061*	*4*	*7*	*8*	*-*	*19*
Non-property SME & corporate[1]	**14,354**	**5,100**	**1,305**	**15**	**20,774**	**67**	**247**	**439**	**2**	**755**
- Manufacturing	*3,239*	*876*	*127*	*-*	*4,242*	*12*	*39*	*32*	*-*	*83*
- Administrative and support service activities	*1,803*	*762*	*122*	*15*	*2,702*	*7*	*41*	*51*	*2*	*101*
- Wholesale and retail trade	*1,895*	*301*	*111*	*-*	*2,307*	*10*	*16*	*49*	*-*	*75*
- Agriculture, forestry and fishing	*1,427*	*159*	*124*	*-*	*1,710*	*11*	*7*	*36*	*-*	*54*
- Accommodation and food service activities	*243*	*1,231*	*227*	*-*	*1,701*	*1*	*44*	*53*	*-*	*98*
- Human health services and social work activities	*994*	*604*	*65*	*-*	*1,663*	*5*	*30*	*21*	*-*	*56*
- Financial and Insurance activities	*988*	*50*	*16*	*-*	*1,054*	*2*	*4*	*7*	*-*	*13*
- Transport and storage	*568*	*189*	*150*	*-*	*907*	*3*	*8*	*56*	*-*	*67*
- Other services	*619*	*170*	*97*	*-*	*886*	*2*	*11*	*48*	*-*	*61*
- Real estate activities	*418*	*242*	*112*	*-*	*772*	*5*	*15*	*46*	*-*	*66*
- Professional, scientific and technical activities	*578*	*99*	*26*	*-*	*703*	*4*	*3*	*9*	*-*	*16*
- Arts, entertainment and recreation	*199*	*233*	*60*	*-*	*492*	*-*	*21*	*16*	*-*	*37*
- Education	*375*	*28*	*1*	*-*	*404*	*2*	*1*	*-*	*-*	*3*
- Other sectors	*1,008*	*156*	*67*	*-*	*1,231*	*3*	*7*	*15*	*-*	*25*
Total	**61,205**	**12,407**	**4,185**	**81**	**77,878**	**170**	**416**	**1,347**	**25**	**1,958**

[1] *The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities. Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.*

28 Credit risk exposures *(continued)*

2020 Sectoral analysis by stage	Gross carrying amount (before impairment loss allowance) Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	Impairment loss allowance Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m
Personal										
Residential mortgages	40,016	2,528	2,196	2	44,742	74	31	374	-	479
Other consumer	4,961	165	145	-	5,271	129	27	80	-	236
- Motor lending UK	*1,798*	*71*	*31*	*-*	*1,900*	*10*	*5*	*13*	*-*	*28*
- Loans UK	*1,295*	*43*	*42*	*-*	*1,380*	*90*	*17*	*32*	*-*	*139*
- Motor lending RoI	*751*	*-*	*22*	*-*	*773*	*8*	*-*	*8*	*-*	*16*
- Loans RoI	*678*	*42*	*33*	*-*	*753*	*18*	*4*	*17*	*-*	*39*
- Credit cards - RoI	*439*	*9*	*17*	*-*	*465*	*3*	*1*	*10*	*-*	*14*
	44,977	**2,693**	**2,341**	**2**	**50,013**	**203**	**58**	**454**	**-**	**715**
Property and construction	**2,639**	**4,869**	**1,021**	**62**	**8,591**	**9**	**126**	**442**	**19**	**596**
- Investment	*2,357*	*4,227*	*987*	*62*	*7,633*	*7*	*103*	*427*	*19*	*556*
- Development	*282*	*642*	*34*	*-*	*958*	*2*	*23*	*15*	*-*	*40*
Non-property SME & corporate[1]	**10,637**	**8,181**	**1,014**	**26**	**19,858**	**134**	**368**	**416**	**13**	**931**
- Manufacturing	*2,076*	*1,742*	*82*	*-*	*3,900*	*19*	*75*	*36*	*-*	*130*
- Administrative and support service activities	*1,388*	*926*	*96*	*26*	*2,436*	*25*	*39*	*55*	*13*	*132*
- Wholesale and retail trade	*1,520*	*688*	*141*	*-*	*2,349*	*19*	*31*	*77*	*-*	*127*
- Accommodation and food service activities	*236*	*1,354*	*131*	*-*	*1,721*	*5*	*46*	*40*	*-*	*91*
- Agriculture, forestry and fishing	*1,187*	*352*	*132*	*-*	*1,671*	*16*	*16*	*35*	*-*	*67*
- Human health services and social work activities	*727*	*760*	*33*	*-*	*1,520*	*10*	*55*	*10*	*-*	*75*
- Transport and storage	*436*	*489*	*69*	*-*	*994*	*4*	*23*	*42*	*-*	*69*
- Other services	*431*	*370*	*119*	*-*	*920*	*3*	*15*	*48*	*-*	*66*
- Professional, scientific and technical activities	*475*	*216*	*15*	*-*	*706*	*7*	*9*	*5*	*-*	*21*
- Financial and Insurance activities	*588*	*85*	*23*	*-*	*696*	*4*	*5*	*7*	*-*	*16*
- Real estate activities	*308*	*190*	*89*	*-*	*587*	*12*	*10*	*35*	*-*	*57*
- Arts, entertainment and recreation	*78*	*389*	*62*	*-*	*529*	*1*	*20*	*17*	*-*	*38*
- Education	*311*	*99*	*1*	*-*	*411*	*2*	*6*	*1*	*-*	*9*
- Other sectors	*876*	*521*	*21*	*-*	*1,418*	*7*	*18*	*8*	*-*	*33*
Total	**58,253**	**15,743**	**4,376**	**90**	**78,462**	**346**	**552**	**1,312**	**32**	**2,242**

Repossessed collateral

At 31 December 2021, the Group had collateral held as security, as follows:

Repossessed collateral is sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

Repossessed collateral	2021 €m	2020 €m
Residential properties		
Ireland	9	9
UK and other	4	3
	13	12
Other	1	2
Total	**14**	**14**

[1] *The Non-property SME & corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities. Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'. The NACE codes reported in the table above can therefore differ period on period.*

28 Credit risk exposures *(continued)*

Asset quality - other financial assets

The table below summarises the asset quality of debt instruments at FVOCI by IFRS 9 twelve month PD grade.

Debt instruments at FVOCI Asset quality	2021						2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	8,882	94%	-	-	8,882	94%	10,265	94%	-	-	10,265	94%
5-7	575	6%	-	-	575	6%	677	6%	-	-	677	6%
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**9,457**	**100%**	**-**	**-**	**9,457**	**100%**	**10,942**	**100%**	**-**	**-**	**10,942**	**100%**

The table below summarises the asset quality of debt securities at amortised cost by IFRS 9 twelve month PD grade.

Debt securities at amortised cost (before impairment loss allowance) Asset quality	2021						2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	6,006	100%	3	100%	6,009	100%	6,258	100%	1	9%	6,259	100%
5-7	-	-	-	-	-	-	-	-	1	9%	1	-
8-9	-	-	-	-	-	-	-	-	-	-	-	-
10-11	-	-	-	-	-	-	-	-	9	82%	9	-
Total	**6,006**	**100%**	**3**	**100%**	**6,009**	**100%**	**6,258**	**100%**	**11**	**100%**	**6,269**	**100%**

The table below summarises the asset quality of loans and advances to banks at amortised cost by IFRS 9 twelve month PD grade.

Loans and advances to banks at amortised cost before impairment loss allowance) Asset quality	2021						2020					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,400	97%	-	-	2,400	97%	2,162	97%	-	-	2,162	97%
5-7	7	-	-	-	7	-	7	-	-	-	7	-
8-9	63	3%	1	100%	64	3%	58	3%	-	-	58	3%
10-11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,470**	**100%**	**1**	**100%**	**2,471**	**100%**	**2,227**	**100%**	**-**	**-**	**2,227**	**100%**

28 Credit risk exposures *(continued)*

Asset quality: Other financial instruments

Other financial instruments as set out in the table below include instruments that are not within the scope of IFRS 9 or are not subject to impairment under IFRS 9. These include trading securities, derivative financial instruments, loans and advances to banks at fair value, other financial instruments at FVTPL (excluding equity instruments) and any reinsurance assets. The table summarises the asset quality of these financial instruments by equivalent external risk ratings.

Other financial instruments with ratings equivalent to:	2021		2020	
	€m	%	€m	%
AAA to AA-	4,952	50%	4,984	50%
A+ to A-	2,525	26%	2,677	26%
BBB+ to BBB-	1,780	18%	1,841	18%
BB+ to BB-	354	4%	193	2%
B+ to B-	242	2%	441	4%
Lower than B-	42	-	7	-
Total	**9,895**	**100%**	**10,143**	**100%**

29 Modified financial assets

The following table provides analysis of financial assets for which the contractual cash flows have been modified while they had an impairment loss allowance measured at an amount equal to lifetime ECL and where the modification did not result in derecognition.

	2021 €m	2020 €m
Financial assets modified during the year		
Amortised cost before modification	1,294	1,157
Net modification (losses) / gains (i.e. net of impairment gains impact)	(2)	7
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month expected credit losses during the year	1,400	309

30 Interest in associates

The Group has availed of the venture capital exemption in accounting for a number of its interests in associates. In line with the accounting policy set out on page 220 (note 1), these interests have been designated at initial recognition at FVTPL. Changes in the fair value of these interests are included in the share of results of associates (after tax) line on the income statement.

The Group's other investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

In presenting details of the associates of the Group, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Registration Office.

	2021 €m	2020 €m
At beginning of year	54	56
Increase in investments	15	5
Decrease in investments	(17)	(4)
Share of results after tax (note 17)	7	(3)
At end of year	**59**	**54**
Interest in associates FVTPL	55	54
Interest in associates using equity method	4	-
At end of year	**59**	**54**

31 Interest in joint ventures

For further information on joint ventures refer to note 58 Interests in other entities

	2021 €m	2020 €m
At beginning of year	54	76
Additions	1	-
Dividends received	-	(16)
Share of results after tax (note 17)	(2)	(1)
- First Rate Exchange Services	*(2)*	*(1)*
Exchange adjustments	4	(5)
At end of year	**57**	**54**

32 Intangible assets and goodwill

	2021					2020				
	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost										
At 1 January	**34**	**71**	**2,219**	**180**	**2,504**	**36**	**72**	**2,003**	**211**	**2,322**
Additions	-	-	238	9	247	-	-	229	-	229
Disposals / write-offs	-	-	-	(1)	(1)	-	-	-	(24)	(24)
Exchange adjustments	2	1	18	9	30	(2)	(1)	(13)	(7)	(23)
At 31 December	**36**	**72**	**2,475**	**197**	**2,780**	**34**	**71**	**2,219**	**180**	**2,504**
Amortisation and impairment										
At 1 January	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**	**-**	**(72)**	**(1,243)**	**(169)**	**(1,484)**
Disposals / write-offs	-	-	-	1	1	-	-	-	24	24
Impairment	-	-	(1)	(1)	(2)	(9)	-	(139)	-	(148)
Amortisation charge for the year (note 13)	-	-	(140)	(10)	(150)	-	-	(150)	(14)	(164)
Exchange adjustments	-	(1)	(14)	(9)	(24)	-	1	10	8	19
At 31 December	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**
Net book value	**27**	**-**	**798**	**27**	**852**	**25**	**-**	**697**	**29**	**751**

Computer software internally generated

The category 'computer software internally generated' includes the Transformation Investment asset with a carrying value of €351 million (2020: €295 million). This asset reflects investment in technical infrastructure, applications and software licences. The increase in the carrying value of this asset primarily reflects the continued investment in the Transformation programme during 2021. €274 million (2020: €216 million) of the Transformation Investment asset is an amortising asset, with amortisation periods normally ranging from five to ten years and with the majority being amortised over a period of ten years. At 31 December 2021, the remaining amortisation period for these assets ranges between 1 and 10 years. The remaining €77 million (2020: €79 million) represents assets under construction on which amortisation will commence once the assets are available for use. The residual assets in this category, with a carrying value of €447 million, primarily comprises of Payments and Regulatory assets.

Impairment review - computer software internally generated

During 2021, the Group reviewed its internally generated computer software for any indicators of impairment and recognised an impairment charge of €1 million (31 December 2020: €139 million).

Impairment review – other externally purchased intangible assets

During 2021, the Group reviewed other externally purchased intangible assets for any indicators of impairment and recognised an impairment charge of €1 million (31 December 2020: €nil).

32 Intangible assets and goodwill *(continued)*

Goodwill
Goodwill was recognised on the acquisition of MLL, a car commercial leasing and fleet management company in the UK.

Impairment testing of goodwill
Goodwill is allocated to CGUs at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.

The calculation of the recoverable amount of goodwill for each of these CGU is based upon a VIU calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the CGU. The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the twelve month period ended 31 December 2021 and the next four years' cash flows are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to local economic growth, inflation projections or long term bond yields. The assumed long term growth rate for MLL is 0% (2020: 0%).

Discount rate
The discount rate applied to MLL is the pre-tax weighted average cost of capital for the Group increased to include a risk premium to reflect the specific risk profile of the CGU to the extent that such risk is not already reflected in the forecast cash flows. A rate of 11% has been used in the model.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonably possible changes in key assumptions used to determine the recoverable amount of MLL would not result in an impairment of goodwill.

Impairment Review - Goodwill
Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its VIU, where the VIU is the present value of the future cash flows expected to be derived from the asset. An impairment review was carried out during the year 2021 where no further impairment or goodwill is required at 31 December 2021 (31 December 2020: €9 million).

While there is still uncertainty in the industry as a result of the COVID-19 pandemic and vehicle supply issues, management believe this is temporary and business will recover as the economy and consumer and business confidence improves, it is also supported by 2022 ICAAP.

33 Investment properties

At 31 December 2021, the Group held investment property of €992 million (2020: €843 million) on behalf of Wealth and Insurance policyholders.

Investment properties are carried at fair value as determined by external qualified property surveyors (the 'surveyors') appropriate to the properties held. The surveyors arrive at their opinion of fair value by using their professional judgement in applying comparable current trends in the property market such as rental yields in the retail, office and industrial property sectors, to both the existing rental income stream and also to the future estimated recovery value. Other inputs taken into consideration include occupancy forecasts, rent free periods that may need to be granted to new incoming tenants, capital expenditure and fees. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

As a result of the impact of COVID-19 on the property market surveyors attached less weight to previous market evidence and all December 2020 valuations for retail properties located in the Republic of Ireland (€101 million of investment properties) were prepared on a 'material uncertainty' basis in line with the RICS (Royal Institute of Chartered Surveyors) Valuation - Global Standards.

As at the December 2021 valuation date, property markets are functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Therefore the December 2021 valuations do not include material valuation uncertainty clauses.

In 2021, rental income from investment property amounted to €59 million (2020: €52 million). Expenses directly attributable to investment properties generating rental income was €11 million (2020: €8 million).

	2021 €m	2020 €m
At beginning of year	843	999
Additions	157	-
Revaluation	(17)	(77)
Exchange adjustment	10	(8)
Disposals	(1)	(71)
At end of year	**992**	**843**

34 Property, plant and equipment

2021	Freehold land & buildings & long leaseholds (FV) of which; own-use €m	Freehold land & buildings & long leaseholds (FV) of which; subject to operating lease €m	Adaptations (at cost) of which; own-use €m	Adaptations (at cost) of which; subject to operating lease €m	Computer & other equipment (at cost) of which; own-use €m	Computer & other equipment (at cost) of which; subject to operating lease €m	Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Right of Use assets, excluding investment property Buildings €m	Right of Use assets, excluding investment property Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation at 1 January 2021	**161**	**19**	**158**	**6**	**256**	**130**	**17**	**747**	**510**	**54**	**564**	**1,311**
Additions	-	-	-	-	1	64	8	73	3	1	4	77
Disposals / write offs	-	-	(14)	-	(30)	(37)	-	(81)	(4)	(2)	(6)	(87)
Impairment	-	-	-	-	-	-	(1)	(1)	-	-	-	(1)
Revaluation recognised in income statement	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	(2)	-	6	-	10	-	(15)	(1)	1	-	1	-
Adjustment of lease liability	-	-	-	-	-	-	-	-	(7)	-	(7)	(7)
Exchange adjustments	2	1	1	-	5	9	-	18	3	1	4	22
As at 31 December 2021	**161**	**20**	**151**	**6**	**242**	**166**	**9**	**755**	**506**	**54**	**560**	**1,315**
Accumulated Depreciation at 1 January 2021	**-**	**-**	**(101)**	**(2)**	**(194)**	**(32)**	**-**	**(329)**	**(85)**	**(8)**	**(93)**	**(422)**
Charge for the year (notes 10,13)	-	-	(10)	-	(15)	(27)	-	(52)	(35)	(10)	(45)	(97)
Impairment for the year	-	-	-	-	(2)	-	-	(2)	(27)	-	(27)	(29)
Reversal of previously recognised impairment	-	-	-	-	-	-	-	-	-	-	-	-
Disposals / write-offs	-	-	11	-	23	23	-	57	1	2	3	60
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Exchange adjustments	-	-	(1)	-	(3)	(2)	-	(6)	(1)	-	(1)	(7)
As at 31 December 2021	**-**	**-**	**(101)**	**(2)**	**(191)**	**(38)**	**-**	**(332)**	**(147)**	**(16)**	**(163)**	**(495)**
Net book value at 31 December 2021	**161**	**20**	**50**	**4**	**51**	**128**	**9**	**423**	**359**	**38**	**397**	**820**

At 31 December 2021, property, plant and equipment held at fair value was €181 million (2020: €180 million). The historical cost of property, plant and equipment held at fair value was €78 million (2020: €75 million). The net book value of property, plant and equipment held at cost less accumulated depreciation and impairment (excluding RoU assets) was €242 million (2020: €238 million) and RoU assets was €397 million (2020: €471 million).

At 31 December 2021, €5 million of computer & other equipment and buildings held for own use were transferred to assets classified as held for sale, see note 26 for further details.

34 Property, plant and equipment *(continued)*

2020	Freehold land & buildings & long leaseholds (FV) of which; own-use €m	Freehold land & buildings & long leaseholds (FV) of which; subject to operating lease €m	Adaptations (at cost) of which; own-use €m	Adaptations (at cost) of which; subject to operating lease €m	Computer & other equipment (at cost) of which; own-use €m	Computer & other equipment (at cost) of which; subject to operating lease €m	Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Right of Use assets, excluding investment property Buildings €m	Right of Use assets, excluding investment property Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation at 1 January 2020	**181**	**15**	**165**	**6**	**269**	**145**	**21**	**802**	**547**	**78**	**625**	**1,427**
Additions	-	-	1	-	2	39	12	54	1	49	50	104
Disposals / write offs	-	-	(14)	-	(7)	(46)	-	(67)	(4)	(54)	(58)	(125)
Revaluation recognised in OCI	(8)	(1)	-	-	-	-	-	(9)	-	-	-	(9)
Revaluation recognised in income statement (note 13)	(4)	-	-	-	-	-	-	(4)	-	-	-	(4)
Reclassifications	(6)	6	7	-	(4)	-	(16)	(13)	(1)	-	(1)	(14)
Adjustment of lease liability	-	-	-	-	-	-	-	-	(30)	(18)	(48)	(48)
Exchange adjustments	(2)	(1)	(1)	-	(4)	(8)	-	(16)	(3)	(1)	(4)	(20)
As at 31 December 2020	**161**	**19**	**158**	**6**	**256**	**130**	**17**	**747**	**510**	**54**	**564**	**1,311**
Accumulated Depreciation at 1 January 2020	**-**	**-**	**(102)**	**(2)**	**(200)**	**(31)**	**-**	**(335)**	**(43)**	**(40)**	**(83)**	**(418)**
Charge for the year (notes 10,13)	-	-	(9)	-	(17)	(28)	-	(54)	(41)	(22)	(63)	(117)
Impairment for the year	-	-	-	-	-	-	-	-	(6)	-	(6)	(6)
Reversal of previously recognised impairment	-	-	-	-	3	-	-	3	-	-	-	3
Disposals / write-offs	-	-	9	-	6	25	-	40	4	54	58	98
Reclassifications	-	-	-	-	9	-	-	9	-	-	-	9
Exchange adjustments	-	-	1	-	5	2	-	8	1	-	1	9
As at 31 December 2020	**-**	**-**	**(101)**	**(2)**	**(194)**	**(32)**	**-**	**(329)**	**(85)**	**(8)**	**(93)**	**(422)**
Net book value at 31 December 2020	**161**	**19**	**57**	**4**	**62**	**98**	**17**	**418**	**425**	**46**	**471**	**889**

34 Property, plant and equipment *(continued)*

Future capital expenditure
This table shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Future capital expenditure	2021 €m	2020 €m
Contracted but not provided for in the financial statements	135	167
Authorised by the Directors but not contracted	265	12

Group as lessor
Computer and other equipment subject to an operating lease relates to the business activities of MLL. MLL enters into operating leases, as lessor, through its car and commercial leasing activities. The terms of the leases vary but the majority of the leases typically run for a non-cancellable period of two to four years through which MLL is exposed to residual value risk on the vehicles leased.

MLL ensures that residual value risk is effectively managed to minimise exposure. The residual values used mirror those utilised in the creation of the original client contract. Residual values for MLL's fleet of vehicles are benchmarked against industry standards using third party valuation tools. The residual values for the entire portfolio are reassessed using an independent vehicle valuation estimate on a regular basis throughout the life of the underlying contracts to determine if impairment is required. The process of realising asset values at the end of lease contracts is effectively managed to maximise net sale proceeds. MLL received operating lease income of €37 million in 2021 (2020: €35 million) (note 10).

The Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements. The Group received operating lease income on these leases of €nil in 2021 (2020: €2 million).

The table sets out the future undiscounted operating lease payments receivable.

Operating lease receivables	2021 €m	2020 €m
Not later than 1 year	29	23
1 to 2 years	20	17
2 to 3 years	10	6
3 to 4 years	3	2
4 to 5 year	1	1
Later than 5 years	-	3
Total operating lease receivables	**63**	**52**

35 Deferred tax

The DTA of €1,044 million (31 December 2020: €1,165 million) includes an amount of €1,118 million (31 December 2020: €1,157 million) in respect of operating losses which are available to shelter future profits from tax, of which €1,044 million relates to Irish tax losses carried forward by the 'Bank', €68 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the Bank and €6 million relates to US tax losses carried forward by the US branch of the Bank.

The recognition of a DTA in respect of tax losses carried forward requires the Directors to be satisfied that it is probable that the Group will have sufficient future taxable profits against which the losses can be utilised.

In considering the available evidence to support recognition of the DTA, the Group takes into consideration the impact of both positive and negative evidence including historical financial performance, projections of future taxable income and the impact of tax legislation.

The key judgements and estimates applied in the recognition of deferred tax assets on unused tax losses are set out in Critical Accounting Estimates and Judgements (note 2).

Net DTAs at 31 December 2021 of €1.0 billion (2020: €1.1 billion) are expected to be recovered after more than one year.

Deferred tax liabilities have not been recognised for tax that may be payable if distributable reserves of certain overseas subsidiaries and joint ventures were remitted to Ireland as the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Distributable reserves for overseas subsidiaries and joint ventures totalled €1.5 billion at 31 December 2021 (2020: €1.2 billion).

The Group has not recognised a DTA of €226 million (2020: €194 million) in respect of temporary differences, unused tax losses and tax credits of which €47 million (2020: €43 million) relates to US tax losses which are subject to a 20 year life and are scheduled to expire unused in the period 2027-2029 due to an annual limitation of use. The balance relates to UK tax losses which have no expiry date but are currently not projected to be recovered within 10 years.

The first UK Budget of 2021, which was presented on 3 March 2021, announced that the main rate of UK corporation tax would increase from 19% to 25% in April 2023. This amendment was subsequently enacted during 2021 and therefore the impact of this change of €13 million has been included within the tax charge for the year.

In the second Budget of 2021, presented on 28 October 2021, it was further announced that the bank surcharge rate would decrease from 8% to 3%, also in April 2023. The de minimis level for the surcharge to apply would also increase from €25 million to €100 million from 1 April 2023. This change will reduce future profits that are subject to the surcharge, but has no impact on the December 2021 financial position.

35 Deferred tax *(continued)*

The Organisation for Economic Co-operation and Development (OECD) released the 15% minimum effective tax rate Model Rules on 20 December 2021. These Model Rules are the first of three expected sets of guidance: the Model Rules; an explanatory Commentary, expected in early 2022; and a more detailed Implementation Framework, expected later in 2022. It is currently expected that the new rules will be brought into Irish law in late 2022, to be effective from 1 January 2023 and it is likely that the change will increase the Group's tax charge in future periods. There is no impact on the measurement of current or deferred taxation assets & liabilities at 31 December 2021. The Group will monitor the evolving legislation and recognise and disclose the impact, if any, on the deferred tax asset in the year ending 31 December 2022 as it is currently too early to indicate the possible quantitative effects.

					Balance at 31 December		
2021	**Net balance at 1 January €m**	**Recognised in profit or loss €m**	**Recognised in OCI €m**	**Foreign exchange and other movements €m**	**Net €m**	**Deferred tax assets €m**	**Deferred tax liabilities €m**
Unutilised tax losses	1,157	(39)	-	-	1,118	1,118	-
Pensions and other post retirement benefits	5	(8)	(113)	-	(116)	-	(116)
Assets used in the business	36	5	-	-	41	41	-
Impact of adopting IFRS 9	15	(1)	-	-	14	14	-
Cash flow hedge reserve	1	-	5	-	6	6	-
Other temporary differences - assets	38	21	-	11	70	70	-
Wealth & Insurance - Different Basis of Accounting	(51)	(19)	-	-	(70)	-	(70)
Debt instruments at FVOCI	(24)	1	5	-	(18)	-	(18)
Property revaluation surplus	(18)	-	-	-	(18)	-	(18)
Liability credit reserve	1	-	1	-	2	2	-
Other temporary differences - liabilities	(59)	(16)	-	-	(75)	-	(75)
Tax assets / (liabilities) before set-off	**1,101**	**(56)**	**(102)**	**11**	**954**	**1,251**	**(297)**
Set-off of tax					**-**	**(207)**	**207**
Net tax assets / (liabilities)					**954**	**1,044**	**(90)**

					Balance at 31 December		
2020	**Net balance at 1 January €m**	**Recognised in profit or loss €m**	**Recognised in OCI €m**	**Foreign exchange and other movements €m**	**Net €m**	**Deferred tax assets €m**	**Deferred tax liabilities €m**
Unutilised tax losses	1,089	68	-	-	1,157	1,157	-
Pensions and other post retirement benefits	14	(16)	7	-	5	5	-
Assets used in the business	30	6	-	-	36	36	-
Impact of adopting IFRS 9	18	(3)	-	-	15	15	-
Cash flow hedge reserve	5	-	(3)	(1)	1	1	-
Other temporary differences - assets	26	23	-	(11)	38	38	-
Wealth & Insurance - Different Basis of Accounting	(59)	8	-	-	(51)	-	(51)
Debt instruments at FVOCI	(23)	-	(1)	-	(24)	-	(24)
Property revaluation surplus	(21)	1	2	-	(18)	-	(18)
Liability credit reserve	1	-	-	-	1	1	-
Other temporary differences - liabilities	(63)	4	-	-	(59)	-	(59)
Tax assets / (liabilities) before set-off	**1,017**	**91**	**5**	**(12)**	**1,101**	**1,253**	**(152)**
Set-off of tax					**-**	**(88)**	**88**
Net tax assets / (liabilities)					**1,101**	**1,165**	**(64)**

36 Other assets

	2021 €m	2020 €m
Reinsurance asset	1,302	1,352
ViF asset (note 37)	700	615
Sundry and other debtors	482	427
Interest receivable[1]	328	259
Accounts receivable and prepayments	78	87
Trade receivables[2]	18	76
Contract assets[2]	4	3
Other assets	**2,912**	**2,819**
Other assets are analysed as follows:		
Within 1 year	849	810
After 1 year	2,063	2,009
	2,912	**2,819**
The movement in the reinsurance asset is noted below:		
At beginning of year	1,352	1,108
New business	91	209
Changes in business	(141)	35
At end of year	**1,302**	**1,352**

For the purpose of disclosure of credit risk exposures, the reinsurance asset is included within other financial instruments of €9.9 billion (2020: €10.1 billion) in note 28 on page 286.

37 Life assurance business

The Group recognises the ViF life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. The ViF asset, which is presented gross of attributable tax, represents the present value of future profits, less an allowance for the cost of required capital, expected to arise from insurance contracts written by the reporting date. It is determined by projecting the future surpluses and other cash flows attributable to the shareholder arising from these contracts and discounting using risk free interest rates as specified under the Solvency II directive.

The process used in determining the key economic and experience assumptions is as follows:

Interest rates and unit growth rate
Interest rates and unit-growth rates are based on a range of duration-specific rates determined by a risk free yield curve. This yield curve is provided by EIOPA.

The Group's Life Assurance business has also received regulatory approval to use the Volatility Adjustment (VA). The VA is an addition to the risk-free curve under the Solvency II regulations which is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. It is based on a risk corrected spread on the assets in a reference portfolio.

Shareholder tax rate
The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax has been allowed for on future surpluses attributable to shareholders estimated to arise from insurance contracts.

Mortality and morbidity
The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant market data.

Persistency rate
Persistency rates refer to the rate of policy termination for insurance policies. Best estimate policy lapse rate assumptions are set with regard to the Group's actual experience and other relevant market data.

Maintenance expenses
Allowance is made for future policy costs and expense inflation explicitly.

Value of in Force asset	2021 €m	2020 €m
At beginning of year	615	631
Income statement movement in Value of in Force asset (gross of tax)	85	(16)
At end of year	**700**	**615**

[1] *Interest receivable is subject to impairment under IFRS 9; the impairment loss allowance on interest receivable is presented in the balance sheet along with the financial asset to which it relates.*
[2] *Impairment loss allowance on trade receivables and contract assets for 2021 and 2020 is €nil.*

37 Life assurance business *(continued)*

Sensitivities: Impact on annual profit before tax	2021 €m	2020 €m
1% increase in interest rates and unit growth rates	(8)	(12)
1% decrease in interest rates and unit growth rates	(6)	(2)
10% improvement in mortality	23	23
10% improvement in longevity[1]	(35)	(39)
10% improvement in morbidity	12	13
10% deterioration in persistency	(17)	(14)
10% increase in equity and property markets	33	35
5% improvement in maintenance expenses	21	22
0.5% widening in bond spreads[2]	(55)	(63)

Sensitivities
This table indicates the standalone impact of changes in the key assumptions on profit.

While this table shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

38 Deposits from banks

Deposits from banks include cash collateral of €0.1 billion (2020: €0.2 billion) received from derivative counterparties in relation to net derivative asset positions (note 21).

	2021 €m	2020 €m
Monetary Authority secured funding	12,619	1,928
Deposits from banks	327	460
Deposits from banks	**12,946**	**2,388**

Monetary Authority secured funding	2021					2020				
	TLTRO III €m	TFSME €m	TFS €m	ILTR €m	Total €m	TLTRO III €m	TFSME €m	TFS €m	ILTR €m	Total €m
Deposits from banks	9,882	2,737	-	-	12,619	-	1,446	476	6	1,928
Debt securities in issue (note 40)	848	-	-	-	848	-	-	-	-	-
Total	**10,730**	**2,737**	**-**	**-**	**13,467**	**-**	**1,446**	**476**	**6**	**1,928**

In March 2021, the Group secured funding from the ECB under TLTRO III. The earliest the Group can repay these drawings is March 2022, in line with the terms and conditions of the TLTRO III facility.

Negative interest on the TLTRO III is recognised in interest income. The rate of interest on the TLTRO III may vary depending on the achievement of certain lending targets (note 4).

Drawings under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England (BoE) will be repaid in April 2025.

Drawings under the Term Funding Scheme (TFS) from the BoE were repaid in November 2021.

Drawings under the Indexed Long Term Repo (ILTR) funding from the BoE were repaid in early February 2021.

The Group's Monetary Authority funding is secured by financial assets at FVOCI and loans and advances to customers.

[1] *Impact on Annuity book of business.*
[2] *Includes impact of Volatility Adjustment.*

39 Customer accounts

The movement in own credit risk related to the Group's customer accounts designated at FVTPL for the year is shown below.

There were no amounts (2020: €nil) presented in OCI relating to liabilities that the Group designated at FVTPL which were derecognised during the year.

The carrying amount of the customer accounts designated at FVTPL as at 31 December 2021 is was €417 million, €3 million higher than the contractual amount due at maturity of €414 million (2020: the carrying amount was €703 million, €2 million higher than the contractual amount due at maturity of €701 million). This is set out in note 60.

At 31 December 2021, the Group's largest 20 customer deposits amounted to 4% (2020: 4%) of customer accounts on a connected counterparty basis. Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products. Information on the contractual maturities of customer accounts is on page 177 in the Risk Management Report.

Term deposits and other products include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in note 59 Liquidity risk and profile.

Term deposits and other products include €nil (2020: €118 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

Under the European Communities (Deposit Guarantee Scheme) Regulations 2015, eligible deposits of up to €100,000 per depositor per credit institution are covered. Eligible deposits includes credit balances in current accounts, demand deposit accounts and term deposit accounts. The scheme is administered by the CBI and is funded by the credit institutions covered by the scheme.

On 24 November 2015, the EC released a proposal, European Deposit Insurance Scheme (EDIS), designed to achieve a common European deposit protection scheme by 2024. Under the current proposal, when fully implemented, the EDIS would completely replace the national schemes and be the sole insurance scheme for deposits in the euro-area banks.

	2021 €m	2020 €m
Current accounts	52,090	45,240
Demand deposits	28,556	27,169
Term deposits and other products	11,691	15,525
Customer accounts at amortised cost	**92,337**	**87,934**
Deposits at FVTPL	417	703
Total customer accounts	**92,754**	**88,637**
Amounts include:		
Due to associates and joint ventures	3	44

Movement in own credit risk on deposits at FVTPL	2021 €m	2020 €m
Balance at beginning of the year	(2)	-
Recognised in other comprehensive income	6	(2)
Balance at end of the year	**4**	**(2)**

Bail-in is a key resolution tool provided for in the BRRD. The bail-in tool enables a resolution authority to write down the value of certain liabilities or convert them into equity, to the extent necessary to absorb losses and recapitalise an institution. It also introduces 'depositor preference', where shareholders' equity and other unsecured creditors (including senior bondholders) will have to be fully written down before losses are imposed on preferred depositors. The bail-in rules allow in exceptional circumstances for the exclusion or partial exclusion of certain liabilities (with a key focus being eligible deposits) from the application of the write down or conversion powers. The EU (Bank Recovery and Resolution) Regulations 2015, which transposed the BRRD into Irish Law, provides that covered deposits (i.e. eligible deposits up to €100,000) are excluded from the scope of this bail-in tool.

In addition to the deposits covered by these Regulations, certain other Group deposits are covered by the deposit protection schemes in other jurisdictions, chiefly the UK FSCS (in respect of eligible deposits with Bank of Ireland (UK) plc).

40 Debt securities in issue

The carrying amount of the debt securities in issue designated at FVTPL at 31 December 2021 was €307 million, €23 million higher than the contractual amount due at maturity of €284 million (2020: the carrying amount was €348 million, €36 million higher than the contractual amount due at maturity of €312 million). This is set out in note 60.

There were no repurchases or derecognition of debt securities in issue held at FVTPL in the year (2020: €nil).

	2021 €m	2020 €m
Bonds and medium term notes	6,228	5,344
Monetary Authorities secured funding (note 38)	848	-
Other debt securities in issue	1,100	675
Debt securities in issue at amortised cost	**8,176**	**6,019**
Debt securities in issue at fair value through profit or loss	307	348
Total debt securities in issue	**8,483**	**6,367**

The movement on debt securities in issue is analysed as follows:

	2021 €m	2020 €m
Balance at beginning of the year	6,367	8,809
Issued during the year	2,984	84
Redemptions	(817)	(2,413)
Repurchases	(11)	-
Other movements[1]	(40)	(113)
Balance at end of the year	**8,483**	**6,367**

Movement in own credit risk on debt securities in issue at FVTPL	2021 €m	2020 €m
Balance at beginning of the year	3	3
Transferred to retained earnings	-	-
Recognised in other comprehensive income	-	-
Balance at end of the year	**3**	**3**

[1] *Other movements primarily relates to fair value hedge adjustments in respect of debt securities in issue held at amortised cost, exchange adjustments and changes in fair value of debt securities in issue held at fair value.*

41 Liabilities to customers under investment and insurance contracts

The Wealth and Insurance division writes the following life assurance contracts that contain insurance risk:

Non unit-linked life assurance contracts
These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non unit-linked annuity contracts
These contracts provide the policyholder with an income until death (principally longevity and market risk).

Unit-linked insurance contracts
These contracts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit-linked and non unit-linked liabilities, are calculated based on recognised actuarial methods with due regard to the applicable actuarial principles recognised in the European framework for the prudential and financial monitoring of direct life assurance business.

Unit-linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non unit-linked liabilities are calculated using a gross premium method of valuation.

The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate:
The interest rates used are based on risk free rates published by EIOPA in line with the Solvency II Directive.

Mortality and morbidity:
The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.

Maintenance expenses:
Allowance is made for future policy costs and expense inflation explicitly.

Options and guarantees
The Group has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit-linked without investment guarantees. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

Investment contract liabilities	2021 €m	2020 €m
Liabilities to customers under investment contracts, at fair value	**6,671**	**5,892**

The movement in gross life insurance contact liabilities is analysed as follows:

Insurance contract liabilities	2021 €m	2020 €m
At beginning of year	13,479	12,694
New business	2,020	1,632
Changes in existing business	(100)	(847)
At end of year	**15,399**	**13,479**

Uncertainties associated with insurance contract cash flows and risk management activities
For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care is the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset and liability matching, transferring risk to reinsurers and the establishment of insurance contract liabilities.

Credit risk
Reinsurance programmes are in place to restrict the amount of exposure on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital management and available resources
The Solvency II framework came into full effect from 1 January 2016 and introduced new capital, risk management, governance and reporting requirements for all European insurance entities. Under Solvency II, insurance entities are required to hold technical provisions to meet liabilities to policyholders using best estimate assumptions plus a risk margin. In addition, entities are required to hold a risk based SCR which is calculated by considering the capital required to withstand a number of shock scenarios.

As part of the disclosure requirements, the Group's life assurance entity, NIAC, annually publishes a public document called the Solvency and Financial Condition Report setting out more detail on its solvency and capital management.

42 Other liabilities

	2021 €m	2020 €m
Notes in circulation	1,066	1,090
Sundry creditors	377	290
Operating expenses accrued	253	223
Accrued interest payable	107	125
Short position in trading securities	60	-
Accruals and deferred income	28	24
Other	473	482
Other liabilities	**2,364**	**2,234**
Other liabilities are analysed as follows:		
Within 1 year	2,296	2,215
After 1 year	68	19
	2,364	**2,234**

43 Leasing

Group as lessee

The principal contracts where the Group is a lessee under IFRS 16 are in relation to property leases and computer equipment. Further qualitative information on the nature of the leases is set out in the Group accounting policies (note 1) and the undiscounted contractual maturity of total lease liabilities is set out in note 59 Liquidity risk and profile.

Total cash outflows on leases amounted to €79 million in 2021 (2020: €90 million).

Amounts recognised in the balance sheet and income statement

The carrying amount of the Group's RoU assets and the movements during 2021 are set out in note 34.

The carrying amount of the lease liabilities and the movements during 2021 is set out in the tables below.

Group as lessor

Accounting for lessors is outlined in the Group accounting policies (note 1). The Group is engaged in finance lease and operating lease activities.

Finance leasing activity and a maturity analysis of the Group's net investment in finance leases are included within Loans and advances to customers (note 27) along with a gross to net reconciliation of the investment in finance leases. Associated income on finance leases is included in Interest income (note 4). Operating leases where the Group is a lessor primarily relate to the business activities of MLL. Further detail on the nature of the company's leasing activities, risks and risk management is outlined in note 34.

In addition, the Group has also entered into a small number of operating leases and operating sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements.

A maturity analysis of undiscounted operating lease receivables set out on an annual basis is included in note 34. Income and expense associated with the Group's operating lease activities is included in note 10.

Lease liabilities	2021 €m	2020 €m
As at 1 January	**498**	**565**
Payment of lease liability and interest	(57)	(76)
Interest expense (note 5)	11	14
Lease liability adjustment	(7)	(56)
Additions	4	50
Other movements	3	1
As at 31 December	**452**	**498**

43 Leasing *(continued)*

Summary of amounts recognised in the income statement under IFRS 16 'Leases'	2021 €m	2020 €m
Amounts recognised in interest expense (note 5)		
Interest expense on lease liabilities	11	14
Amounts recognised in interest income (note 4)		
Finance lease interest	161	171
Amounts recognised in other operating expense (note 13)		
Depreciation of RoU assets in property, plant and equipment	45	63
Variable lease expenses[1]	1	8
Short-term lease expenses	1	1
	47	**72**
Amounts recognised in cost of restructuring (note 14)		
Impairment of RoU assets	27	6

44 Provisions

The Group has recognised provisions in relation to restructuring costs, onerous contracts, legal and other. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

	2021			2020		
	Restructuring €m	Legal and other €m	Total €m	Restructuring €m	Legal and other €m	Total €m
Opening balance as at 1 January	**148**	**120**	**268**	**46**	**97**	**143**
Exchange adjustment	3	-	3	(2)	-	(2)
Charge to income statement	61	41	102	212	44	256
Transfers	-	1	1	-	-	-
Other	-	3	3	-	-	-
Utilised during the year	(147)	(19)	(166)	(100)	(21)	(121)
Unused amounts reversed during the year	(10)	(11)	(21)	(8)	-	(8)
As at 31 December	**55**	**135**	**190**	**148**	**120**	**268**

Restructuring provision of €55 million at 31 December 2021 (2020: €148 million) relates to:
- building exit costs of €32 million (2020: €9 million) in line with the Group's property strategy;
- Voluntary Redundancy Programme costs of €21 million (2020: €132 million); and
- other costs of €2 million (2020: €7 million).

[1] *Variable lease payments on RoU assets relate to computer equipment that has a varying cost dependant on usage with the contracts on which the payments arise maturing within two years.*

44 Provisions *(continued)*

	2021			2020		
	Restructuring €m	Legal and other €m	Total €m	Restructuring €m	Legal and other €m	Total €m
Less than 1 year	39	129	168	134	117	251
1 to 2 years	4	3	7	6	1	7
2 to 5 years	6	3	9	8	1	9
5 to 10 years	6	-	6	-	1	1
Total	**55**	**135**	**190**	**148**	**120**	**268**

At 31 December 2021, the Group held a provision of €94 million (2020: €74 million) in respect of the ongoing industry wide Tracker Mortgage Examination Review ('Review'). The provision represents the Group's best estimate of the redress and compensation to be paid to impacted customers and the costs to be incurred by the Group in connection with the Review.

In 2021, the Group has set aside a further €31 million provision to cover the additional redress and compensation costs for a small number of additional customers, operational costs associated with the length and nature of the Review and estimated costs of closing out the Review. Since 31 December 2020, €11 million of the provision has been utilised covering redress, compensation and related cost.

While the redress and compensation element of the provision is largely known, there are still a number of uncertainties as to the eventual total cost of the examination and in particular, the administrative sanctions proceedings. Management has therefore exercised judgement to determine the appropriate provision in respect of certain key items in addition to the core elements of the redress and compensation to be paid to customers. These key judgemental items principally comprise the following:

- **programme costs:** in determining the provision in respect of the Review, management has had to consider a range of costs associated with bringing the Review to an ultimate conclusion. This includes costs associated with various oversight and governance processes, in particular any potential fine relating to the conclusion of the ongoing CBI administrative sanctions proceedings and the running of the appeals panel, tax liabilities that the Bank will settle on behalf of customers, data system costs and tracing agents.
- **appeals**: customers can pursue certain other options in respect of the determination as to whether they are impacted and the quantum of redress and compensation offered by the Group including lodging appeals to an independent appeals panel in the 12 months after receiving their letter offering redress and compensation. In arriving at the provision, management has made estimates of the level of appeals and the associated costs of processing and settling such appeals.

At 31 December 2021, the Group held a separate customer redress provision of €12 million (2020: €25 million). The provision arose from the introduction of a new Bank Cost of Funds (BCOF) interest rate replacing the old Cost of Funds / EURIBOR basis in respect of certain cohorts of its business customers in November 2011. The implementation was limited to certain business customers and personal consumers were excluded. In 2013, the Group's Irish Private Banking business introduced a similar Private Banking Cost of Funds (PBCOF) interest rate.

During 2020 a review of the implementation of these interest rates was carried out by the Group. The review identified that a cohort of customers incorrectly had these interest rates applied to their accounts.

In 2021, a detailed business assessment of this customer cohort was completed. This resulted in a provision release of €10 million and an expectation that all impacted customers will be remediated during H1 2022.

45 Contingent liabilities and commitments

	2021 €m	2020 €m
Contingent liabilities		
Guarantees and irrevocable letters of credit	507	468
Acceptances and endorsements	6	4
Other contingent liabilities	145	244
	658	**716**
Loan commitments		
Documentary credits and short-term trade related transactions	33	48
Undrawn formal standby facilities, credit lines and other commitments to lend	15,483	15,381
- Revocable or irrevocable with original maturity of 1 year or less	*7,949*	*10,048*
- Irrevocable with original maturity of over 1 year	*7,534*	*5,333*
	15,516	**15,429**

The table gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and 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.

Loss allowance provisions of €48 million (2020: €99 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 46. Provisions on all other contingent liabilities are shown in note 44.

Similar to other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

An **acceptance** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. **Endorsements** are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Other contingent liabilities primarily include performance bonds and are generally short-term commitments to third parties which are not directly dependent on the customers' credit worthiness. The Group is also party to legal, regulatory, taxation and other actions arising out of its normal business operations.

The Group is currently reviewing its application of certain charges that have been applied in its Retail Ireland business. It is not currently practicable to estimate the amount or timing of any impact from this review.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Included within total commitments is an amount of €51 million of undrawn loan commitments to the Group's joint ventures (2020: €105 million). Details of the Group's announced acquisitions of Davy and KBCI portfolios are set out in note 55.

46 Loss allowance provision on loan commitments and financial guarantees

The loss allowance on loan commitments are presented as a provision in the balance sheet (i.e. as a liability under IFRS 9) and separate from the impairment loss allowance. To the extent a facility includes both a loan and an undrawn commitment, it is only the impairment attributable to the undrawn commitment that is presented in this table. The impairment loss allowance attributable to the loan is shown as part of the financial asset to which the loan commitment relates.

	2021		2020	
	Amount €m	Loss allowance €m	Amount €m	Loss allowance €m
Loan commitments (note 45)	15,516	44	15,429	94
Guarantees and irrevocable letters of credit (note 45)	507	4	468	5
	16,023	**48**	**15,897**	**99**
Loss allowance of which are:				
Stage 1		21		36
Stage 2		23		62
Stage 3		4		1
		48		**99**

The following tables summarise the asset quality of loan commitments and financial guarantees by IFRS 9 twelve month PD grade which are not credit-impaired.

2021	**Loan commitments**						**Guarantees and irrevocable letters of credit**					
Loan commitments and financial guarantees - Contract amount[1]	**Stage 1**		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4	5,044	36%	117	9%	5,161	34%	173	43%	-	-	173	35%
5-7	6,703	48%	720	53%	7,423	48%	184	46%	53	59%	237	48%
8-9	2,189	15%	399	29%	2,588	17%	46	11%	21	24%	67	14%
10-11	94	1%	125	9%	219	1%	-	-	15	17%	15	3%
Total	**14,030**	**100%**	**1,361**	**100%**	**15,391**	**100%**	**403**	**100%**	**89**	**100%**	**492**	**100%**

At 31 December 2021, credit-impaired loan commitments are €125 million (2020: €94 million) while credit-impaired guarantees and irrevocable letters of credit are €15 million (2020: €17 million).

2020	**Loan commitments**						**Guarantees and irrevocable letters of credit**					
Loan commitments and financial guarantees - Contract amount[1]	**Stage 1**		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
PD Grade												
1-4	4,147	33%	48	2%	4,195	27%	97	32%	-	-	97	21%
5-7	5,378	42%	1,495	56%	6,873	45%	151	50%	53	35%	204	45%
8-9	3,005	24%	562	21%	3,567	23%	42	14%	56	38%	98	22%
10-11	147	1%	553	21%	700	5%	12	4%	40	27%	52	12%
Total	**12,677**	**100%**	**2,658**	**100%**	**15,335**	**100%**	**302**	**100%**	**149**	**100%**	**451**	**100%**

[1] *Excludes the contractual amounts of both loan commitments and financial guarantees classified as Stage 3.*

47 Retirement benefit obligations

The Group sponsors a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement, the Group has been advised by independent actuaries, which in the case of the majority of the Group's schemes is Willis Towers Watson.

The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pensions Fund (BSPF) which accounts for c.74% of the total liabilities across all Group sponsored defined benefit schemes at 31 December 2021. The BSPF and all of the Group's other RoI and UK defined benefit schemes were closed to new members during 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in late 2014 and a new defined contribution scheme, RetireWell, was introduced for new entrants to the Group from that date.

Retirement benefits under the BSPF and a majority of the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

Regulatory Framework

The Group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the BSPF are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, including the EU directive on the activities and supervision of Institutions for Occupational Retirement Provision (the IORP II Directive). These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits and developing appropriate Risk Management and Internal Audit frameworks. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

The BSPF is also subject to an annual valuation under the Irish Pensions Authority Minimum Funding Standard (MFS). The MFS valuation is designed to assess whether the scheme has sufficient funds to provide a minimum level of benefits in a wind-up scenario. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS by a specified future point in time.

The responsibilities of the Trustees and the regulatory framework, are broadly similar for the Group's other defined benefit schemes and take account of pension regulations in each specific jurisdiction. The Group works closely with the Trustees of each scheme to manage the plans.

The nature of the relationship between the Group and the Trustees is governed by local regulations and practice in each country and by the respective legal documents underpinning each plan.

BSPF plan details at last valuation date (31 December 2018)	Number of members	Proportion of funding liability
Active members	4,535	31.9%
Deferred members	8,077	26.4%
Pensioner members	4,646	41.7%
Total	**17,258**	**100%**

The significant financial assumptions used in measuring the Group's defined benefit obligations under IAS 19 are set out in the table below.

Financial assumptions	2021 % p.a.	2020 % p.a.
Irish schemes		
Discount rate	1.35	0.80
Inflation rate	1.85	1.15
Rate of general increase in salaries[1]	2.35	1.65
Rate of increase in pensions in payment[1]	1.05	0.65
Rate of increase to deferred pensions	1.80	1.15
UK schemes		
Discount rate	1.90	1.55
Consumer Price Inflation	2.75	2.30
Retail Price Inflation	3.35	2.90
Rate of general increase in salaries[1]	3.85	3.40
Rate of increase in pensions in payment[1]	2.13	1.90
Rate of increase to deferred pensions	2.75	2.30

Actuarial Valuation of the BSPF

The last formal valuation of BSPF was carried out as at 31 December 2018.

The triennial valuation disclosed the fair value of the scheme assets represented 97% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions.

As a result of the valuation discussions with the Trustees, the Group agreed to pay €19.4 million per annum in contributions over the 3 years to the next triennial valuation date, plus a contribution to the annual scheme expenses. The total of these payments equated to the remaining committed contributions arising from the 2013 Group Pensions Review.

In respect of future service, the actuary recommended an employer contribution of €59.5 million per annum over the period to the next valuation (decreased from €63.6 million at the last valuation).

[1] *Weighted average increase across all Group schemes in the relevant jurisdiction.*

47 Retirement benefit obligations *(continued)*

The next formal triennial valuation of the BSPF will be carried out during 2022 based on the position at 31 December 2021.

The actuarial valuations are available for inspection by members but are not available for public inspection.

Plan details

The table on page 303 sets out details of the membership of the BSPF.

Negative Past Service Cost

During 2021, negative past service cost of €6 million (2020: €16 million) arising from the Group's restructuring programme was recognised across a number of schemes. In addition, during 2020, a negative past service cost of €26 million was recognised in one of the Group's schemes.

Financial and Demographic assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension plans, as detailed below, are set by the Directors after consultation with independent actuaries.

Discount rates are determined in consultation with the Group's independent actuary, with reference to market yields at the reporting date on high quality corporate bonds (AA rated or equivalent) issued in the relevant currency, with a term corresponding to the term of the benefit payments.

The assumption for RoI price inflation is set by reference to the long-term expectation for eurozone inflation as implied by the difference in yields between eurozone fixed interest and index-linked bonds. The assumptions for UK price inflation are determined with reference to the Group's independent actuary's standard cash flow matching inflation assumption methodology, except for UK Consumer Price Index (CPI) inflation, which is set by reference to retail price index (RPI) inflation, with an adjustment applied, as there are insufficient CPI-linked bonds from which to derive an assumption.

The salary assumption takes into account inflation, promotion and current employment markets relevant to the Group. Other financial assumptions are reviewed in line with changing market conditions to determine best estimate assumptions. Demographic assumptions are reviewed periodically in line with the actual experience of the Group's schemes.

Mortality assumptions

The mortality assumptions adopted for Irish pension arrangements reflect both a base table and projected table developed from various Society of Actuaries in Ireland mortality investigations that are considered a best fit for the Group's expected future mortality experience.

Mortality assumptions	2021 years	2020 years
Longevity at age 70 for current pensioners		
Males	18.2	18.1
Females	19.7	19.5
Longevity at age 60 for active members currently aged 60 years		
Males	27.7	27.6
Females	29.5	29.3
Longevity at age 60 for active members currently aged 40 years		
Males	30.0	29.9
Females	31.5	31.4

Amounts recognised in financial statements

The table below outlines where the Group's defined benefit plans are recognised in the financial statements:

	2021			2020		
	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m	Irish Pension Plans €m	UK Pension Plans[1] €m	Total €m
Income statement credit / (charge)						
Other operating expenses	(87)	(18)	(105)	(50)	(16)	(66)
Cost of restructuring programme	3	3	6	11	5	16
Statement of OCI						
Impact of remeasurement	592	118	710	(108)	21	(87)
Balance sheet obligations	**395**	**203**	**598**	**(203)**	**77**	**(126)**
This is shown on the balance sheet as:						
Retirement benefit obligation			(142)			(288)
Retirement benefit asset			740			162
Total net asset / (liability)			**598**			**(126)**

[1] *The UK Pension Plans include a portion of the Bank of Ireland Staff Pension Fund which relates to UK members.*

47 Retirement benefit obligations *(continued)*

The movement in the net defined benefit obligation over the year in respect of the Group's defined benefit plans is as follows:

	2021			2020		
	Present value of obligation €m	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**	**Present value of obligation €m**	**Fair value of plan assets €m**	**Surplus/ (deficit) of plans €m**
At 1 January	**(9,047)**	**8,921**	**(126)**	**(8,495)**	**8,356**	**(139)**
Cost of restructuring programme						
- Negative past service cost	6	-	6	16	-	16
Other operating expenses	(195)	90	(105)	(194)	128	(66)
- Current service cost	*(107)*	*-*	*(107)*	*(100)*	*-*	*(100)*
- Negative past service cost	*-*	*-*	*-*	*26*	*-*	*26*
- Interest (expense) / income	*(92)*	*94*	*2*	*(120)*	*128*	*8*
- Impact of settlements	*4*	*(4)*	*-*	*-*	*-*	*-*
Return on plan assets not included in income statement	-	706	706	-	690	690
Change in demographic assumptions	(2)	-	(2)	(7)	-	(7)
Change in financial assumptions	149	-	149	(811)	-	(811)
Experience (losses) / gains	(116)	-	(116)	19	-	19
Employer contributions	-	113	113	-	150	150
- Deficit reducing[1]	*-*	*23*	*23*	*-*	*57*	*57*
- Other	*-*	*90*	*90*	*-*	*93*	*93*
Employee contributions	(8)	8	-	(9)	9	-
Benefit payments	334	(334)	-	336	(336)	-
Changes in exchange rates	(125)	98	(27)	98	(76)	22
At 31 December	**(9,004)**	**9,602**	**598**	**(9,047)**	**8,921**	**(126)**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses	(195)	90	(105)	(194)	128	(66)
Cost of restructuring programme	6	-	6	16	-	16
Total amount recognised in income statement	**(189)**	**90**	**(99)**	**(178)**	**128**	**(50)**
Changes in financial assumptions	149	-	149	(811)	-	(811)
Return on plan assets not included in income statement	-	706	706	-	690	690
Change in demographic assumptions	(2)	-	(2)	(7)	-	(7)
Changes in exchange rates	(125)	98	(27)	98	(76)	22
Experience (losses) / gains	(116)	-	(116)	19	-	19
Total remeasurements in OCI	**(94)**	**804**	**710**	**(701)**	**614**	**(87)**
Total past service cost comprises						
Cost of restructuring programme	6	-	6	16	-	16
Other operating expenses	-	-	-	26	-	26
Total	**6**	**-**	**6**	**42**	**-**	**42**

[1] *Deficit-reducing contributions consist principally of additional contributions related to the Group's Pensions Reviews.*

47 Retirement benefit obligations *(continued)*

The retirement benefit schemes' assets include BOIG plc shares amounting to €5 million (2020: €3 million) and one property occupied by Group companies to the value of €36 million (2020: €36 million).

Sensitivity of defined benefit obligation to key assumptions

This table sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible.

While the defined benefit obligation sensitivity table shows the estimated impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Some of the reasonably possible changes in defined benefit obligation assumptions may have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

The table on the following page sets out the estimated sensitivity of plan assets to changes in equity markets, interest rates and inflation rates.

The sensitivity analysis is prepared by the independent actuaries calculating the defined benefit obligation under the alternative assumptions and the fair value of plan assets using alternative asset prices.

Future cash flows

The plans' liabilities represent a long-term obligation and most of the payments due under the plans will occur several decades into the future.

The duration or average term to payment for the benefits due, weighted by liability, is c.21 years for the Irish plans and c.20 years for the UK plans.

Expected employer contributions for 2022 are €98 million in respect of future service. This excludes any additional deficit-reducing contributions. The remaining committed contributions arising from the 2013 Group Pensions Review of €38 million were paid before the end of 2020 in line with Trustee and employee agreements.

Expected employee contributions for 2022 are €7 million.

Risks and risk management

The Group's defined benefit pension plans have a number of areas of risk.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Changes in bond yields, interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. As part of its risk management, the largest Group sponsored pension scheme, the BSPF, has invested 42% of its assets in a Liability Driven Investment (LDI) approach to help manage its interest rate and inflation risk.

The key areas of risk and the ways in which the Group has sought to manage them, are set out below:

Asset breakdown	**2021 €m**	**2020 €m**
Liability Driven Investment (unquoted)	3,530	3,384
Corporate bonds (quoted)	1,168	1,070
Property (unquoted)	1,064	898
Equities (quoted)	931	916
Cash and other (quoted)	678	751
Private equities (unquoted)	567	425
Hedge funds (unquoted)	371	275
Government bonds (quoted)	360	366
Property and infrastructure (quoted)	337	271
Senior secured loans (unquoted)	314	298
Reinsurance (unquoted)	282	267
Total fair value of assets	**9,602**	**8,921**

Impact on defined benefit obligations	**Increase / (decrease) 2021 €m**	**Increase / (decrease) 2020 €m**
RoI schemes		
Discount rate		
- Increase of 0.25%	(357)	(371)
- Decrease of 0.25%	384	399
Inflation rate		
- Increase of 0.10%	96	99
- Decrease of 0.10%	(94)	(97)
Salary growth		
- Increase of 0.10%	32	33
- Decrease of 0.10%	(31)	(32)
Life expectancy		
- Increase of 1 year	247	250
- Decrease of 1 year	(245)	(248)
UK schemes		
Discount rate		
- Increase of 0.25%	(87)	(85)
- Decrease of 0.25%	94	91
RPI inflation		
- Increase of 0.10%	22	22
- Decrease of 0.10%	(22)	(22)
Salary growth		
- Increase of 0.10%	5	5
- Decrease of 0.10%	(5)	(4)
Life expectancy		
- Increase of 1 year	62	59
- Decrease of 1 year	(62)	(58)

47 Retirement benefit obligations *(continued)*

Impact on plan assets	Increase / (decrease) 2021 €m	Increase / (decrease) 2020 €m
All schemes		
Sensitivity of plan assets to a movement in global equity markets with allowance for other correlated diversified asset classes		
- Increase of 5.00%	137	121
- Decrease of 5.00%	(137)	(121)
Sensitivity of liability-matching assets to a 25bps movement in interest rates		
- Increase of 0.25%	(409)	(380)
- Decrease of 0.25%	433	402
Sensitivity of liability-matching assets to a 10bps movement in inflation rates		
- Increase of 0.10%	115	99
- Decrease of 0.10%	(113)	(97)

Asset volatility
The defined benefit pension plans hold a proportion of their assets in equities and other return-seeking assets. The returns on such assets tend to be volatile. For the purposes of the triennial valuation, the defined benefit liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio.

For measurement of the obligation in the financial statements under IAS 19, however, the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields.

The movement in the asset portfolio is not fully correlated with the movement in the two liability measures and this means that the funding level is likely to be volatile in the short-term, potentially resulting in short-term cash requirements and an increase in the net defined benefit deficit recorded on the balance sheet.

In order to limit the volatility in asset returns, the schemes' assets are well-diversified by investing in a range of asset classes, including listed equity, private equity, hedge funds, infrastructure, reinsurance, property, government bonds and corporate bonds.

The investment in bonds is discussed further below.

Changes in bond yields
The LDI approach invests in cash, government bonds, interest rate and inflation swaps and other financial derivatives to create a portfolio which is both inflation-linked and of significantly longer duration than possible in the physical bond market. It also provides a closer match to the expected timing of cash flow / pension payments. The portfolio broadly hedges against movements in long-term interest rates although it only hedges a portion of the BSPF's interest rate risks. Furthermore, the portfolio does not hedge against changes in the credit spread on corporate bonds used to derive the accounting liabilities.

However, the investment in corporate and government bonds offers a further degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is further reduced.

Inflation risk
The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although, in most cases, caps on the level of inflationary increases are in place to protect the plans against high inflation and the 2013 Group Pensions Review changes have further limited this exposure. The LDI portfolio broadly hedges against movements in inflation expectations although it only hedges a portion of the BSPF's inflation risks.

Furthermore, the portfolio does not protect against differences between expectations for eurozone average inflation and the fund's Irish inflation exposure.

Life expectancy
The majority of the plans' obligations are to provide a pension for the life of the member, which means that increases in life expectancy will result in an increase in the plans' liabilities.

Investment decisions are the responsibility of the Trustees and the Group supports the efficient management of risk including through the appointment of a Group Pensions Chief Investment Officer. The role of Group Pensions Chief Investment Officer is to advise and support the Trustees of the Group sponsored pension schemes in the design, implementation and management of investment strategy to meet the various scheme liabilities. The duties include, but are not limited to, the identification and management of risks such as the risk of insufficient asset returns, changing interest rates, inflation, FX risk, counterparty exposures, geographical risk, asset concentration risk, liquidity risk, regulatory risk, manager risk and longevity risk.

48 Subordinated liabilities

		2021 €m	2020 €m
Undated loan capital			
The Governor and Company of the Bank of Ireland			
Stg£75 million 13⅜% Perpetual Subordinated Bonds	a	90	84
Bristol & West plc			
Stg£32.6 million 8⅛% Non-Cumulative Preference Shares	b	39	36
		129	**120**
Dated loan capital			
The Governor and Company of the Bank of Ireland			
€250 million 10% Fixed Rate Subordinated Notes 2022	c	255	260
Bank of Ireland Group plc			
€500 million 1.375% Fixed Rate Reset Callable Subordinated Notes 2031	d	498	-
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	e	445	418
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	e	357	337
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes 2029	f	297	299
		1,852	**1,314**
Total subordinated liabilities		**1,981**	**1,434**

Subordinated liabilities in issue at 31 December 2021

Undated loan capital
The principal terms and conditions of the subordinated liabilities which were in issue by the Group at 31 December 2021 are set out below.

a. The 13³/8% Perpetual Subordinated Bonds were revalued as part of the fair value adjustments on the acquisition by Bristol & West plc of the business of Bristol & West Building Society in July 1997. The Bank became the issuer of these bonds in 2007 in connection with the transfer of the business of Bristol & West plc to the Bank.

b. These preference shares, which are non-redeemable, non-equity shares, rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

Holders of the preference shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. This preference dividend will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

On 1 October 2007 in connection with the transfer of the business of Bristol & West plc to the Bank, the Bank entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the preference shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee, the Bank agreed, subject to certain conditions, to (i) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc's obligations to make repayment of the dividends and preference share capital.

The Guarantee contains provisions to the effect that the rights of the Bank's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and unsubordinated depositors of the Bank and (ii) subordinated creditors of the Bank other than those whose claims rank, or are expressed to rank, pari passu or junior to the payments under the Guarantee.

Dated loan capital
Dated loan capital instruments, which includes bonds and notes, constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

The table above provides a description of the dated loan capital, including:
- the currency of the issue;
- if the issue is fixed, floating or a combination of both; and
- maturity.

All of the dated notes in issue in 2021 were issued under the Group's Euro Note Programme.

48 Subordinated liabilities *(continued)*

c. ***€250 million 10% Subordinated Notes 2022***
On 18 December 2012, the Bank issued 10 year fixed rate notes with a coupon rate of 10% and a maturity date of December 2022. The notes rank pari passu with all other dated Bank subordinated debt.

d. ***€500 million 1.375% Fixed Rate Reset Callable Subordinated Note 2031***
On 11 May 2021, the Company issued a €500 million 10.25 year (callable at any time between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument. The bond carries a coupon of 1.375%.

e. ***Bank of Ireland Group plc Subordinated Notes***
On 19 September 2017, the Company completed a dual tranche issuance of Stg£300 million and US$500 million 10 year (callable at the end of year five) Tier 2 capital instruments. The sterling bond has a coupon of 3.125% and the US dollar bond has a coupon of 4.125%.

f. ***€300 million 2.375% Subordinated Note 2029***
On 14 October 2019, the Company issued a €300 million 10 year (callable at the end of year five) Tier 2 capital instrument. The bond carries a coupon of 2.375%

These instruments are loss absorbing at the point of non-viability under the EU (Bank Recovery and Resolution) Regulations 2015, as amended and Noteholders acknowledge that the notes may be subject to the exercise of Irish statutory loss absorption powers by the relevant resolution authority. Redemption in whole but not in part is at the option of the Company upon (i) regulatory reasons (capital event), or (ii) tax reasons (additional amounts payable on the notes). Any redemption before the maturity date is subject to such approval by the Competent Authority, namely ECB or SRB as may be required by the CRR and / or such other laws and regulations which are applicable to the Company.

49 Share capital

Ordinary shares

All of the company's issued share capital comprising 1,078,822,872 ordinary shares of €1.00 each are listed on the Irish Stock Exchange trading as Euronext Dublin and the London Stock Exchange.

All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes as at 31 December 2021 or 2020.

As at 31 December 2021, NIAC plc held 3,235,852 ordinary shares of BOIG plc as 'treasury shares' (2020: 5,076,259).

The consideration paid for these shares amounted to €20 million (2020: €25 million).

Authorised	2021 €m	2020 €m
Bank of Ireland Group plc		
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10

Allotted and fully paid	2021 €m	2020 €m
Bank of Ireland Group plc		
1.076 billion ordinary shares of €1.00 each (2020: 1.074 billion units)	1,076	1,074
3 million treasury shares of €1.00 each (2020: 5.076 million units)	3	5
	1,079	**1,079**

	2021		2020	
Movement in ordinary and treasury shares	**Ordinary shares**	**Treasury shares**	**Ordinary shares**	**Treasury shares**
At the beginning of the year	1,073,746,613	5,076,259	1,073,871,514	4,951,358
Change in shares held for the benefit of life assurance policyholders	1,840,407	(1,840,407)	(124,901)	124,901
At end of year	**1,075,587,020**	**3,235,852**	**1,073,746,613**	**5,076,259**

50 Other equity instruments - Additional Tier 1

In May and September 2020, BOIG issued Additional Tier 1 (AT1) securities with a par value of €675 million and €300 million respectively at an issue price of 100%.

The principal terms of the AT1 securities are as follows:
- the securities constitute direct, unsecured, unguaranteed and subordinated obligations of BOIG, rank behind Tier 2 instruments and preference shareholders and in priority to ordinary shareholders;
- the securities have no fixed redemption date and the security holders will have no right to require BOIG to redeem or purchase the securities at any time;
- BOIG may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities at any time from and including the first call date (19 May 2025 for the €675 million issue and 1 September 2025 for the €300 million issue) to and including the first reset date (19 November 2025 for the €675 million issue and 1 March 2026 for the €300 million issue), or semi-annually on any interest payment date thereafter;
- the €675 million securities bear a fixed rate of interest of 7.5% until the first reset date (19 November 2025), while the €300 million issue bear a fixed rate of interest of 6.0% until its first reset date (1 March 2026). After the initial reset date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- BOIG may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date for either set of securities;
- both sets of securities will be written down and any unpaid interest will be cancelled if BOIG's CET 1 ratio falls below 7%; and
- subsequent to any write-down event BOIG may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

	2021 €m	2020 €m
Balance at the beginning of the year	966	-
AT1 securities issued during the period	-	975
Transaction costs	-	(9)
Balance at the end of the year	**966**	**966**

51 Non-controlling interests

Additional tier 1 securities
The Governor and Company of the Bank of Ireland (the 'Bank') issued AT1 securities in June 2015 with a par value of €750 million. These securities were not attributable to the owners of the Parent, BOIG plc and were classified as NCI.

On 18 June 2020, the Bank redeemed these securities at par on their initial call date, having received regulatory consent to do so. The carrying value of these securities was €740 million, presented as NCI. On redemption at par value of €750 million, NCI related to these securities was reduced by €740 million, to €nil and the excess of €10 million was deducted from retained earnings.

	2021 €m	2020 €m
Balance at the beginning of the year	68	808
Redemption of non-controlling interests - AT1	-	(740)
Profit attributable to non-controlling interest	7	35
Distribution to non-controlling interests - AT1	-	(28)
Dividends paid to non-controlling interests - preference stock	(7)	(7)
Balance at the end of the year	**68**	**68**

Preference stock
The preference stock and related stock premium of the Bank are classified as non-controlling interests, as they are not attributable to the owners of the parent BOIG plc.

As at 31 December 2021 and 2020, 1,876,090 units of sterling preference stock and 3,026,598 units of euro preference stock were in issue.

The preference stock is non-redeemable. The holders of preference stock are entitled to receive at the discretion of the Bank a non-cumulative preferential dividend, which in the case of the sterling preference stock is payable in sterling, in a gross amount of Stg£1.2625 per unit per annum and in the case of euro preference stock is payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on 20 February and 20 August in each year.

On a winding up of, or other return of capital, by the Bank (other than on a redemption of stock of any class in the capital of the Bank) the holders of preference stock will be entitled to receive an amount equal to the amount paid up or credited as paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the Bank's members. Subject to the Bank's Bye-Laws, the preference stockholders may also be entitled to receive a sum in respect of dividends payable.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances. Such circumstances did not arise during 2021 and consequently the preference stockholders were not entitled to vote at the Annual General Court (AGC) held on 25 May 2021.

52 Cash and cash equivalents

Cash and cash equivalents are classified as amortised cost financial assets. Impairment loss allowance on cash and cash equivalents is measured at amortised cost on a 12 month or lifetime ECL approach as appropriate. The composition of cash and balances at central banks by stage is included in other financial assets set out in note 28 on page 275.

Cash and cash equivalents comprise cash in hand and balances with central banks and banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

The Group is required to hold an average balance with the Central Bank over the published ECB reserve maintenance (six weeks) periods in order to meet its minimum reserve requirement, which at 31 December 2021 was €816 million (2020: €749 million).

The Group's cash and cash equivalents increased by €20.7 billion since 31 December 2020 primarily due to TLTRO III funding of €10.8 billion, higher deposit balances of €2.6 billion (constant currency basis), lower lending volumes of €2.6 billion (constant currency basis), net increase in wholesale funding and subordinated debt of €2.4 billion, bond sales of c.€1.8 billion, an increase in loans and advances to banks of €0.3 billion and an FX translation benefit (€282 million) due to sterling strengthening against the euro, partially offset by other movements of €0.1 billion.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2021 €m	2020 €m
Cash and balances at central banks	31,371	10,957
Less impairment loss allowance on cash and balances at central banks	(11)	(4)
Cash and balances at central banks net of impairment loss allowance	**31,360**	**10,953**
Loans and advances to banks (with an original maturity of less than 3 months)	2,571	2,312
Cash and cash equivalents at amortised cost	**33,931**	**13,265**

Cash and balances at central banks net of impairment loss allowance is made up as follows:

	2021 €m	2020 €m
Republic of Ireland (Central Bank of Ireland)	26,330	7,918
United Kingdom (Bank of England)	4,190	2,463
United States (Federal Reserve)	456	101
Other (cash holdings)	384	471
Total	**31,360**	**10,953**

53 Changes in liabilities arising from financing activities

	2021				2020			
	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m
At beginning of year	1,434	42	498	-	1,690	52	565	-
Cash flows	498	(73)	(46)	(11)	(208)	(84)	(62)	(14)
- Proceeds from issue of subordinated liabilities	*498*	-	-	-	-	-	-	-
- Repayment of subordinated liabilities	-	-	-	-	*(208)*	-	-	-
- Interest paid on subordinated liabilities	-	*(73)*	-	-	-	*(84)*	-	-
- Payment of lease liability	-	-	*(46)*	-	-	-	*(62)*	-
- Interest paid on lease liabilities	-	-	-	*(11)*	-	-	-	*(14)*
Non-cash changes	49	78	-	11	(48)	74	(5)	14
- Charge to income statement	-	*78*	-	*11*	-	*74*	-	*14*
- Exchange adjustments	*66*	-	*3*	-	*(63)*	-	*(3)*	-
- Lease liability adjustment	-	-	*(7)*	-	-	-	*(56)*	-
- Additions to lease liabilities	-	-	*4*	-	-	-	*50*	-
- Fair value hedge adjustments	*(19)*	-	-	-	*14*	-	-	-
- Other movements	*2*	-	-	-	*1*	-	*4*	-
At end of year	**1,981**	**47**	**452**	**-**	**1,434**	**42**	**498**	**-**

This table sets out the changes in liabilities arising from financing activities between cash and non-cash items. For more information on subordinated liabilities, see note 48. For more information on lease liabilities, see note 43. Interest accrued on subordinated liabilities is included within other liabilities.

54 Related party transactions

Related parties in the Group include the parent company, BOIG plc, subsidiary undertakings, associated undertakings, joint arrangements, post-employment benefits, the State, KMP and connected parties. A number of banking transactions are entered into between the Company and its subsidiaries in the normal course of business. These include extending secured and unsecured loans, investing in debt securities issued by subsidiaries, taking of deposits and undertaking foreign currency transactions.

a. *Associates, joint ventures and joint operations*
The Group provides to and receives from its associates, joint ventures and joint operations, certain banking and financial services, which are not material to the Group, on similar terms to third party transactions. These include loans, deposits and foreign currency transactions. The amounts outstanding during 2021 are set out in notes 30 and 31.

b. *Pension funds*
The Group provides a range of normal banking and financial services, which are not material to the Group, to various pension funds operated by the Group for the benefit of its employees (principally to the BSPF), which are conducted on similar terms to third party transactions. Details on the Group's contributions to the pension funds are set out in note 47.

The Group occupies one property owned by the BSPF. At 31 December 2021, the total value of this property was €36 million (2020: €36 million). In 2021, the rental income paid to BSPF was €2 million (2020: €2 million).
At 31 December 2021, BSPF assets included BOIG plc shares amounting to €5 million (2020: €3 million).

c. *Transactions with the State*
The Group considers that the State is a related party under IAS 24 as it is in a position to exercise significant influence over the Group.

Details of individually or collectively significant transactions with the State and entities under its control or joint control are set out in note 56.

54 Related party transactions *(continued)*

d. Transactions with Directors and Key Management Personnel

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014, as amended ('Companies Acts'). For the purposes of the Companies Acts disclosures, Directors means the Board of Directors and any past Directors who were Directors during the relevant period. Directors' emoluments are set out in the Remuneration Report on page 134.

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of €nil, or a balance of less than €500. The value of arrangements at the beginning and end of the financial year as stated below in accordance with Section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Group at the beginning and end of the financial year, is less than 1%.

Companies Acts disclosure **Loans**	**Balance as at 1 January 2021[1] €'000**	**Balance as at 31 December 2021[1] €'000**	**Aggregate maximum amount outstanding during the year ended 31 December 2021[2] €'000**	**Repayments during the year ended 31 December 2021[3] €'000**
Directors at 31 December 2021				
E Bourke				
Credit card total	6	3	6	-
Current account total	-	-	-	-
Total	**6**	**3**	**6**	**-**
P Kennedy				
Credit card total	2	-	3	-
Current account total	-	-	-	-
Total	**2**	**-**	**3**	**-**
F McDonagh				
Mortgage total	926	748	926	203
Credit card total	4	2	5	-
Total	**930**	**750**	**931**	**203**
F Muldoon				
Mortgage total	50	-	50	50
Credit card total	6	7	9	-
Current account total	-	-	-	-
Total	**56**	**7**	**59**	**50**
E Fitzpatrick				
Loan total	15	31	45	15
Total	**15**	**31**	**45**	**15**
M Greene				
Mortgage total	17	-	18	19
Total	**17**	**-**	**18**	**19**

M O'Grady, G Andrews, R Goulding, I Buchanan and S Pateman had no loans from the Group in 2021. No advances were made during the year. No amounts were waived during 2021.

None of the loans were credit-impaired as at 31 December 2021 or at 31 December 2020. There is no interest which having fallen due on the above loans has not been paid in 2021 (2020: €nil).

[1] *Balances include principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[3] *Repayments include principal and interest; revolving credit facilities are not included.*

54 Related party transactions *(continued)*

All Directors have other transactions with the Bank. The nature of these transactions includes investments, pension funds, deposits, general insurance, life assurance and current accounts with credit balances. The relevant balances on these accounts are included in the aggregate figure for deposits on page 316.

Other than as indicated, all loans to Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Group and of similar financial standing and do not involve more than normal risk of collectability.

Companies Acts disclosure Loans	Balance as at 1 January 2020[1] €'000	Balance as at 31 December 2020[1] €'000	Aggregate maximum amount outstanding during the year ended 31 December 2020[2] €'000	Repayments during the year ended 31 December 2020[3] €'000
Directors at 31 December 2020				
E Bourke				
Credit card total	6	6	5	-
Current account total	-	-	-	-
Total	**6**	**6**	**5**	**-**
P Kennedy				
Credit card total	5	2	12	-
Current account total	-	-	-	-
Total	**5**	**2**	**12**	**-**
F McDonagh				
Mortgage total	953	926	952	56
Credit card total	2	4	4	-
Total	**955**	**930**	**956**	**56**
F Muldoon				
Mortgage total	82	50	82	35
Credit card total	7	6	7	-
Current account total	-	-	-	-
Total	**89**	**56**	**89**	**35**
E Fitzpatrick				
Loan total	20	15	40	26
Total	**20**	**15**	**40**	**26**
M Greene				
Mortgage total	24	17	23	7
Total	**24**	**17**	**23**	**7**
P Mulvihill				
Credit card total	-	-	-	-
Current account total	-	-	-	-
Total	**-**	**-**	**-**	**-**

[1] *Balances include principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*
[3] *Repayments include principal and interest; revolving credit facilities are not included.*

54 Related party transactions *(continued)*

(ii) Loans to connected persons on favourable terms

2021 Loans to connected persons[1] on favourable terms[2]	Balance as at 31 December 2021[3] €'000	Maximum amounts outstanding during 2021[4] €'000	Number of persons as at 31 December 2021	Maximum number of persons during 2021
Persons connected to E Bourke	1	5	2	2

2020 Loans to connected persons[1] on favourable terms[2]	Balance as at 31 December 2020[3] €'000	Maximum amounts outstanding during 2020[4] €'000	Number of persons as at 31 December 2020	Maximum number of persons during 2020
Persons connected to E Bourke	1	4	2	2

(iii) Loans to connected persons - Central Bank licence condition disclosures

Under its banking licence, the Bank is required to disclose in its annual audited financial statements details of:

- the aggregate amount of lending to all connected persons, as defined in Section 220 of the Companies Act 2014; and
- the aggregate maximum amount outstanding during the year for which those financial statements are being prepared.

Disclosure is subject to certain de minimis exemptions and to exemptions for loans relating to principal private residences where the total of such loans to an individual connected person does not exceed €1 million.

The following information is presented in accordance with this licence condition.

2021 Connected persons[1] of the following Directors	Balance as at 31 December 2021[3] €'000	Maximum amounts outstanding during 2021[4] €'000	Number of persons as at 31 December 2021	Maximum number of persons during 2021
Persons connected to P Kennedy	2,036	2,152	1	1

2020 Connected persons[1] of the following Directors	Balance as at 31 December 2020[3] €'000	Maximum amounts outstanding during 2020[4] €'000	Number of persons as at 31 December 2020	Maximum number of persons during 2020
Persons connected to P Kennedy	2,150	2,259	1	1

[1] *Connected persons of Directors are defined by Section 220 of the Companies Act 2014.*
[2] *On terms, including interest rates and collateral, similar to those available to staff generally.*
[3] *Balances include principal and interest.*
[4] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid only.*

54 Related party transactions *(continued)*

(iv) Key management personnel - loans and deposits (IAS 24)
For the purposes of IAS 24 'Related party disclosures', the Group has 24 KMP (2020: 24) which comprise the Directors, the members of the GEC and any past KMP who was a KMP during the relevant period. In addition to Executive Directors, the GEC comprises the Group Secretary & Head of Corporate Governance, Chief of Staff and Head of Group Corporate Affairs, Chief Executive - Retail (UK), Chief Marketing Officer[1], Chief People Officer, Chief Executive - Corporate & Markets[2] (and interim Chief Executive - Corporate & Markets[3]), Chief Executive - Retail Ireland, Group Chief Risk Officer, (and Interim Group Chief Risk Officer[4]), Chief Operating Officer, Chief Strategy Officer. KMP, including Directors, hold products with Group companies in the ordinary course of business.

Other than as indicated, all loans to NEDs are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Group and do not involve more than the normal risk of collectability. Loans to KMP other than NEDs are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding, in respect of all loans, quasi-loans and credit transactions between the Bank and its KMP, as defined above, together with members of their close families and entities influenced by them are shown in the following table.

IAS 24 Disclosures 2021 Key management personnel	Balance as at 1 January 2021[5,6] €'000	Balance as at 31 December 2021[5] €'000	Maximum amounts outstanding during 2021[7] €'000	Total number of relevant KMP as at 1 January 2021	Total number of relevant KMP as at 31 December 2021
Loans	3,139	3,338	4,124	17	14
Deposits	14,060	6,842	18,576	23	20

IAS 24 Disclosures 2020 Key management personnel	Balance as at 1 January 2020[5,6] €'000	Balance as at 31 December 2020[5] €'000	Maximum amounts outstanding during 2020[7] €'000	Total number of relevant KMP as at 1 January 2020	Total number of relevant KMP as at 31 December 2020
Loans	3,381	3,139	3,515	21	17
Deposits	6,736	14,060	20,111	27	23

KMP have other protection products with the Bank. The nature of these products includes mortgage protection, life assurance and critical illness cover. It also includes general insurance products which are underwritten by a number of external insurance companies and for which the Bank acts as an intermediary only. None of these products has any encashment value at 31 December 2021 (2020: €nil).

Included in the above IAS 24 loan disclosure figures are loans to KMP and close family members of KMP on preferential staff rates, amounting to €4,219 (2020: €5,003).

None of the loans were credit-impaired as at 31 December 2021 or at 31 December 2020. There is no interest which having fallen due on the above loans has not been paid in 2021 (2020: €nil).

There are no guarantees entered into by the Bank in favour of KMP of the Bank and no guarantees in favour of the Bank have been entered into by KMP of the Bank.

(v) Compensation of KMP
Details of compensation paid to KMP are provided below:

Remuneration	2021 €'000	2020 €'000
Salaries and other short-term benefits[8]	9,097	9,431
Post employment benefits[9]	506	766
Termination benefits[10]	-	536
Total	**9,603**	**10,733**
Number of KMP	24	24

[1] *With effect 1 June 2021, the role of Chief Marketing Officer ceased to be a GEC role.*
[2] *The Chief Executive – Corporate & Markets, Tom Hayes, passed away on 16 November 2021.*
[3] *Interim Chief Executive – Corporate & Markets, Paul McDonnell, joined the GEC from 1 October 2021.*
[4] *Interim Group Chief Risk Officer, Declan Murray was a member of the GEC for the period 1 April 2021 to 12 December 2021.*
[5] *Balance includes principal and interest.*
[6] *The opening balance includes balances and transactions with key management personnel who retired during 2020 and are not related parties during 2021. Therefore these key management personnel are not included in the maximum amounts outstanding.*
[7] *These figures include credit card exposures at the maximum statement balance. In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €25,000 (2020: €25,000). The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability for any member of key management personnel, close family and entities influenced by them did not exceed €1 million during 2021 (2020: €1 million). In some cases with investment type products (i.e. funds based products, life assurance and other policies) the maximum balance amounts were not available, in which case the greater of the balance at the start of the year and the balance at the end of the year has been included as the maximum balance amount. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*
[8] *Comprises gross salary, Employer Pay Related Social Insurance contributions, fees, cash in lieu of pension, car allowance and other short-term benefits paid in the year.*
[9] *This comprises Employer contributions paid to pension funds.*
[10] *These include, inter alia, contractual payments due in lieu of notice periods.*

55 Announced acquisitions

Acquisition of J&E Davy

The Group announced on 22 July 2021 that it had reached an agreement to acquire J&E Davy ('Davy'), Ireland's leading provider of wealth management and capital markets services, for an enterprise value of €440 million, subject to certain customary adjustments including capital at completion (the 'Enterprise Value'). 25% of the Enterprise Value will be paid two years after completion subject to Davy shareholders meeting a number of agreed criteria. The balance will be paid as cash consideration on completion, which is expected in 2022. In addition, further payments of up to €40 million will be payable from 2025, contingent on future business model performance. Davy also announced on 22 July 2021 that it is selling Davy Global Fund Management (DGFM) and its shareholding in Rize ETF to separate third parties. As a result, Davy is expected to have a significant excess cash position at completion over and above that which is required to run the business. The Group will also pay for such excess cash, due to be finalised at completion, which will be largely comprised of the proceeds of these disposals, currently estimated to be c.€125 million.

The transaction was approved by the Competition and Consumer Protection Commission on 6 December 2021. Completion of the acquisition remains conditional on the satisfaction of customary conditions including approval by the Central Bank of Ireland.

Acquisition of KBC Bank Ireland portfolios

Further to the Memorandum of Understanding (MOU) announced by the Group on 16 April 2021 and following completion of a due diligence process, the Group on 22 October 2021 entered into a binding agreement with KBC Bank Ireland (KBCI) and KBC Group for the acquisition of c.€8.8[1] billion of performing mortgages, c.€0.1 billion of performing commercial and consumer loans and c.€4.4 billion of deposits. The Group will acquire the performing mortgages for 103.6% of par value, representing the fair value of the assets. In addition, a small portfolio of non-performing mortgages (NPEs) of c.€0.3 billion, will also be acquired as part of the transaction, at a discount to par. Total consideration of c.€5.0 billion across all portfolios (net of deposits) will be paid, which will be funded through excess cash. The acquisition is supportive of the Group's financial objectives. The exact size of the portfolio and consideration payable will vary between the agreement date and completion based on normal business flows.

Completion of the acquisition remains conditional on the satisfaction of customary conditions including approval by the Competition and Consumer Protection Commission (CCPC). The Group announced on 18 February that it had received an Assessment from the CCPC in which the CCPC set out its preliminary views in relation to the transaction. The Group noted that the CCPC's preliminary view, at this stage of the process, is that the Proposed Transaction is likely to give rise to a substantial lessening of competition in relation to the market for the provision of mortgages in the State and that this is not the final determination by the CCPC. In line with normal practice, the Group will prepare a detailed response to the Assessment which will seek to address the concerns raised by the CCPC. Bank of Ireland will continue to engage co-operatively with the CCPC in advance of the CCPC's final determination which is expected to be issued during Q2 2022.

56 Summary of relations with the State

The Group considers that the State is a related party under IAS 24 as it is in a position to exercise significant influence over the Group.

A relationship framework between the Minister for Finance and the Bank has been in place since 30 March 2012. The purpose of this framework is to provide the basis on which the relationship shall be governed. This framework is available on the Department of Finance website.

a. Ordinary shares

At 31 December 2021, the State held through the ISIF 7.74% of the ordinary shares of the Company (31 December 2020: 13.95%).

b. Guarantee schemes

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

Although the Group no longer has any guaranteed liabilities under the Eligible Liabilities Guarantee (ELG) Scheme, the ELG Scheme shall continue to exist until terminated by the Minister for Finance. Pending that termination, the Bank, BoIMB and Bank of Ireland (UK) plc continue to be bound by the terms of the ELG Scheme including the provision of certain covenants and an indemnity for the costs of the ELG Scheme in favour of the Minister pursuant to the Scheme documents of the ELG Scheme. No fees were payable in respect of the year ended 2021 (2020: €nil).

	2021 €m	2020 €m
Assets		
Unguaranteed senior bonds issued by AIB	101	151
Bonds issued by the State	7,827	7,880
Derivative financial assets	70	27
Liabilities		
Customer Accounts		
State (including agencies & entities under its control or joint control)	606	726

European Communities (Deposit Guarantee Scheme) Regulations 2015

Details of the deposits protected by these schemes are set out in note 39.

Strategic Banking Corporation of Ireland Scheme

Through its participation in the Strategic Banking Corporation of Ireland (SBCI) Support loan Schemes (the 'Schemes') the Group benefits from an 80% Government guarantee related to amounts advanced under the Schemes. At 31 December 2021, c.€518 million has been advanced across the following individual Schemes: Future Growth Loan

[1] *As at 31 March 2021.*

56 Summary of relations with the State *(continued)*

Scheme (€242 million), Brexit / COVID-19 Working Capital Loan Scheme (€90 million), the COVID-19 Credit Guarantee Scheme (€178 million) and Brexit Impact Loan Scheme (€8 million).

c. Other transactions with the State and entities under its control or joint control

In addition to the matters set out above, the Group enters into other transactions in the normal course of business with the State, its agencies and entities under its control or joint control. This includes transactions with AIB, Permanent TSB Group Holdings plc, Government departments, local authorities, county councils, embassies and the NTMA which are all considered to be 'controlled' by the Government. These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks. The amounts outstanding at 31 December 2021 and 2020 in respect of these transactions, which are considered individually significant, are set out above.

d. Irish bank levy

The Finance Act (No 2) 2013 introduced a bank levy on certain financial institutions, including the Group. An income statement charge is recognised annually on the date on which all of the criteria set out in the legislation are met. The annual levy paid by the Group in October 2021 was €25 million (October 2020: €35 million). The Finance Act 2021, enacted in December 2021, extended the levy for a further year based on the current methodology and the Group will pay a levy of €25 million in 2022. The future of the levy is to be reviewed by the Irish Government in 2022.

57 Principal undertakings

The Parent company of the Group is Bank of Ireland Group plc. The principal Group undertakings for 2021 were:

Name	Principal activity	Registered office	Country of incorporation	Statutory year end
The Governor and Company of the Bank of Ireland[1]	Banking and financial services	40 Mespil Road, Dublin 4, D04 C2N4	Ireland	31 December
Bank of Ireland (UK) plc[2]	Retail financial services	Bow Bells House, 1 Bread Street, London, EC4M 9BE	England and Wales	31 December
New Ireland Assurance Company plc	Life assurance business	5-9 Frederick Street South, Dublin 2, D02 DF29	Ireland	31 December
Bank of Ireland Mortgage Bank Unlimited Company[2,3]	Mortgage lending and mortgage covered securities	40 Mespil Road, Dublin 4, D04 C2N4	Ireland	31 December
First Rate Exchange Services Bank Limited[4]	Foreign exchange	Great West House, Great West Road, Brentford, London, TW8 9DF	England and Wales	31 March
N.I.I.B. Group Limited	Personal finance and leasing	1 Donegall Square South, Belfast, BT1 5LR	Northern Ireland	31 December

All the Group undertakings are included in the consolidated financial statements. Unless stated otherwise, the Group owns 100% of the equity of the principal Group undertakings and 100% of the voting shares of all these undertakings.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Company will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

1 Direct subsidiary of BOIG plc.
2 Direct subsidiary of The Governor and Company of the Bank of Ireland.
3 In November 2021, the Bank's name was amended from Bank of Ireland Mortgage Bank to Bank of Ireland Mortgage Bank Unlimited Company.
4 This entity is a subsidiary of First Rate Exchange Services Holdings Limited, a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.

57 Principal undertakings *(continued)*

Bank of Ireland Mortgage Bank Unlimited Company
BoIMB's principal activities are the issuance of Irish Residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007. BoIMB asset covered securities may be purchased by the Bank and other members of the Group or third parties.

In 2021, the total amount outstanding in respect of mortgage covered securities issued was €4.9 billion (2020: €6.1 billion).

In 2021, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €11.0 billion (2020: €12.6 billion).

BoIMB issues other debt securities under BoIMB's obligation to the CBI within the terms of the Special Mortgage Backed Promissory Note programme. At 31 December 2021, BoIMB had no such debt securities in issue (2020: €nil).

58 Interests in other entities

a. General
The Group holds ordinary shares and voting rights in a significant number of entities. Management has assessed its involvement in all such entities in accordance with the definitions and guidance in:
- IFRS 10 'Consolidated financial statements';
- IFRS 11 'Joint arrangements';
- IAS 28 'Investments in associates and joint ventures'; and
- IFRS 12 'Disclosure of interests in other entities'.

See Group accounting policies on pages 220 and 221.

b. Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group
Regulated banking and insurance subsidiaries are required to maintain minimum regulatory liquidity and solvency ratios and are subject to other regulatory restrictions that may impact on transactions between these subsidiaries and the Company, including on the subsidiaries' ability to make distributions.

Certain transactions between Bank of Ireland (UK) plc and the Group are subject to regulatory limits and approvals agreed with the PRA. Total assets of Bank of Ireland (UK) plc at 31 December 2021 were €27.0 billion (2020: €29.4 billion) and liabilities were €24.9 billion (2020: €27.4 billion).

The activities of BoIMB are subject to the Asset Covered Securities Act 2001 to 2007 which imposes certain restrictions over the assets of BoIMB. Total assets of BoIMB at 31 December 2021 were €19.6 billion (2020: €20.3 billion) and liabilities were €18.1 billion (2020: €18.7 billion).

The Group's life assurance entity, NIAC, is required to hold shareholder equity that exceeds a solvency capital requirement: see note 41 for details. In addition, the Group's Isle of Man insurance entity is required to hold shareholder equity that exceeds the solvency requirements specified by the Isle of Man Financial Services Authority.

Under Section 357 (1)(b) of the Companies Act 2014, the Bank has given an irrevocable guarantee to meet the liabilities, commitments and contingent liabilities entered into by certain Group undertakings. At 31 December 2021, the commitments of these undertakings amounted to €83 million (2020: €105 million).

c. Consolidated structured entities
In the case of structured entities, in considering whether it controls the investee, the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group generally considers it has control over the investee in the following situations:
- securitisation vehicles whose purpose is to finance specific loans and advances to customers; or
- defeasance companies set up to facilitate big-ticket leasing transactions.

In each case the Group generally considers that it has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, even though the Group normally owns less than half of the voting rights of those entities.

The Group does not consider it controls an investee when:
- the Group's only involvement in the arrangement is to administer transactions, for which the Group receives a fixed fee, on the basis that the Group is acting as an agent for the investors; or
- an entity is in the process of being liquidated, on the basis that the entity is controlled by the liquidator.

In the case of some venture capital investments, in considering whether it controls the investee the Group applies judgement around whether it has the ability to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of its returns. The Group has been considered to have significant influence, rather than control of the entity because the Group is not involved in directing the relevant activities of the entity and does not have the right to remove the manager of the entity.

The Group holds an interest in a structured entity (Bowbell No 2 plc) whose purpose is to acquire mortgage loans and other financial assets and issue mortgage backed securities. All of the assets and liabilities of this entity are restricted. Total assets amounted to €1.3 billion (2020: €1.6 billion) and liabilities amounted to €1.3 billion (2020: €1.6 billion).

In 2017, the Group entered into a credit default swap (CDS) transaction transferring a portion of the credit risk on a reference portfolio of performing leveraged acquisition finance exposures to Mespil Securities DAC (Mespil). During 2019, the Group transferred an additional portion of the credit risk on the portfolio to Mespil. The Group delivered

58 Interests in other entities *(continued)*

notice of its intention to call the transaction in December 2021 and the transaction was terminated in January 2022.

In 2019, the Group entered into a credit protection deed (CPD) transaction transferring a portion of the credit risk on a reference portfolio of performing loans originated by the Group's Corporate Banking team to Vale Securities Finance DAC (Vale).

In October 2021, the Group entered into another CPD transaction transferring a portion of the credit risk on a reference portfolio of performing mortgage loans to Glen Securities Finance DAC (Glen).

In December 2021, the Group entered into a Financial Guarantee (FG) transaction transferring a portion of the credit risk on a reference portfolio of predominately European, North American and UK performing leveraged acquisition finance exposures to Mespil Securities No. 2 DAC (Mespil II).

No assets or liabilities were transferred to Mespil, Vale, Glen or Mespil II as part of the transactions. All transactions have cash collateralised their exposure through the issue of credit linked notes to third party investors while Vale, Glen and Mespil II also include some unfunded protection. The protection provided by Mespil was terminated in 2022. The protection provided by Vale matures in 2029, by Glen in 2036 and by Mespil II in 2032.

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support. In 2021 and 2020 the Group did not provide financial or other support, nor does it expect or intend to do so.

In accordance with IFRS 10, all of these entities are consolidated in the Group's financial statements.

d. Treatment of changes in control of a subsidiary during the reporting period

From time to time, the Group may wind up a wholly owned company. During this process, the Group voluntarily appoints a liquidator to manage the winding up of relevant entities. Upon appointment of the liquidator, the Group is considered to have lost control of the companies and accounts for this loss of control as a disposal. In accordance with IAS 21, the Group must reclassify net cumulative FX gains / losses relating to these companies from the FX reserve to the income statement. In 2021, a gain of €1 million was transferred (2020: €5 million gain) (note 18).

e. Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control i.e. contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control. These arrangements are identified by reference to the power sharing agreements, ensuring that unanimous consent of all parties is a requirement. Where the arrangement has been structured through a separate vehicle, the Group has accounted for it as a joint venture.

The table below shows the Group's principal joint arrangements for the year ended 31 December 2021.

All joint ventures investments are unquoted and are measured using the equity method of accounting. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group; nor is there any unrecognised share of losses either for 2021 or cumulatively in respect of these entities. Other than disclosed in note 45, the Group does not have any further commitments or contingent liabilities in respect of these entities other than its investment to date.

Joint arrangement	Holding	Classification	Country of operation	Nature of activities
First Rate Exchange Services Holdings Limited	50%	Joint venture	UK	Sale of financial products through the UK Post Office relationship
Enterprise 2000 Fund Limited	50%	Joint venture	Ireland	Investment in venture capital companies

f. Associates

An associated undertaking is an entity for which the Group has significant influence, but not control, over the entity's operating and financial policy decisions. If the Group holds 20% or more of the voting power of an entity, it is presumed that the Group has significant influence, unless it could be clearly demonstrated that this was not the case. There are no such cases where the Group holds 20% or more of the voting power of an entity and is not considered to have significant influence over that entity.

The Group holds a number of investments in associates, none of which is individually material. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group; nor is there any unrecognised share of losses either for 2021 or cumulatively in respect of these entities. The Group does not have any contingent liabilities in respect of these entities other than its investment to date.

g. Unconsolidated structured entities

Unconsolidated collective investment vehicles

The company holds investments in unconsolidated structured entities arising from investments in collective investment undertakings, carried at fair value of €13,411 million (2020: €11,108 million). The value included in assets held to cover unit-linked policyholder liabilities is €13,108 million (2020: €10,889 million) and €303 million (2020: €219 million) is held for non unit-linked liabilities (note 22). At 31 December 2021,

58 Interests in other entities *(continued)*

the total asset value of these unconsolidated structured entities, including the portion in which the Group has no interest, was €45.1 billion (2020: €47.1 billion).

The Group's maximum exposure to loss is equal to the carrying value of the investment. However, the Group's investments in these entities are primarily held to match policyholder liabilities in the Group's life assurance business and the majority of the risk from a change in the value of the Group's investment is matched by a change in policyholder liabilities. The collective investment vehicles are primarily financed by investments from investors in the vehicles.

During the year the Group has not provided any non-contractual financial or other support to these entities and has no current intention of providing any financial or other support. The Group does not sponsor any of these unconsolidated structured entities.

Mulcair Securities DAC

In April 2019, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs, through an unconsolidated special purpose vehicle, Mulcair Securities DAC (Mulcair). The portfolio transferred had a gross carrying value of €370 million (before ECL allowance) and a net carrying value of €326 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Mulcair which in turn issued notes backed by these loans. The Group considers that it sponsors this company as it continues to be involved with it as Servicer of the transferred assets and as it is in receipt of income from the provision of these services. At 31 December 2021, the current volume of the loans under management is €271 million (2020: €310 million).

The Group holds 5% of each class of notes issued by Mulcair as a retained issuance; these notes are held as debt securities at amortised cost with the exception of notes with a nominal value of €2 million which are held as at FVTPL.

Mulcair is not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial statements as follows:

	2021 €m	2020 €m
Trading income	1	-
Fee and commission income	1	1
Total income related to Mulcair	**2**	**1**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2021 €m	2020 €m
Debt securities at amortised cost	12	14
Other financial assets held at fair value through profit or loss	2	2
Total carrying value of assets held related to Mulcair	**14**	**16**

The Group's maximum exposure to loss in respect of Mulcair is equal to the carrying value of the retained issuance which is €14 million at 31 December 2021 (2020: €16 million). There are no contractual arrangements that require the Group to provide financial support to Mulcair.

Mulcair Securities No.2 DAC

In June 2021, the Group entered into a securitisation arrangement for a portfolio of residential mortgage NPEs, through an unconsolidated special purpose vehicle, Mulcair Securities No.2 DAC (Mulcair 2). The portfolio transferred had a gross carrying value of €339 million (before ECL allowance) and a net carrying value of €301 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Mulcair 2 which in turn issued notes backed by these loans. The Group considers that it sponsors this company as it continues to be involved with it as Servicer of the transferred assets and as it is in receipt of income from the provision of these services. At 31 December 2021, the current volume of the loans under management is €331 million.

The Group holds 5% of the risks, rewards and cash flows in Mulcair 2 by way of a Vertical Risk Retention (VRR) loan. This is held in debt securities at amortised cost.

Mulcair 2 is not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial statements as follows:

	2021 €m	2020 €m
Fee and commission income	1	-
Total income related to Mulcair 2	**1**	**-**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2021 €m	2020 €m
Debt securities at amortised cost	16	-
Total carrying value of assets held related to Mulcair 2	**16**	**-**

The Group's maximum exposure to loss in respect of Mulcair 2 is equal to the balance of the VRR which is €16 million at 31 December 2021. There are no contractual arrangements that require the Group to provide financial support to Mulcair 2.

Investment companies

The Group has incorporated certain entities to provide investment opportunities to clients in international commercial properties. The Group considers that it sponsors these entities where it continues to be involved in the entity or if it is in receipt of income from the entity during the year. At 31 December 2021, there were three entities (2020: three). At 31 December 2021, the total gross asset value of these entities was €0.6 million (2020: €1.4 million).

58 Interests in other entities *(continued)*

With regard to the above unconsolidated structured entities, they are infrastructure fund managers whose principal activity is managing property investments. In 2021 and 2020, the Group did not receive asset management fees from these entities.

The structured entities are not consolidated; the associated fee and commission income in relation to these entities was €nil for 2021 (2020: €nil). The carrying amount of assets and liabilities in relation to these entities in the Group's financial statements is €nil (2020: €nil).

The Group's maximum exposure to loss in respect of these unconsolidated entities is €nil (2020: €nil).

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support.

h. Coterminous year end dates

The Group consolidates certain entities where the entity does not have the same year end reporting date as the Group. This is to ensure the reporting dates of these Group entities are kept consistent with the principal legal agreements used to engage in their core business.

59 Liquidity risk and profile

The tables below summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in the Wealth and Insurance division) at 31 December 2021 and 2020 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The Group's approach to the liquid risk management is set out in section 3.5 of the Risk Management Report.

Unit-linked investment liabilities and unit-linked insurance liabilities with a carrying value of €6,671 million and €15,399 million respectively (2020: €5,892 million and €13,479 million respectively) are excluded from this analysis as their repayment is linked to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the table below.

The balances will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

2021 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	92	235	-	-	-	327
Monetary Authorities secured funding	-	3	5	13,272	-	13,280
Customer accounts	84,606	5,084	2,011	916	211	92,828
Debt securities in issue	-	295	1,049	4,747	2,479	8,570
Subordinated liabilities	-	9	320	218	1,841	2,388
Lease liabilities	-	15	44	203	286	548
Contingent liabilities	417	36	103	88	14	658
Commitments	14,913	62	488	53	-	15,516
Short positions in trading securities	-	60	-	-	-	60
Total	**100,028**	**5,799**	**4,020**	**19,497**	**4,831**	**134,175**

59 Liquidity risk and profile *(continued)*

2020 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	97	363	-	-	-	460
Monetary Authorities secured funding	-	117	280	1,550	-	1,947
Customer accounts	77,555	6,049	3,224	1,432	52	88,312
Debt securities in issue	-	776	104	4,831	1,017	6,728
Subordinated liabilities	-	8	61	451	1,253	1,773
Lease liabilities	-	15	43	213	347	618
Contingent liabilities	454	12	62	169	19	716
Commitments	14,403	25	956	45	-	15,429
Short positions in trading securities	-	-	-	-	-	-
Total	**92,509**	**7,365**	**4,730**	**8,691**	**2,688**	**115,983**

As set out in note 21, derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered with economic hedging intent to which the Group does not apply hedge accounting. Derivatives held with hedging intent also include all derivatives to which the Group applies hedge accounting.

The following tables summarise the maturity profile of the Group's derivative liabilities. The Group manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

2021 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	182	4,620	6,126	445	11,373
Gross settled derivative liabilities - inflows	-	(149)	(4,353)	(5,729)	(436)	(10,667)
Gross settled derivative liabilities - net flows	**-**	**33**	**267**	**397**	**9**	**706**
Net settled derivative liabilities	-	65	167	687	220	1,139
Total derivatives held with hedging intent	**-**	**98**	**434**	**1,084**	**229**	**1,845**
Derivative liabilities held with trading intent	575	-	-	-	-	575
Total derivative cash flows	**575**	**98**	**434**	**1,084**	**229**	**2,420**

2020 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	2,255	2,808	3,467	86	8,616
Gross settled derivative liabilities - inflows	-	(2,250)	(2,813)	(3,396)	(82)	(8,541)
Gross settled derivative liabilities - net flows	-	**5**	**(5)**	**71**	**4**	**75**
Net settled derivative liabilities	-	116	293	920	267	1,596
Total derivatives held with hedging intent	-	**121**	**288**	**991**	**271**	**1,671**
Derivative liabilities held with trading intent	625	-	-	-	-	625
Total derivative cash flows	**625**	**121**	**288**	**991**	**271**	**2,296**

60 Measurement basis of financial assets and financial liabilities

The table below analyses the carrying amounts of the financial assets and financial liabilities by accounting treatment and by balance sheet heading.

2021	FVTPL Mandatorily €m	FVTPL Designated €m	FVOCI Debt instruments €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts[1] €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	31,360	-	-	31,360
Items in the course of collection from other banks	-	-	-	159	-	-	159
Trading securities	20	-	-	-	-	-	20
Derivative financial instruments	1,089	-	-	-	482	-	1,571
Other financial assets at FVTPL	20,078	-	-	-	-	-	20,078
Loans and advances to banks	280	-	-	2,470	-	-	2,750
Debt securities at amortised cost	-	-	-	6,008	-	-	6,008
Financial assets at FVOCI	-	-	9,457	-	-	-	9,457
Assets classified as held for sale	5	-	-	-	-	-	5
Loans and advances to customers	426	-	-	75,920	-	-	76,346
Interest in associates	-	55	-	-	-	-	55
Other financial assets	-	-	-	328	-	-	328
Total financial assets	**21,898**	**55**	**9,457**	**116,245**	**482**	**-**	**148,137**
Financial liabilities							
Deposits from banks	-	-	-	12,946	-	-	12,946
Customer accounts	-	417	-	92,337	-	-	92,754
Items in the course of transmission to other banks	-	-	-	207	-	-	207
Derivative financial instruments	1,183	-	-	-	1,002	-	2,185
Debt securities in issue	-	307	-	8,176	-	-	8,483
Liabilities to customers under investment contracts	-	6,671	-	-	-	-	6,671
Insurance contract liabilities	-	-	-	-	-	15,399	15,399
Other financial liabilities	-	-	-	2,364	-	-	2,364
Lease liabilities	-	-	-	452	-	-	452
Loss allowance provision on loan commitments and financial guarantees	-	-	-	48	-	-	48
Short positions in trading securities	60	-	-	-	-	-	60
Subordinated liabilities	-	-	-	1,981	-	-	1,981
Total financial liabilities	**1,243**	**7,395**	**-**	**118,511**	**1,002**	**15,399**	**143,550**

[1] *Insurance investment contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit-linked funds.*

60 Measurement basis of financial assets and financial liabilities *(continued)*

2020	FVTPL Mandatorily €m	FVTPL Designated €m	FVOCI Debt instruments €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts[1] €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	10,953	-	-	10,953
Items in the course of collection from other banks	-	-	-	166	-	-	166
Trading securities	-	-	-	-	-	-	-
Derivative financial instruments	1,427	-	-	-	790	-	2,217
Other financial assets at FVTPL	17,392	-	-	-	-	-	17,392
Loans and advances to banks	227	-	-	2,226	-	-	2,453
Debt securities at amortised cost	-	-	-	6,266	-	-	6,266
Financial assets at FVOCI	-	-	10,942	-	-	-	10,942
Assets classified as held for sale	5	-	-	-	-	-	5
Loans and advances to customers	361	-	-	76,220	-	-	76,581
Interest in associates	-	54	-	-	-	-	54
Other financial assets	-	-	-	259	-	-	259
Total financial assets	**19,412**	**54**	**10,942**	**96,090**	**790**	**-**	**127,288**
Financial liabilities							
Deposits from banks	-	-	-	2,388	-	-	2,388
Customer accounts	-	703	-	87,934	-	-	88,637
Items in the course of transmission to other banks	-	-	-	216	-	-	216
Derivative financial instruments	1,520	-	-	-	737	-	2,257
Debt securities in issue	-	348	-	6,019	-	-	6,367
Liabilities to customers under investment contracts	-	5,892	-	-	-	-	5,892
Insurance contract liabilities	-	-	-	-	-	13,479	13,479
Other financial liabilities	-	-	-	2,234	-	-	2,234
Lease liabilities	-	-	-	498	-	-	498
Loss allowance provision on loan commitments and financial guarantees	-	-	-	99	-	-	99
Short positions in trading securities	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	1,434	-	-	1,434
Total financial liabilities	**1,520**	**6,943**	**-**	**100,822**	**737**	**13,479**	**123,501**

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

	2021 Fair values €m	2021 Contractual amount due on maturity €m	2020 Fair values €m	2020 Contractual amount due on maturity €m
Customer accounts	417	414	703	701
Liabilities to customers under investment contracts	6,671	6,671	5,892	5,892
Debt securities in issue	307	284	348	312
Financial liabilities designated at fair value through profit or loss	**7,395**	**7,369**	**6,943**	**6,905**

For financial assets and financial liabilities which are measured at FVTPL or through OCI, a description of the methods and assumptions used to calculate those fair values is set out in note 61.

[1] *Insurance investment contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit-linked funds.*

61 Fair values of assets and liabilities

Fair value of assets and liabilities

Fair value 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, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include DCF models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or of recent arm's length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1
Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable inputs for the asset or liability.

Transfers between different levels are assessed at the end of all reporting periods.

(a) Financial assets and financial liabilities recognised and subsequently measured at fair value

All financial instruments are initially recognised at fair value. The Group subsequently measures the following instruments at FVTPL or at FVOCI: trading securities, other financial assets and financial liabilities designated at FVTPL, derivatives, loans and advances to customers held at fair value, loans and advances to banks held at fair value, financial assets held at FVOCI, customer accounts held at fair value and debt securities in issue held at fair value.

A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below. For fair value measurements categorised within level 3 of the fair value hierarchy, the valuation policies and procedures are developed by the management of the relevant business unit. The valuation process is documented before being reviewed and approved by senior management to ensure that the valuation method is consistent with market practice, that the output is reasonable and that the methodology is consistent both across the Group and compared to prior reporting periods.

Loans and advances to customers held at fair value
These consist of assets mandatorily measured at FVTPL, of which €225 million are 'Life loan mortgage products'. Unlike a standard mortgage product, borrowers do not make any periodic repayments and the outstanding loan balance increases through the life of the loan as interest due is capitalised. The mortgage is typically repaid out of the proceeds of the sale of the property. These assets are valued using DCF models which incorporate unobservable inputs (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. €201 million of loans and advances to customers held at fair value relate to syndicated corporate facilities. These assets are valued by applying a discount based on a secondary market loan index and the Group's ECL models (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Loans and advances to banks held at fair value
These consist of assets mandatorily measured at FVTPL and include assets managed on a fair value basis by the life assurance business and those assets that do not meet the requirements in order to be measured at FVOCI or amortised cost.

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Financial assets at fair value through other comprehensive income
Financial assets at FVOCI predominantly consist of government bonds and listed debt securities. For these assets where an active market exists, fair value has been determined directly from observable market prices (level 1 inputs) or yields through a recognised pricing source or an independent broker, price-provider or investment bank (level 2 inputs).

Financial assets and financial liabilities held for trading
These instruments are valued using observable market prices (level 1 inputs), directly from a recognised pricing source or an independent broker or investment bank.

Derivative financial instruments
The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of DCF and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, FX rates, equity prices and counterparty credit (level 2 inputs). The base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk, own credit and / or funding costs.

The fair values of the Group's derivative financial liabilities reflect the impact of changes in own credit spreads derived from observable market data (debit valuation adjustment (DVA)). The impact of the cost of funding derivative positions is also taken into account in determining the fair value of derivative financial instruments (funding valuation adjustment (FVA)). The funding cost is derived from observable market data; however the model may perform numerical procedures in the pricing such as interpolation when market data input values do not directly correspond to the exact parameters of the trade. Both methodologies are considered to use level 2 inputs.

61 Fair values of assets and liabilities *(continued)*

Credit valuation adjustment (CVA) represents an estimate of the adjustment to fair value that market participants would make to incorporate the counterparty credit risk inherent in derivative exposures. Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives as at 31 December 2021 is immaterial. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

In addition a small number of derivative financial instruments are valued using significant unobservable inputs other than counterparty credit (level 3 inputs). However, changing one or more assumptions used in the valuation of these derivatives would not have a significant impact as they are entered into to hedge the exposure arising on certain customer accounts (see below), leaving the Group with no net valuation risk due to the unobservable inputs.

Other financial assets at fair value through profit or loss

These consist of assets mandatorily measured at FVTPL, which are predominantly held for the benefit of unit-linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. Substantially all of these assets are valued using valuation techniques which use observable market data i.e. level 1 or level 2 inputs. A small number of assets have been valued using DCF models and discounted equity value method, which incorporate unobservable inputs (level 3). Certain private equity funds, which predominantly invest in properties, are valued with reference to the underlying property value which in itself incorporate unobservable inputs (level 3). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Interest in associates

Investments in associates, which are venture capital investments, are accounted for at FVTPL and are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of various inputs such as DCF analysis and comparison with the earnings multiples of listed comparative companies amongst others. Although the valuation of unquoted equity instruments is subjective by nature, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs. Using reasonably possible alternative assumptions would not have a material impact on the value of these assets.

Customer accounts

Customer accounts designated at FVTPL consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The Group incorporates the effect of changes in its own credit spreads when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a customer account, that account is categorised as level 3 on the fair value hierarchy.

A small number of customer accounts are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to those unobservable inputs.

Liabilities to customers under insurance and investment contracts

In line with the accounting policy set out on page 225, the fair value of liabilities to customers under both insurance and investment unit-linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit-linked funds. The value of the unit-linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the reporting date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Debt securities in issue

Debt securities in issue with a fair value of €307 million (2020: €348 million) are measured at FVTPL, in order to reduce an accounting mismatch which would otherwise arise from hedging derivatives. Their fair value is typically based on valuation techniques incorporating observable market data. The Group incorporates the effect of changes in its own credit spread when valuing these instruments. The Group sources own credit spreads from independent brokers (level 3 inputs) as observable own credit spreads are not available. Where the impact of unobservable inputs is material to the valuation of a debt security in issue, that issuance is categorised as level 3 on the fair value hierarchy.

A small number of the debt securities in issue are valued using additional unobservable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these debt securities in issue would not have a significant impact.

(b) Financial assets and liabilities held at amortised cost

For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings which are held at amortised cost is their carrying amount. The estimated fair value of fixed interest bearing placements which are held at amortised cost is based on DCFs using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers held at amortised cost

The fair value of both fixed and variable rate loans and advances to customers held at amortised cost is estimated

61 Fair values of assets and liabilities *(continued)*

using valuation techniques which include the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the reporting date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs).

Debt securities at amortised cost
For debt securities at amortised cost for which an active market exists, fair value has been determined directly from observable market prices (level 1 inputs). Debt securities at amortised cost consist mainly of government bonds, asset backed securities and other debt securities.

Deposits from banks and customer accounts
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. For the estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices, a DCF model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

Debt securities in issue and subordinated liabilities
The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). For those notes where quoted market prices are not available, a DCF model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

(c) Fair value on offsetting positions
Where the Group manages certain financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Group applies the exception allowed under paragraph 48 of IFRS 13. That exception permits the Group to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

(d) Fair value of non-financial assets
Investment properties
Investment properties are carried at fair value as determined by external qualified property surveyors (the 'Surveyors') appropriate to the properties held. The Surveyors arrive at their opinion of fair value by using their professional judgement in applying comparable current trends in the property market such as rental yields in the retail, office and industrial property sectors, to both the existing rental income stream and also to the future estimate of rental income (ERV). Other inputs taken into consideration include occupancy forecasts, rent free periods that may need to be granted to new incoming tenants, capital expenditure and fees. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

As a result of the impact of COVID-19 on the property market surveyors attached less weight to previous market evidence and all December 2020 valuations for retail properties located in the Republic of Ireland (2020: €101 million of investment properties) were prepared on a 'material uncertainty' basis in line with the RICS Valuation - Global Standards.

As at the December 2021 valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Therefore the December 2021 valuations do not include material valuation uncertainty clauses.

Property
A revaluation of Group property was carried out as at 31 December 2021. All freehold and long leasehold commercial properties were valued by Lisney Ltd (or its partner, Sanderson Weatherall) as external valuers, with the exception of some select properties which were valued internally by the Group's qualified surveyors. The valuations have been carried out in accordance with the RICS Valuation – Global Standards. The valuers arrive at their valuation by using their professional judgement in applying market comparable methods of valuation such as the utilisation of comparable market rental values and rental yields. Other considerations taken into account include the individual property profile, lot size, layout and presentation of accommodation. As these inputs are unobservable, the valuation is deemed to be based on level 3 inputs. All properties are valued based on highest and best use.

61 Fair values of assets and liabilities *(continued)*

The following table sets out the level of the fair value hierarchy for assets and liabilities held at fair value. Information is also given for items carried at amortised cost where the fair value is disclosed.

	2021				2020			
	Level 1 €m	Level 2 €m	Level 3 €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value								
Trading securities	20	-	-	20	-	-	-	-
Derivative financial instruments	-	1,497	74	1,571	-	2,210	7	2,217
Other financial assets at FVTPL	19,412	330	336	20,078	16,757	483	152	17,392
Loans and advances to banks	-	280	-	280	-	227	-	227
Financial assets at FVOCI	9,457	-	-	9,457	10,942	-	-	10,942
Loans and advances to customers	-	-	426	426	-	-	361	361
Interest in associates	-	-	55	55	-	-	54	54
Non-financial assets held at fair value								
Investment property	-	-	992	992	-	-	843	843
Property held at fair value	-	-	181	181	-	-	180	180
	28,889	**2,107**	**2,064**	**33,060**	**27,699**	**2,920**	**1,597**	**32,216**
Financial liabilities held at fair value								
Customer accounts	-	402	15	417	-	698	5	703
Derivative financial instruments	-	2,125	60	2,185	-	2,249	8	2,257
Debt securities in issue	-	307	-	307	-	348	-	348
Liabilities to customers under investment contracts	-	6,671	-	6,671	-	5,892	-	5,892
Insurance contract liabilities	-	15,399	-	15,399	-	13,479	-	13,479
Short positions in trading securities	60	-	-	60	-	-	-	-
	60	**24,904**	**75**	**25,039**	-	**22,666**	**13**	**22,679**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	2	2,468	-	2,470	1	2,225	-	2,226
Debt securities at amortised cost	6,063	27	11	6,101	6,318	21	9	6,348
Loans and advances to customers	-	-	74,359	74,359	-	-	74,050	74,050
Fair value of financial liabilities held at amortised cost								
Deposits from banks	-	12,964	-	12,964	-	2,388	-	2,388
Customer accounts	-	92,352	-	92,352	-	87,983	-	87,983
Debt securities in issue	6,265	749	1,231	8,245	5,370	188	498	6,056
Subordinated liabilities	53	1,885	120	2,058	49	1,358	106	1,513

61 Fair values of assets and liabilities *(continued)*

Movements in level 3 assets 2021	Loans advances customers at FVTPL €m	Other financial assets at FVTPL €m	Derivative financial instruments €m	Interest in associates €m	Investment property €m	Property held at fair value €m	Total €m
Opening balance	**361**	**152**	**7**	**54**	**843**	**180**	**1,597**
Exchange adjustment	-	-	1	-	10	3	14
Total gains or losses in:							
Profit or loss							
- Interest income	18	-	-	-	-	-	18
- Net trading income / (expense)	1	21	62	-	-	-	84
- Share of results of associates	-	-	-	7	-	-	7
- Revaluation	-	-	-	-	(17)	-	(17)
- Life assurance investment income & gains	-	1	-	-	-	-	1
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	287	18	-	11	157	-	473
Disposals	(208)	(7)	(2)	(17)	(1)	-	(235)
Redemptions	(33)	(12)	-	-	-	-	(45)
Reclassifications	-	-	-	-	-	(2)	(2)
Transfers out of level 3							
- from level 3 to level 2	-	-	(2)	-	-	-	(2)
Transfers into level 3							
- from level 1 to level 3	-	77	-	-	-	-	77
- from level 2 to level 3	-	86	8	-	-	-	94
Closing balance	**426**	**336**	**74**	**55**	**992**	**181**	**2,064**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**13**	**17**	**59**	**7**	**(6)**	**-**	**90**
- Net trading income / (expense)	*-*	*16*	*59*	*-*	*-*	*-*	*75*
- Interest income	*13*	*-*	*-*	*-*	*-*	*-*	*13*
- Share of results of associates	*-*	*-*	*-*	*7*	*-*	*-*	*7*
- Life assurance investment income and gains	*-*	*1*	*-*	*-*	*(6)*	*-*	*(5)*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2021. The transfer from level 1 and 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and 2.

61 Fair values of assets and liabilities *(continued)*

Movements in level 3 assets **2020**	**Loans advances customers at FVTPL €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Interest in associates €m**	**Investment property €m**	**Property held at fair value €m**	**Total €m**
Opening balance	**252**	**136**	**3**	**56**	**999**	**196**	**1,642**
Exchange adjustment	-	(1)	-	-	(8)	(3)	(12)
Total gains or losses in:							
Profit or loss							
- Interest income	18	-	-	-	-	-	18
- Net trading income / (expense)	(1)	(13)	9	-	-	-	(5)
- Share of results of associates	-	-	-	(3)	-	-	(3)
- Revaluation	-	-	-	-	(77)	(4)	(81)
- Life assurance investment income & gains	-	2	-	-	-	-	2
Other comprehensive income	-	-	-	-	-	(9)	(9)
Additions	224	7	-	5	-	-	236
Disposals	(108)	(23)	-	(4)	(71)	-	(206)
Redemptions	(24)	(2)	-	-	-	-	(26)
Reclassifications	-	-	-	-	-	-	-
Transfers out of level 3							
- from level 3 to level 2	-	(33)	(9)	-	-	-	(42)
Transfers into level 3							
- from level 2 to level 3	-	79	4	-	-	-	83
Closing balance	**361**	**152**	**7**	**54**	**843**	**180**	**1,597**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**10**	**(11)**	**3**	**(3)**	**(85)**	**-**	**(86)**
- Net trading income / (expense)	*10*	*(13)*	*3*	*-*	*-*	*-*	*-*
- Life assurance investment income and gains	*-*	*2*	*-*	*-*	*(62)*	*-*	*(60)*
- Share of results of associates	*-*	*-*	*-*	*(3)*	*-*	*-*	*(3)*
- Other operating income	*-*	*-*	*-*	*-*	*(23)*	*-*	*(23)*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2020. The transfer from level 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and 2.

61 Fair values of assets and liabilities *(continued)*

Movements in level 3 liabilities	2021				2020			
	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Total €m	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Total €m
Opening balance	**5**	**8**	**-**	**13**	**14**	**4**	**2**	**20**
Exchange adjustment	-	1	-	1	-	-	-	-
Total gains or losses in:								
Profit or loss								
- Net trading (income) / expense	2	52	-	54	(2)	15	(1)	12
Other comprehensive income	-	-	-	-	-	-	-	-
Additions	15	-	-	15	6	-	-	6
Disposals	-	-	-	-	-	(1)	-	(1)
Redemptions	-	-	-	-	-	-	(1)	(1)
Transfers out of level 3								
- from level 3 to level 2	(7)	(1)	-	(8)	(13)	(10)	-	(23)
Transfers into level 3								
- from level 2 to level 3	-	-	-	-	-	-	-	-
Closing balance	**15**	**60**	**-**	**75**	**5**	**8**	**-**	**13**
Total unrealised (gains) / losses for the year included in profit or loss for level 3 liabilities at the end of the year								
- Net trading (income) / expense	(3)	59	-	56	(2)	8	-	6

The transfers from level 3 to level 2 arose due to unobservable inputs becoming less significant to the fair value measurement of these liabilities.

There were no transfers between levels 1 and 2 or from level 2 to level 3.

61 Fair values of assets and liabilities *(continued)*

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Level 3 assets	Valuation technique	Unobservable input	Fair value 2021 €m	Fair value 2020 €m	Range 2021 %	Range 2020 %
Loans and advances to customers	Discounted cash flow	Discount on market rate[1]	225	239	2.75% - 4.50%	2.75%-4.50%
		Collateral charges			1.00% - 5.80%	(3.00%)-5.80%
	Par value less discount	Discount	201	122	0%	0.0%-3.3%
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate[1]	336	152	0%-15%	15%
	Equity Value less discount	Discount			0%-50%	0%-50%
	Market comparable property transactions[2]	Yields			2.92% - 7.75%	2.86%-7.01%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[3]	74	7	0.0% - 1.7%	0%-1.8%
Interest in associates[4]	Market comparable companies	Price of recent investment Earnings multiple[5] Revenue multiple[5]	55	54	-	-
Investment property	Market comparable property transactions	Rental yields	992	843	2.92% - 7.75%	2.86% – 7.01%
Property held at fair value	Market comparable property transactions	Rental yields	181	180	5.18% - 12.25%	5.25% – 12.50%

[1] *The discount rate represents a range of discount rates that market participants would use in valuing these investments.*
[2] *These assets represent holdings in real estate property funds.*
[3] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*
[4] *Given the wide range of diverse investments and the correspondingly large differences in prices, the Group does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.*
[5] *The Group's multiples represent multiples that market participants would use in valuing these investments.*

Note: 100 basis points = 1%

61 Fair values of assets and liabilities *(continued)*

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (continued)

Level 3 liabilities	Valuation technique	Unobservable input	Fair value 2021 €m	Fair value 2020 €m	Range 2021 %	Range 2020 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread[1]	15	5	0.4% - 0.5%	0.6%-0.7%
Derivative financial instruments	Discounted cash flow Option pricing model	Counterparty credit spread[1]	60	8	0.0% - 1.7%	0.0% - 1.8%

The carrying amount and the fair value of the Group's financial assets and liabilities which are carried at amortised cost are set out in the table below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

Financial instruments	2021 Carrying amount €m	2021 Fair values €m	2020 Carrying amount €m	2020 Fair values €m
Assets				
Loans and advances to banks	2,470	2,470	2,226	2,226
Debt securities at amortised cost	6,008	6,101	6,266	6,348
Loans and advances to customers (including assets held for sale)	75,920	74,359	76,220	74,050
Liabilities				
Deposits from banks	12,946	12,964	2,388	2,388
Customer accounts	92,337	92,352	87,934	87,983
Debt securities in issue	8,176	8,245	6,019	6,056
Subordinated liabilities	1,981	2,058	1,434	1,513

[1] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*

Note: 100 basis points = 1%

62 Transferred financial assets

	Carrying amount of transferred assets €m	Carrying amount of associated liabilities[1] €m	Fair value of transferred assets €m	Fair value of associated liabilities[1] €m	Net fair value position €m
2021					
Securitisation					
Loans and receivables					
Residential mortgages book[2] (Bowbell II Special Purpose Entity)	198	177	210	178	32
Sale and repurchase / similar products[3]					
Debt securities at amortised cost	4,626	4,609	4,712	4,609	103
Financial assets at FVOCI	5,323	5,210	5,326	5,210	116
2020					
Securitisation					
Loans and receivables					
Residential mortgages book[2] (Bowbell II Special Purpose Entity)	256	235	262	236	26
Sale and repurchase / similar products[3]					
Debt securities at amortised cost	98	100	99	100	(1)
Financial assets at FVOCI	24	23	24	23	1

The Group has transferred certain financial assets that are not derecognised from the Group's balance sheet. Such arrangements are securitisations and sale or repurchase agreements. The Group is exposed to substantially all risks and rewards including credit and market risk associated with the transferred assets.

The Group has not entered into any agreements on the sale of assets that entail the Group's continuing involvement in derecognised financial assets other than assets transferred to Mulcair and Mulcair 2 (note 58).

In March 2021, the Group secured funding of €10.8 billion from the ECB under the third series of TLTRO III. A mix of government and corporate bonds with a total fair value of €10.0 billion were pledged to the CBI as part of the TLTRO drawdown.

[1] For the purposes of this disclosure, associated liabilities include liabilities issued by securitisation special purpose entity, held by other Group entities.

[2] For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees / costs.

[3] Assets sold or transferred subject to repurchase agreements or similar products are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits from banks or customer accounts, as appropriate. The difference between the original sale price of the bonds and the repurchase price is the repo rate.

63 Offsetting financial assets and liabilities

The following tables set out the effect or potential effect of netting arrangements on the Group's financial position. This includes the effect or potential effect of rights of set-off associated with the Group's recognised financial assets and recognised financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32.

Assets	Gross amounts of recognised financial assets €m	Gross amounts of recognised financial liabilities set off in the balance sheet €m	Net amounts of financial assets presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral received €m	Net amount €m
2021						
Derivative financial assets	1,569	-	1,569	(1,244)	(43)	282
Loans and advances to customers	215	(215)	-	-	-	-
Total	**1,784**	**(215)**	**1,569**	**(1,244)**	**(43)**	**282**
2020						
Derivative financial assets	2,206	-	2,206	(1,667)	(156)	383
Loans and advances to customers	239	(239)	-	-	-	-
Total	**2,445**	**(239)**	**2,206**	**(1,667)**	**(156)**	**383**

The following financial liabilities are subject to offsetting, enforceable master netting arrangements.

Liabilities	Gross amounts of recognised financial liabilities €m	Gross amounts of recognised financial assets set off in the balance sheet €m	Net amounts of financial liabilities presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[3] instruments €m	Related amounts not set off in the balance sheet: Cash[4] collateral pledged €m	Net amount €m
2021						
Derivative financial liabilities	2,176	-	2,176	(1,244)	(680)	252
Customer deposits	215	(215)	-	-	-	-
Total	**2,391**	**(215)**	**2,176**	**(1,244)**	**(680)**	**252**
2020						
Derivative financial liabilities	2,251	-	2,251	(1,667)	(314)	270
Customer deposits	239	(239)	-	-	-	-
Total	**2,490**	**(239)**	**2,251**	**(1,667)**	**(314)**	**270**

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements such as an ISDA Master agreement. The agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis: however each party to the master netting agreement has the option to settle all such amounts on a net basis in the event of default of the other party.

[1] *Included in the gross amounts of recognised derivative financial assets, are amounts of €1,244 million that do not meet the offsetting criteria (2020: €1,667 million).*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (note 38).*
[3] *Included in the gross amounts of recognised derivative financial liabilities, are amounts of €1,244 million that do not meet the offsetting criteria (2020: €1,667 million).*
[4] *Cash collateral amounts disclosed reflect the maximum collateral available for offset.*

64 Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates to alternative or nearly risk free rates has become a priority for global regulators. The Group's exposures to benchmark interest rates will be replaced or reformed as part of this market wide initiative.

As EURIBOR was reformed during 2019 and currently complies with the EU Benchmarks Regulation under a new hybrid methodology, the Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future. Therefore, the Group does not consider EURIBOR to be directly affected by the BMR reform as at 31 December 2021.

On 5 March 2021, the FCA formally announced the cessation timeline for all LIBOR settings subject to the BMR reform and as a result of that announcement, the ISDA and Bloomberg confirmed that the spread adjustment published by Bloomberg was fixed on that date for all the LIBOR settings. The cessation date for Euro, GBP, Swiss Franc (CHF), Japanese Yen (JPY) and One-Week and Two Month USD LIBOR was 31 December 2021 while the cessation date for USD LIBOR is 30 June 2023.

On 29 September 2021, the FCA confirmed that they will require ICE Benchmark Administration to continue publication of specific GBP and JPY LIBOR settings from 1 January 2022 for a period of at least 12 months, using a synthetic methodology.

On 16 November 2021, the FCA confirmed that they would permit legacy use of the synthetic GBP and JPY LIBOR except for cleared derivatives and that under their new use restriction power they would prohibit new use of USD LIBOR from the end of 2021, except in specific circumstances.

In line with regulatory guidance and now established market practice, for the majority of the Groups contracts; Sterling Overnight Index Average (SONIA) has replaced GBP LIBOR, Secured Overnight Financing Rate (SOFR) will replace USD LIBOR and Euro Short term rate (€STR) has replaced EONIA.

The majority of the GBP LIBOR exposures held with small and medium sized enterprises transitioned to alternative market acceptable replacement benchmark rates such as the Bank of England base rate.

A Group wide Benchmark Reform Programme continues to manage the orderly transition to new regulatory compliant benchmarks. This effort will continue until the transition of USD LIBOR contracts concludes by the end of June 2023.

Transition progress

Transition plans were developed for all impacted customers and products. These included alternative and replacement rate options with supporting customer outreach and communication plans.

Since 1 April 2021, the Group ceased originating or issuing products using GBP LIBOR consistent with guidance from the UK Working Group on Sterling Risk-Free Reference Rates. The Group has worked to transition the majority of the GBP LIBOR and EONIA products in advance of the 31 December 2021 cessation date. The Group continues to engage with counterparties to transition residual GBP LIBOR exposures, in line with regulatory guidance. The Group has plans in place to support the transition of USD LIBOR products in advance of the cessation date of 30 June 2023.

Nature and extent of risks to which the Group is exposed as a result of the transition

The BMR reform exposed the Group to various risks. The material risks identified include:

- **Conduct and litigation risk:** There is a risk that unfavourable customer outcomes are brought about as a direct result of inappropriate or negligent conduct on the part of the Group, in connection with the BMR transition.
- **Operational risk:** The Benchmark Programme encompasses a number of business products and functions, giving rise to additional operational risks.
- **Financial risk:** There is a risk that markets are disrupted due to the BMR reform. This could give rise to financial losses should the Group be unable to operate effectively in financial markets.
- **Income statement volatility risk:** There is a risk that if contracts subject to reform are transitioned at different times, to different benchmarks or using differing conventions, it could lead to the emergence of new or additional basis risk exposures and increase hedge accounting ineffectiveness, resulting in volatility to the income statement.

The risks identified above are not expected to result in material changes to the Group's risk management strategy. The key mitigating considerations include:

- a Group wide Benchmark Reform Programme continues to manage the orderly transition to new regulatory compliant benchmarks;
- the Group ALCO provides oversight to the programme and updates are provided to the Regulatory bodies (the Joint Supervisory Team and the Prudential Regulation Authority); and
- the Group will adhere to the ISDA 2020 interbank offered rate fallback protocol, where applicable, to support the smooth transition of derivative products.

64 Interest rate benchmark reform *(continued)*

The table below shows the principal values of the Group's non-derivative exposures which remain subject to BMR Reform as at 31 December 2021, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023:

	GBP LIBOR €m	USD LIBOR €m	Other[1] €m	Total €m
Non-derivative financial assets				
Other financial assets at FVTPL	47	-	-	47
Debt securities at amortised cost	8	3	-	11
Loans and advances to customers	676	3,110	2	3,788
Total non-derivative financial assets	**731**	**3,113**	**2**	**3,846**
Non-derivative financial liabilities				
Debt securities in issue	-	237	-	237
Total non-derivative financial liabilities	**-**	**237**	**-**	**237**
Off balance sheet exposures				
Undrawn loan commitment[2]	45	648	-	693
Total off-balance sheet exposures	**45**	**648**	**-**	**693**

The Group also had loans and advances to customers amounting to €1,385 million, which reference GBP LIBOR or CHF LIBOR as at 31 December 2021 and had been contracted to transition on their next interest roll date. These loans and advances have not been included in the above table.

The Group had contracts subject to the BMR reform in respect of its cash collateral balances across some of its Credit Support Annex agreements that reference EONIA, amounting to €40 million as at 31 December 2021. These contracts were covered by the ISDA fallback protocol, which was triggered immediately after the EONIA cessation date of 31 December 2021. These cash collateral balances have not been included in the above table due to the short dated nature of the balances.

The table below shows the notional amounts of the Group's derivative exposures which remain subject to BMR Reform as at 31 December 2021, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023:

	GBP LIBOR €m	USD LIBOR €m	Total €m
Derivative financial assets			
Interest rate swaps	509	1,252	1,761
Cross currency interest rate swaps	-	114	114
OTC Interest rate options	-	782	782
Total derivative financial assets	**509**	**2,148**	**2,657**
Derivative financial liabilities			
Interest rate swaps	870	721	1,591
Cross currency interest rate swaps	5	114	119
OTC Interest rate options	74	782	856
Total derivative financial liabilities	**949**	**1,617**	**2,566**

The above table includes derivative financial assets with a notional value amounting to €25 million and derivative financial liabilities with a notional value amounting to €829 million, which reference GBP LIBOR as at 31 December 2021 and have an ISDA fallback in place which was triggered immediately after the GBP LIBOR cessation date of 31 December 2021.

The table above also includes derivative financial instruments designated in hedge accounting relationships and these are further disclosed in the Derivative Financial Instruments note 21 on pages 255 to 258.

[1] *Other exposures are made up of JPY LIBOR and CHF LIBOR.*
[2] *A portion of the Group's loan commitments are in the form of multi-currency facilities. Where facilities are fully undrawn, the commitment is reported under the BMR relating to the currency of the facility. Where the facilities are partially drawn, the remaining loan commitment is reported under the BMR relating to the currency with the largest drawn amount*

65 Impact of voluntary change in interest income and expense accounting policy

As outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 212, the Group voluntarily changed its accounting policy during 2021 for the presentation of interest income and interest expense on derivatives designated as hedging instruments.

The change in accounting policy has been accounted for retrospectively as required under IAS 8 and the comparative period has been restated to reflect this change. The effect of this change on the current period and the prior period is explained in this note.

Impact of the restatement on the relevant financial statement line items:

	2021			2020		
Consolidated income statement (selected lines)[1]	**Before change in accounting policy €m**	**Impact of change in accounting policy €m**	**Total €m**	**Published €m**	**Impact of change in accounting policy €m**	**Total €m**
Interest income calculated using the effective interest method	2,234	164	2,398	2,183	138	2,321
Other interest income	372	-	372	387	-	387
Interest income	**2,606**	**164**	**2,770**	**2,570**	**138**	**2,708**
Interest expense	(379)	(164)	(543)	(481)	(138)	(619)
Net interest income	**2,227**	**-**	**2,227**	**2,089**	**-**	**2,089**
Total operating income	**6,078**	**-**	**6,078**	**4,335**	**-**	**4,335**
Profit / (loss) before tax	**1,221**	**-**	**1,221**	**(760)**	**-**	**(760)**
Profit / (loss) for the year	**1,055**	**-**	**1,055**	**(707)**	**-**	**(707)**

66 Post balance sheet events

On 25 February 2022, the Board proposed a distribution of €104 million including a dividend of €54 million, equivalent to 5 cents per share, subject to ordinary shareholder approval and an ordinary share buyback of €50 million subject to regulatory approval. The dividend of 5 cents per share on ordinary shares will be paid on 14 June 2022 to ordinary shareholders who appear on the Company's register on 13 May 2022, the record date for the dividend, subject to shareholder approval.

67 Approval of financial statements

The Board of Directors approved the consolidated and Company financial statements on 25 February 2022.

[1] *The note only includes the selected lines which have been impacted by the change in accounting policy.*

Company balance sheet *(as at 31 December 2021)*

	Note	2021 €m	2020 €m
Assets			
Loans and advances to banks	b	6,484	4,197
Shares in Group undertakings	c	8,010	7,962
Other assets	d	63	54
Total assets		**14,557**	**12,213**
Equity and liabilities			
Debt securities in issue	f	4,199	2,479
Subordinated liabilities	e	1,595	1,038
Other liabilities	g	29	18
Current tax liability		1	2
Total liabilities		**5,824**	**3,537**
Equity			
Share capital	h	1,079	1,079
Share premium account		456	456
Retained earnings		6,232	6,175
Shareholder' equity		**7,767**	**7,710**
Other equity instruments	i	966	966
Total equity		**8,733**	**8,676**
Total equity and liabilities		**14,557**	**12,213**

The Company recorded a profit after tax of €125 million for the year ended 31 December 2021 (2020: loss of €7 million).

Patrick Kennedy	***Richard Goulding***	***Francesca McDonagh***	***Sarah McLaughlin***
Chairman	*Deputy Chairman*	*Group Chief Executive*	*Group Secretary*

Company statement of changes in equity *(for the year ended 31 December 2021)*

	2021					2020				
	Share capital €m	Share premium account €m	Retained earnings €m	Other equity instru-ments €m	Total €m	Share capital €m	Share premium account €m	Retained earnings €m	Other equity instru-ments €m	Total €m
Balance at 1 January	**1,079**	**456**	**6,175**	**966**	**8,676**	**1,079**	**456**	**6,207**	**-**	**7,742**
Profit / (loss) for the year	-	-	125	-	125	-	-	(7)	-	(7)
Total comprehensive income for the year	**-**	**-**	**125**	**-**	**125**	**-**	**-**	**(7)**	**-**	**(7)**
Transactions with owners										
- AT1 securities issued during the year, net of expenses (note i)	-	-	-	-	-	-	-	-	966	966
- Distribution on other equity instruments AT1 coupon	-	-	(68)	-	(68)	-	-	(25)	-	(25)
- Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**(68)**	**-**	**(68)**	**-**	**-**	**(25)**	**966**	**941**
Balance at 31 December	**1,079**	**456**	**6,232**	**966**	**8,733**	**1,079**	**456**	**6,175**	**966**	**8,676**

a Accounting policies and critical accounting estimates and judgements

The Company financial statements have been prepared in accordance with FRS 101 'Reduced disclosure framework' and in accordance with Section 290 (1) of the Companies Act 2014.

These financial statements are financial statements of the Company only and do not consolidate the results of any subsidiaries.

In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of IFRS as adopted by the EU (but makes amendments where necessary in order to comply with the Companies Act 2014). The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- statement of Cash Flows;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- certain requirements of IAS 1 'Presentation of financial statements';
- disclosures required by IFRS 7 'Financial Instruments: disclosures';
- disclosures required by IFRS 13 'Fair value measurement'; and
- the effects of new but not yet effective IFRSs.

The financial statements are presented in euro millions except where otherwise indicated. They have been prepared under the historical cost convention. The accounting policies of the Company are the same as those of the Group which are set out in the Group accounting policies section of the Annual Report on pages 211 to 227, where applicable. The Company's investment in its subsidiary is stated at cost less any impairment.

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out below.

Shares in Group undertakings

Cost

The cost of the Company's investment in the ordinary stock of its subsidiary undertaking, the Bank, was measured at the Company's share of the carrying value of the equity items reflected in the separate financial statements of the Bank at 7 July 2017, the date on which the Company became the Parent entity of the Bank. The Company's share of these equity items, as holder of 100% of the ordinary stock of the Bank, was assessed in accordance with the rights attaching to other equity instruments, comprising preference stock and an AT1 instrument and measured on a relative fair value basis.

Impairment review

The Company carries its investment in its subsidiary undertaking at cost and reviews for impairment at each reporting date. Impairment testing involves the comparison of the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the investment's fair value and its VIU.

VIU is the present value of expected future cash flows from the investment. Fair value is 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 subsidiary's fair value is calculated as the market capitalisation of the BOI Group plc less the Company's net assets, excluding the investment in the Bank. At 31 December 2021, the market capitalisation of BOIG plc less its investment in the subsidiary was €4.7 billion (2020: €2.9 billion). This was below the

a Accounting policies and critical accounting estimates and judgements *(continued)*

carrying amount of its investment and therefore BOIG plc considered this an impairment indicator and performed an impairment assessment which compared the carrying amount with the estimated recoverable amount as determined by a VIU calculation. There are a large number of factors driven by market conditions that lead to the market capitalisation being lower than the carrying value of the investment, which includes but are not limited to, uncertainties relating to Brexit and the COVID-19 pandemic.

The Company uses a discounted cash flow model to derive VIU. The key inputs into the model are (i) projected future cash flows (ii) the discount rate and (iii) growth rates.

VIU was determined to be €14.3 billion (2020: €7.96 billion) which was higher than both the fair value as indicated above and the carrying amount of €7.96 billion (2020: lower than the carrying amount of €8.01 billion). As a result, a reversal of impairment of €48 million was recognised at 31 December 2021 (2020: impairment charge of €48 million), increasing the carrying value to the amount of €8.01 billion, being the amount that would have been determined had no impairment been recognised in 2020.

Judgement

Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate and growth rate appropriate to the business; estimation of the fair value of the investment; and the valuation of the separable assets comprising the overall investment in the Group undertaking.

Sources of estimation uncertainty

Cash flow forecasts

Cash flow forecasts are based on internal management information for a period of up to five years, after which a long-term growth rate appropriate for the business is applied. The initial five years' cash flows are consistent with approved plans for each business.

The cash flow forecasts involved significant judgements which were subject to review and validation at a number of levels of governance and are the current best estimate of the expected cash flows over the planning period.

The discounted cash flow model is most sensitive to cash flow changes at the 5 year point as these are projected forward using the growth rate. An increase / decrease in year 5 cash flows by €100 million would lead to an increase / decrease in VIU of €757 million (2020: €711 million)

Growth rates

Growth rates beyond five years are determined by reference to local economic growth rates. The assumed long term growth rate for the purpose of the impairment assessment is 2% (2020: 2%).

An increase of 1% to the growth rate would lead to an increase in VIU of €1,043 million (2020: €581 million); a decrease of 1% would result in a decrease of €913 million (2020: €510 million).

Discount rate

The discount rate applied is the pre-tax weighted average cost of capital for the Group which is 10.1% at 31 December 2021 (31 December 2020: 10.5%).

A decrease of 0.5% in the WACC would lead to an increase in VIU of €780 million (2020: €436 million); an increase of 0.5% would result in a decrease of €719 million (2020: €402 million).

See note c for further information.

b Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost with the associated impairment loss allowance measured on a 12 month and lifetime ECL approach.

The impairment loss allowance on loans and advances to banks is all held against Stage 1 (not credit-impaired assets) with a PD 1-4.

	2021 €m	2020 €m
Placements with banks	6,486	4,199
Less impairment loss allowance on loans and advances to banks	(2)	(2)
Loans and advances to banks at amortised cost	**6,484**	**4,197**
Amounts include:		
Due from Group undertakings	6,484	4,197

c Shares in Group undertakings

The Company's investment in the Bank is reviewed for impairment if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of the investment to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount. In 2020, COVID-19 resulted in challenging market and economic conditions and materially impacted the Group's financial performance and outlook. In addition, the carrying value of the investment exceeded the market capitalisation of BOIG and an impairment charge was recognised in 2020. An assessment is made at each reporting date as to whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. In 2021, such evidence did exist which resulted in a reversal of impairment charge of €48 million (2020: Impairment charge €48 million).

The recoverable amount of the investment is the higher of its fair value less costs to sell and its VIU. The VIU is the present value of the future cash flows expected to be derived from the investment, based upon a VIU calculation that discounts expected pre-tax cash flows at a discount rate appropriate to the investment. The determination of both requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance. The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. VIU was determined to be €14.3 billion (2020: €7.96 billion) which was higher than the fair value and the carrying amount of €7.96 billion (2020: lower than the carrying amount of €8.01 billion). As a result, a reversal of impairment of €48 million was recognised at 31 December 2021 (2020: impairment charge of €48 million), increasing the carrying value to the amount of €8.01 billion, being the amount that would have been determined had no impairment been recognised in 2020.

The recoverable amount calculation performed is sensitive to changes in the following key assumptions:

Cash flow forecasts

Cash flow forecasts are based on financial projections which are being used to support the Group's ICAAP plan for a period of up to five years, after which a long-term growth rate appropriate for the business is applied (see below). The financial projections are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by Executive management and the Board.

	2021 €m	2020 €m
Balance at beginning and end of the year	7,962	7,035
Investment in Bank (AT1 Issuance)	-	975
Impairment reversal / (impairment charge)	48	(48)
Total	**8,010**	**7,962**
Group undertakings of which:		
Credit Institutions	8,010	7,962

Growth rates

Growth rates beyond five years are determined by reference to long term economic growth rates. A growth rate of 2% (2020: 2%) is used in the calculation of the VIU and cash flows have been projected forward for a period of 30 years.

Discount rate

The discount rate used is the pre-tax weighted average cost of capital for the Company of 10.1% (2020: 10.5%). The equivalent post-tax rate is 8.6% (2020: 9.2%).

See note a for further information.

d Other assets

In 2017, the Bank declared and approved a €1 billion dividend payment to BOIG plc. The Bank paid €nil of this dividend in 2021 (2020: €600 million). A total of €973 million has been paid to date, the balance remains outstanding and payable on demand by the company. As the declaration and approval of the dividend is an irrevocable commitment by the Bank, the full amount of the dividend has been accounted for by the Company.

	2021 €m	2020 €m
Dividend receivable from the Bank[1]	27	27
Other assets	36	27
Total	**63**	**54**
Amounts include:		
Due from Group undertakings	63	54
Other assets are analysed as follows:		
Within 1 year	63	54

[1] *Dividend receivable is subject to 12-month expected credit losses impairment loss allowance of €1,128 at 31 December 2021 (2020: €1,125).*

e Subordinated liabilities

	2021 €m	2020 €m
Dated loan capital		
€500m 1.375% Fixed Rate Reset Callable Subordinated Notes 2031	498	-
US$500 million 4.125% Fixed Rate Reset Callable Subordinated Notes 2027	441	406
Stg£300 million 3.125% Fixed Rate Reset Callable Subordinated Notes 2027	357	333
€300 million 2.375% Fixed Rate Reset Callable Subordinated Notes 2029	299	299
Total subordinated liabilities	**1,595**	**1,038**

Further details on subordinated liabilities are contained in note 48 to the consolidated financial statements.

f Debt securities in issue

	2021 €m	2020 €m
Bonds and medium term notes	4,199	2,479
Debt securities in issue at amortised cost	**4,199**	**2,479**
Debt securities are analysed as follows:		
After 1 year	4,199	2,479
	4,199	**2,479**

The movement on debt securities in issue is analysed as follows:

	2021 €m	2020 €m
Opening balance	2,479	2,435
Issued during the year	1,669	83
Other movements	51	(39)
Closing balance	**4,199**	**2,479**

g Other liabilities

	2021 €m	2020 €m
Accrued interest payable	29	18
Other liabilities	**29**	**18**
Other liabilities are analysed as follows:		
Within 1 year	29	18
	29	**18**

h Share capital

Ordinary shares
All ordinary shares carry the same voting rights.

There were no outstanding options on ordinary shares under employee schemes as at 31 December 2021 or 2020.

Authorised	2021 €m	2020 €m
10 billion ordinary shares of €1.00 each	10,000	10,000
100 million preference shares of €0.10 each	10	10
Total	**10,010**	**10,010**

Allotted and fully paid	2021 €m	2020 €m
1.079 billion ordinary shares of €1.00 each	**1,079**	**1,079**

i Other equity instruments - Additional Tier 1

Further details on other equity instruments are contained in note 50 to the consolidated financial statements.

	2021 €m	2020 €m
Balance at beginning of year	966	-
AT1 securities issued during the period	-	975
Transaction costs	-	(9)
Balance at the end of the year	**966**	**966**

j Other

(i) BOIG plc is incorporated in Ireland as a public limited company with registration number 593672. Its registered office is situated at 40 Mespil Road, Dublin 4, D04 C2N4.

(ii) The Company is domiciled in Ireland.

(iii) Company income statement:
In accordance with Section 304 of the Companies Act, the Company is availing of the exemption to not present its individual income statement to the AGM and from filing it with the Registrar of Companies. The Company's profit after tax for the year ended 31 December 2021 determined in accordance with FRS 101 is €125 million (2020: €7 million loss).

(iv) Information in relation to the Company’s principal subsidiaries is contained in note 57 to the consolidated financial statements.

(v) Auditor’s Remuneration:
In accordance with Section 322 of the Companies Act, the fees payable in the year to the statutory Auditor for work engaged by the Company comprised audit fees of €nil (2020: €nil) and other assurance services of €nil (2020: €nil).

(vi) BOIG plc had no employees at any time during the year (2020: no employees).

(vii) Post balance sheet events are shown in note 66 to the consolidated financial statements.

k Directors and secretary

Directors
Giles Andrews
Evelyn Bourke
Ian Buchanan
Eileen Fitzpatrick
Richard Goulding
Michele Greene
Patrick Kennedy
Francesca McDonagh
Fiona Muldoon
Myles O'Grady
Steve Pateman

Company Secretary
Sarah McLaughlin

The names of the persons who were Directors or Company Secretary of the Company at any time during the year ended 31 December 2021 and up to the date of the approval of the financial statements are set out in this note.

Other Information

Contents

Group exposures to selected countries

The information in Group exposures to selected countries forms an integral part of the audited financial statements as described in the Basis of preparation on page 211.

Set out in the tables below is a summary of the Group's exposure to sovereign debt and other country exposures for selected balance sheet line items at 31 December 2021. These include exposures to Ireland, the UK, the US and those other countries that have a S&Ps credit rating of AA or below where the Group has an exposure of over €470 million.

2021 **Assets**	**Ireland €m**	**United Kingdom €m**	**United States €m**	**Spain €m**	**France €m**	**Belgium €m**	**Other[1] €m**	**Total €m**
Cash and balances at central banks	26,329	4,230	456	-	-	-	345	31,360
Trading securities	20	-	-	-	-	-	-	20
Derivative financial instruments[2] (net)	47	203	6	3	1	5	60	325
Other financial assets at FVTPL[3]	762	284	300	15	417	135	600	2,513
Loans and advances to banks[4]	129	1,778	4	66	426	-	163	2,566
Financial assets at FVOCI	2,660	5	1	1,318	1,776	324	3,373[5]	9,457
- Government bonds	*2,559*	*-*	*1*	*1,107*	*456*	*117*	*842*	*5,082*
- Other	*101*	*5*	*-*	*211*	*1,320*	*207*	*2,531*	*4,375*
Debt securities at amortised cost	5,045	468	3	2	-	-	490[6]	6,008
- Government bonds	*5,017*	*214*	*-*	*-*	*-*	*-*	*-*	*5,231*
- Asset backed securities	*28*	*8*	*3*	*2*	*-*	*-*	*-*	*41*
- Other	*-*	*246*	*-*	*-*	*-*	*-*	*490*	*736*
Total	**34,992**	**6,968**	**770**	**1,404**	**2,620**	**464**	**5,031**	**52,249**

2020 **Assets**	**Ireland €m**	**United Kingdom €m**	**United States €m**	**Spain €m**	**France €m**	**Belgium €m**	**Other[7] €m**	**Total €m**
Cash and balances at central banks	7,917	2,487	101	-	-	-	448	10,953
Trading securities	-	-	-	-	-	-	-	-
Derivative financial instruments[2] (net)	88	246	86	12	1	7	97	537
Other financial assets at FVTPL[3]	702	236	350	16	438	143	610	2,495
Loans and advances to banks[4]	90	1,730	12	-	244	-	177	2,253
Financial assets at FVOCI	2,536	198	1	1,141	1,991	986	4,089[8]	10,942
- Government bonds	*2,385*	*-*	*1*	*1,035*	*873*	*753*	*832*	*5,879*
- Other	*151*	*198*	*-*	*106*	*1,118*	*233*	*3,257*	*5,063*
Debt securities at amortised cost	5,224	554	4	10	-	-	474[9]	6,266
- Government bonds	*5,209*	*285*	*-*	*-*	*-*	*-*	*-*	*5,494*
- Asset backed securities	*15*	*7*	*4*	*10*	*-*	*-*	*-*	*36*
- Other	*-*	*262*	*-*	*-*	*-*	*-*	*474*	*736*
Total	**16,557**	**5,451**	**554**	**1,179**	**2,674**	**1,136**	**5,895**	**33,446**

1 *In 2021, other is primarily made up of exposures to the following countries: Sweden: €0.6 billion, Germany: €0.5 billion, Netherlands: €0.5 billion, Norway €0.5 billion, Portugal: €0.4 billion, Austria €0.3 billion, Finland €0.2 billion, Italy €0.2 billion, Slovenia €0.1 billion, Canada €0.1 billion, Denmark €0.1 billion, Rest of world: €1.0 billion and Supranational institutions: €0.5 billion. Also included in other is the Group's euro cash holding in branches.*
2 *Net Derivative exposure is calculated after the application of master netting arrangements and associated cash collateral received.*
3 *This excludes €18 billion of assets held by the Group's life assurance business which are linked to policyholder liabilities (2020: €15.2 billion) and includes loans and advances to customers held at fair value through profit or loss of €0.4 billion (2020: €0.4 billion).*
4 *This excludes €184 million of assets held by the Group's life assurance business which are linked to policyholder liabilities (2020: €200 million) .*
5 *In 2021, Other financial assets at FVOCI is primarily made up of exposures to the following countries: Norway: €0.5 billion, Sweden: €0.5 billion, Netherlands: €0.4 billion, Portugal: €0.4 billion, Italy: €0.1 billion, Rest of world: €1.5 billion.*
6 *In 2021, Debt securities at amortised cost Other category is made up of exposures to the Rest of world: €0.5 billion.*
7 *In 2020, other is primarily made up of exposures to the following countries: Sweden: €0.8 billion, Netherlands: €0.6 billion, Portugal: €0.5 billion, Germany: €0.5 billion, Norway €0.4 billion, Austria €0.3 billion, Denmark €0.2 billion, Finland €0.2 billion, Slovenia €0.1 billion, Canada €0.1 billion, Italy €0.1 billion, Rest of world: €1.1 billion and Supranational institutions: €1.1 billion. Also included in other is the Group's euro cash holding in branches.*
8 *In 2020, Other financial assets at FVOCI is primarily made up of exposures to the following countries: Sweden: €0.7 billion, Netherlands: €0.5 billion, Portugal: €0.5 billion, Norway: €0.4 billion, Rest of world: €2.0 billion.*
9 *In 2020, Debt securities at amortised cost Other category is made up of exposures to Germany: €0.1 billion and the Rest of world: €0.4 billion.*

Set out in the following tables is more detailed analysis of the Group's exposures at 31 December 2021 by asset class.

2021 Derivative financial instruments	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Other[1] €m	Total €m
Gross derivative assets								
Financial institutions	2	37	7	14	62	5	84	211
Corporate	70	825	16	0	428	-	21	1,360
Total	**72**	**862**	**23**	**14**	**490**	**5**	**105**	**1,571**
Net Derivative Assets[2]								
Financial institutions	2	9	1	3	1	5	41	62
Corporate	45	194	5	-	-	-	19	263
Total	**47**	**203**	**6**	**3**	**1**	**5**	**60**	**325**

2020 Derivative financial instruments	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Other[3] €m	Total €m
Gross derivative assets								
Financial institutions	-	104	38	17	71	-	126	356
Corporate	96	1,111	85	-	533	-	36	1,861
Total	**96**	**1,215**	**123**	**17**	**604**	**-**	**162**	**2,217**
Net Derivative Assets[2]								
Financial institutions	-	56	21	12	-	7	64	160
Corporate	88	190	65	-	1	-	33	377
Total	**88**	**246**	**86**	**12**	**1**	**7**	**97**	**537**

[1] *In 2021, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Germany: €36 million, Canada: €14 million, Finland €3 million, Luxembourg: €3 million, Jersey €3 million and Switzerland: €1 million.*

[2] *Net Derivative Assets exposure is calculated after the application of master netting arrangements and associated cash collateral received.*

[3] *In 2020, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Germany: €54 million, Canada: €19 million, Switzerland €9 million, Luxembourg: €9 million, Jersey €3 million and Other: €3 million.*

Supplementary asset quality and forbearance disclosures

The tables below (except where denoted unaudited) in the Supplementary asset quality and forbearance disclosures form an integral part of the audited financial statements as described in the basis of preparation on page 211. All other information in the Supplementary asset quality and forbearance disclosures is additional information and does not form part of the audited financial statements.

Retail Ireland mortgages

The following disclosures relate to the Retail Ireland mortgage loan book and provide additional detail and analysis on the composition and quality of this loan book.

The Group has an established infrastructure for the origination, underwriting and management of its mortgage portfolio. The processes of underwriting through to account management are centralised and no delegated discretions are in operation outside the centralised units. The mortgage process is a comprehensively documented process including evidence of key borrower information such as independent valuations of relevant security property.

Retail Ireland mortgage origination lending policy and guidelines are subject to annual governance. Each applicant is primarily assessed based on their ability and capacity to repay the loan while the creditworthiness of the applicant, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

Lending criteria for the Retail Ireland mortgage portfolio include:
- repayment capacity of the borrower;
- Loan to value (LTV) limits;
- loan to income (LTI) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Unless otherwise indicated, excluded from the following tables are €0.2 billion of loans and advances to customers mandatorily held at FVTPL at 31 December 2021 (2020: €0.2 billion) which are not subject to impairment under IFRS 9 (note 27).

Book composition

Loan volumes

The tables below summarise the composition and risk profile of the Retail Ireland mortgage loan book. The following tables reflect the Retail Ireland mortgages at amortised cost at 31 December 2021.

Table: 1a	**2021**		**2020**	
	Total Retail Ireland mortgages		**Total Retail Ireland mortgages**	
Retail Ireland mortgages - Volumes (before impairment loss allowance) by interest rate type[1]	**€m**	**%**	**€m**	**%**
Tracker	6,823	30%	7,911	34%
Variable rates	2,472	11%	2,856	12%
Fixed rates	13,103	59%	12,175	54%
Total Retail Ireland mortgages	**22,398**	**100%**	**22,942**	**100%**

[1] *The above table excludes undrawn loan commitments relating to Retail Ireland mortgages of €1,258 million at 31 December 2021 (2020: €1,056 million) that are subject to impairment under IFRS 9.*

Book composition *(continued)*

Loan volumes *(continued)*

Table: 1b

2021 **Retail Ireland mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Subtotal (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased or originated credit-impaired[2] €m**	**Total €m**
Owner occupied mortgages	18,316	1,524	19,840	729	1	20,570
Buy to let mortgages	1,257	252	1,509	318	1	1,828
Total Retail Ireland mortgages	**19,573**	**1,776**	**21,349**	**1,047**	**2**	**22,398**

Table: 1b

2020 **Retail Ireland mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Subtotal (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased or originated credit-impaired[2] €m**	**Total €m**
Owner occupied mortgages	17,943	1,732	19,675	1,026	2	20,703
Buy to let mortgages	1,609	148	1,757	482	-	2,239
Total Retail Ireland mortgages	**19,552**	**1,880**	**21,432**	**1,508**	**2**	**22,942**

At 31 December 2021, Retail Ireland mortgages were €22.4 billion (2020: €22.9 billion), a decrease of €0.5 billion or 2%. There was a €1.1 billion decrease in the tracker portfolio, a €0.4 billion decrease in the variable rate portfolio and an increase of €0.9 billion in the fixed rate portfolio. This increase of €0.9 billion in the fixed rate portfolio reflects the strong take up of fixed interest rate mortgages by both existing and new customers. The movement in the book size reflects a combination of factors including new mortgage lending, principal repayments and resolution activity.

The proportion of the Retail Ireland mortgage portfolio on a 'full principal and interest'[3] repayment basis at 31 December 2021 was 98% (2020: 97%) with the balance of 2% on an 'interest only'[4] repayment basis (2020: 3%). Of the Owner occupied mortgages of €20.6 billion, 99% were on a 'full principal and interest' repayment basis (2020: 98%), while 93% of the BTL mortgages of €1.8 billion were on a 'full principal and interest' repayment basis (2020: 91%). It is the Group's policy to revert all loans to a 'full principal and interest' basis on expiry of the 'interest only' period.

1 *The above tables exclude undrawn loan commitments relating to Retail Ireland mortgages of €1,258 million at 31 December 2021 (2020: €1,056 million) that are subject to impairment under IFRS 9.*
2 *At 31 December 2021, POCI loans included €2 million (2020: €2 million) of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvements in credit risk. These loans will remain classified as POCI until derecognition.*
3 *'Full principal and interest' repayment basis mortgages consist of mortgages that are contracted to be repaid over the agreed term on an amortising basis. The typical term at origination for these mortgages was between 20 to 30 years.*
4 *'Interest only' mortgages typically consist of mortgages where the repayment consists of the full interest element (or greater) for an agreed period at the end of which the mortgage repayment basis becomes 'full principal and interest' contracted to be repaid over the agreed term. Interest only periods on Retail Ireland mortgages typically range between three and five years.*

Book composition *(continued)*

Origination profile

Table: 2

Origination[1] of Retail Ireland mortgage loan book (before impairment loss allowance)	2021				2020			
	Total Retail Ireland mortgage loan book		Non-performing exposures		Total Retail Ireland mortgage loan book		Non-performing exposures	
	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]	Balance €m	Number of accounts[2]
2000 and before	89	3,403	17	431	115	4,055	24	605
2001	81	2,021	10	147	103	3,270	14	281
2002	178	4,260	24	264	224	4,810	36	400
2003	381	6,660	45	453	464	7,488	65	712
2004	729	9,702	76	645	872	10,766	115	1,005
2005	1,279	13,271	148	905	1,512	14,683	219	1,442
2006	2,034	17,418	249	1,319	2,389	19,675	377	2,250
2007	1,823	15,127	212	1,128	2,151	16,699	320	1,862
2008	1,321	10,976	134	713	1,541	12,093	201	1,200
2009	716	6,452	43	313	822	7,107	60	488
2010	533	4,489	13	108	604	4,872	14	126
2011	477	4,059	7	49	540	4,486	8	64
2012	419	3,729	5	41	476	4,051	6	40
2013	391	3,312	4	32	445	3,589	4	29
2014	598	4,546	5	35	693	4,997	4	31
2015	838	7,582	9	106	974	8,457	10	139
2016	992	7,245	21	170	1,140	7,911	19	170
2017	1,434	7,853	9	67	1,622	8,498	6	49
2018	1,851	8,970	6	32	2,080	9,648	3	16
2019	1,939	9,129	7	30	2,122	9,601	3	18
2020	1,991	8,860	3	14	2,053	9,148	-	4
2021	2,304	9,775	-	1	-	-	-	-
Total	**22,398**	**168,839**	**1,047**	**7,003**	**22,942**	**175,904**	**1,508**	**10,931**

This table illustrates that at 31 December 2021, €2.7 billion or 12% of the Retail Ireland mortgage loan book originated before 2006, €5.2 billion or 23% between 2006 and 2008 and €14.5 billion or 65% in the years since 2008. At 31 December 2021, total non- performing exposures were €1.0 billion (31 December 2020: €1.5 billion) or 5% of the Retail Ireland mortgage loan book (31 December 2020: 7%), of which, €0.6 billion or 3% originated between 2006 and 2008. There has been a decrease in total NPEs in 2021 reflecting the securitisation of €0.3 billion of NPEs and effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis and mortgage resolution activity, supported by improving economic conditions.

[1] *The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.*
[2] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition *(continued)*

Arrears profile

Table: 3a *(unaudited)*

Mortgage arrears Greater than 90 days past due	**December 2021 %**	**September 2021 %**	**June 2021 %**	**December 2020 %**
Number of accounts				
Retail Ireland[1] Owner occupied mortgages	1.7%	1.8%	1.8%	1.9%
Industry[2] Owner occupied (number of accounts)	n/a	5.5%	5.8%	6.2%
Retail Ireland[1] Buy to let mortgages	4.2%	4.2%	4.3%	4.1%
Industry[2] Buy to let (number of accounts)	n/a	14.4%	14.8%	15.4%
Value				
Retail Ireland[1] Owner occupied mortgages	2.1%	2.2%	2.3%	2.3%
Industry[2] Owner occupied (value)	n/a	8.4%	8.8%	8.9%
Retail Ireland[1] Buy to let mortgages	11.8%	11.5%	11.5%	10.4%
Industry[2] Buy to let (value)	n/a	22.6%	22.6%	23.0%

Table: 3a-(i) *(unaudited)*

Mortgage arrears 720 days past due	**December 2021 %**	**September 2021 %**	**June 2021 %**	**December 2020 %**
Number of accounts				
Retail Ireland[1] Owner occupied mortgages	1.0%	1.0%	1.0%	1.0%
Industry[2] Owner occupied (number of accounts)	n/a	3.7%	3.9%	4.1%
Retail Ireland[1] Buy to let mortgages	2.8%	2.7%	2.6%	2.3%
Industry[2] Buy to let (number of accounts)	n/a	10.8%	11.3%	11.7%
Value				
Retail Ireland[1] Owner occupied mortgages	1.4%	1.4%	1.5%	1.5%
Industry[2] Owner occupied (value)	n/a	6.5%	6.7%	6.5%
Retail Ireland[1] Buy to let mortgages	9.0%	8.5%	8.2%	7.1%
Industry[2] Buy to let (value)	n/a	17.8%	18.4%	18.5%

The latest information published by the CBI is for the quarter ended 30 September 2021.

This information indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears (greater than 90 days past due) consistently remains significantly below the industry average for both Owner occupied (33% of industry average) and BTL (29% of industry average) mortgages. At 30 September 2021, 1.8% and 4.2% of Bank of Ireland's Retail Ireland Owner occupied and BTL mortgages respectively (by number of accounts) were greater than '90 days past due' compared to 5.5%[2] and 14.4%[2] respectively for the industry.

This information also indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears greater than 720 days past due consistently remains significantly below the industry average for both Owner occupied (27% of industry average) and BTL (25% of industry average) mortgages. At 30 September 2021, 1.0% and 2.7% of Bank of Ireland's Retail Ireland Owner occupied and BTL mortgages respectively (by number of accounts) were greater than 720 days past due compared to 3.7%[2] and 10.8%[2] respectively for the industry.

[1] *The table above includes €0.2 billion (2020: €0.2 billion) of loans mandatorily held at fair value through the profit or loss at 31 December 2021 which are not subject to impairment under IFRS 9.*
[2] *Industry source: CBI Mortgage Arrears Statistics Report, September 2021 - adjusted to exclude Bank of Ireland.*

Book composition *(continued)*

Loan to value profiles - total loans

Table: 3b	Owner occupied			Buy to let			Total		
2021 **Loan to value ratio of total Retail Ireland mortgages[1]**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	8,759	212	8,971	1,036	46	1,082	9,795	258	10,053
51% to 70%	6,662	152	6,814	304	41	345	6,966	193	7,159
71% to 80%	3,316	73	3,389	47	15	62	3,363	88	3,451
81% to 90%	966	53	1,019	61	43	104	1,027	96	1,123
91% to 100%	95	48	143	18	24	42	113	72	185
Subtotal	**19,798**	**538**	**20,336**	**1,466**	**169**	**1,635**	**21,264**	**707**	**21,971**
101% to 120%	22	58	80	18	25	43	40	83	123
121% to 150%	12	51	63	9	29	38	21	80	101
Greater than 151%	8	82	90	16	95	111	24	177	201
Subtotal	**42**	**191**	**233**	**43**	**149**	**192**	**85**	**340**	**425**
Total	**19,840**	**729**	**20,569**	**1,509**	**318**	**1,827**	**21,349**	**1,047**	**22,396**
Retail Ireland mortgages weighted average LTV[2]									
Stock of Retail Ireland mortgages at period end			54%			58%			54%
New Retail Ireland mortgages during the period			71%			53%			71%

The table above sets out the weighted average indexed LTV for the total Retail Ireland mortgage loan book during 2021 and was on average, 54% at 31 December 2021, 54% for Owner occupied mortgages and 58% for BTL mortgages. The weighted average indexed LTV for new Residential mortgages written during 2021 was 71%, being 71% for Owner occupied mortgages and 53% for BTL mortgages.

Property values are determined by reference to the property valuations held, indexed to the CSO RPPI. The indexed LTV profile of the Retail Ireland mortgage loan book contained in table 3b is based on the CSO RPPI at October 2021.

The RPPI for October 2021 reported that average national residential property prices were 6% below peak (October 2020: 17.2% below peak), with Dublin residential prices and outside of Dublin residential prices 12.8% and 8% below peak respectively (October 2020: 22.3% and 19.6% below peak respectively). In the 10 months to October 2021, residential property prices at a national level increased by 11.7%.

At 31 December 2021, €21.9 billion or 98% of Retail Ireland mortgages were classified as being in positive equity, 99% for Owner occupied mortgages and 89% for BTL mortgages.

[1] *Excluded from the above table are POCI loans of €2 million, €1 million of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase of origination. These loans will remain classified as POCI until derecognition.*
[2] *Weighted average loan to value ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

Book composition *(continued)*

Loan to value profiles - total loans *(continued)*

Table: 3b	Owner occupied			Buy to let			Total		
2020 **Loan to value ratio of total Retail Ireland mortgages[1]**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**	**Not credit-impaired €m**	**Credit-impaired €m**	**Total €m**
Less than 50%	7,165	231	7,396	916	55	971	8,081	286	8,367
51% to 70%	6,218	194	6,412	546	67	613	6,764	261	7,025
71% to 80%	2,993	96	3,089	97	32	129	3,090	128	3,218
81% to 90%	2,920	107	3,027	106	72	178	3,026	179	3,205
91% to 100%	307	78	385	24	31	55	331	109	440
Subtotal	**19,603**	**706**	**20,309**	**1,689**	**257**	**1,946**	**21,292**	**963**	**22,255**
101% to 120%	33	116	149	30	51	81	63	167	230
121% to 150%	21	78	99	15	39	54	36	117	153
Greater than 151%	18	126	144	23	135	158	41	261	302
Subtotal	**72**	**320**	**392**	**68**	**225**	**293**	**140**	**545**	**685**
Total	**19,675**	**1,026**	**20,701**	**1,757**	**482**	**2,239**	**21,432**	**1,508**	**22,940**
Retail Ireland mortgages weighted average LTV[2]									
Stock of Retail Ireland mortgages at period end			59%			66%			60%
New Retail Ireland mortgages during the period			75%			57%			75%

[1] *Excluded from the above table are POCI loans of €2 million, €1 million of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase of origination. These loans will remain classified as POCI until derecognition.*
[2] *Weighted average loan to value ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

Book composition *(continued)*

Risk profile

The table below provides an analysis of the Retail Ireland mortgages at amortised cost by IFRS 9 twelve month PD grade.

Table: 3c	2021						2020					
	Owner occupied		Buy to let		Total		Owner occupied		Buy to let		Total	
2021 Risk profile of Retail Ireland mortgage loan book (before impairment loss allowance) - PD Grade[1]	**Performing €m**	**Non-performing €m**	**Performing €m**	**Non-performing €m**	**Performing €m**	**Non-performing €m**	**Performing €m**	**Non-performing €m**	**Performing €m**	**Non-performing €m**	**Performing €m**	**Non-performing €m**
Not credit-impaired												
Stage 1												
1-4	2,107	-	27	-	2,134	-	160	-	9	-	169	-
5-7	14,740	-	767	-	15,507	-	5,535	-	348	-	5,883	-
8-9	1,032	-	267	-	1,299	-	9,768	-	689	-	10,457	-
10-11	437	-	196	-	633	-	2,480	-	563	-	3,043	-
Total Stage 1	**18,316**	**-**	**1,257**	**-**	**19,573**	**-**	**17,943**	**-**	**1,609**	**-**	**19,552**	**-**
Stage 2												
1-4	10	-	-	-	10	-	-	-	-	-	-	-
5-7	829	-	54	-	883	-	88	-	1	-	89	-
8-9	228	-	48	-	276	-	812	-	7	-	819	-
10-11	457	-	150	-	607	-	832	-	140	-	972	-
Total Stage 2	**1,524**	**-**	**252**	**-**	**1,776**	**-**	**1,732**	**-**	**148**	**-**	**1,880**	**-**
Not credit-impaired (Stage 1 & Stage 2)												
1-4	2,117	-	27	-	2,144	-	160	-	9	-	169	-
5-7	15,569	-	821	-	16,390	-	5,623	-	349	-	5,972	-
8-9	1,260	-	315	-	1,575	-	10,580	-	696	-	11,276	-
10-11	894	-	346	-	1,240	-	3,312	-	703	-	4,015	-
Subtotal - not credit-impaired	**19,840**	**-**	**1,509**	**-**	**21,349**	**-**	**19,675**	**-**	**1,757**	**-**	**21,432**	**-**
Credit-impaired (Stage 3)												
12	-	729	-	318	-	1,047	-	1,026	-	482	-	1,508
Subtotal - credit-impaired	**-**	**729**	**-**	**318**	**-**	**1,047**	**-**	**1,026**	**-**	**482**	**-**	**1,508**
Total	**19,840**	**729**	**1,509**	**318**	**21,349**	**1,047**	**19,675**	**1,026**	**1,757**	**482**	**21,432**	**1,508**

[1] *Excluded from the above table are POCI loans of €2 million (2020: €2 million), €1 million (2020: €1 million) of which were no longer credit-impaired at the reporting date. These loans will remain classified as POCI loans until derecognition.*

Asset quality

Composition and impairment

The table below summarises the composition of NPEs and impairment loss allowance for the Retail Ireland mortgage portfolio.

Table: 4 2021 Retail Ireland mortgages[1]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	18,316	-	-	14	-	-
Buy to let mortgages	1,257	-	-	3	-	-
Total	**19,573**	**-**	**-**	**17**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	1,524	-	-	36	-	2%
Buy to let mortgages	252	-	-	11	-	4%
Total	**1,776**	**-**	**-**	**47**	**-**	**3%**
Stage 3 credit-impaired						
Owner occupied mortgages	729	729	100%	211	29%	29%
Buy to let mortgages	318	318	100%	151	47%	47%
Total	**1,047**	**1,047**	**100%**	**362**	**35%**	**35%**
Total						
Owner occupied mortgages	20,569	729	4%	261	36%	1%
Buy to let mortgages	1,827	318	17%	165	52%	9%
Total	**22,396**	**1,047**	**5%**	**426**	**41%**	**2%**

Table: 4 2020 Retail Ireland mortgages[1]	Advances (before impairment loss allowance) €m	Non-performing exposures €m	Non-performing exposures as % of advances %	Impairment loss allowance €m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Owner occupied mortgages	17,943	-	-	35	-	-
Buy to let mortgages	1,609	-	-	9	-	1%
Total	**19,552**	**-**	**-**	**44**	**-**	**-**
Stage 2 not credit-impaired						
Owner occupied mortgages	1,732	-	-	15	-	1%
Buy to let mortgages	148	-	-	5	-	3%
Total	**1,880**	**-**	**-**	**20**	**-**	**1%**
Stage 3 credit-impaired						
Owner occupied mortgages	1,026	1,026	100%	192	19%	19%
Buy to let mortgages	482	482	100%	137	28%	28%
Total	**1,508**	**1,508**	**100%**	**329**	**22%**	**22%**
Total						
Owner occupied mortgages	20,701	1,026	5%	242	24%	1%
Buy to let mortgages	2,239	482	22%	151	31%	7%
Total	**22,940**	**1,508**	**7%**	**393**	**26%**	**2%**

[1] *Excluded from the above table are POCI loans of €2 million (2020: €2 million), €1 million (2020: €1 million) of which were no longer credit-impaired at the reporting date due to improvement in credit risk since purchase of origination. These loans will remain classified as POCI until derecognition.*

Asset quality *(continued)*

Composition and impairment *(continued)*

Total NPEs of €1.0 billion were €0.5 billion lower than at 31 December 2020.

Owner occupied NPEs of €0.7 billion were €0.3 billion lower than 2020 (31 December 2020: €1.0 billion) and BTL NPEs of €0.3 billion were €0.2 billion lower than 2020 (31 December 2020: €0.5 billion).

The reduction in NPEs reflects the securitisation of €0.3 billion of NPEs in addition to the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis, mortgage resolution activity and improving economic conditions.

Retail UK mortgages

The following disclosures relate to the Retail UK mortgage loan book. These provide additional detail and analysis on the composition and quality of this loan book.

The Group has an established infrastructure for the origination, underwriting and management of its mortgage portfolio. The processes of underwriting through to account management are centralised and no delegated discretions are in operation outside the centralised units. The mortgage process is a comprehensively documented process with documentary evidence of key borrower information including independent valuations of relevant security property.

Retail UK mortgage origination lending policy and guidelines are subject to annual governance. Each applicant is primarily assessed based on their ability and capacity to repay the loan. In addition to the above, the credit worthiness of the applicant, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

Lending criteria for the Retail UK mortgage portfolio include:
- repayment capacity of the borrower;
- LTV limits;
- LTI limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

The tables below summarise the composition and risk profile of the Retail UK mortgage loan book.

Table: 1a	31 December 2021		31 December 2020	
	Total Retail UK mortgages		Total Retail UK mortgages	
Retail UK mortgages - Volumes (before impairment loss allowance) by interest rate type[1]	£m	%	£m	%
Tracker	4,536	26%	5,098	26%
Variable rates	1,857	11%	2,060	11%
Fixed rates	11,139	63%	12,441	63%
Total Retail UK mortgages	**17,532**	**100%**	**19,599**	**100%**

At 31 December 2021, Retail UK mortgages were £17.5 billion (31 December 2020: £19.6 billion). The decrease of £2.1 billion or 10.5% reflects redemptions in the book offset by new business generation.

New mortgage business continues to be sourced through distribution arrangements with other selected strategic partners and the Group's branch network in NI.

Tracker mortgages were £4.5 billion or 26% of the Retail UK mortgages compared to £5.1 billion or 26% at 31 December 2020, a decrease of £0.6 billion. Variable rate mortgages were £1.9 billion or 11% of the Retail UK mortgages compared to £2.1 billion or 11% at 31 December 2020, a decrease of £0.2 billion.

Fixed rate mortgages were £11.1 billion or 63% of the Retail UK mortgages compared to £12.4 billion or 63% at 31 December 2020, an decrease of £1.3 billion.

[1] *The above table excludes loan commitments relating to Retail UK mortgages of £410 million at 31 December 2021 (31 December 2020: £670 million) that are subject to impairment.*

Book composition *(continued)*

Loan volumes *(continued)*

The tables below summarise the composition and risk profile of the Retail UK mortgage loan book.

Table: 1b

2021 **Retail UK mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) £m**	**Stage 2 (not credit-impaired) £m**	**Subtotal (not credit-impaired) £m**	**Stage 3 (credit-impaired) £m**	**Purchased or originated credit-impaired £m**	**Total £m**
Standard mortgages	9,173	442	9,615	224	-	9,839
Buy to let mortgages	6,079	249	6,328	164	-	6,492
Self certified mortgages	827	152	979	222	-	1,201
Total Retail UK mortgages	**16,079**	**843**	**16,922**	**610**	**-**	**17,532**

Table: 1b

2020 **Retail UK mortgages - Volumes (before impairment loss allowance) by product type[1]**	**Stage 1 (not credit-impaired) £m**	**Stage 2 (not credit-impaired) £m**	**Subtotal (not credit-impaired) £m**	**Stage 3 (credit-impaired) £m**	**Purchased or originated credit-impaired £m**	**Total £m**
Standard mortgages	10,511	270	10,781	226	-	11,007
Buy to let mortgages	6,775	251	7,026	170	-	7,196
Self certified mortgages	1,111	62	1,173	223	-	1,396
Total Retail UK mortgages	**18,397**	**583**	**18,980**	**619**	**-**	**19,599**

[1] *The above table excludes loan commitments relating to Retail UK mortgages of £410 million at 31 December 2021 (31 December 2020: £670 million) that are subject to impairment.*

Book composition *(continued)*

Origination profile

Table: 2	2021				2020			
	Total Retail UK mortgage loan book		Non-performing exposures		Total Retail UK mortgage loan book		Non-performing exposures	
Origination[1] of Retail UK mortgage loan book (before impairment loss allowance)	**Balance £m**	**Number of accounts[2]**	**Balance £m**	**Number of accounts[2]**	**Balance £m**	**Number of accounts[2]**	**Balance £m**	**Number of accounts[2]**
2000 and before	58	1,901	9	183	75	2,438	9	211
2001	55	967	6	72	72	1,284	5	62
2002	78	1,301	4	50	95	1,496	5	53
2003	191	2,508	21	180	225	2,879	19	181
2004	237	2,947	25	213	269	3,290	24	222
2005	688	7,065	61	514	793	7,971	69	580
2006	1,013	9,950	96	791	1,178	11,473	92	737
2007	1,635	15,303	136	1,069	1,859	17,193	137	1,079
2008	2,284	20,574	171	1,270	2,573	22,999	179	1,331
2009	201	2,231	9	90	234	2,514	11	107
2010	134	1,431	5	39	165	1,673	5	37
2011	86	910	2	23	108	1,104	2	23
2012	85	861	2	17	107	1,023	2	17
2013	109	1,037	2	15	139	1,231	1	9
2014	217	2,023	5	35	296	2,551	6	34
2015	475	3,993	5	48	615	4,894	7	47
2016	459	3,862	6	47	903	6,791	7	45
2017	1,231	10,058	12	93	1,653	12,780	12	90
2018	1,605	13,240	12	100	1,994	15,776	12	90
2019	1,792	13,559	14	105	3,258	23,203	12	63
2020	2,766	16,310	6	45	2,988	17,230	3	26
2021	2,133	8,884	1	7	-	-	-	-
Total	**17,532**	**140,915**	**610**	**5,006**	**19,599**	**161,793**	**619**	**5,044**

The table above illustrates that at 31 December 2021, £1.3 billion or 7% of the Retail UK mortgage loan book originated before 2006, £4.9 billion or 28% between 2006 and 2008 and £11.3 billion or 65% in the years since.

Non-performing Retail UK mortgages were £0.6 billion or 3.5% (31 December 2020: £0.6 billion or 3.2%) of the Retail UK mortgage loan book at 31 December 2021, of which £0.4 billion or 2.3% originated between 2006 and 2008 (31 December 2020: £0.4 billion or 2.1%).

[1] *The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.*
[2] *The number of accounts does not equate to the number of customers or the number of properties.*

Book composition *(continued)*

Arrears profile

Table: 3a *(unaudited)*

Mortgage arrears Greater than 90 days past due	December 2021 %	June 2021 %	December 2020 %
Number of accounts			
Standard mortgages	0.90%	0.85%	0.85%
Buy to let mortgages	0.89%	0.92%	0.94%
Self certified mortgages	4.33%	4.54%	4.78%
Value			
Standard mortgages	0.66%	0.66%	0.69%
Buy to let mortgages	0.87%	0.90%	0.94%
Self certified mortgages	5.55%	5.69%	5.90%

Loan to value profiles - total loans

Table: 3b

2021	Standard		Buy to let		Self certified		Total		
Loan to value ratio of total Retail UK mortgages	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Not credit-impaired £m	Credit-impaired £m	Total £m
Less than 50%	2,526	81	2,908	64	529	74	5,963	219	6,182
51% to 70%	3,411	87	3,067	79	388	106	6,866	272	7,138
71% to 80%	2,588	32	330	16	50	22	2,968	70	3,038
81% to 90%	977	12	18	3	9	10	1,004	25	1,029
91% to 100%	101	4	3	1	-	4	104	9	113
Subtotal	**9,603**	**216**	**6,326**	**163**	**976**	**216**	**16,905**	**595**	**17,500**
101% to 120%	9	5	2	1	2	4	13	10	23
121% to 150%	3	2	-	-	1	1	4	3	7
Greater than 150%	-	1	-	-	-	1	-	2	2
Subtotal	**12**	**8**	**2**	**-**	**3**	**6**	**17**	**15**	**32**
Total	**9,615**	**224**	**6,328**	**164**	**979**	**222**	**16,922**	**610**	**17,532**
Weighted average LTV[1]:									
Stock of Retail UK mortgages at year end	61%	57%	51%	54%	48%	58%	56%	57%	56%
New Retail UK mortgages during year	76%	71%	65%	55%	29%	-	74%	65%	74%

The table above sets out the weighted average indexed LTV for the total Retail UK mortgage loan book, which was 56% at 31 December 2021. The weighted average LTV for new Residential mortgages written during 2021 was 74%, 76% for Standard mortgages and 65% for BTL mortgages.

Property values are determined by reference to the original or latest property valuations held, indexed to the published 'Nationwide UK House Price Index'.

At 31 December 2021, £17.5 billion or 99.8% of the Retail UK mortgage book was in positive equity (2020: £19.5 billion or 99.7%), comprising £9.8 billion or 99.8% of Standard mortgages (2020: £11.0 billion or 99.7%), £6.5 billion or 100% of BTL mortgages (2020: £7.2 billion or 99.9%) and £1.2 billion or 99.3% of Self certified mortgages (2020: £1.4 billion or 99.1%).

This slight improvement reflects the upward movement in house prices in the year with house prices increasing by 7.4% on average across the UK, with significant regional variances, together with capital reductions and principal repayments.

[1] *Weighted average loan to value ratios are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

Book composition *(continued)*

Loan to value profiles - total loans *(continued)*

Table: 3b

2020	**Standard**		**Buy to let**		**Self certified**		**Total**		
Loan to value ratio of total Retail UK mortgages	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	2,342	64	2,492	52	493	54	5,327	170	5,497
51% to 70%	3,202	83	3,587	69	508	104	7,297	256	7,553
71% to 80%	2,565	32	791	33	113	32	3,469	97	3,566
81% to 90%	2,559	27	142	11	46	21	2,747	59	2,806
91% to 100%	89	11	9	4	7	5	105	20	125
Subtotal	**10,757**	**217**	**7,021**	**169**	**1,167**	**216**	**18,945**	**602**	**19,547**
101% to 120%	13	5	4	1	3	4	20	10	30
121% to 150%	10	2	1	-	3	2	14	4	18
Greater than 150%	1	2	-	-	-	1	1	3	4
Subtotal	**24**	**9**	**5**	**1**	**6**	**7**	**35**	**17**	**52**
Total	**10,781**	**226**	**7,026**	**170**	**1,173**	**223**	**18,980**	**619**	**19,599**
Weighted average LTV[1]:									
Stock of Retail UK mortgages at year end	65%	63%	55%	59%	53%	62%	60%	62%	60%
New Retail UK mortgages during year	75%	71%	58%	54%	51%	-	72%	66%	72%

[1] *Weighted average loan to value ratios are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

Book composition *(continued)*

Risk profile

The table below provides an analysis of the Retail UK mortgages at amortised cost by IFRS 9 twelve month PD grade.

Table: 3c 2021 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard Performing £m	Standard Non-performing £m	Buy to let Performing £m	Buy to let Non-performing £m	Self certified Performing £m	Self certified Non-performing £m	Total Performing £m	Total Non-performing £m
Not credit-impaired								
Stage 1								
1-4	962	-	146	-	4	-	1,112	-
5-7	8,056	-	5,442	-	205	-	13,703	-
8-9	76	-	333	-	569	-	978	-
10-11	79	-	158	-	49	-	286	-
Total Stage 1	**9,173**	**-**	**6,079**	**-**	**827**	**-**	**16,079**	**-**
Stage 2								
1-4	18	-	-	-	-	-	18	-
5-7	331	-	167	-	35	-	533	-
8-9	18	-	35	-	81	-	134	-
10-11	75	-	47	-	36	-	158	-
Total Stage 2	**442**	**-**	**249**	**-**	**152**	**-**	**843**	**-**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	980	-	146	-	4	-	1,130	-
5-7	8,387	-	5,609	-	240	-	14,236	-
8-9	94	-	368	-	650	-	1,112	-
10-11	154	-	205	-	85	-	444	-
Subtotal - not credit-impaired	**9,615**	**-**	**6,328**	**-**	**979**	**-**	**16,922**	**-**
Credit-impaired (Stage 3)								
12	-	224	-	164	-	222	-	610
Subtotal - credit-impaired	**-**	**224**	**-**	**164**	**-**	**222**	**-**	**610**
Total	**9,615**	**224**	**6,328**	**164**	**979**	**222**	**16,922**	**610**

The not credit-impaired PD grading reduced from £18,980 million at 31 December 2020 to £16,922 million (10.8%) which reflects the reduction in overall book size.

Book composition *(continued)*

Risk profile *(continued)*

The table below provides an analysis of the Retail UK mortgages at amortised cost by IFRS 9 twelve month PD grade.

Table: 3c

2020 Risk profile of Retail UK mortgage loan book (before impairment loss allowance) PD Grade	Standard Performing £m	Standard Non-performing £m	Buy to let Performing £m	Buy to let Non-performing £m	Self certified Performing £m	Self certified Non-performing £m	Total Performing £m	Total Non-performing £m
Not credit-impaired								
Stage 1								
1-4	1,490	-	105	-	9	-	1,604	-
5-7	8,533	-	3,795	-	523	-	12,851	-
8-9	401	-	2,275	-	444	-	3,120	-
10-11	87	-	600	-	135	-	822	-
Total Stage 1	**10,511**	**-**	**6,775**	**-**	**1,111**	**-**	**18,397**	**-**
Stage 2								
1-4	-	-	-	-	-	-	-	-
5-7	122	-	22	-	11	-	155	-
8-9	23	-	78	-	9	-	110	-
10-11	125	-	151	-	42	-	318	-
Total Stage 2	**270**	**-**	**251**	**-**	**62**	**-**	**583**	**-**
Not credit-impaired (Stage 1 & Stage 2)								
1-4	1,490	-	105	-	9	-	1,604	-
5-7	8,655	-	3,817	-	534	-	13,006	-
8-9	424	-	2,353	-	453	-	3,230	-
10-11	212	-	751	-	177	-	1,140	-
Subtotal - not credit-impaired	**10,781**	**-**	**7,026**	**-**	**1,173**	**-**	**18,980**	**-**
Credit-impaired (Stage 3)								
12	-	226	-	170	-	223	-	619
Subtotal - credit-impaired	**-**	**226**	**-**	**170**	**-**	**223**	**-**	**619**
Total	**10,781**	**226**	**7,026**	**170**	**1,173**	**223**	**18,980**	**619**

Asset quality

Composition and impairment

The table below summarises the composition of NPEs and impairment loss allowance for the Retail UK mortgage portfolio.

Table: 4 2021 Retail UK mortgages	Advances (before impairment loss allowance) £m	Non-performing exposures £m	Non-performing exposures as % of advances %	Impairment loss allowance £m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Standard mortgages	9,173	-	-	3	-	-
Buy to let mortgages	6,079	-	-	4	-	-
Self certified mortgages	827	-	-	1	-	-
Total	**16,079**	**-**	**-**	**8**	**-**	**-**
Stage 2 not credit-impaired						
Standard mortgages	442	-	-	4	-	(1%)
Buy to let mortgages	249	-	-	4	-	(2%)
Self certified mortgages	152	-	-	3	-	(2%)
Total	**843**	**-**	**-**	**11**	**-**	**(1%)**
Stage 3 credit-impaired						
Standard mortgages	224	224	100%	16	(7%)	(7%)
Buy to let mortgages	164	164	100%	15	(9%)	(9%)
Self certified mortgages	222	222	100%	15	(7%)	(7%)
Total	**610**	**610**	**100%**	**46**	**(8%)**	**(8%)**
Total						
Standard mortgages	9,839	224	2%	23	(10%)	-
Buy to let mortgages	6,492	164	3%	23	(14%)	-
Self certified mortgages	1,201	222	18%	19	(9%)	(2%)
Total	**17,532**	**610**	**3%**	**65**	**(11%)**	**-**

Total NPEs of £610 million were £9 million lower than at 31 December 2020.

Owner occupied NPEs of £446 million were £3 million lower than at 31 December 2020.

BTL NPEs of £164 million were £6 million lower than at 31 December 2020.

Asset quality *(continued)*

Composition and impairment *(continued)*

The table below summarises the composition of NPEs and impairment loss allowance for the Retail UK mortgage portfolio.

Table: 4

2020 Retail UK mortgages	Advances (before impairment loss allowance) £m	Non-performing exposures £m	Non-performing exposures as % of advances %	Impairment loss allowance £m	Impairment loss allowance as % of non-performing exposures %	Impairment loss allowance as % of advances %
Stage 1 not credit-impaired						
Standard mortgages	10,511	-	-	9	-	-
Buy to let mortgages	6,775	-	-	15	-	-
Self certified mortgages	1,111	-	-	3	-	-
Total	**18,397**	**-**	**-**	**27**	**-**	**-**
Stage 2 not credit-impaired						
Standard mortgages	270	-	-	3	-	(1%)
Buy to let mortgages	251	-	-	6	-	(2%)
Self certified mortgages	62	-	-	1	-	(2%)
Total	**583**	**-**	**-**	**10**	**-**	**(2%)**
Stage 3 credit-impaired						
Standard mortgages	226	226	100%	13	(6%)	(6%)
Buy to let mortgages	170	170	100%	17	(10%)	(10%)
Self certified mortgages	223	223	100%	10	(4%)	(4%)
Total	**619**	**619**	**100%**	**40**	**(6%)**	**(6%)**
Total						
Standard mortgages	11,007	226	2%	25	(11%)	-
Buy to let mortgages	7,196	170	2%	38	(22%)	(1%)
Self certified mortgages	1,396	223	16%	14	(6%)	(1%)
Total	**19,599**	**619**	**3%**	**77**	**(12%)**	**-**

Supplementary COVID-19 disclosures

In response to the COVID-19 Pandemic, in 2020 the Group introduced a comprehensive range of supports for customers which included payment breaks for customers whose income was impacted by the pandemic. Over 100,000 payment breaks were granted to personal and business customers across Ireland and the UK. The operating environment has improved since the introduction of the pandemic supports. The ability for customers to apply for a payment break expired in September 2020 in Ireland and March 2021 in the UK. As at 31 December 2021, all payment breaks have expired with over 95% of customers moved back to previous repayment terms and the majority of the balance of customers were provided with forbearance support.

Group forbearance disclosures

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers at amortised cost at 31 December 2021 of €77.9 billion is available in note 28 on page 275. Exposures are before impairment loss allowance.

Table: 1 2021 Loans and advances to customers at amortised cost - Composition	Stage 1 (not credit-impaired) €m	Stage 2 (not credit-impaired) €m	Stage 3 (credit-impaired) €m	Purchased / originated credit-impaired[1] €m	Total €m
Non-forborne loans and advances to customers					
Residential mortgages	38,707	2,407	876	1	41,991
- Retail Ireland	*19,572*	*1,486*	*293*	*1*	*21,352*
- Retail UK	*19,135*	*921*	*583*	-	*20,639*
Non-property SME and corporate	14,354	2,899	352	-	17,605
- Republic of Ireland SME	*4,241*	*1,702*	*240*	-	*6,183*
- UK SME	*1,102*	*356*	*77*	-	*1,535*
- Corporate	*9,011*	*841*	*35*	-	*9,887*
Property and construction	3,280	3,583	55	-	6,918
- Investment	*2,596*	*3,304*	*44*	-	*5,944*
- Land and development	684	279	11	-	974
Consumer	4,863	228	133	-	5,224
Total non-forborne loans and advances to customers	**61,204**	**9,117**	**1,416**	**1**	**71,738**
Forborne loans and advances to customers					
Residential mortgages	1	372	897	1	1,271
- Retail Ireland	*1*	*290*	*754*	*1*	*1,046*
- Retail UK	-	82	143	-	225
Non-property SME and corporate	-	2,201	953	15	3,169
- Republic of Ireland SME	-	*374*	*440*	-	*814*
- UK SME	-	*94*	*60*	-	*154*
- Corporate	-	1,733	453	15	2,201
Property and construction	-	716	915	64	1,695
- Investment	-	*649*	*895*	*64*	*1,608*
- Land and development	-	67	20	-	87
Consumer	-	1	4	-	5
Total forborne loans and advances to customers	**1**	**3,290**	**2,769**	**80**	**6,140**

[1] *At 31 December 2021, forborne POCI loans included €1 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvement in credit risk. These loans will remain classified as POCI loans until derecognition.*

Risk profile of forborne loans and advances to customers *(continued)*

Table: 1

2020 **Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired) €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired[1] €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	40,008	2,062	920	1	42,991
- Retail Ireland	*19,544*	*1,501*	*366*	*1*	*21,412*
- Retail UK	*20,464*	*561*	*554*	*-*	*21,579*
Non-property SME and corporate	10,637	6,565	300	-	17,502
- Republic of Ireland SME	*4,155*	*1,848*	*243*	*-*	*6,246*
- UK SME	*1,064*	*520*	*57*	*-*	*1,641*
- Corporate	*5,418*	*4,197*	*-*	*-*	*9,615*
Property and construction	2,639	4,521	44	1	7,205
- Investment	*2,357*	*3,886*	*36*	*1*	*6,280*
- Land and development	*282*	*635*	*8*	*-*	*925*
Consumer	4,961	164	138	-	5,263
Total non-forborne loans and advances to customers	**58,245**	**13,312**	**1,402**	**2**	**72,961**
Forborne loans and advances to customers					
Residential mortgages	8	466	1,276	1	1,751
- Retail Ireland	*8*	*379*	*1,142*	*1*	*1,530*
- Retail UK	*-*	*87*	*134*	*-*	*221*
Non-property SME and corporate	-	1,616	714	26	2,356
- Republic of Ireland SME	*-*	*398*	*429*	*-*	*827*
- UK SME	*-*	*92*	*57*	*-*	*149*
- Corporate	*-*	*1,126*	*228*	*26*	*1,380*
Property and construction	-	348	977	61	1,386
- Investment	*-*	*341*	*951*	*61*	*1,353*
- Land and development	*-*	*7*	*26*	*-*	*33*
Consumer	-	1	7	-	8
Total forborne loans and advances to customers	**8**	**2,431**	**2,974**	**88**	**5,501**

Risk profile of non-performing exposures

Table: 2

2021 **Risk profile of loans and advances to customers at amortised cost - non-performing exposures[2]**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Credit-impaired	846	352	55	133	1,386
Not credit-impaired	31	7	6	1	45
Total non-forborne loans and advances to customers	**877**	**359**	**61**	**134**	**1,431**
Forborne loans and advances to customers					
Credit-impaired	897	968	979	4	2,848
Not credit-impaired	-	1	-	-	1
Total forborne loans and advances to customers	**897**	**969**	**979**	**4**	**2,849**

[1] *At 31 December 2020, forborne POCI loans included €1 million of loans which, while credit-impaired upon purchase or origination, were no longer credit-impaired at the reporting date due to improvement in credit risk. These loans will remain classified as POCI loans until derecognition.*

[2] *Table 2 excludes loans at FVTPL (€31 million) and includes POCI.*

Risk profile of non-performing exposures *(continued)*

Table: 2 2020 Risk profile of loans and advances to customers at amortised cost - non-performing exposures[1]	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Credit-impaired	912	300	44	138	1,394
Not credit-impaired	7	13	6	-	26
Total non-forborne loans and advances to customers	**919**	**313**	**50**	**138**	**1,420**
Forborne loans and advances to customers					
Credit-impaired	1,278	740	1,039	7	3,064
Not credit-impaired	-	6	6	-	12
Total forborne loans and advances to customers	**1,278**	**746**	**1,045**	**7**	**3,076**

[1] *Table 2 excludes loans at FVTPL and includes POCI.*

Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for 2021 and 2020. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's NIM is outlined on page 54.

	2021			2020		
	Average Balance[1] €m	Interest[2,3] €m	Rate %	Average Balance[1] €m	Interest[2,3] €m	Rate %
Assets						
Loans and advances to banks	24,627	(72)	(0.29%)	11,250	-	-
Loans and advances to customers at amortised cost[4,5]	77,641	2,360	3.04%	78,187	2,448	3.13%
Debt securities at amortised cost, financial assets at FVOCI and FVTPL	16,868	(26)	(0.15%)	16,318	12	0.07%
Total interest earning assets	**119,136**	**2,262**	**1.90%**	**105,755**	**2,460**	**2.33%**
Non interest earning assets	27,000	-	-	25,499	-	-
Total assets	**146,136**	**2,262**	**1.55%**	**131,254**	**2,460**	**1.87%**
Liabilities and shareholders' equity						
Deposits from banks	10,669	(102)	(0.96%)	2,429	8	0.33%
Customer accounts	41,641	49	0.12%	43,463	158	0.36%
Debt securities in issue	6,866	70	1.02%	7,265	84	1.16%
Subordinated liabilities	1,734	63	3.63%	1,446	63	4.36%
Lease liabilities	430	11	2.56%	525	14	2.67%
Total interest bearing liabilities	**61,340**	**91**	**0.15%**	**55,128**	**327**	**0.59%**
Current accounts	48,680	(44)	(0.09%)	41,697	(21)	(0.05%)
Total interest bearing liabilities and current accounts	**110,020**	**47**	**0.04%**	**96,825**	**306**	**0.32%**
Other interest expense	-	-	-	-	5	-
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	-	(4)	-	-	34	-
Non interest bearing liabilities	25,818	-	0.00%	24,263	-	-
Shareholders' equity and non-controlling interests	10,298	-	-	10,166	-	-
Total liabilities and shareholders' equity	**146,136**	**43**	**0.03%**	**131,254**	**345**	**0.26%**
Euro and sterling reference rates (average)						
ECB base rate			0.00%			0.00%
3 month Euribor rate			(0.55%)			(0.40%)
Bank of England base rate			0.11%			0.23%
3 month Libor rate			0.09%			0.21%

1 Average balances are presented on an underlying basis excluding non-core items, see page 58 for further details.
2 Represents underlying interest income or underlying interest expense recognised on interest bearing items net of interest on derivatives which are in a hedge relationship with the relevant asset or liability. €8 million of a credit (2020: €26 million charge) to interest income relating to customer redress are excluded as non-core items.
3 Interest expense of €131 million (2020: €44 million) arising from assets subject to negative interest rates has been reclassified to interest income, whereas in the consolidated income statement it is presented as interest expense. Interest income of €286 million (2020: €137 million) arising from liabilities subject to negative interest rates has been reclassified to interest expense, whereas in the consolidated income statement it is presented as interest income.
4 Average loans and advances to customers volumes are presented net of Stage 3 impairment loss allowances.
5 The Group has availed of the relaxed hedge accounting provisions permitted by IAS 39 'Financial Instruments: recognition and measurement' as adopted by the EU. In order that yields on products are presented on a consistent basis year on year and are not impacted by the resulting change in hedge accounting designations, net interest flows of €110 million (2020: €104 million) on all derivatives designated as fair value hedges of current accounts continue to be presented together with gross interest income on 'Loans and advances to customers' and is not included in 'Customer accounts'.

Shareholder information
Holders of ordinary shares

Listings
BOIG plc is a public limited company incorporated in Ireland in 2016. Its ordinary shares, of nominal value €1.00 per share, have a primary listing on the Irish Stock Exchange t/a Euronext Dublin and a premium listing on the London Stock Exchange.

Registrar
The Company's Registrar is:
Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82
Telephone: + 353 1 247 5414
Facsimile: + 353 1 447 5571
or
Contact via website: www.computershare.com/ie/contact-us

Shareholders may view their shareholding on Computershare's website at: www.investorcentre.com/ie by registering their details with Computershare. Once registered, shareholders will be sent a Computershare activation code and will then be able to view and amend their account details using the above link.

Amalgamating your shareholdings
If you receive more than one copy of a shareholder mailing with similar details on your accounts, it may be because the Company has more than one record of shareholdings in your name. To ensure that you do not receive duplicate mailings in future and to reduce the cost and waste associated with this, please have all your shareholdings amalgamated into one account by contacting the Company's Registrar (joint accounts cannot be merged with sole accounts or vice versa).

Shareholder profile	2021 % by value	2020 % by value
Ireland	9%	16%
UK	35%	31%
North America	25%	25%
Europe / other	15%	15%
Retail	16%	13%
Total	**100%**	**100%**

Shareholder enquiries
All enquiries concerning shareholdings should be addressed to the Company's Registrar.

Communication
It is the policy of the Company to communicate with shareholders by electronic means or through the www.bankofireland.com website in the interest of protecting the environment. Those shareholders who do not wish to receive documents or information by electronic means may request to receive the relevant information in paper form.

Bank of Ireland website
Further information about the Bank of Ireland Group can be obtained from the internet at www.bankofireland.com

Forward-looking statement

This document contains forward-looking statements with respect to certain of the Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries' (collectively the 'Group' or 'BOIG plc Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, LDRs, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, UK, European and other regulators, plans and objectives for future operations and the impact of the COVID-19 pandemic particularly on certain of the above issues and generally on the global and domestic economies. Such forward-looking statements are inherently subject to risks and uncertainties and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report. Investors should also read 'Principal Risks and Uncertainties' in this document beginning on page 138.

Nothing in this document should be considered to be a forecast of future profitability, dividend forecast or financial position of the Group and none of the information in this document is or is intended to be a profit forecast, dividend forecast, or profit estimate. Any forward-looking statement speaks only as at the date it is made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

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Other disclosures

TARGET2

1. On 15 February 2008 a first floating charge (the Floating Charge) was placed in favour of the CBI over all of the Governor and Company of the Bank of Ireland's right, title, interest and benefit, present and future, in and to (i) the balances now or at any time standing to the credit of The Governor and Company of the Bank of Ireland's account held as a TARGET2 participant with the CBI; and (ii) certain segregated securities listed in an Eligible Securities Schedule kept by The Governor and Company of the Bank of Ireland for purposes of participating in TARGET2 ((i) and (ii) together the Charged Property) where TARGET2 is a real time gross settlement system for payments in euro with settlement in central bank money.

   This Floating Charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBI, The Governor and Company of the Bank of Ireland shall:

   a. not create or attempt to create or permit to arise or subsist any encumbrance on or over the Charged Property or any part thereof; or

   b. not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the Charged Property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

   On 14 September 2018, The Governor and Company of the Bank of Ireland entered into an Agreement in respect of Continued Participation in TARGET2-Ireland with the CBI to restate and modify the terms and conditions applicable to The Governor and Company of the Bank of Ireland's existing participation in TARGET2 with effect from 14 September 2018. This Agreement provides that The Governor and Company of the Bank of Ireland would continue to participate in TARGET2 in accordance with the Agreement and the TARGET2-Ireland terms and conditions as published on the CBI's website and that the Floating Charge would continue in full force and effect with respect to such continued and amended participation in TARGET2.

Alternative performance measures

This section contains further information related to certain measures referred to in the Strategic Report, Financial Review and Financial Statements.

The Financial Review is prepared using IFRS and non-IFRS measures to analyse the Group's performance, providing comparability year on year. These performance measures are consistent with those presented to the Board and Group Executive Committee and include alternative performance measures as set out below. These performance measures may not be uniformly defined by all companies and accordingly they may not be directly comparable with similarly titled measures and disclosures used by other companies. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 194.

'Annual Premium Equivalent' is a common metric used by insurance companies. The approach taken by insurance companies is to take 100% of regular premiums, being the annual premiums received for a policy and 10% of single premiums. This assumes that an average life insurance policy lasts 10 years and therefore taking 10% of single premiums annualises the single lump sum payment received over the 10 year duration.

Average cost of funds represents the underlying interest expense recognised on interest bearing liabilities, net of interest on derivatives which are in a hedge relationship with the relevant liability. See pages 54 and 373 for further information.

Calculation	Source	2021 €m	*Restated*[1] 2020 €m
Interest expense	Income statement	543	619
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 5	(189)	(231)
Exclude negative interest on financial assets	Note 5	(131)	(44)
Include negative interest on financial liabilities	Note 4	(286)	(137)
Exclude other interest expense	Note 5	-	(5)
Exclude impact of FV hedges of current accounts	Note 4	110	104
Underlying interest expense		**47**	**306**
Average interest bearing liabilities	Average balance sheet	110,020	96,825
Average cost of funds %		**(0.04%)**	**(0.32%)**

Business income is net other income before other gains and other valuation items. See page 55 for further details.

Constant currency: To enable a better understanding of performance, certain variances are calculated on a constant currency basis by adjusting for the impact of movements in exchange rates during the period as follows:
- for balance sheet items, by reference to the closing rate at the end of the current and prior period ends; and
- for items relating to the income statement, by reference to the current and prior period average rates.

Growth in customer deposits on a constant currency basis
The Group calculates growth in customer deposits on a constant currency basis. For this calculation the Group applies the prior year end rate in both years so that the impact of movements in FX rates are eliminated.

Calculation	Source	2021 €m	2020 €m
Customer deposits	Note 39	92,754	88,637
Impact of foreign exchange movements		(1,476)	1,375
Customer deposits on a constant currency basis		**91,278**	**90,012**
Growth in customer deposits		**2,641**	**7,212**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (note 65).*

Alternative performance measures *(continued)*

Growth in new lending on a constant currency basis

The Group calculates growth in new lending on a constant currency basis. For this calculation the Group applies the current year average in year interest rate to Retail UK lending flows in both years so that the impact of movements in FX rates are eliminated.

Calculation	Source	2021 €m	2020 €m
New lending in the year	Balance sheet (OFR)	14,165	14,070
Impact of foreign exchange movements		1	2
New lending on a constant currency basis		**14,166**	**14,072**
Growth in new lending (%)		**0.67%**	**(14.62%)**

Gross new lending volumes represent loans and advances to customers drawn down during the period and portfolio acquisitions.

Gross yield represents the underlying interest income recognised on interest earning assets, net of interest on derivatives which are in a hedge relationship with the relevant asset. See pages 54 and 373 for further information.

Calculation	Source	2021 €m	*Restated*[1] 2020 €m
Interest income	Income statement	2,770	2,708
Exclude interest on non-trading derivatives (not in hedge accounting relationships)	Note 4	(193)	(197)
Exclude negative interest on financial liabilities	Note 4	(286)	(137)
Include negative interest on financial assets	Note 5	(131)	(44)
Exclude customer redress (credit) / charges	Note 4	(8)	26
Include impact of FV hedges of current accounts	Note 4	110	104
Underlying interest income		**2,262**	**2,460**
Average interest earning assets	Average balance sheet	119,136	105,755
Average gross yield %		**1.90%**	**2.33%**

Gross yield - customer lending

Calculation	Source	2021 €m	2020 €m
Interest income on loans and advances to customers	Note 4	2,097	2,147
Interest income on finance leases and hire purchase receivables	Note 4	161	171
Exclude customer redress (credit) / charges	Note 4	(8)	26
Include impact of FV hedges of current accounts	Note 4	110	104
Underlying interest income on customer lending		**2,360**	**2,448**
Average customer lending assets	Average balance sheet	77,641	78,187
Average gross yield on customer lending %		**3.04%**	**3.13%**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (note 65).*

Alternative performance measures *(continued)*

Gross yield- liquid assets

Calculation	Source	2021 €m	*Restated[1]* 2020 €m
Interest income on loans and advances to banks	Note 4	5	10
Interest income on debt securities at amortised cost	Note 4	6	7
Interest income on debt securities at FVOCI	Note 4	22	38
Include negative interest on financial assets	Note 5	(131)	(44)
Interest on other financial assets at FVTPL	Note 4	-	1
Underlying interest income on liquid assets		**(98)**	**12**
Loans and advances to banks	Average balance sheet	24,627	11,250
Debt securities at amortised cost, financial assets at FVOCI and FVTPL	Average balance sheet	16,868	16,318
Average interest earning liquid assets		**41,495**	**27,568**
Average gross yield on liquid assets %		**(0.24%)**	**0.04%**

Liquid assets are comprised of cash and balances at central banks, loans and advances to banks, debt securities at amortised cost, financial assets at FVOCI and certain financial assets at FVTPL (excluding balances in Wealth and Insurance). See page 62 for further details.

Liquid asset spread is calculated as gross yield on interest bearing liquid assets less the average cost of funds. See page 54 for further detail.

Loan asset spread is calculated as gross yield on loans and advances to customers less the average cost of funds. See page 54 for further detail.

Loan to deposit ratio is calculated as being net loans and advances to customers divided by customer deposits.

Calculation	Source	2021 €m	2020 €m
Loans and advances to customers	Balance sheet	76,346	76,581
Customer deposits	Balance sheet	92,754	88,637
Loan to Deposit ratio %		**82%**	**86%**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in the Group's accounting policy which was implemented in 2021 for the presentation of interest income and expense on derivatives designated as hedging instruments (note 65).*

Alternative performance measures *(continued)*

Net interest margin (NIM) is stated on an underlying basis. See page 54 for further details.

Calculation	Source	2021 €m	2020 €m
Net interest income	Income statement	2,227	2,089
Exclude customer redress (credit) / charges	Note 4	(8)	26
Underlying net interest income		**2,219**	**2,115**
Average interest earning assets	Average balance sheet	**119,136**	**105,755**
Net interest margin %		**1.86%**	**2.00%**

Net Impairment losses on loans and advances to customers at amortised cost (basis points) is the net impairment loss on loans and advances to customers at amortised cost divided by average gross loans and advances to customers at amortised cost.

Calculation	Source	2021 €m	2020 €m
Net impairment losses on loans & advances to customers at amortised cost	Note 16	147	(1,061)
Average gross loans and advances to customers		78,838	79,403
Net Impairment losses on loans and advances to customers at amortised cost (bps)		**19**	**(134)**

Net new lending volumes represent loans and advances to customers drawn down during the year (including revolving credit facility activity) and portfolio acquisitions, net of repayments and redemptions.

'Non-performing exposures'
These are:
(i) **credit-impaired loans** which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security and / or loans where the borrower is greater than or equal to 90 days past due and the arrears amount is material; and
(ii) **other loans** meeting NPE criteria as aligned with regulatory requirements.

Non-performing exposures ratio is calculated as NPEs on loans and advances to customers as a percentage of the gross carrying value of loans and advances to customers.

Calculation	Source	2021 €m	2020 €m
Non-performing exposures	Note 28	4,311	4,503
Loans and advances to customers at amortised cost	Note 27	77,878	78,462
Loans and advances to customers at FVTPL	Note 27	426	361
Total loans and advances to customers		**78,304**	**78,823**
NPE ratio %		**5.5%**	**5.7%**

Alternative performance measures *(continued)*

Organic capital generation consists of attributable profit and movements in regulatory deductions, including the reduction in DTAs deduction (DTAs that rely on future profitability) and movements in the Expected Loss deduction.

Return on assets is calculated as being statutory net profit / loss (being profit / loss after tax) divided by total assets, in line with the requirement in the EU (Capital Requirements) Regulations 2014.

Calculation	Source	2021 €m	2020 €m
Profit / (loss) for the year	Income statement	1,055	(707)
Total assets	Balance sheet	155,268	133,754
Return on assets (bps)		**68**	**(53)**

Return on Tangible Equity (RoTE) is calculated as being profit attributable to ordinary shareholders less non-core items (net of tax) divided by average shareholders' equity less average intangible assets and goodwill.

Return on Tangible Equity (adjusted) is calculated by adjusting the RoTE to exclude other gains and other valuation items (net of tax) and to adjust the impairment gain or loss on financial instruments (net of tax) to a more 'normalised' impairment level of impairment loss, net of tax. The average shareholders tangible equity is adjusted to a maximum CET1 ratio of 13%, reflecting the Group target CET1 ratio.

	Reported		Adjusted	
	2021 €m	**2020 €m**	**2021 €m**	**2020 €m**
Profit / (loss) for the year attributable to shareholders	1,048	(742)	1,048	(742)
Non-core items, including tax	97	363	97	363
Distribution on other equity instruments - AT1 coupon	(68)	(25)	(68)	(25)
Redemption of NCI - AT1 securities	-	(10)	-	(10)
Other gains and other valuation items, net of tax	-	-	(77)	48
Adjusted profit / (loss) after tax	**1,077**	**(414)**	**1,000**	**(366)**
Shareholders' equity	**10,304**	**8,587**	**10,304**	**8,587**
Intangible assets and goodwill	(852)	(751)	(852)	(751)
Shareholders' tangible equity	**9,452**	**7,836**	**9,452**	**7,836**
Average shareholders' tangible equity	**8,447**	**8,481**	**8,447**	**8,481**
Adjustment for CET1 ratio at 13.0%	-	-	(550)	(144)
Adjusted Average shareholders tangible equity	**8,447**	**8,481**	**7,897**	**8,337**
Return on Tangible Equity	**12.8%**	**(4.9%)**	**12.7%**	**(4.4%)**

Alternative performance measures *(continued)*

Statutory cost income ratio is calculated as other operating expenses and cost of restructuring divided by total operating income, net of insurance claims.

Calculation	Source	2021 €m	2020 €m
Other operating expenses	Income statement	1,858	1,888
Impairment of intangible assets	Income statement	1	139
Impairment of goodwill	Income statement	-	9
Cost of restructuring programme	Income statement	110	245
Costs		**1,969**	**2,281**
Operating income net of insurance claims	Income statement	2,989	2,645
Total operating income		**2,989**	**2,645**
Statutory cost / income ratio %		**66%**	**86%**

Sustainable earnings is calculated as loss / profit for the year attributable to shareholders adjusted for non-core items, other gains and other valuation items and impairment.

Tangible Net Asset Value per share is calculated as shareholder equity less intangible assets and goodwill divided by the number of ordinary shares in issue, adjusted for treasury shares held for the benefit of life assurance policyholders.

Calculation	Source	2021 €m	2020 €m
Shareholder equity	Balance sheet	10,304	8,587
Less - intangible assets	Note 32	(825)	(726)
Less - goodwill	Note 32	(27)	(25)
Adjust for own shares held for the benefit of life assurance policyholders	Balance sheet	20	25
Tangible net asset value		**9,472**	**7,861**
Number of ordinary shares in issue	Note 49	1,079	1,079
Treasury shares held for the benefit of life assurance policyholders	Note 49	(3)	(5)
		1,076	**1,074**
Tangible net asset value per share (cent)		**880**	**732**

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 58 for further information.

Underlying divisional contribution reflects the underlying financial contribution of each division towards the consolidated Group underlying profit or loss, before tax, excluding non-core items which obscure the underlying performance of the business.

The Group has decided to apply the term ‘underlying divisional contribution’ to divisional results to more clearly reflect the fact that certain unallocated costs are presented in Group Centre and are not reflected in the results of the other divisions.

Alternative performance measures *(continued)*

Underlying cost income ratio is calculated on an underlying basis (excluding non-core items), as operating expenses excluding levies and regulatory charges divided by operating income (net of insurance claims), excluding other gains and other valuation items.

Calculation	Source	2021 €m	2020 €m
Other operating expenses	Income statement	1,858	1,888
Impairment of intangible assets	Income Statement	1	139
Cost of restructuring programme	Income statement	110	245
Impairment of goodwill	Income statement	-	9
		1,969	**2,281**
Exclude:			
- cost of restructuring programme	Non-core items (OFR)	(110)	(245)
- customer redress charges	Note 13	(30)	(13)
- IT Service Continuity Framework	Non-core items (OFR)	(25)	-
- portfolio divestments	Non-core items (OFR)	(13)	(30)
- other transformation programme costs	Non-core items (OFR)	(12)	-
- announced acquisitions transaction costs	Non-core items (OFR)	(2)	-
- impairment of internally generated computer software	Non-core items (OFR)	-	(136)
- impairment of intangibles assets and goodwill	Income statement	(1)	(12)
- levies and regulatory charges	Note 13	(130)	(125)
Underlying costs		**1,646**	**1,720**
Operating income net of insurance claims	Income statement	2,989	2,645
Exclude:			
- customer redress (credit) / charges	Note 4	(8)	26
- Portfolio divestments	Non-core items (OFR)	(21)	(35)
- gross up of policyholder tax in the W&I business	Non-core items (OFR)	(24)	(7)
- investment return on treasury stock held for policyholders	Non-core items (OFR)	8	(9)
- transfers from reserves on asset disposal	Note 11	(16)	(7)
- net gain on disposal and revaluation of investments	Other income (OFR)	-	3
- gain on disposal and revaluation of investment properties	Other income (OFR)	(1)	(1)
- financial instrument valuation adjustments (CVA, DVA, FVA) and other	Other income (OFR)	(38)	25
- unit-linked investment variance - Wealth and Insurance	Other income (OFR)	(38)	14
- Interest rate movements - Wealth and Insurance	Other income (OFR)	4	22
Underlying income		**2,855**	**2,676**
Underlying cost / income ratio %		**58%**	**64%**

Underlying earnings per share is calculated as loss / profit attributable to shareholders adjusted for non-core items, divided by the weighted average number of ordinary shares in issue, adjusted for average treasury shares held for the benefit of life assurance policyholders.

Calculation	Source	2021 €m	2020 €m
Profit / (loss) attributable to shareholders	Income statement	1,048	(742)
Non-core items, including tax	Non-core items (OFR)	97	363
Distribution on other equity instruments - AT1 coupon	Note 20	(68)	(25)
Redemption of NCI - AT1 securities	Note 20	-	(10)
Underlying profit / (loss) attributable to shareholders		**1,077**	**(414)**
Weighted average number of ordinary shares in issue		1,079	1,079
Average shares held for the benefit of life assurance policyholders		(4)	(6)
Weighted average number of shares in issue excluding treasury shares	Note 20	**1,075**	**1,073**
Underlying earnings per share (cent)		**100.2**	**(38.6)**

Wholesale funding is comprised of deposits by banks (including collateral received) and debt securities in issue.

Abbreviations

AA	Automobile Association
ACS	Asset Covered Securities
AGC	Annual General Court
AGM	Annual General Meeting
AIB	Allied Irish Banks Group plc and subsidiaries
ALCO	Group Asset and Liability Committee
AML	Anti-Money Laundering
APE	Annual Premium Equivalent
APIs	Application Programming Interfaces
AT1	Additional tier 1
ATM	Automated Teller Machine
AUM	Assets Under Management
Bank	The Governor and Company of the Bank of Ireland
BCBS	Basel Committee on Banking Supervision
BCOF	Bank Cost of Funds
BITCI	Business In The Community Ireland
BoE	Bank of England
BOIG plc	Bank of Ireland Group plc
BoIGM	Bank of Ireland Global Markets
BoIMB	Bank of Ireland Mortgage Bank Unlimited Company
bps	Basis points
BRC	Board Risk Committee
BRRD	Bank Recovery and Resolution Directive
BSPF	Bank of Ireland Staff Pensions Fund
BTL	Buy to let
CBI	Central Bank of Ireland
CCB	Capital Conservation Buffer
CCyB	Countercyclical capital buffer
CDEAs	Cleared Derivatives Execution Agreements
CDS	Credit default swap
CEO	Chief Executive Officer
CES	Customer Effort Score
CET1	Common equity tier 1
CFO	Chief Financial Officer
CGU	Cash generating units
CPI	Consumer Price Index
CR	Credit Review
CRD	Capital Requirements Directive (EU)
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAs	Credit Support Annexes
CSM	Contractual Service Margin
CSO	Central Statistics Office
CSIRO	Chief Sustainability and Investor Relations Officer
CVA	Credit Valuation Adjustment
DAC	Designated Activity Company
DCF	Discounted Cash Flow
DGFM	Davy Global Fund Management
DGS	Deposit Guarantee Scheme
DRP	Director's Remuneration Policy
DTA	Deferred tax asset
DVA	Debit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses
EDIS	European Deposit Insurance Scheme
EGM	Extraordinary General Meeting
EIOPA	European Insurance and Occupational Pensions Authority
ELG	Eligible Liabilities Guarantee
ERC	Executive Risk Committee
ESG	Environmental, Social and Corporate Governance
ESMA	European Securities and Markets Authority
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
FCA	Financial Conduct Authority
FCC	Financial Crime Compliance
FIRB	Foundation Internal Rating Based
FLI	Forward looking information
FPC	Financial Policy Committee
FRES	First Rate Exchange Services Limited
FRS	Financial Reporting Standards
FSCS	Financial Services Compensation Scheme
FVA	Funding Valuation Adjustment
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
FX	Foreign exchange
GAC	Group Audit Committee
GB	Great Britain
GCRC	Group Credit Risk Committee
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GEC	Group Executive Committee
GIA	Group Internal Audit
GN&GC	Group Nomination and Governance Committee
GM&LR	Group Market and Liquidity Risk
GORC	Group Operational Risk Committee
GRC	Group Remuneration Committee
GRCRC	Group Regulatory and Conduct Risk Committee
GTOC	Group Transformation Oversight Committee
HMRC	HM Revenue & Customs
I&D	Inclusion and Diversity
IAASA	Irish Auditing Accounting Supervisory Authority
IAS	International Accounting Standard
IBOR	Inter Bank Offered Rate
IBR	Incremental borrowing rate
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
ILAs	Impairment Loss Allowances
ILAAP	Internal Liquidity Adequacy Assessment Process
ILTR	Indexed Long Term Repo
IMF	International Monetary Fund
IORP	Institutions for Occupational Retirement Provision

Abbreviations *(continued)*

IPO	Initial Public Offering
IRB	Internal Rating Based
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
ISIF	Ireland Strategic Investment Fund
KBCI	KBC Bank Ireland
KMP	Key management personnel
KPIs	Key performance indicators
LCR	Liquidity Coverage Ratio
LDI	Liability Driven Investment
LDR	Loan to deposit ratio
LGD	Loss Given Default
LIBOR	London Inter Bank Offered Rate
LTI	Loan to income
LTV	Loan to Value
MCEV	Market Consistent Embedded Value
MFS	Minimum Funding Standard
MLL	Marshall Leasing Limited
MOU	Memorandum of Understanding
MREL	Minimum Requirement for own Funds and Eligible Liabilities
MRC	Model Risk Committee
NED	Non-Executive Director
NGO	Non-Governmental Organisation
NGRB	Group Nomination, Governance and Responsible Business Committee
NI	Northern Ireland
NIAC	New Ireland Assurance Company plc
NIM	Net Interest Margin
NPEs	Non-performing exposures
NSFR	Net Stable Funding Ratio
NTMA	National Treasury Management Agency
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
ORSA	Own Risk and Solvency Assessment
O-SII	Other Systemically Important Institutions
OTC	Over the Counter
PCAF	Partnership for Carbon Accounting Financials
PBCOF	Private Banking Cost of Funds
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PBCOF	Private Banking Cost of Funds
PD	Probability of Default
POCI	Purchased or Originated Credit-Impaired Financial Asset
PRA	Prudential Regulation Authority
RAROC	Risk Adjusted Return on Capital
RCF	Revolving Credit Facility
RCSA	Risk and Control Self Assessment
RICS	Royal Institute of Chartered Surveyors
RMC	Risk Measurement Committee
RoI	Republic of Ireland
RoTE	Return on Tangible Equity
RoU	Right of Use
RoW	Rest of World
RPI	Retail Price Index
RPPI	Residential Property Price Index
RSB	Responsible and Sustainable Business
RSBF	Responsible and Sustainable Business Forum
RWAs	Risk weighted assets
SBCI	Strategic Banking Corporation of Ireland
SBTs	Science-Based Target
SBTi	Science-Based Target Initiative
SCR	Solvency Capital Requirement
SID	Senior Independent Director
SIP	Stock Incentive Plan
SME	Small and Medium Enterprise
SPE	Special Purpose Entity
SREP	Supervisory Review & Evaluation Process
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
S&P	Standard and Poor's
TCFD	Task Force for Climate-related Financial Disclosure
TFS	Term Funding Scheme
TFSME	Term Funding Scheme with additional incentives for SMEs
TLTRO	Targeted Longer Term Refinancing Operation
TSA	The Standardised Approach
TtC	Through-the-Cycle
UK	United Kingdom
UN	United Nations
US	United States
VA	Volatility Adjustment
VaR	Value at Risk
ViF	Value of in Force
VIU	Value in Use
VRR	Vertical Risk Retention
YaaM	You as a Manager