2022

The Governor and Company of the Bank of Ireland
Annual Report

Bank of Ireland

Inside this report

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These are the consolidated results of The Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries (together the 'Group')

The Group's forward looking statement can be found on page 282.

Business Review

Operating and financial review

The financial results are presented on an underlying basis. Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. Further information on measures referred to in the OFR is found in Alternative performance measures on page 283. 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.

Summary consolidated income statement on an underlying basis

	2022 €m	2021 €m
Net interest income	2,460	2,209
Net other income	753	726
Operating income (net of insurance claims)	**3,213**	**2,935**
Operating expenses (before levies and regulatory charges)	(1,745)	(1,646)
Levies and regulatory charges	(143)	(130)
Operating profit before net impairment (losses) / gains on financial instruments	**1,325**	**1,159**
Net impairment (losses) / gains on financial instruments	(187)	194
Share of results of associates and joint ventures (after tax)	40	5
Underlying profit before tax	**1,178**	**1,358**
Non-core items	(142)	(145)
Profit before tax	**1,036**	**1,213**
Tax charge	(157)	(165)
Profit profit for the year	**879**	**1,048**
Return on assets (bps)	**58**	**67**

Profit before tax of €1,036 million was reported by the Group for 2022 (2021: €1,213 million).

Underlying profit before tax of €1,178 million is €180 million lower than the €1,358 million profit for 2021 which is primarily attributable to the following:

- an increase of €278 million or 9% in **operating income (net of insurance claims)** due to:
  - a €251 million increase in **net interest income** primarily driven by higher liquid asset income, supported by higher Irish deposit volumes and higher rates, higher UK net interest income and higher lending income in our other trading divisions, partially offset by the impact of higher wholesale funding costs and lower targeted longer term refinancing operations (TLTRO) income due to the repayment of all Group TLTRO funding in November 2022; and
  - a €27 million increase in **net other income** driven by a €138 million increase in business income reflecting improved business momentum as well as a seven month contribution from Davy and increased additional gains of €83 million from gains on bond sales in 2022 offset by negative impacts from valuation items of €194 million, primarily from interest rate and investment variances in the Group's Wealth and Insurance business.
- an increase of €35 million in **share of results of associates and joint ventures (after tax)** due to the improved performance of First Rate Exchange Services (FRES) during the year. FRES experienced higher foreign currency sales as a result of the recovery in the UK travel market after COVID-19 restrictions were lifted.
- an increase of €99 million or 6% in **operating expenses (before levies and regulatory charges)** largely due to Davy operating expenses of €78 million following its acquisition on 1 June 2022 and costs of €28 million associated with opening accounts for former Ulster Bank and KBC Bank Ireland plc (KBCI) customers as these banks exit from the Irish market. Excluding these costs, operating expenses (before levies and regulatory charges) have reduced by €7 million, after absorption of FX movements of €3 million, as the Group continued to focus on efficiency and strategic cost reduction while maintaining investment in regulatory compliance, technology and growth in the existing business.
- a **net impairment loss on financial instruments** of €187 million for 2022, which is €381 million adverse to the €194 million impairment gain in 2021. The loss incorporates a number of impairment dynamics reflecting:

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

- impairment model updates incorporating the current macroeconomic outlook (c.€181 million net loss, includes other financial instruments);
- net impairment losses associated with portfolio activities including case specific loss emergence, primarily in the Corporate and Property and construction portfolios, and the NPE resolution activity including portfolio disposals (c.€214 million net loss); offset by
- the application of a reduced quantum of Group management adjustments at 31 December 2022 (c.€161 million net gain in the year), which reflects the removal / utilisation of previously recognised management adjustments and the recognition of a new €60 million adjustment for the RoI SME portfolio (refer to page 108); and
- additional recoveries of €47 million (€34 million RoI SME and €13 million Consumer) representing recognition, during 2022, of recoveries received between 2018 and 2021 in respect of loans that previously had been subject to the utilisation of impairment loss allowance.

Non-core charges have decreased by €3 million compared to 2021.

Tax charge for 2022 of €157 million (2021: €165 million) reflects an effective statutory taxation rate of 15% (2021: 14%) for the Group. On an underlying basis, the effective taxation rate for 2022 was 15% (2021: 12%). The effective tax rate is influenced by changes in the jurisdictional mix of profit and losses and the impact of a re-assessment of the tax value of certain losses carried forward.

Non-core items

Non-core items	2022 €m	2021 €m	Change %
Acquisition costs	(54)	(2)	n/m
Transformation programme costs	(50)	(122)	(59%)
Other transformation costs	*(33)*	*(12)*	*n/m*
Cost of restructuring	*(17)*	*(110)*	*(85%)*
Customer redress charges	(29)	(22)	*32%*
Investment return on treasury shares held for policyholders	(8)	(8)	–
Gross-up for policyholder tax in the Wealth and Insurance business	(2)	24	n/m
Portfolio divestments	1	8	(88%)
Operating income	*2*	*21*	*(90%)*
Operating expenses	*(1)*	*(13)*	*(92%)*
IT service continuity framework	–	(25)	(100%)
Gain on disposal / liquidation of business activities	–	2	(100%)
Total non-core items	**(142)**	**(145)**	**(2%)**

Acquisition costs

The Group acquired Davy, Ireland's leading provider of wealth management and capital markets services, on 1 June 2022. The Davy transaction is being treated as a business combination in line with the requirements of International Financial Reporting Standard (IFRS) 3 (see note 53) and hence the costs specifically associated with the transaction are expensed to the income statement. Costs associated with this transaction in 2022 amounted to €44 million (2021: €2 million). Included in the total acquisition costs are €11 million relating to deferred consideration payable to certain Davy employees, which is treated as remuneration under accounting rules.

The Group acquired certain assets and liabilities of KBCI on 3 February 2023, included within non-core charges are internally generated costs related to the acquisition totalling €10 million which are expensed to the income statement.

Transformation programme costs

During 2022, the Group recognised transformation programme costs of €50 million (2021: €122 million) of which €33 million (2021: €12 million) related to other transformation programme costs and €17 million (2021: €110 million) related to the Group's cost of restructuring programme.

Other transformation programme costs represent transformation costs related to the ongoing activities of the business. Costs of €33 million (2021: €12 million) related to the design and development of a number of the key business initiatives which were identified as part of the 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.

Cost of restructuring programme costs are required to meet the definition of 'restructuring' under International Accounting Standard (IAS) 37. In 2022, the Group had €17 million (2021: €110 million) of restructuring charges which relate to the Group's voluntary redundancy scheme and external programme management costs.

Customer redress charges

The Group recognised €29 million (2021: €22 million) of customer redress charges during 2022, of which;

- €36 million (2021: €31 million) relates to the industry wide Tracker Mortgage Examination Review ('Review') to cover operational costs associated with the length and nature of the Review and the estimated costs of closing out the Review (see note 43); offset by

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

Non-core items *(continued)*

- €5 million (2021: €10 million) provision release relating to the interest rate implementation review within our Irish Business Banking and Private Banking businesses. All impacted customers were remediated during 2022 bringing this review to a conclusion; and
- €2 million provision release in respect of other customer redress items (2021: €1 million charge).

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 2022, there was a loss of €8 million (2021: €8 million loss). At 31 December 2022, there were 1.3 million shares (2021: 3.2 million shares) held for the benefit of policyholders.

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 2022, this equated to a charge of €2 million (2021: €24 million credit). The movement is mainly due to lower investment returns in 2022.

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 2022, the Group recognised a net gain of €1 million (2021: €8 million), primarily associated with residual income and costs relating to the sale of the UK Post Office ATM business which was completed on 31 March 2022.

IT Service Continuity Framework
In 2021, the Group was fined €24.5 million by the Central Bank of Ireland (CBI) for breaches pertaining to its IT service continuity framework, which the Group has since comprehensively addressed.

Summary consolidated balance sheet

Summary consolidated balance sheet	2022 €bn	*Restated*[1] 2021 €bn
Assets		
Loans and advances to customers	72	76
Liquid assets	49	50
Wealth and Insurance assets	22	23
Other assets	8	6
Total assets	**151**	**155**
Liabilities		
Customer deposits	100	93
Wholesale funding	11	21
Wealth and Insurance liabilities	21	23
Other liabilities	6	5
Subordinated liabilities	2	2
Total liabilities	**140**	**144**
Stockholders' equity	10	10
Other equity instruments	1	1
Total liabilities and shareholders' equity	**151**	**155**

The Group's **loans and advances to customers (after impairment loss allowances)** of €72.0 billion are €4.4 billion lower than 31 December 2021. On a constant currency basis, excluding Retail UK deleveraging of €3.9 billion in line with strategy and the NPE transactions of €0.9 billion, the loan book grew by €1.6 billion in 2022.

The Group's portfolio of **liquid assets** at 31 December 2022 has decreased by €0.9 billion to €48.8 billion, the main drivers are lower wholesale funding of €10.2 billion, mainly due to the repayment of all Group TLTRO funding in November 2022, negative fair value hedge accounting adjustments of €1.1 billion, acquisition of Davy c.€0.4 billion and lower Tier 2 volumes of €0.3 billion, offset by higher deposit balances of €7.1 billion (constant currency basis) and lower gross lending volumes of €3.9 billion (constant currency basis) predominantly due to deleveraging in Retail UK.

The Group's **asset quality** remains robust despite the impact of Russia's invasion of Ukraine, elevated inflation and increasing interest rates, with limited evidence to date of adverse impacts on credit quality. NPEs reduced by €1.7 billion to €2.6 billion, representing 3.6% of gross loans at 31 December 2022 (31 December 2021: 5.5%). In 2022, the Group completed the

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

Summary consolidated balance sheet *(continued)*

disposal of a pool of non-performing assets in the residential mortgages and business banking portfolios, with a gross carrying value of €1.3 billion and an associated €9 million impairment loss. For further information see (note 25).

At 31 December 2022, overall **customer deposit** volumes of €99.8 billion are €6.3 billion higher due to growth in Retail Ireland of €11.0 billion predominantly driven by higher household and SME volumes combined with customer migration from banks exiting the Irish market, partially offset by lower Retail UK deposits of €4.8 billion arising from deleveraging in line with strategy. Corporate and Markets deposit volumes marginally increased by c.€0.2 billion.

Wholesale funding balances of €11.2 billion at 31 December 2022 are €10.2 billion lower compared to 2021. This is primarily due to the Group's repayment in full of the Targeted longer term refinancing operations (TLTRO) funding in November 2022 of €10.8 billion, Asset Covered Securities (ACS) bond maturities of €1.1 billion, fair value hedge accounting adjustments of €0.4 billion and a credit linked note repayment of €0.3 billion, partially offset by minimum requirement for own funds and eligible liabilities (MREL) eligible senior bond issuance of €2.0 billion and an increase in bank deposits of €0.4 billion.

The Group's **fully loaded common equity tier 1 (CET1)** ratio decreased by c.60 basis points during 2022 to 15.4% primarily due to the completion of Davy acquisition (c.-80 basis points), a foreseeable distribution deduction (c.-75 basis points) and risk weighted assets (RWA) growth (c.-50 basis points), offset by the benefit of organic capital generation (c.+135 basis points), and other net movements, including in the Group's defined benefit pension schemes (c.+10 basis points).

The Group's **regulatory CET1 ratio** (net of Capital Requirements Directive (CRD) phasing) decreased by c.110 basis points over the period to 15.9%.

Ratios	2022 €bn	2021 €bn
Credit impaired loans and advances to customers	2.6	4.3
Non-performing exposures (NPEs)	2.6	4.3
NPE ratio (%)	3.6%	5.5%
Liquidity coverage ratio (%)	221%	181%
Net stable funding ratio (%)	163%	144%
Loan to deposit ratio (%)	73%	82%

Capital

CRD IV - 2021			CRD IV - 2022	
Regulatory %	Fully Loaded %		Regulatory %	Fully Loaded %
		Capital ratios		
17.0%	16.0%	Common equity tier 1	15.9%	15.4%
19.1%	18.1%	Tier 1	17.9%	17.4%
22.3%	21.4%	Total capital	21.0%	20.5%
6.6%	6.2%	Leverage ratio	6.5%	6.4%

The capital and leverage ratios are calculated under the prudential scope of consolidation of the BOIG plc Group. Further details on the capital position of BOIG plc Group and The Governor and Company of the Bank of Ireland can be found in BOIG plc's Pillar 3 disclosures for the year ended 31 December 2022, available on the Group's website.

Distributable items
At 31 December 2022, the Bank had reserves available for distribution of €4.2 billion (2021: €3.5 billion).

Individual consolidation
The regulatory CET1 ratio of the Bank calculated on an individual consolidated basis as referred to in Article 9 of the CRR is 17.5% at 31 December 2022 (2021: 17.0%).

Income statement - Operating segments

In the tables below, "underlying" excludes the impact of non-core items (page 4).

2022	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €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) / gains on financial instruments €m	Net impairment (losses) / gains 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												
Retail Ireland	1,153	–	276	**1,429**	–	**1,429**	(703)	**726**	112	8	–	**846**
Wealth and Insurance	(8)	2,051	(1,413)	**630**	(380)	**250**	(218)	**32**	–	–	–	**32**
Retail UK	691	–	(25)	**666**	–	**666**	(286)	**380**	(107)	32	–	**305**
Corporate and Treasury	651	–	185	**836**	–	**836**	(188)	**648**	(199)	–	–	**449**
Group Centre	(5)	(5)	63	**53**	2	**55**	(493)	**(438)**	7	–	1	**(430)**
Other reconciling items	–	–	(2)	**(2)**	–	**(2)**	(2)	**(4)**	–	–	–	**(4)**
BOIG Group plc - underlying	**2,482**	**2,046**	**(916)**	**3,612**	**(378)**	**3,234**	**(1,890)**	**1,344**	**(187)**	**40**	**1**	**1,198**
Less:												
Attributable to BOIG plc	(22)	–	1	**(21)**	–	**(21)**	1	**(20)**	–	–	–	**(20)**
Group underlying	**2,460**	**2,046**	**(915)**	**3,591**	**(378)**	**3,213**	**(1,889)**	**1,324**	**(187)**	**40**	**1**	**1,178**
Total non-core items												
Acquisition costs	–	–	–	**–**	–	**–**	(54)	**(54)**	–	–	–	**(54)**
Transformation programme costs	–	–	–	**–**	–	**–**	(50)	**(50)**	–	–	–	**(50)**
Customer redress charges	5	–	–	**5**	–	**5**	(34)	**(29)**	–	–	–	**(29)**
Investment return on treasury stock held for policyholders	–	–	(8)	**(8)**	–	**(8)**	–	**(8)**	–	–	–	**(8)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	(2)	**(2)**	–	**(2)**	–	**(2)**	–	–	–	**(2)**
Portfolio divestments	–	–	2	**2**	–	**2**	(1)	**1**	–	–	–	**1**
IT service continuity framework	–	–	–	**–**	–	**–**	–	**–**	–	–	–	**–**
Gain on liquidation of business activities	–	–	–	**–**	–	**–**	–	**–**	–	–	–	**–**
Group total	**2,465**	**2,046**	**(923)**	**3,588**	**(378)**	**3,210**	**(2,028)**	**1,182**	**(187)**	**40**	**1**	**1,036**

Income statement - Operating segments *(continued)*

Restated[1]

2021	Net interest income / (expense) €m	Net insurance premium income €m	Other income €m	Total operating income €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 gains / (losses) on financial instruments €m	Net impairment gains /(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												
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 Treasury	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**
BOIG Group plc - underlying	**2,219**	**2,018**	**1,796**	**6,033**	**(3,089)**	**2,944**	**(1,777)**	**1,167**	**194**	**5**	**–**	**1,366**
Less:												
Attributable to BOIG plc	(10)	–	1	**(9)**	–	**(9)**	1	**(8)**	–	–	–	**(8)**
Group underlying	**2,209**	**2,018**	**1,797**	**6,024**	**(3,089)**	**2,935**	**(1,776)**	**1,159**	**194**	**5**	**–**	**1,358**
Total non-core items												
Acquisition costs	–	–	–	**–**	–	**–**	(2)	**(2)**	–	–	–	**(2)**
Transformation programme costs	–	–	–	**–**	–	**–**	(122)	**(122)**	–	–	–	**(122)**
Customer redress charges	8	–	–	**8**	–	**8**	(30)	**(22)**	–	–	–	**(22)**
Investment return on treasury stock held for policyholders	–	–	(8)	**(8)**	–	**(8)**	–	**(8)**	–	–	–	**(8)**
Gross-up for policyholder tax in the Wealth and Insurance business	–	–	24	**24**	–	**24**	–	**24**	–	–	–	**24**
Portfolio divestments	–	–	21	**21**	–	**21**	(13)	**8**	–	–	–	**8**
IT service continuity framework	–	–	–	**–**	–	**–**	(25)	**(25)**	–	–	–	**(25)**
Gain on liquidation of business activities	–	–	–	**–**	–	**–**	–	**–**	–	–	2	**2**
Group total	**2,217**	**2,018**	**1,834**	**6,069**	**(3,089)**	**2,980**	**(1,968)**	**1,012**	**194**	**5**	**2**	**1,213**

[1] Comparative figures have been restated to reflect a change in the Group's allocation of internal funding costs between divisions, following cessation of an inter segmental fee previously paid to the Corporate and Markets division for managing the Group's structural balance sheet. This has resulted in a decrease of €39 million in net interest income for Corporate and Markets and a corresponding increase of €39 million in net interest income for Retail Ireland.

Principal Risks and Uncertainties

Principal risks and uncertainties facing the Group 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 principal risks. Additionally, other factors not yet identified, or not currently material, may adversely affect the Group.

The Group continues to face a diverse set of challenges including a significant transformation agenda, macroeconomic uncertainty, particularly in the UK, characterised by high inflation and increasing interest rates.

Further details on risk management are set out in note 26 Financial risk management.

Business and strategic risk

Business and Strategic risk is the risk of not achieving agreed strategic and business goals, arising due to inadequate planning or implementation, and / or changes in the external environment or economic factors. This also includes adverse impacts on the franchise value, e.g. by implementing an unsuitable strategy, or maintaining an obsolete business model. Business and Strategic risk also covers Environmental, Social and Governance (ESG) risks.

Key points

- The Group completed the acquisition of Davy on 1 June 2022 and the acquisition of KBCI portfolios on 3 February 2023. These acquisitions support the Group's strategic aims but also create execution and integration risks.
- In September 2022, the Group returned to full private ownership following the sale of the State's remaining shareholding. In addition, a number of significant crisis-era restrictions were lifted as the Group continues to move towards a more normalised position. These developments reduce the risk of franchise value being impacted by non-standard ownership or remuneration restrictions.
- The Group is undergoing significant transformation across culture, business model (pivot to digital), systems and acquisition integration / migration with a number of programmes underway delivering against this strategy. These programmes will support the Group's strategic aims and improve the risk profile but can lead to increased risk as the programmes are executed.
- The Group is committed to the UK market where the focus is on improving sustainable returns. The UK Transformation programme has made steady progress. The 'multi-niche' strategy remains valid for the UK, and the focus on 'value over volume' is delivering improved performance against the original financial objectives. Successful delivery of the programme should see reduced business and strategic risk in the UK business.
- The rising interest rate environment creates potential upside for the Group but is not without risks to credit risk profile and potential customer financial strain.
- The Group continues to monitor the fallout from Russia's invasion of Ukraine. Cost of living pressures remain with high inflation, global energy supply challenges and non-energy commodity price increases. The potential impacts of these macroeconomic and geopolitical dynamics represent a risk to the Group in its markets and could be seen in pricing, customer confidence and credit demand, collateral values and customers ability to meet their financial obligations.
- The ESG agenda continues at pace noting increasing expectations in terms of environment, climate and also wider societal expectations. The Group has a clear Sustainability strategy overseen by the Group Sustainability Committee. Non delivery on regulatory obligations and the voluntary commitments made by the Group would create risks for the Group.
- Post Brexit, the Group continues to monitor the trading relationship between the EU and UK by identifying, monitoring and mitigating risks associated with the current trade agreement.
- The evolving competitive landscape, accelerated digitisation, changing consumer and business behaviours impact on the Group's business model and strategic risk.

Key mitigating considerations

- The Court has completed a Board approved refresh of its strategy for the period 2023-2025 setting out a 3 year business plan with clear objectives to achieve, as well as Court approved risk appetite limits.
- The Group strategy is supported by business divisional strategies and key enabling strategies across the Group's functions which have been reviewed, challenged and endorsed by the Court, the delivery of which will be monitored on an on-going basis.
- On an annual basis, the Court reviews the Group's strategic objectives and key underlying assumptions to confirm that the strategic shape and focus of the Group remains appropriate.
- The Court also 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 Objective and Key Results (OKRs) dashboard.
- The Court receives comprehensive reports setting out business and financial performance relative to plan, financial projections and capital and liquidity plans. The Court'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.
- The Enterprise Transformation Office provides Group-wide portfolio oversight capability that considers culture, business model and systems to support delivery execution and leverage enterprise wide opportunities.
- A detailed Court Risk Report (CRR) is produced quarterly and is reviewed by the ERC prior to review by the Group's management body (Court and Court Risk Committee (CRC)). The CRR is used by the Group to review and monitor the Group's Risk Profile across all principal risks and sub risks, compliance with risk appetite and with risk policies. Updates on risk dashboards and risk appetite compliance are provided on a monthly basis to Court and are reviewed in advance by the ERC.

Principal Risks and Uncertainties *(continued)*

Business and strategic risk *(continued)*

Environmental, Social and Governance risk (including Climate risk)

The Group recognises ESG and climate-related considerations continue to be a growing agenda item for financial institutions and stakeholders. ESG risks and opportunities will continue to impact how the Group implements its strategy, business model, customer offering and how it manages risk in the Group. 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. In addition the focus from a stakeholders (investors, regulators, customers, colleagues etc) and wider societal expectations is seeing an expanding of expectations from largely climate driven focus to the wider ESG agenda with increasing emphasis on a fairer and inclusive society.

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.
- How the Group will achieve this aim is set out in the Group Sustainability Strategy which supports the Group Strategy through its three pillars: Enabling Colleagues to Thrive, Enhancing Financial Wellbeing and Supporting the Green Transition.
- The Group is the first Irish bank to have its greenhouse gas emission reduction targets approved by the Science Based Targets initiative including a target that our own operations will be net zero by 2030. BOI is also a signatory to the UN Principles for Responsible Banking and a supporter of the TCFD.
- The Group recognises ESG factors represent a common risk driver across the Group's Principal Risk types and the Group ESG Risk Management Framework sets out the approach to the management of ESG risk factors in the Group. The CRR is the primary source of reporting for the impact of ESG related risks on the Group's risk profile.

Capital Adequacy

Capital Adequacy risk is the risk that the Group has insufficient capital to support its normal business activities, meet its regulatory capital requirements or absorb losses should unexpected events occur.

Capital Adequacy risk includes Pension risk and Recovery and Resolution requirements. 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.

Key points

- CET1 ratio of 15.9% under regulatory rules and 15.4% on a fully loaded basis at 31 December 2022.
- The Group is required to maintain a minimum CET1 ratio of 10.04% on a regulatory basis at 31 December 2022:
  - 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%, an Other Systemically Important Institutions (O-SII) buffer of 1.5% and a Countercyclical buffer of 0.27%;
  - Pillar 2 guidance (P2G) is not disclosed in accordance with regulatory preference.
- Total capital ratio of 21.0% under regulatory rules at 31 December 2022.
- Leverage ratio of 6.5% on a regulatory basis and 6.4% on a fully loaded basis at 31 December 2022.
- MREL ratio of 31.5% at 31 December 2022, c.655bps basis points above 1 January 2022 requirement of 24.95%.

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 Court approved Risk Appetite Statement and suite of Recovery Indicators.
- Comprehensive stress tests / forward-looking ICAAP financial projections are prepared, reviewed and challenged by the Court 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.

Principal Risks and Uncertainties *(continued)*

Capital Adequacy risk *(continued)*

Pension risk

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 46 Retirement benefit obligations.

Key mitigating considerations

- Court 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.

Conduct risk

Conduct risk is the risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Group's products and services.

The Group is exposed to conduct risk as a direct and indirect consequence from all the activities that the Group engages in during the normal conduct of its business. These risks may materialise from failures to comply with regulatory requirements or expectations, as an outcome of risk events in other principal 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. Conduct risk includes Market Integrity, Customer Protection, Financial Crime and Data Privacy risks.

Key points

- During 2022, regulatory oversight by supervisory bodies focused on a number of the key Conduct risk areas, including KBCI and Ulster Bank exit, IBAN discrimination, Structural Retail Products, Benchmark Reform and the launch of the CBI's comprehensive review of the 2012 Consumer Protection Code.
- Engagement with the Group's regulators in 2022 included matters such as account switching, evolution of the interest rate environment, the integration of the Davy entity, the acquisition of the KBCI portfolio, the Tracker Mortgage Examination, the impacts of the ongoing Russian invasion of Ukraine and the potential implications of the current economic environment.
- The heavy regulatory agenda impacting conduct risk is expected to continue in 2023. The Group will maintain its focus on continuing compliance with the existing regulatory requirements of the jurisdictions in which it operates and that its products and services continue to meet the expectations of customers, clients and markets.
- Regulators continue to conduct investigations and examinations on an industry wide basis from time to time.

Key mitigating considerations

- Court approved risk appetite statement informed by a set of key risk indicators.
- A suite of policies are in place for the management of conduct risk across the Group. Requirements for risk mitigation for each risk are outlined in the respective risk policies and procedures.
- Group-wide processes in place to identify, assess, plan, develop and implement key conduct requirements.
- Processes in place to identify, assess, manage, monitor and report conduct risks as well as controls to mitigate those risks.
- Regular status updates and monitoring at senior levels in the Group including reporting to the CRC and the Court.
- 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.

Principal Risks and Uncertainties *(continued)*

Credit risk

Credit risk is the risk of loss resulting from a customer or counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes debt underwriting risk, loan origination risk, credit concentration risk, cross border transfer risk, credit quality deterioration risk, default risk and collateral valuation 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 points

- The macroeconomic outlook has deteriorated in the Group's key markets, particularly in the UK, reflecting risks associated with Russia's invasion of Ukraine; elevated inflation; supply chain disruption; and interest rate expectations.
- Total loans and advances to customers (before impairment loss allowance) at amortised cost reduced to €73.0 billion at 31 December 2022 from €78.0 billion at 31 December 2021 reflecting the combined impacts of NPE disposals, currency translation, utilisation of impairment loss allowances and net redemptions in the year.
- The Group's asset quality remains robust despite the impact of Russia's invasion of Ukraine, elevated inflation rates and increasing interest rates, with limited evidence to date of adverse impacts on NPEs beyond Corporate customers more exposed to international economic trends. The Group's NPEs reduced in 2022 from €4.3 billion to €2.6 billion, with €1.3 billion of the reduction related to portfolio disposals. The volume of assets in stage 2 increased marginally from €12.4 billion to €12.6 billion.
- Total net impairment loss on financial instruments of €187 million compared to a prior year gain of €194 million. The net loss primarily reflects a net loss of c.€214 million from portfolio activity and a c.€181 million net loss recognised arising from impairment model updates incorporating the change in the macroeconomic outlook. These net losses were offset by gains from the reduction in the quantum of Group management adjustments at 31 December 2022 (c.€161 million net gain) and additional cash recoveries (€47 million).

Key mitigating considerations

- Court 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 elevated inflation and interest rates.
- Dedicated structures focused on the management of customers in financial difficulty.

Funding and liquidity risk

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 (including securitisations) 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 points

- Group customer deposits of €99.8 billion are €6.3 billion higher due to growth in Retail Ireland of €11.0 billion predominantly driven by higher household and SME volumes combined with banks exiting the Irish market, partially offset by lower Retail UK deposits of €4.8 billion arising from deleveraging in line with strategy. Corporate and Markets deposit volumes marginally increased by c.€0.2 billion. On a constant currency basis, Group customer deposits increased by €7 billion (see page 283 for further information on alternative performance measures).
- The Group's LDR reduced by 9% to 73% at 31 December 2022 (31 December 2021: 82%)
- The Group's LCR at 31 December 2022 was 221% (31 December 2021 was 181%). The Group's NSFR at 31 December 2022 was 163% (31 December 2021 was 144%).

Key mitigating considerations

- Court approved risk appetite limits.
- Group funding and liquidity policies, procedures and methodologies.
- Comprehensive liquidity monitoring framework.
- Annual Court 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 updates.
- 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.

Principal Risks and Uncertainties *(continued)*

Life insurance risk

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.

Life insurance risk arises from the Group's life insurance subsidiary, NIAC selling life insurance products in the Irish market.

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 principal risk management tools.
- The 2022 Own Risk and Solvency Assessment (ORSA) has been 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.
- Experience in 2022 was stable and broadly positive relative to assumptions.

Key mitigating considerations

- Court 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 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

Market risk is the risk of loss arising from movements in interest rates, FX rates or other market prices.

Market risk includes Discretionary risk, Structural (IRRBB) risk, Credit Spread risk, XVA risk, Market risk in the Life Business, Structural FX risk and Securities Underwriting risk.

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 permits discretionary risk taking activity in Davy's Capital Markets business. Risk appetite for discretionary market risk is controlled to remain within Value at-Risk (VaR) trading limits. Discretionary risk can arise through market-making, whereby positions can be held to facilitate client orders.

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 points

- The VaR arising from discretionary risk-taking remained at relatively low levels during 2022. Through 2022 the Group took moderate interest rate positions in both Trading and Banking books in addition to positions in FX, equity and traded credit markets. As of end 2022, the Group has ceased proprietary trading in its Global Markets business with the remaining discretionary risk assumed in Davy.
- 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 Asset and Liability Committee (ALCO).

Key mitigating considerations

- Court approved risk appetite limits.
- Group Market Risk Policy.
- Comprehensive framework for monitoring compliance with the Court'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.

Principal Risks and Uncertainties *(continued)*

Operational risk

Operational risk is the risk of loss resulting from suboptimal or failed internal processes, systems, human factors or from external events. It includes information technology, change management, information security and cyber, sourcing, business continuity management, operational resilience, people, physical infrastructure, legal (a component being litigation and regulatory proceedings), data, model, financial and regulatory reporting and tax risks.

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 includes people risks such as challenges attracting and retaining talent due to increased competition in the employment market for certain skills and experience, along with colleague wellbeing and health and safety. Operational risk includes the risk of damage to physical infrastructure due to suboptimal physical infrastructure management.

Operational risk arises from the risk of cybersecurity attacks which 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. Operational risk also includes model risk which is the risk of not having the required models, or the right models, with the right accuracy, appropriately calibrated, and validated / assessed with the right frequency; whilst data risk is the risk of negative outcomes in the event of the unavailability of data, poor data quality, inadequate data retention and destruction management, the use or protection of data in accordance with legal and regulatory requirements, impacting the competent running of the Group's operations. Furthermore, operational risk includes the risk of inaccurate or delayed financial & regulatory reporting due to misinterpretation of requirements, preparation errors or omissions. It includes legal risk which is the risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations, including regulatory or contractual requirements.

In addition, preparing for management of internal and external business disruption events through business continuity planning and management and monitoring of third party suppliers continues as part of operational risk management. Russia's invasion of Ukraine and the worldwide COVID-19 pandemic are examples 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 are 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 external events and the legacy of changes to ways of working for our customers and colleagues is kept under continuous review by the Group.

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.
- During 2022, enhancements were made to the operational risk library, with new sub risks added including financial & regulatory reporting risk; operational resilience risk; people risk and tax risk. Progress continues on the implementation of the revised library and on transitioning over time to a process driven and risk control approach for operational risks, which is critical to building operational resilience throughout the Group.
- The Group is managing a significant amount of change across culture, business model and systems, including continuing the 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 Group announced this year the acquisition of Davy and continued to progress the proposed acquisition of KBCI mortgage assets and deposits. These acquisitions support the Group's strategic aim but can lead to increased operational risk as the integrations are executed.
- 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.
- The increased employment market activity seen in late 2021 continued during 2022, with natural (non-redundancy) attrition at pre-pandemic levels throughout the year, albeit voluntary redundancy levels were much reduced versus the previous 12 to 14 months. Activity associated with business growth plans and market dynamics, such as KCB and Ulster Bank exit from the Irish market, and ECB interest rate changes, increased demand for resources in some areas.

Key mitigating considerations

- Court 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 RMF 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 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 effectively, taking into account risk, capacity to deliver and financial constraints.
- 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 models have been updated and outputs return to an appropriate range.
- The Group has a Court 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 in place for most of 2022 imposed by government, tax or regulatory authorities.
- 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.

Principal Risks and Uncertainties *(continued)*

Operational risk *(continued)*

Litigation and regulatory proceedings

Uncertainty surrounding the outcome of disputes, legal proceedings and regulatory investigations and proceedings including potential adverse judgements in litigation or regulatory proceedings.

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.

Tax risk

Tax risk is the risk that the Group fails to comply with all applicable tax laws and regulations including reporting and filing obligations, or is aware of a tax liability. 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.

Key mitigating considerations

- The Group has clearly defined tax governance 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 potential changes to tax legislation or government policy and considers any appropriate remedial actions.

Regulatory risk

Regulatory risk is the risk that the Group does not identify legal or regulatory change or appropriately manage its relationships with its regulators.

The Group is exposed to regulatory risk as a direct and indirect consequence from all the activities that the Group engages in during the normal conduct of its business. Regulatory risk may materialise from failure to identify new or existing regulatory and / or legislative requirements or deadlines, ensure appropriate governance is in place to embed regulatory requirements into processes, or the failure to appropriately manage the Group's regulatory relationships. Regulatory risk includes Ineffective Regulatory Change Governance and Ineffective Regulatory Engagement.

Key points

- During 2022, regulatory oversight by supervisory bodies focused on a number of key areas including business model and profitability, internal governance and risk management , credit risk, operational risk, the evolving Irish financial sector and the developing global economic outlook.
- Engagement with the Group's regulators in 2022 included matters such as account switching, evolution of the interest rate environment, the integration of the Davy entity, the proposed acquisition of the KBCI portfolio, the Tracker Mortgage Examination, the impacts of Russia's invasion of Ukraine and the potential implications of the current economic outlook.
- The heavy regulatory and compliance agenda is expected to continue in 2023. The Group will maintain its focus on continuing compliance with the existing regulatory requirements of the jurisdictions in which it operates.
- Regulators continue to conduct investigations and examinations on an industry wide basis from time to time.

Key mitigating considerations

- Court approved risk appetite statement informed by a set of key risk indicators.
- A suite of policies are in place for the management of risks across the Group. Requirements for risk mitigation for each risk are outlined in the respective risk policies and procedures.
- Group-wide processes in place to identify, assess, plan, develop and implement key regulatory requirements.
- Processes in place to identify, assess, manage, monitor and report 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 CRC and the Court.
- Processes in place to support the reporting, investigation, resolution and remediation of incidents of non-compliance.

Principal Risks and Uncertainties *(continued)*

Key themes under focus

Digital

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 (with some existing trends accelerated by COVID-19 pandemic).

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, engaging appropriate external experts as required.

Macroeconomic conditions and geographical uncertainty

The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in Ireland and the UK, 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 fallout from Russia's invasion of Ukraine has seen cost of living pressures increase with high inflation, global energy supply challenges and non-energy commodity prices increases. The potential impacts of these macroeconomic and geopolitical dynamics represent a risk to the Group in its markets and could be seen in pricing, customer confidence and credit demand, collateral values and customers ability to meet their financial obligations.

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 principal 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.

Principal Risks and Uncertainties *(continued)*

Key themes under focus *(continued)*

Reputation risk

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.

The risk of damage to reputation arises as a direct or indirect consequence of the Group's operations and business activities. Damage to reputation can be an impact arising from the occurrence of other risk events, including credit, market, business and strategic, and operational risk events. It can also arise as a consequence of external events.

Key mitigating considerations

- A dedicated team (Group Corporate Affairs) in place to provide advice and guidance on the management and mitigation of damage to reputation which may arise in the course of the Group's commercial or strategic activities.
- 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 damage - is embedded across the Group.
- Group Sponsorship and Group Sustainability programmes in place.
- Proactive external communications with key stakeholders 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.

Transformation risk

The Group is undergoing significant transformation across culture, business model and systems including material integration / migration programmes related to the Davy and KBCI portfolio acquisitions 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 Court has responsibility for developing the Group's strategic priorities. The Group has completed a Board approved refresh of its strategy for the period 2023 - 2025 setting out the Group's strategic priorities.
- The Group has mobilised a number of significant change programmes under each of the key Transformational change areas to deliver against this strategy. A transformation focused management function co-ordinates 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 updates relating to risks associated with key transformational initiatives.

Governance

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Corporate Governance Statement

Governor's Introduction

Patrick Kennedy
Governor

Dear Shareholders,

I am pleased to present our Corporate Governance Report for 2022. The Report explains how corporate governance standards are applied across the Group, and how they are overseen by the Court, how the Court operates, and how the Court evaluated its effectiveness during 2022. It includes reports from the four mandatory Court Committees which further illustrate how the principles of good governance are embedded.

The Court 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 was at the top of all of our minds as we faced the many challenges brought about by the continuing Coronavirus pandemic and the impacts of Russia's invasion of Ukraine. 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 Court continually seeks to enhance through regular reviews and challenge.

The Court 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 Court 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 Court and its Committees operate effectively.

A key objective of the Group's governance framework is to ensure compliance with applicable corporate governance requirements. During 2022, the Group complied fully with the following corporate governance requirements:
- Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 (Irish Code), except in relation to compliance by Bank of Ireland Mortgage Bank u.c. (BoIMB) with parts of S. 22, and Ss. 7.1 and 7.2 of Appendix 1, of the Irish Code, further details of which are provided under Subsidiary Governance on page 45;
- 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, as amended;
- 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, as amended.

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 Euronext Dublin (formerly the Irish Stock Exchange). During 2022, 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 29 and Section 5: Remuneration, in particular principle R and provisions 36 and 37. The rationale and explanation for non-compliance with these provisions are set out below:
- The decision of the State to disapply a number of remuneration restrictions was announced on 29 November 2022 and became effective on 16 December 2022. However, prior to that date, due to certain agreements in place with the Irish State, the Group Remuneration Committee and the Court were restricted in their ability to fully comply with principle R and associated provisions;
- under such agreements, the implementation of variable remuneration structures was not permitted, the Board's discretion was limited and, as such, the Court could not be in compliance with the recommendation to exercise independent judgement;
- following the removal of a number of restrictions, the Group notes and will adhere to these principles and provisions to the extent permitted, in the design, implementation and operation of any future variable remuneration structures; and
- the status of pension arrangements was considered to be fair in light of the remuneration restrictions in place until 16 December 2022. The pension contribution rates for Executive Directors, where provided, were and are aligned with those available to the workforce.

Coronavirus pandemic (COVID-19)

As COVID-19 continued to impact society and business during 2022, the Court 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

Corporate Governance Statement *(continued)*

of our colleagues continued to work remotely in 2022, or, where appropriate, in a hybrid manner (a combination of working remotely and on-site) supported by our technology colleagues. Other colleagues ensured that the safety of customers, as well as staff required at the Bank's locations, was prioritised.

Eileen Fitzpatrick, our Workforce Engagement Director, continued to provide a positive additional point of connection between the Court and the workforce during 2022. Later in the Report, we share some activities undertaken by Eileen in 2022. Eileen's activities, coupled with the Court'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 Court gains valuable insights into how colleagues were experiencing the work environment 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 commitment shown by all of our colleagues. The Court appreciates that the pandemic continued to impact us all personally and professionally in 2022 and the way in which the Group's workforce worked to support one another and our customers has been notable.

The Court has worked with the Executive team to ensure a continued focus on the Group's culture during 2022. The Court is satisfied that the Group's culture, its purpose, values and strategic priorities are aligned.

2022 has proved to be a highly productive year for the Group. The acquisitions of Davy and of KBCI portfolios are considered transformative for the Group's commercial and strategic objectives and the Court devoted considerable focus during 2022 to the safe and successful execution of both transactions, with a clear objective of ensuring good customer outcomes during and post-transition.

The Court 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 has the risk of adding further strain to the Group. The Court has been focused, with the Executive, on assessing and ameliorating organisational bandwidth through a number of 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 2022, continues to provide rich insights into colleague sentiment. 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 that, in 2022, colleague participation reached its highest level to date (79%), with colleagues clearly welcoming the opportunity to share their views and opinions.

Engagement has risen by 5 points this year, led by increases in job enjoyment and "recommending the Group as a place to work" (+5 points and +8 points respectively). The Culture Embedding Index has also increased and remains in line with external trends. Awareness and Understanding of purpose and values remains high, with increases in Belief in and Demonstration (of Values) (+3 points each), suggesting greater engagement with putting the values into practice. Notably, more colleagues are feeling positive about their work life (+11 points), including better work-life balance and feeling supported and connected as the organisation embraces post-pandemic flexible ways of working, including hybrid working. There is also greater positivity on key inclusion metrics and colleague ability to share opinions openly, contributing to the development of psychological safety.

The Court appreciates that such positive results are directly attributable to the combined efforts of all colleagues and the leadership of the Executive.

The Court is aware that the Group's approach to ways of working 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 practices 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 Court level. Currently, the representation of females on our Court is at 36%.

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 Court 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 the Court's Diversity Policy, click here or go to:

bankofireland.com/about-bank-of-ireland/corporate-governance.

Court composition in 2022

Francesca McDonagh notified the Court in Q2 2022 of her intention to resign as CEO and Executive Director and departed the Group in September 2022. On behalf of the Court, I would like to recognise Francesca's significant contribution to transforming the Bank's culture, systems and business model, and her leadership of the Group as it navigated the pandemic, whilst agreeing the acquisitions of Davy and the KBCI portfolios. During Francesca's tenure, the Irish Government commenced the process of selling its remaining shareholding in the Group which was a very important step in resetting the State's relationship with the Bank. This process was finally completed in September 2022.

Following Francesca's departure, Gavin Kelly, CEO Retail Ireland, was appointed as Interim Group Chief Executive Officer and Executive Director from 3 September to 17 November 2022, pending the appointment of a permanent CEO. I would like to thank Gavin for stepping into the Interim CEO position over this period, during which he showed huge commitment and leadership. The Group CFO and Executive Director, Myles O'Grady, notified the Court during Q3 2021 of his intention to resign and departed the Group in Q1 2022. Following a selection process, Mark Spain was appointed as Chief Financial Officer and Executive Director on 31 March 2022, and brings to these roles a deep understanding of the Group's strategic and financial progress and targets.

Corporate Governance Statement *(continued)*

I was delighted to welcome Myles back to the Group upon his appointment to the CEO role on 17 November 2022, succeeding Gavin as Interim CEO. Myles is an exceptional leader with a strong track record of delivery, and his appointment underlines the Court's commitment to the successful execution of its strategy. Gavin worked closely with Myles to support a smooth transition into the role of Group CEO, and remains a key member of the Group Executive Committee.

Francesca and Myles' departures reflected the continuing impact on the tenure of executives in financial services arising from the 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. On 29 November 2022, we welcomed the announcement regarding the lifting of a number of restrictions following the Bank's return to full private ownership in September. The restrictions were put in place during the financial crisis and the Bank will always be grateful for the support received, which should never have been required. It was a priority of the Bank to repay the taxpayer in full as quickly as possible, and this was completed by 2013.

The changes announced in November are important for two reasons. Firstly, they will help us compete on a more level playing field, with both banking and non-banking employers, to attract and retain talent in our business. Secondly, reintroducing an element of variable pay will allow us to better link remuneration to the achievement of our long term strategic and commercial goals, and delivery for our customers.

The Court Nomination and Governance Committee (N&G) is responsible for reviewing the composition of the Court 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 Court remains under continuous review and the N&G maintains a constant focus on succession planning, to ensure the continuation of a strong and diverse Court and the orderly succession of Court members, which is appropriate to the Group's purpose and the industry within which it operates.

There has been no change to the Non-Executive Director (NED) composition of the Court in the course of the last two years. During 2022, the N&G continued to progress a search for a new NED with an agreed experience, skills and diversity profile, supported by external search consultancy firm, Board Works Ltd. In order to broaden the jurisdictional reach for potential candidates, MWM Consulting has been engaged to support the search process, with a particular focus on candidates based outside Ireland. The primary objective of the search is to facilitate orderly succession of Directors over the coming years. Board Works Ltd and MWM Consulting have no connection with the Company other than in their capacity as external search consultancy firms. Egon Zehnder and Spencer Stuart International, both external search consultancy firms, were engaged to provide support on aspects of succession mapping, key market information and the search process leading to the appointment of the Executive Directors. Egon Zehnder and Spencer Stuart International have no connection with the Company other than in their capacity as an external search consultancy firms.

The Court succession plan, approved in 2022, has taken a number of decisions regarding the tenure of Directors and identified actions required to ensure the orderly succession of Directors over the coming years, many of which commenced in 2022 and will take effect in 2023.

A Bank Court position is undeniably a demanding role; including the level of scrutiny, expectation and risk associated with such positions in the current environment; additionally, while the Senior Executive Accountability Regime will bring clarity on accountability in financial services, its ultimate form is as yet unknown. Nevertheless, there are exciting opportunities for high calibre individuals on bank boards, which will be supportive of the focus of the Court succession plan.

Other Committee changes

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

Reflecting the increasing importance of environmental and social activities, the Court-level Group Responsible and Sustainable Business Committee (renamed the Group Sustainability Committee (GSC)) commenced activities in February 2022 and is supported by the Group's Chief Sustainability & Investor Relations Officer. The Committee is 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 Group Sustainability Committee
Fiona Muldoon	Chair
Giles Andrews	Member
Evelyn Bourke	Member
Michele Greene	Member

Shared membership between the Court Risk Committee (CRC), is vital in the context of the heavy risk focus that is required in relation to Group's responsible and sustainable business activities, particularly climate-related, was achieved via the common membership of Giles, Evelyn and Michele. Shared membership was also achieved with the Court Audit Committee (CAC) via Fiona and Evelyn in the context of external financial and non-financial reporting.

Court and individual effectiveness evaluation

During 2022, Heidrick & Struggles, a specialist court recruitment and evaluation consultancy, conducted the annual effectiveness evaluation of the Court. Detail on the outcome of this evaluation, which, in summary, concluded that the Court is effective, can be found on page 32. I also conducted a review of the performance of individual Directors, following which I concluded that individual Directors continue to demonstrate commitment to their roles, with such commitment evidenced further during 2022 given the significantly heightened activity levels arising from the acquisition of Davy and of the KBCI portfolios. All Directors are considered to be experienced and knowledgeable, and I am confident that they each bring valuable skills to the Court and provide an objective perspective. The Court considers that the effective contribution of each of the individual Directors and the Court as a whole is, and continues to be, important to the long-term sustainable success of the Group.

As part of the evaluation process, we have identified some areas for enhancement. 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 2021 Court effectiveness evaluation are also reported on page 32.

Corporate Governance Statement *(continued)*

The Court met on 11 occasions during 2022, the majority of which were in person as the organisation embraces post-pandemic ways of working, including hybrid working.

Looking ahead

The Court will continue to work effectively with the Executive team in 2023 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 Court 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 ongoing integration of Davy and the migration of the KBCI portfolios, will remain top priorities.

Patrick Kennedy
Governor

6 March 2023

Your Court

Court

Court Audit Committee	Court Risk Committee	Court Remuneration Committee	Group Nomination and Governance Committee	Group Transformation Oversight Committee	Group Sustainability Committee
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				

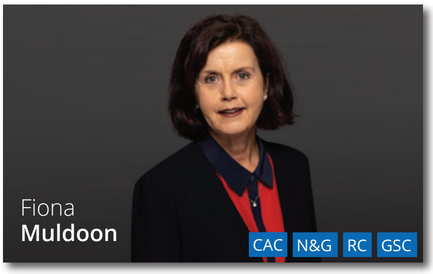
Group Executive Committee

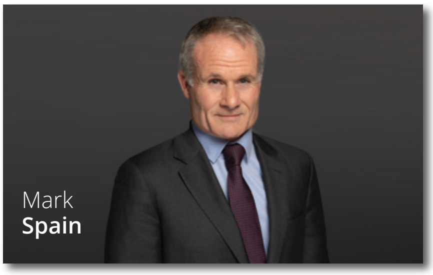
Myles O'Grady *(Group Chief Executive Officer)*
Mark Spain *(Group Chief Financial Officer)*
Matt Elliott *(Group Chief People Officer)*
Gavin Kelly *(Chief Executive, Retail Ireland)*
Paul McDonnell *(Interim Chief Executive, Corporate & Markets)*
Ian McLaughlin *(Chief Executive, Retail UK)*[1]
Gabrielle Ryan *(Interim Group Secretary and Head of Corporate Governance)*
Sharon Donnelly *(Interim Chief Technology and Payments Officer)*
Stephen Roughton-Smith *(Group Chief Risk Officer)*
Oliver Wall *(Chief of Staff & Head of Corporate Affairs)*
Enda Johnson *(Chief Strategy and Transformation Officer)*

The above list reflects GEC membership on 6 March 2023, including new appointments during 2022 and early 2023.

[1] *Ian McLaughlin has indicated his intention to depart the Group in 2023.*

Your Court *(continued)*





Abbreviations

CAC	Court Audit Committee
CRC	Court Risk Committee
GTOC	Group Transformation Oversight Committee
N&G	Nomination & Governance Committee
RC	Remuneration Committee
GSC	Group Sustainability Committee

Your Court *(continued)*

Patrick **Kennedy**

Governor and Non-Executive Director

Bank of Ireland Role Appointments

Appointed Independent Non-Executive Director in July 2010 and Governor in August 2018.

Committee Membership

Chair of the Nomination & Governance Committee.

Member of the Group Transformation Oversight Committee.

Experience

Patrick is a Chartered Accountant with a successful track record spanning 30 years across a range of domestic and international businesses. Prior to joining Bank of Ireland, Patrick served as Chief Executive Officer of Paddy Power plc and also held executive and non-executive roles in that company. Before this, Patrick held the position of CFO at Greencore Group plc and also worked in various senior strategic and corporate development roles. He has previously held roles 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. He is currently Chair and Non-Executive Director of CarTrawler, and Senior Independent Director and Non-Executive Director of ASOS plc, serving as Chair of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Patrick holds the role of Honorary Treasurer of the Irish Rugby Football Union and is a Patron of Chapter Zero Ireland.

Richard **Goulding**

Deputy Governor and Senior Independent Director

Bank of Ireland Role Appointments

Appointed Independent Non-Executive Director in July 2017.

Appointed Chair of the Risk Committee in August 2018.

Appointed Deputy Governor and Senior Independent Director in January 2021.

Appointed Trustee of the Bank Staff Pension Fund in January 2021.

Appointed Non-Executive Director and Chair of the Remuneration Committee of J & E Davy in June 2022.

Committee Membership

Chair of the Risk Committee.

Member of the Audit Committee, the Nomination & Governance Committee and the Group Transformation Oversight Committee.

Chair of the Remuneration Committee of J & E Davy.

Experience

Richard is a Chartered Accountant with an extensive international track record of risk management and executive experience. Prior to joining Bank of Ireland, Richard held the role of Group Chief Risk Officer and Director at Standard Chartered Bank, where he was a member of the Group Executive Committee, having previously held the role of Chief Operating Officer, Wholesale Banking Division. Richard is a former Director of Citigroup Global Markets Limited where he served as Chair of its Audit, Remuneration and Nomination committees. He previously held senior executive positions with Old Mutual Financial Services in the U.S., UBS Warburg / SBC Warburg in London and Switzerland, Astra Holding plc, Bankers Trust Company, and the Midland Bank Group. He holds Non-Executive Director positions in Zopa Group Limited and Zopa Bank Limited. Richard is a member of Council and Chair of the Finance and General Purposes Committee in the Royal College of Music. He also is a member of the Business Strategy Committee in the Global Risk Institute.

Myles **O'Grady**

Group Chief Executive Officer and Executive Director

Bank of Ireland Appointments

Appointed Group Chief Executive Officer and Executive Director in November 2022.

Experience

Myles is a highly experienced leader with excellent delivery capabilities. He has extensive local market knowledge and deep experience of working with a range of stakeholders including customers, colleagues, investors and regulatory authorities. His experience encompasses strategy development, business restructuring and recovery, M&A, organisational transformation and investor relations. In a career spanning more than 30 years, Myles has worked nationally and internationally in senior roles in retail, business and investment banking, including Citibank, AIB and Dresdner Kleinwort Benson.

Myles was appointed BoI Group Chief Financial Officer in 2019 and was also appointed Group Non-Executive Director of Bank of Ireland (UK) plc and New Ireland Life Assurance Company plc. As Group Chief Financial Officer, Myles played an integral role in the development and execution of the Group's strategy, including the successful acquisitions of Davy and the KBC Ireland portfolios. Myles is a Fellow of the Chartered Association of Certified Accountants, an INSEAD certified board director and a member of the Institute of Directors Ireland.

Your Court *(continued)*

Giles **Andrews**

Independent Non-Executive Director

Bank of Ireland Role Appointments
Appointed Independent Non-Executive Director in November 2020.

Committee Membership
Member of the Risk Committee, the Remuneration Committee, the Group Transformation Oversight Committee and the Group Sustainability Committee.

Experience
Giles possesses in-depth experience in financial technology, investment, and lending, in addition to strong management experience. He received a Master's Degree in Experimental Psychology from Christ Church at Oxford University and an MBA from INSEAD. Prior to joining Bank of Ireland, Giles co-founded Zopa, the first ever online peer-to-peer lending marketplace. In 2020, Zopa also launched a Digital Bank. Giles held a number of senior positions with Zopa including Chief Executive Officer and Chairman. He currently remains a member of Zopa Group Board and Zopa Bank Board. He was previously Non-Executive Director of Market Finance Limited, a FinTech platform that provides working capital finance to small businesses in the UK. Giles serves as a Non-Executive Director and Chairman on the board of Carwow Limited, a platform for buying new cars from franchised dealers. Most recently, he was appointed as an Independent Non-Executive Director of C. Hoare & Co, the UK's oldest privately owned bank. Giles was awarded an OBE in 2015 for his services to financial services. In 2016, Giles was named FinTech leader of the year at the FinTech Innovation Awards. At present, he is an Advisor to the fund at Northzone Ventures, a venture capital fund.

Ian **Buchanan**

Independent Non-Executive Director

Bank of Ireland Role Appointments
Appointed Independent Non-Executive Director in May 2018.

Appointed Chair of the Group Transformation Oversight Committee in August 2018.

Appointed Non-Executive Director of Bank of Ireland (UK) plc in September 2018.

Committee Membership
Chair of the Group Transformation Oversight Committee.

Member of the Risk Committee and Remuneration Committee.

Member of the Risk Committee and Remuneration Committee of Bank of Ireland (UK) plc.

Experience
Ian possesses diverse experience in the areas of technology, digital, business transformation and customer operations gained through his work in a number of international retail, commercial and investment banks. Ian holds a Bachelor of Science degree in Physics from the University of Durham. Prior to his role in Bank of Ireland, Ian held the roles of Group Chief Information Officer for Barclays plc and Chief Operating Officer for Barclaycard. Previously, he was Chief Information Officer for Société Générale Corporate & Investment Banking. He was a member of the Public Board and Group Manufacturing Director of Alliance & Leicester plc. He is a former member of the Executive Committee of Nomura International and was Chief Operations and Technology Officer of Nomura International. Ian's early career was spent at Credit Suisse, Guinness, and BP. Ian is a Senior Advisor to Cerberus Capital Management.

Evelyn **Bourke**

Independent Non-Executive Director

Bank of Ireland Role Appointments
Appointed Independent Non-Executive Director in May 2018.

Appointed Chair of the Audit Committee in January 2021.

Committee Membership
Chair of the Audit Committee.

Member of the Risk Committee and the Group Sustainability Committee.

Experience
Evelyn has a strong track record in global executive management, including extensive experience in financial services, risk and capital management, and mergers and acquisitions. She is a Fellow of the Institute and Faculty of Actuaries and received an MBA from the London Business School. Previously, Evelyn served as Group Chief Executive Officer of Bupa, the international health insurance and health care group. She joined Bupa as Chief Financial Officer from Friends Life Group, where she had been the Chief Executive Officer of the Heritage Division. She served as Non-Executive Director with IFG plc, Dublin, where she chaired the Risk Committee. Evelyn's early career was spent in the UK at Standard Life plc, Chase de Vere Financial Solutions, St. James's Place plc, Nascent Group, Tillinghast Towers Perrin and in Ireland with Bank of Ireland and New Ireland Assurance. Currently, Evelyn is a Non-Executive Director and Senior Independent Director with AJ Bell plc and a member of its Audit, Nomination, Risk and Compliance committees. She is a Non-Executive Director with Marks and Spencer Group plc, chairs the Audit Committee and is a member of the Nomination Committee. Evelyn is a Non-Executive Director of Admiral Group plc and Chair of its Remuneration Committee. She also holds roles as a Non-Executive Director on the Ireland Fund of Great Britain Board and a member of The Investment Committee of The Athenaeum Club.

Your Court *(continued)*

Eileen **Fitzpatrick**

Independent Non-Executive Director

Bank of Ireland Role Appointments

Appointed Independent Non-Executive Director in May 2019.

Appointed Workforce Engagement Director in January 2020.

Appointed Non-Executive Director and Chair of the Risk and Compliance Committee of J & E Davy in June 2022.

Committee Membership

Member of the Audit Committee, Remuneration Committee and Nomination & Governance Committee.

Chair of the Risk & Compliance Committee of J & E Davy.

Experience

Eileen, a Capital Markets professional, has extensive experience at Senior Executive, Board and Governmental level in financial markets. She received a PhD in Science from University College Dublin. Prior to joining Bank of Ireland, Eileen held multiple Senior Director positions, including as Chief Executive Officer of AIB Investment Managers and Director of the National Treasury Management Agency (NTMA), where she oversaw the Alternative Assets Investment Programme, for the National Pensions Reserve Fund. Subsequently, she was appointed Director of NewERA at the NTMA. In her early career, Eileen also held a number of roles in stockbroking including in Goodbody Stockbrokers and National City Brokers. Eileen is a Non-Executive Director with a number of KKR companies in Ireland. She also serves as Chair of the Remuneration Committee for KKR Credit Advisors (Ireland). Most recently, Eileen joined the board of Sherry FitzGerald Group Ireland Holdings Limited as a Non-Executive Director and, in addition, serves as Chair of the People and Culture Committee there. She is currently Chair of the Outside Appointments Board-Department of Public Expenditure and Reform, and a member of Loreto Generalate Financial Advisory Committee for the Loreto Congregation.

Michele **Greene**

Independent Non-Executive Director

Bank of Ireland Role Appointments

Appointed Non-Executive Director in December 2019.

Appointed Non-Executive Director and Chair of the Nomination Committee of J & E Davy in June 2022.

Committee Membership

Member of Risk Committee, Group Transformation Oversight Committee, and the Group Sustainability Committee.

Chair of the Nomination Committee of J & E Davy.

Experience

Michele is a Chartered Accountant and an experienced business executive and finance professional, operating at executive management and board level. She received a BSc (Mgmt) and MA from Trinity College Dublin. Prior to joining Bank of Ireland, Michele held several senior roles with Virgin Money's Digital Bank, including Managing Director, 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. She also served as Chief Financial Officer of MBNA Europe, where she held executive positions on the board of MBNA Europe Limited and Premium Credit Finance Limited. Michele's early career was spent at Goldman Sachs, Credit Lyonnais and KPMG. Michele is currently an Executive Director of Mololo Limited and a Non-Executive Director of East End Fair Finance Limited.

Fiona **Muldoon**

Independent Non-Executive Director

Bank of Ireland Role Appointments

Appointed Independent Non-Executive Director in June 2015.

Appointed Chair of the Group Sustainability Committee in December 2021.

Appointed Independent Non-Executive Director and Audit Committee Chair of New Ireland Assurance Company in April 2021.

Committee Membership

Chair of the Group Sustainability Committee.

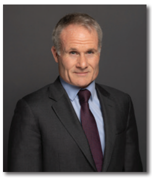
Member of the Nomination & Governance Committee, the Audit Committee, and the Remuneration Committee.

Independent Non-Executive Director and Audit Committee Chair of New Ireland Assurance Company.

Experience

Fiona was Group Chief Executive of FBD Holdings plc and FBD Insurance plc, one of Ireland's largest general insurers, from 2015 to 2020. She held several senior positions with the Central Bank of Ireland, including Director of Credit Institutions and Insurance Supervision. A knowledgeable and experienced financial services professional with significant international experience in insurance and credit institutions, Fiona spent 17 years of her career with XL Group in Dublin, London and Bermuda. She worked in various management positions covering the areas of general insurance, corporate and treasury, capital management, rating agency engagement and corporate development. Fiona is a qualified Chartered Accountant with significant experience in financial oversight and governance. She holds a Bachelor of Arts Degree from University College Dublin and is a Fellow of the Chartered Accountants of Ireland. Most recently, Fiona was appointed Non-Executive Director with Beazley plc and is a member of its Audit and Risk Committees.

Your Court *(continued)*



Mark **Spain**

Group Chief Financial Officer and Executive Director

Bank of Ireland Role Appointments

Appointed Group Chief Financial Officer and Executive Director in March 2022.

Appointed Group Non-Executive Director of Bank of Ireland (UK) plc in December 2019.

Experience

Mark is a strategically adept leader, with a track record of leading multi-functional teams to successfully deliver significant and positive commercial outcomes, with particular expertise in commercial analysis and decision making, financial control, finance function operations, people leadership, M&A, ESG, multi-stakeholder engagement and investor relations. Mark has over 25 years' experience as a finance professional, having qualified as a chartered accountant in 1994. He joined the Group in 1998 as a Director in IBI Corporate Finance, an M&A advisory boutique. He became Director of Group Investor Relations in 2013, followed by Director of Group Finance in 2016. In 2019, he was appointed Chief Strategy Officer and member of the Group Executive Committee. Prior to joining the Group, Mark worked in Diageo plc's M&A team and KPMG. Mark holds a Bachelor of Commerce (Accounting) Degree and a diploma in Professional Accounting from University College Dublin. He is a member of the Institute of Chartered Accountants in Ireland.

Steve **Pateman**

Independent Non-Executive Director

Bank of Ireland Role Appointments

Appointed Independent Non-Executive Director in September 2018.

Appointed Chair of the Remuneration Committee in January 2020.

Committee Membership

Chair of the Remuneration Committee.

Member of the Audit Committee and Risk Committee.

Experience

Steve is an experienced banker, advisor and Board Director, with a strong track record of building and rebuilding businesses. Prior to joining Bank of Ireland, Steve was the Chief Executive Officer of Shawbrook Bank and, subsequently, of Hodge Group. Steve chaired the Advisory Board of Arora Group and served as Chief Executive Officer. Previously, he worked with Santander UK, where he held the roles of Executive Director and Head of UK Banking with responsibility for Santander's corporate, commercial, business and retail banking operations, as well as wealth management. Steve held several senior positions at Royal Bank of Scotland and NatWest and was a Director of The Mortgage Lender Limited. Steve was elected President of the Chartered Banker Institute, 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. He is currently Chief Executive Officer and Executive Director of StreamBank plc. Steve also holds the role of Non-Executive Director for Affordable Housing & Healthcare Investment Management Limited.

Your Court *(continued)*

Governor's tenure

Patrick Kennedy was appointed Governor 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 Court in July 2019.

In the Annual Reports for 2019-2021, the Court'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 Court for more than nine years from the date of first appointment as a specific consideration in the evaluation of the independence of NEDs. The Governor is not subject to the UK Code's independence test other than on appointment. However, the UK Code recommends that the Governor 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 Governor's tenure to facilitate succession planning and the development of a diverse Court, particularly in those cases where the Governor 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 Court, supported by formal processes of appointment and annual evaluation of performance.

The 2021 Annual Report outlined the Court's rationale for Patrick's continuation as Governor for a further period and the Court's recommendation of his re-election at the 2022 Annual General Court (AGC), which was subsequently approved by the Company's shareholders with greater than 95% of votes cast in favour of his re-election. The Company consulted Group with shareholders regarding an appropriate extension of Patrick's tenure under the principles and provisions of the UK Corporate Governance Code during 2020 and 2021. The outcomes of these consultations were reported in the respective Annual Reports. The position, outlined and supported by shareholders, both during consultations and in the positive voting outcomes at our 2021 and 2022 AGCs, remains unchanged. In 2022, shareholders, representing c. 50% of the Company's share capital were again consulted. The outcome of this consultation was positive, with shareholders confirming their continued full support for the Court's position.

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

The Court's assessment of the key considerations on the continuation of the Governor's tenure

Patrick Kennedy's appointment as Governor in August 2018 was governed by a rigorous process led by the Senior Independent Director (SID) with external benchmarking by Egon Zehnder which rated him as an exceptional candidate for the role. His performance in the role in the four years since his appointment - from his refocusing of the Board agenda, the innovation he has brought to the Court'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 Governor.

Patrick's positioning as an internal candidate for the Governor 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 Governor until July and August 2018 respectively. His years of experience of Bank of Ireland prior to his appointment as Governor, 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 Court, underpins his current success in the role.

There are a number of key considerations which the Court regards as relevant to Patrick's continuity in his role. These include: the continuing development and strengthening of the dynamic between Court members in support of coherent and effective team work, as well as succession planning for future Court changes; the appointment on 31 March 2022 of a new Group CFO; the departure of Francesca McDonagh as Chief Executive Officer, the appointment on 3 September 2022 of Gavin Kelly as interim Chief Executive Officer, followed by the appointment of Myles O'Grady as permanent Chief Executive Officer on 17 November 2022; and the complementary nature of Patrick's knowledge and experience of the Irish environment, embracing all stakeholders including customers, regulators and Government.

Patrick has demonstrated exceptional commitment to Bank of Ireland and continues to bring very strong leadership to the Court. As the business embraces continuing significant internal change, including the ongoing transformation of its culture, the realisation of the acquisitions' commercial benefits, and against a background of change 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 through this period of change. The Court considers it to be most desirable for the Bank that Patrick would remain available to support Myles O'Grady into his role, as the Bank's new CEO.

In relation to the senior management team, having regard to the recent appointment of the CFO in March 2022, the recent departure of the former CEO in September and subsequent appointment of the new CEO in November 2022, the Court 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 and, in the Court's view, with the Irish Government. His commercial skills and the knowledge he has acquired of banking are unique in an Irish-based director. Patrick's performance remains at a consistently high level. As part of the Court's external annual review process, conducted by Heidrick & Struggles, in 2022, Patrick was, once again, considered to be a highly effective Governor and continues to provide strong leadership to the Court.

Recommendation to shareholders

At the time of his appointment in 2018, the Court's expectation was that Patrick would serve two three-year terms, in line with the tenure of previous Governor and the Court's views on succession planning and the need for retention of corporate memory as other long-standing directors depart the Court. The Court has carefully considered the implications of the UK Code and is of the view that Patrick's tenure should be extended 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 the annual re-election by shareholders at the Company's AGC.

Your Court *(continued)*

The Court has considered carefully 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. The process to select an external third-party firm to work with the SID and the wider N&G on the search commenced in the second half of 2022. Further updates on the matter will be provided in due course.

The Court believes Patrick provides valuable knowledge and experience of the customer, regulatory and political environment and necessary continuity during a period of significant change. As such, the Court considers it appropriate for Patrick to remain in role for a further period and will be recommending his re-election at the 2023 AGC.

Court committees

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

The minutes of all meetings of Court Committees are circulated to all Directors for information and are formally noted by the Court. Papers for all Court 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 Court Audit Committee (CAC), the CRC, the N&G, the GTOC and the CRC are available on the Group's website:

www.bankofireland.com/about-bank-of-ireland/corporate-governance.

In addition to the aforementioned Committees, the Group has in place a Committee, the Group Transformation Oversight Committee (GTOC), which has a mandate to support the Group 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, a standalone GSC in operation in February 2022 which has responsibility for assisting the Court in overseeing the Group's performance as a responsible and sustainable business and in delivering the Group's Sustainability Business Strategy, in order to achieve the Group's purpose.

Both GTOC and GSC have shared membership in place with each CRC and CAC.

In carrying out their duties, Court 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 CAC, the CRC, the N&G, and the CRC are presented on pages 42 to 60.

Court composition and succession

The Court comprises eleven Directors: two Executive Directors, the Governor, who was independent on appointment, eight independent NEDs. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 25 to 28.

The Court considers that a court size of ten to twelve Directors allows for a good balance between having the full range of skills necessary on the Court and to populate its committees and retaining a sense of accountability by each Director for Court decisions. The Court 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 N&G ensures a formal, rigorous and transparent procedure when considering candidates for appointment to the Court and maintains continuous oversight of the Court'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 N&G leads the process for appointments to the Court and ensures plans are in place for orderly succession to both the Court and Executive positions.

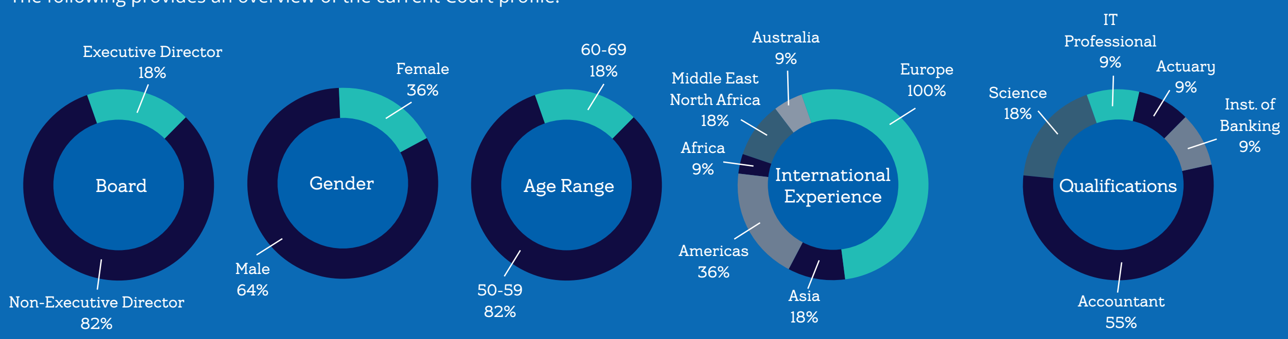
The process has regard for the impact of expected retirements of Directors and the Group's desired culture and its strategic direction. As part of the process, the N&G approves a detailed role profile, based on its analysis of the skills and experiences needed and selects, where appropriate, an external search firm to facilitate the process. The N&G 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 N&G 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 Court. Regulatory assessment and formal approval is required and received for all Court appointments.

A Court-approved Policy for the Assessment of Directors, which outlines the Court appointment process, is in place, and is in accordance with applicable joint guidelines issued by ESMA and the EBA.

Your Court *(continued)*

Diversity
The Court 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 2023, the Court comprises of 36% female representation. The Court's approach to diversity in all its forms is set out in the Court Diversity Policy which has retained the specific gender target of maintaining a minimum of 33% female representation on the Court, with a medium term aspiration of achieving broadly equal gender representation on the Court. The Court values diversity and strives to achieve minority ethnic representation on the Court in the medium-term. When setting diversity objectives, the Committee will consider diversity benchmarking results published by competent authorities, the European Banking Authority or other relevant international bodies or organisations.

The following provides an overview of the current Court profile.



Education and Development Sessions delivered in 2022
The following development and education sessions were facilitated remotely during the year:

- Colleague Visibility,
- RoI and UK Mortgages,
- Market Risk,
- Leveraged Acquisition Finance,
- Long-Term Incentive Plan Governance,
- External Remuneration Market Trends in 2022,
- Risk Profile of Remuneration of the Group,
- Wealth and Insurance,
- Data Stand-up - Data Warehouse and Capability,
- Court and Colleague Diversity,
- Gender Pay Gap,
- Future of Payments,
- Anti-Money Laundering and Counter Terrorism Financing,
- Retail UK,
- Corporate & Markets,
- Model Risk,
- Court Speak Up,
- Corporate Governance Developments,
- Consumer Errors,
- Credit Risk RoI SME,
- ESG,
- Fintech Operating Models,
- IFRS 17,
- UK Consumer Unsecured Loans, and
- Unconscious Bias Training.

In addition to training provided by the Group, individual Directors undertook external development opportunities that covered a wide breath of topics relating to finance, investment management and wealth, digital, cyber, diversity, environmental and social governance, court effectiveness and governance and remuneration.

The Court'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 Court and individual Directors are informed by the outcome of annual effectiveness reviews, the annual review of the collective skillset of the Court, emerging external developments and areas the Court 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 Court-approved Director Induction, Training and Development Policy which is reviewed annually by the N&G.
- Subject to constraints imposed by COVID-19 restrictions, site visits across the Group including meetings with colleagues and customers.

Assessing the effectiveness of the Court

The Court seeks to continually enhance its operations and, each year, conducts a formal effectiveness evaluation of the Court, Court Committees and individual Directors. In addition to reviewing the Court's operations, composition and overall effectiveness, the evaluation reviews past performance with the aim of identifying possible opportunities for improvement, determines whether the Court 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 Court is required to have an external evaluation conducted once every three years. During 2022, an external evaluation was carried out by Heidrick & Struggles (H&S), a specialist board recruitment and evaluation consultancy, which concluded positively regarding the effectiveness of the Court. The external evaluation conducted every three years was complemented by the internal process undertaken in 2020 and 2021. The outcome of the 2021 review was reported in the 2021 Annual Report and a report on progress against opportunities identified for improvement in 2021 is set out on page 32.

Your Court *(continued)*

The external evaluation of the Court effectiveness included:
- an online survey of Directors which sought their views on a range of topics across the Court and Court Committees:
- interviews with each Court Member and selected executives.
- observation of the December 2022 Court, GTOC and Remuneration Committee meetings,
- a desktop review including Court papers and a range of Court governance documentation.

The external review of the Court's effectiveness during 2022 provided a positive assessment.

Governor
The performance of the Governor was assessed during the H&S evaluation and, led by the SID, the Court met to discuss the Governor's performance, in his absence. The SID subsequently provided an update on the positive outcome of the review to the Governor. Patrick Kennedy is considered to be a highly effective Governor and continues to provide very strong leadership to the Court. The Court confirmed its continued support for Patrick Kennedy and his continuation in office, including his proposal for re-election at the 2023 Annual General Court (AGC). Further details on the Governor's tenure can be found on page 29.

Individual Directors
In addition to the H&S evaluation process, the Governor 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 Court. The Governor assessed each Director as being fully effective, with all Directors demonstrating strong commitment to their role, noting that in 2022 they were each required to go above and beyond their normal required time commitment to the role, and that their contributions continued to be important to the company's long-term sustainable success.

2022 Conclusion
A consolidated report on the findings of the full evaluation process was presented to the Court. The outcome of the evaluation was positive. Overall the effectiveness of the Court and its Committees continued to be enhanced year on year. The key themes identified through the Board evaluation as having contributed to the Court's effectiveness in 2022 included the strong leadership of the Governor, the Court's diligence and commitment, open dialogue, inclusive culture and a balanced skillset and expertise on the Court. The Court evaluation also identified the following areas for enhancement;
- finding the right balance of challenge and support;
- simplifying operating mechanism;
- bringing further external and customer focus to bear;
- further focus on a longer time horizon.

Progress against the 2021 Court Effectiveness Evaluation
A summary of the Court's progress against the actions arising from the 2021 effectiveness review is set out below:
- the strength of the commercial and customer focus in deep dives conducted into each business division: the Court engaged in regular customer focus sessions and deep dives throughout 2022 across each business division. In particular, the Court conducted customer impact assessments on the migration of the KBCI portfolios and on the three NPE transactions conducted in 2022;
- incorporation of a longer-term risk management discussion on the Court agenda: over 2022, extensive changes were made in the risk management function and processes in the Group, including further enhancements to the Group Risk Management Framework and implementation of a more comprehensive and complete risk library to define risk mitigation standards at a granular level, particularly for operational risk types. The objective was to uplift risk management capabilities across operational, conduct and regulatory risks, including longer-term risk management, by driving a simplified common and consistent approach and sound methodologies for management of these risks. The Risk Committee also conducted a series of deep dives across a number of key credit portfolios and other risk areas. These reviews were forward-looking detailed examinations of the organisation of risk management, control effectiveness and changing market dynamics. Further detail on these enhancements can be found in the Report of the Risk Committee on pages 57 to 60.

Court Focus in 2022
The Court held 11 meetings during the year ended 31 December 2022. Further details on the number of Court and Committee meetings and attendance by individual Directors are set out on page 61.

Your Court *(continued)*

While not intended to be exhaustive, below is a high level overview of a number of matters considered by the Court and Court Committees during 2022:

Strategy
- Announced acquisition of Davy.
- Migration of KBCI portfolios.
- Digitisation.
- Transformation programme.
- Progress implementing the Group's 2021 - 2024 strategy.
- UK strategy programme.
- Irish Retail Mortgage Market.

Governance
- Key Court Governance policies and documents.
- CEO and CFO succession.
- Tracker Mortgage Updates/Resolution.
- Corporate Governance frameworks.
- Court 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.
- Workforce Engagement Director Reports on colleague engagements.
- Customer efforts scores and Net Promoters Score.
- Financial Wellbeing.

Regular updates
- Governor’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.
- Court Committee activities.

Financial
- 2021 full year results.
- 2022 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.
- Responsible and Sustainable Business.

Risk management
- Group Risk Appetite Statement.
- Risk Policies and Frameworks.
- Approval of new Group Risk Framework.
- Group’s Remuneration Policy.
- Group Recovery Plan.
- Regulatory interactions.
- General material risks, including those related to Brexit, COVID-19.
- Russia's invasion of Ukraine 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 acquisitions (Davy and KBCI portfolios).
- Risk Mitigation Plan action progress updates and approval requests.
- Process improvement/Operational Risk.

Your Court *(continued)*

Roles and responsibilities

Role of the Court
The Group is led by an effective and committed Court of Directors, who are collectively responsible for the long-term success of the Group.

The Court'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 Court 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 Court ensures that the Group's purpose, values, strategy and culture are all aligned and reviews management performance in that regard.

The Court 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 Court approval.

The respective roles of the Governor and the Group CEO, which are separate, are set out in writing and have been agreed by the Court.

The Court has a schedule of matters specifically reserved for its decision which is reviewed and updated regularly.

The Court 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 Court's role in the risk governance of the Group is set out in the Risk Management Report on pages 133 to 179 in the BOIG Annual Report

The work of the Court follows an agreed schedule of topics which evolves based on business needs and is formally reviewed annually by the Court.

Role of the Governor
The Governor oversees the operation and effectiveness of the Court, 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 Court. He also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards. The Governor commits a substantial amount of time to the Group and his role has priority over any other business commitment.

Role of the Deputy Governor and Senior Independent Director
The Deputy Governor adopts the role of Senior Independent Director (SID) and deputises for the Governor as required and is a Trustee of the Bank Staff Pensions Fund. The SID provides a sounding board for the Governor and serves as an intermediary for the other Directors and shareholders if they have concerns that contact through the normal channels of Governor, 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 Governor in conjunction with the other Directors and would normally take responsibility for an orderly succession process for the Governor working closely with the N&G.

Role of the Independent Non-Executive Director
During the year the Governor and the NEDs met without the Executive Directors present, to discuss a range of business matters.

The NEDs (including the Governor and the Deputy Governor) bring independent challenge and judgement to the deliberations of the Court through their character, objectivity and integrity. In the assessment of independence on appointment, Michele Greene had been designated as non-independent by virtue of her nomination by the Minister for Finance. However, as previously reported, based on her performance, the Court was satisfied that she too brought independent challenge and judgement to the deliberations of the Court and, in May 2022, it approved Michele's status as an Independent NED as she met all of the relevant criteria.

Executive Directors
Executive Directors have executive functions in the Group in addition to their Court duties. The role of Executive Directors, led by the Group CEO, is to propose strategies to the Court and, following challenging Court 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 Court 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 Court
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 Court. The schedule of matters reserved for the Court 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 Court 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 Court process. Both the appointment and removal of the Group Secretary is a matter for the Court 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 Court 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.

Your Court *(continued)*

Stakeholder Engagement

Court understanding of views of major shareholders
To facilitate the Court's understanding of the views of major shareholders, Directors receive an investor relations update from management at all scheduled Court 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 Governor met with a number of major shareholders to discuss governance matters and delivery of strategic priorities and progress in delivering transformation.

During 2022, the SID consulted with a significant number of major shareholders on the matter of the Governor's tenure, details of which are reported on page 29.

The Court was updated on the outcome of the Governor's discussions and the SID shareholder consultation. The Governor 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 Governor 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 equity 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 2022, c. 400 such meetings and presentations were held. All meetings are conducted in such a way as to ensure that price sensitive information is not divulged. A dedicated Investor Relations section of the Group website provides access to relevant information, including presentations, publications and public announcements.

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 General Meetings 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 Court
The AGC provides an opportunity for shareholders to hear directly from the Court on the Group's performance and strategic direction. The general aim of the Court is to make constructive use of the AGC and shareholders are encouraged to participate in the proceedings.

Questions are invited from shareholders in advance of the AGC, and a substantial part of the agenda of the AGC is dedicated to responding to shareholder questions. A 'Help Desk' facility is provided by the Group's registrar to assist shareholders to resolve any specific queries that they may have in relation to their shareholding. The 2022 AGC was held on 26 May 2022 in O'Reilly Hall, UCD, Belfield, Dublin 4.

At the 2022 AGC, 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 Euronext Dublin and the London Stock Exchange. As soon as the results of the 2022 AGC were calculated and verified, they were released to applicable exchanges, as set out above, and were made available on the Group's website. At the 2022 AGC all resolutions passed, with no resolution receiving less than 92.65% approval.

In line with the Group's policy to issue notice of the AGC 20 working days before the meeting, notice of the 2022 AGC was circulated to shareholders on 25 April 2022. It is usual for all Directors at the time of the General Meetings to attend. All members of the Court attended the 2022 AGC.

The 2023 AGC is scheduled to be held on 23 May 2023. Shareholders who will be unable to attend on this date are encouraged to submit queries and vote in advance to ensure continued participation.

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 Court 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 Court 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 Court to hear customer voices at first hand.

Colleagues
The Court 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 Court pays particular attention to the Group Code of Conduct and Speak Up Policy, and the N&G reviews their effectiveness annually. The Court strives to create an environment in which staff are encouraged to speak up where they have any concerns. During 2022, Evelyn Bourke, on behalf of the Court, actively sponsored the Speak Up Policy on behalf of the Court.

During 2022, the Court met with senior managers from across the Group in 'Visibility Sessions', which form part of the annual Court programme of work which is considered and approved each year.

During the global pandemic, Directors were unable to conduct site visits and engage directly with colleagues on the ground. The 2023 Court programme of work continues to incorporate engagement with colleagues and plans for opportunities both on a virtual bases or physically via site visits which will be implemented dependent on the COVID-19 situation.

As the Court-designated Workforce Engagement NED, Eileen Fitzpatrick works to enhance existing engagement and feedback mechanisms between the Court and the workforce and to strengthen the 'employee voice' at the Court. The Workforce Engagement Director (WED) role operates under formal terms of reference and reports regularly to the Court 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 Court and is intended to further assist the Court in understanding colleague concerns and where relevant enhance colleague-centred decision making.

During 2022, Eileen undertook a number of valuable activities which provided great insights for the Court and facilitated further consideration of the workforce in Court 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,

Your Court *(continued)*

Stakeholder Engagement *(continued)*

- listening sessions with various representative groups,
- engagement with UK colleagues and with the UK Board Workforce Engagement Director,
- Burnout training awareness,
- Attendance at the Group Recognition Awards.

Matters discussed with colleagues during the WED sessions included the pros and cons of hybrid working arrangements post the pandemic, organisational bandwidth and cost of living increases and related pay increases. The WED sessions provided further direct and useful insights for the Court which informs its discussions and decision-making process.

Regulators and Government
The Governor and members of the Court 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 Governor and Group CEO update the Court on their meetings with regulators and government representatives at each Court meeting. Management provide regular briefings to the Court on regulatory engagement and correspondence which ensures that the Court 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 2020 and has delivered on a three-year, €4 million commitment dispersing funds to local not-for-profits and community groups, the Arts Community, and causes nominated by colleagues. The programme closely aligns with our Financial Wellbeing and responsible and sustainable business activity, with particular focus on supporting the wellbeing of the most vulnerable in our society. The emphasis is on supporting future-facing projects which will build capability within communities and have a positive impact on vulnerable groups. It has been delivered in close collaboration with the Community Foundation for Ireland and Business to Arts. In 2022, Begin Together distributed €1.35 million across the programme. €500,000 was granted to 68 Begin Together community projects receiving funding of between €3,500 and €20,000, while 800 donations, totalling €450,000, were made to local causes on colleagues' behalf. The Arts fund saw 27 grants totalling €350,000 made to local artists and arts groups.

In addition, Bank of Ireland leveraged the expertise of the Begin Together partners Community Foundation for Ireland and Business to Arts, to provide further support in response to societal issues such as the COVID-19 Fund, Russia's invasion of Ukraine, and in early 2023 a Cost-of-Living Fund. This will see Bank of Ireland donate €1 million to organisations supporting those most at risk from cost-of-living pressures. The donation will be directed to a range of groups including children and families at risk, older persons, those with disabilities, lone parents, international protection applicants, and low-income families.

Your Court *(continued)*

Court'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 page 62. This Corporate Governance Statement forms part of the Report of the Directors.

Court Responsibility

The Court 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 principal risks are detailed at pages 9 to 17. 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 Risk Committee and the Court 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.

Information regarding the main features of the internal control and risk management systems is provided within the risk management report on pages 133 to 179 of the BOIG Annual Report. The Court 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);
- Court 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 (Court, 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 CAC 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 Court

The effectiveness of the risk management and internal control systems is reviewed regularly by the Court, the CAC and the CRC, which also receive reports of reviews undertaken by Group Risk and GIA. The CAC 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 Court 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 the CRDV. They have been in place for the year under review and up to the date of approval of the annual report. The

Your Court *(continued)*

Group continues to work towards compliance with the Basel Committee on Banking Supervision (BCBS) 239 risk data aggregation on 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 2022 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 CAC, in conjunction with the CRC, 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 Court in that regard.

Court Governance

Conflicts of interest

The Court 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 Court 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 2022, all 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 Court Committee, which involves the commitment of additional time. Certain NEDs, such as the Deputy Governor, 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 Governor and the Group Secretary, or, depending on the nature of the proposed commitment, the full Court, 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 Governor require SID and Group Secretary approval in the first instance and, depending on the nature of the proposed commitment, the Court and CBI approval in advance.

A number of Directors took additional external roles during 2022, following receipt of requisite approvals. Details of Directors external roles can be found on pages 25 to 28.

The Group has an obligation to report the reasons for permitting significant appointments. The following appointments which took place in 2022 are considered significant in terms of additional external appointments and were duly considered by the Court.

- Giles Andrews: appointment as Non-Executive Director of C. Hoare & Co (July 2022);
- Eileen Fitzpatrick: appointment as a member of the Loreto Generalate Financial Advisory Committee of the Loreto Congregation – Institute of the Blessed Virgin Mary (non-directorship) (March 2022); appointment as chair of the Audit Committee of KKR Credit Advisors (Ireland) Unlimited Company (July 2022); appointment as Non-Executive Director and Chair of the People and Culture (Remuneration) Committee of Sherry FitzGerald Group Ireland Holdings Limited (October 2022);
- Fiona Muldoon: appointment as Non-Executive Director and member of the Audit and Risk Committees of Beazley plc (May 2022) and as Workforce Engagement Director at Beazley plc (October 2022); and
- Steve Pateman: appointment as Non-Executive Director of Affordable Housing and Healthcare Investment Management Limited (June 2022), appointment as CEO and Executive Director of Streambank plc (July 2022).

In considering whether to approve these external roles, the N&G and the Court gave due and careful consideration to actual, potential or perceived conflicts of interest, the risk of 'over boarding', whether the additional roles would impact the Director's ability to commit the requisite time to his or her Group duties and CRD Directorship limitations. In each case, the Court was satisfied that there was no issue of concern that should impede the relevant Director from proceeding and that the roles could be managed in accordance with the Court approved policy.

All Directors are reminded of their obligations under the Court'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 Fiona and Steve's appointments.

Balance and Independence

The Court determined that all nine NEDs in office at 31 December 2022 were independent in character and judgement and free from any business or other relationships with the Group which could affect their judgement. Michele Greene was on appointment deemed non-independent as a consequence of her nomination for appointment to the Court by the Minister for Finance. Having regard for the nature of the individual and her contribution to the Court since appointment, the Court was satisfied that, in carrying out of her duties as a Director, Michele exercised independent and objective judgement without external influence. Accordingly, in May 2022, the Court approved Michele's status as an Independent NED having regard to the fact that she met all of the relevant criteria.

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

Your Court *(continued)*

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 Court'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 Court, on the recommendation of the N&G, concludes that such extension is necessary due to exceptional circumstances. In such a situation the Court 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 Court Directors are subject to annual re-election by shareholders. All Directors retired at the AGC held on 26 May 2022. The following Directors, being eligible, offered themselves for election and were elected at the AGC in 2022:
- Giles Andrews
- Evelyn Bourke
- Ian Buchanan
- Eileen Fitzpatrick
- Richard Goulding
- Michele Greene
- Patrick Kennedy
- Francesca McDonagh
- Fiona Muldoon
- Steve Pateman
- Mark Spain

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details and any other relevant information in the AGC documentation to enable shareholders to take an informed decision on their election. The 2023 AGC is scheduled for 23 May 2023 and, in line with previous AGCs, all Directors will retire from office at the date of the AGC 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 Court 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 Court, which support the maintenance of a strong control environment. Corporate and capital structure is a matter requiring Court 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 Court reviews annually the corporate legal structure of the Group and any changes to the structure of the Group effected since the Court'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 Court approved strategy. It is supported by a number of senior executive committees, encompassing:
- Executive Risk Committee, which supports the GEC and Court 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 Court, 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 Court, are members of the GEC.

In addition to the two Executive Directors, Myles O'Grady, CEO, and Mark Spain, CFO, whose biographical details can be found on pages 25 and 28, 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.

Your Court *(continued)*

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 and to the role of Interim CEO from 3 September to 17 November 2022, pending the appointment of a permanent CEO. 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
Chief Strategy & Transformation Officer
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.

Paul McDonnell
Interim Chief Executive Officer, Corporate and 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[2]
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 (on maternity leave)
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 Court needs in order to function properly, in ensuring that these are complied with, and advising the Court 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. Sarah is currently on maternity leave.

Gabrielle Ryan
Interim Group Secretary and Head of Corporate Governance and Group General Counsel
Gabrielle is the Group's General Counsel, heading the Group's legal function, and is also the Interim Group Secretary and Head of Corporate Governance during Sarah McLaughlin's maternity leave. She is a financial services lawyer whose areas of expertise include corporate governance. As Interim Group Secretary, her responsibilities include assisting the Governor in devising and developing the policies that the Court requires to function properly and efficiently and in advising the Court on all governance matters. Gabrielle holds a senior management role in the Group. She is a graduate of UCC (B.C.L. and L.L.M), together with other post-graduate qualifications, and is a practising solicitor.

Sharon Donnelly
Interim Chief Technology and Payments Officer
Sharon was appointed Interim Group Technology and Payments officer in June 2022 and is responsible for leading the Group Technology and Customer Solutions division. She has worked for Bank of Ireland for over 30 years and prior to her recent appointment was the Director of Group Payments, Business Continuity Management (BCM) and Divisional Risk.

During her career with the Group, she has also had significant involvement in IT service management and key strategic change programmes. Sharon has experience in areas such as Leadership, Strategy and Planning, Service Integration and Management, Business Operations, Change Management & Programme Delivery and Business Analysis & Consultancy. Sharon graduated from UCD in 1992 with a degree in English and History and obtained a Higher National Diploma in Executive Coaching in 2015.

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.

Oliver Wall
Group Chief of Staff and 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.

[2] *Ian McLaughlin has indicated his intention to depart the Group in 2023.*

Your Court *(continued)*

Subsidiary governance

The interaction between the Group Court and the boards of our strategically significant subsidiaries is closely monitored. The Governor meets regularly with the Chairmen 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 2022 and will continue into 2023 and beyond. The Group Court receives reports conducted on the effectiveness of these significant subsidiaries. Ian Buchanan, Mark Spain and Enda Johnson are also NEDs of Bank of Ireland (UK) plc and Ian Buchanan is a member of its Risk and Remuneration Committees.

Fiona Muldoon is also NED of New Ireland Assurance Company plc, Chair of its Audit Committee and a member of its Risk Committee. Eileen Fitzpatrick, Richard Goulding, Michele Greene and Ian McLaughlin are also NEDs of J & E Davy Holdings Unlimited Company and J & E Davy Unlimited Company (together “Davy”). Eileen Fitzpatrick is a member of Davy’s Board Risk and Compliance Committee and Board Audit Committee. Richard Goulding is a member of Davy’s Board Audit Committee, Remuneration Committee and Nominations Committee. Michele Greene is a member of Davy’s Board Risk and Compliance Committee, Remuneration Committee and Nominations Committee. Ian McLaughlin is a member of Davy’s Board Risk and Compliance Committee.

The Chairs of the Audit and Risk Committees of the strategically significant subsidiaries attend and present at the Court Audit and Board Risk Committees annually to provide an account of the subsidiary Court Committees’ activities in these important areas.

In 2022, the Court 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. This is reviewed annually.

The Group’s corporate simplification programme, designed to remove a number of subsidiaries from the Group, made further progress in 2022 with the dissolution of eight (8) entities. Since its inception c. five years ago, this programme has enabled the Group to dissolve forty-four (44) entities. 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.

The Group’s subsidiary, BoIMB, is required to comply with the Irish Code. Due to retirements of two INEDs from the BoIMB Board (one of whom was the Chair of the BoIMB Audit Committee), following the expiration of their respective terms in office in 2022, BoIMB did not comply with the requirements in Sections 22.1 - 22.3, and Sections 7.1 and 7.2 of Appendix 1, of the Irish Code. A search process to find suitable candidates to be appointed as INEDs (including an Audit Committee Chair) to the BoIMB Board commenced in 2022. The audit responsibilities of BoIMB are discharged at Group level, pending restoration of compliance with the requirements of the Irish Code. These matters were reported promptly to the CBI including the steps being taken to rectify the position.

Report of the Court Nomination & Governance Committee

Patrick Kennedy
Chair

Dear Shareholders,

On behalf of the Court Nomination & Governance Committee (the 'Committee' or the 'N&G') I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2022.

Committee responsibilities

The Committee is responsible for reviewing the structure, size and composition of the Court, and membership and chairmanship of Court Committees and recommends appointments to the Court. The Committee maintains constant focus on succession planning to ensure the continuation of a strong and diverse Court and the orderly succession of Court members. In addition, the Committee monitors the Group's governance arrangements to ensure that best corporate governance standards and practices are upheld within the Group and its subsidiaries, which includes recommendations on the appointment of Key Function Holders. The terms of reference of the Committee are reviewed annually and approved by the Court.

Committee membership and meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2022 are outlined below.

In addition to the five scheduled meetings, the Committee also held an ad hoc meeting in April 2022 to consider the process to find a suitable successor for the CEO, who tendered her resignation on 26 April 2022, effective 2 September 2022.

Committee Meetings	Eligible to attend	Attended
Patrick Kennedy	6	6
Eileen Fitzpatrick	6	6
Richard Goulding	6	6
Fiona Muldoon	6	6

Committees activities in 2022

The Committee reports to the Court on how it discharges its responsibilities and makes recommendations to the Court on key matters. An external effectiveness evaluation of the Court and its Committees was conducted during 2022 by Heidrick & Struggles. For more information see page 21.

While not intending to be an exhaustive list of the Committee's considerations and activities in 2022, a number of areas that were subject to Committee focus during the year are outlined below.

Report of the Group Nomination & Governance Committee *(continued)*

Matters considered and action taken by the Committee in 2022

Court Composition, renewal, succession and effectiveness

Committee considerations
Court individual and collective skills assessment, composition, diversity, size, Directors' tenure and succession planning remained in focus during 2022, with agreed actions underway and planned for 2023.

A search for a new INED with an agreed experience, skills and diversity profile commenced during 2021 and continued in 2022, 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 connection with the Company other than in a recruitment capacity.

During Q4 2022, the external search consultancy firm MWM Consulting commenced work with the Committee for Court succession planning as a priority for 2023. MWM Consulting is based in London with a team who have extensive international reach and provides board search services to the Irish market. MWM Consulting has no connection with the Company other than in a recruitment capacity.

Board Works Ltd and MWM Consulting are working together to support succession planning for the Court.

Committee composition and succession planning is considered as part of the overall Court succession plan.

The Committee undertook processes to search for successors to the Group CFO and Executive Director who left the Group in March 2022, and the Group CEO and Executive Director who left the Group in September 2022. Both Executive Director positions were subject to internal and external searches.

In the search for the successor CFO, the Court was supported by Egon Zehnder, a global leadership advisory firm that offers executive recruitment support to businesses. Egon Zehnder has no connection with the Company.

In the search for the successor CEO, the Court was supported by Spencer Stuart, a global executive search and leadership consulting firm, specializing in chief executive, board director and senior executive roles. Spencer Stuart has no other connection with the Company other than in a recruitment capacity.

The Committee approved the external process to evaluate the effectiveness of the Court, Court Committees, the Governor and individual Directors, engaging Heidrick & Struggles, a specialist board recruitment and evaluation consultancy, to support the Court in this external review. Heidrick & Struggles has no other connection with the Company.

Committee conclusion
The composition of the Court remains compliant with the applicable regulations. Appropriate plans are in place for orderly succession to the Court, and its committees.

The Committee is satisfied with the appropriateness of having retained Board Works Ltd for Court searches in 2022 and for its continued retention in 2023.

The Committee is satisfied with the appropriateness of retaining MWM Consulting for Court searches in 2023.

An update on the outcome of the INED searches will be provided to the market at the appropriate juncture.

In the above Court searches, the Committee is mindful of its commitment to Court diversity, including gender and ethnic minority representation. The UK Listing Rules published diversity requirements, on a comply or explain basis, for financial years commencing on or after 1 April 2022, which will apply to the Group for the financial year 2023. At 31 December 2022, the target set by the Court was to maintain a minimum of 33% female representation on the Court with a medium-term aspiration to have broadly equal gender representation on the Court. The Court met its year-end target of 33% with its current female representation of 36%. The minimum target will increase to 40% in 2023, in line with the UK Listing Rules. The Bank of Ireland is committed to having a gender-diverse Court, to achieving the targets set and to ensuring an open and fair recruitment process. The Court Diversity Policy is available on the Group website.

The Court values diversity and strives to achieve minority ethnic representation on the Court in the medium-term. When setting diversity objectives, the Committee will consider diversity benchmarking results published by competent authorities, the European Banking Authority or other relevant international bodies or organisations.

The Committee considered changes during the year to ensure the continued enhancement and refreshment of the composition and skills profile of and succession plans for the Committees. In 2023, Evelyn Bourke will join the membership of the N&G. An update on the composition of all Court Committees in 2023 will be provided to the market at the appropriate juncture.

The Committee considered the Governor's tenure during 2022 and recommended his continued leadership of the Court for 2023. On behalf of the Committee, the SID led a further shareholder consultation on the subject of the Governor's tenure during H2 2022. A separate report on the Governor's tenure can be found on page 29.

Successful searches resulted in the appointment of successors to the Group CFO and Group CEO. Mark Spain commenced as Group CFO and Executive Director in March 2022. Myles O'Grady, who had left the role of Group CFO in March 2022, re-joined the Group in November 2022 as the Group CEO.

The 2022 external effectiveness review of the Court and its Committees was conducted and a report was shared in January 2023 with the Court; actions for further enhancement were agreed as required, and will be tracked by the Committee and Court throughout the year. A separate report on the outcome of the Court, Group Governor and individual Directors' assessments can be found on page 32.

Report of the Group Nomination & Governance Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

Executive

Committee considerations
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 2022, with the Committee requesting supporting data to assess the Group's performance and enhancement actions are underway in that regard.

Committee conclusion
The Committee supported the appointment of:
- the Group Chief Strategy and Transformation Officer, who took up his role in February 2022;
- the Davy Integration Director, who took up her role in January 2022;
- the Interim Group Head of Financial Crime, who was in role from May to November 2022;
- the Interim Group Secretary and Head of Corporate Governance, who took up her role in June 2022;
- the Group Head of Financial Crime, who took up her role in November 2022;
- the Head of Market Risk, who took up his role in January 2023; and
- the Director of Acquisition Finance in France, who will take up the role in 2023, subject to regulatory approval.

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 Key Function Holder roles across the Group and made recommendations to the Court in that regard.

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.

The GEC currently has 25% female representation, which is consistent with 2021. The direct reports of the GEC have 44% female representation, which is an increase from 39% in 2021. Whilst not reaching the target of 50:50 gender appointments in managerial roles, female representation in managerial bands has been maintained at 38%, with the total senior female population having grown by 5% since 2019.

Group and Court level Governance

Committee considerations
The Committee continued to assess the Group and Court governance arrangements and, during 2022, considered and approved, where relevant:
- the Group Code of Conduct;
- 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 Court terms of reference and Matters Reserved for the Court;
- the Court Conflicts of Interest Policy;
- the Director Assessment Policy;
- the Court Diversity Policy and progress against targets set out therein, for publication on the Group website; and
- policies reviewed triennially: the Director Assessment Policy; the Court Training, Development and Induction Policy.

Committee conclusion
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.

At 31 December 2022, there was 36% female representation on the Court. The Court Diversity Policy included a target of ensuring a minimum of 33% female representation on the Court, with a medium-term aspiration to have broadly equal gender representation. The target for female representation on the Court increased to 40% effective 1 January 2023. 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 in respect of Court level governance More detail on the Group's compliance with corporate governance requirements can be found on pages 62.

Report of the Group Nomination & Governance Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

Subsidiary Governance

Committee considerations

The Committee continued to focus on the subsidiary governance policy and practice of material subsidiaries and related appointments and succession plans. During 2022, 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 and succession plans for the Davy Board, including the Chair and Audit Committee Chair roles;
- 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.

Committee conclusion

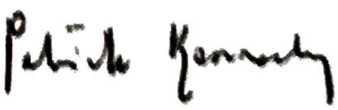
The Committee is satisfied that the boards of the material subsidiaries are properly composed with suitable directors and have sound governance structures; noting however that the BoIMB Board is currently below the minimum required number of directors, at least three of whom must be independent. The Committee has overseen the search by the BoIMB Board for the required new BoIMB Audit Committee Chair and a Non-Executive Director, which is underway and the audit responsibilities of BoIMB are discharged at Group level, pending restoration of compliance with the requirements of the Irish Code.

The level and nature of the Group's oversight of subsidiaries remains appropriate.

The Group Subsidiary Governance Policy and associated Guidelines were updated during 2022 to reflect the integration of Davy into the Group and to ensure that any specific requirements of an investment firm as a wholly-owned subsidiary of the Group were reflected. The Subsidiary Governance Policy and associated Guidelines remain under regular review in relation to all wholly owned subsidiaries with a focus on major regulated subsidiaries.

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 Committee

6 March 2023

Report of the Court Remuneration Committee

Steve Pateman
Chair

Dear Shareholders,

On behalf of the Group Remuneration Committee (the 'Committee'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2022. As the Governor has outlined in the Corporate Governance Statement, the two significant strategic acquisitions of Davy and the KBCI portfolios and the Irish Government selling its remaining shareholding were noteworthy events for the Group in 2022. The year culminated in the Irish Government announcing a change to the remuneration restrictions, following the sale of its shareholding. It is important to go into these in more detail here and in the Remuneration Report, as they are the basis for proposed changes in the pay construct and quantum for the Group's Executive Directors.

Strategic Acquisitions

The size and complexity of the Group has changed significantly with the acquisitions of Davy and the KBCI portfolios, resulting in an increase in the roles and responsibilities of the Executive Directors.

Changes to Remuneration Restrictions in 2022

In November 2022, the Irish Government announced a change to the remuneration restrictions following the sell down of their shareholding in Bank of Ireland. These changes, which affect all employees (including the Executive Directors), include:

- A removal of the de facto €500,000 cap on total compensation and requirement to consult the Minister for Finance; and
- A lifting of the restriction of variable pay, allowing for awards to be made to individuals up to a maximum value of €20,000.

This was a welcome and significant step on the road to remuneration normalisation. However, this new cap on variable pay of €20,000 significantly constrains the Group's ability to structure and position senior role holders' compensation packages competitively against the market. This causes significant risk to the Group for the recruitment and retention of high calibre employees with appropriate skills and affects our ability to tie behaviours to an individuals' compensation outcomes.

Cost of Living supports to colleagues in 2022 and colleague remuneration changes in 2023

During 2022, the Committee was mindful of the current cost of living crisis and the economic challenges faced by our colleagues. The Committee, whose membership includes the Workforce Engagement Director, has sought to support colleagues during this challenging time by endorsing the proposal of Management to provide a cost of living payment of €1,000 / £1,250 to employees at the end of 2022. We will continue to review the economic climate in the coming year and remain supportive of Management's efforts to support colleagues. For 2023, reflecting the continued impact of the global cost of living crisis, additional support will be implemented following engagement with employee representatives.

In addition, with the amendment to the Remuneration Restrictions, a Profit Share Scheme will be implemented in 2023 for all colleagues, with a payout in 2024, capped at €20,000. A profit share pool has been determined based on affordability and market competitiveness across the organisation resulting in a maximum award level for exceptional performers in 2023 of up to 10% of salary, subject to overall Group performance. These award levels will be set at the beginning of each year with the appropriateness of the final profit share assessed against a mix of financial and non-financial criteria, including profit.

This new scheme will enable colleagues, including Executive Directors, to share in the success of the Group and be rewarded for Group and individual performance. In line with the wider workforce, Executive Directors are not eligible for annual bonus or Long Term Incentive Plan (LTIP) awards.

Changes to the Directors' remuneration policy

In 2023, the remuneration policy is due for renewal at the AGM. I have consulted with a number of shareholders on the opportunity to restructure Executive Director remuneration in the Group for the first time in over a decade and was pleased with the overwhelmingly positive feedback from shareholders. Shareholders raised the attraction and retention issues caused by the restrictions which were amended towards the end of 2022 and acknowledged the measured approach taken by the Committee in determining proposals, while stating their preference that variable pay, linked to individual and company performance should form a more significant element of remuneration then that allowed under the €20,000 cap. The Committee was mindful of the views of shareholders in the proposed policy and implementation, as well as workforce remuneration trends and the remaining remuneration restrictions. The Executive Directors' remuneration policy is set out in full at pages 119 to 131 of the BOIG Annual Report.

In determining our proposals, the Committee considered a) size and complexity changes within the Group upon the acquisition of Davy and the performing loan book from KBC Ireland; b) recent attrition levels in the Executive Director roles; c) no movement in pay for Executive Directors over a prolonged period of time; and d) lack of business alignment, as the current Executive Directors' remuneration packages are delivered entirely in fixed cash. With no remuneration delivered in equity over a multi-year period, this results in limited to no alignment to the performance of the business or the experience of our shareholders.

Report of the Court Remuneration Committee *(continued)*

Pay element	Current policy	Proposed policy and implementation	Rationale
Salary	**Implementation in 2022** CEO - €950,000 CFO - €500,000	**Implementation in 2023** CEO - €950,000 (no increase) CFO - €550,000 (+10% increase) For the CFO, the Committee is planning a salary increase in 2024 to €600,000 (+9% increase).	• This change reflects the increase in scope and responsibility for the CFO role over recent years. • The committee reviewed the role against the current market positioning both internally and externally, noting the proposed total compensation levels will still remain well below the market benchmarks for both Executive Directors (EDs).
Pension	CEO - Not currently eligible for a pension CFO - Member of a legacy Defined Benefit ("DB") scheme. External hires - Invited to join RetireWell scheme on same terms as wider workforce.	CEO - Invited to join the RetireWell defined contribution scheme with terms consistent with that of the wider workforce (11% – 17% of salary). Alternatively, the CEO may elect for a Pension Cash Allowance, currently set at 15% of salary, which is available to other members of RetireWell who meet set conditions. CFO - No change proposed. Alternatively, the CFO may elect for a Pension Cash Allowance, currently set at 20% of salary, which is available to other members of a Defined Benefit scheme who meet set conditions. External hires - No change in policy proposed.	• As the only group member not entitled to a pension allowance this aligns the CEO to the benefits provided to the wider workforce.
Fixed share award (FSA)	n/a	• FSA introduced with maximum award level of 50% of salary. • Paid quarterly in BoI shares and released in instalments over 3 years (33% per year). • The FSA is not subject to any performance conditions. • Phased implementation across policy life (3 years), with no allowance paid in 2023, an allowance of 25% of salary from 2024 and an allowance of 50% of salary from 2025 onwards.	• The use of a FSA allows for direct shareholder alignment through awards made in equity, with c. 30% of total compensation provided in equity. • Awards are delivered over a multi-year period aligning to longer term shareholder interests. • FSA calibration chosen positions the CEO total target compensation below the lower quartile of the UK mid-tier banks peer group and between the median and lower quartile of the ISEQ-15 peer group. The CFO is positioned below the lower quartile of both peer groups. • Given the payment timing and the phased approach, receipt will be gradual over time.
Variable pay	n/a	• Executive Directors are not eligible for annual bonus or LTIP awards, in line with the wider workforce • Introduction of an all-employee profit share award with terms consistent across the wider workforce. Award levels, as a percentage of salary will vary based on individuals' performance rating and be subject to overall Group performance. • For 2023, the award level will vary based on individual performance ratings and overall Group performance, but will be no higher than 10% of salary. • Award size limited based on the prevailing restrictions, currently €20,000. • The appropriateness of the final profit share will be assessed against a mix of financial and non-financial criteria, including profit and related metrics, affordability, customer, and ESG, with the pool as a whole subject to risk adjustment. • Executive Directors individual performance assessment will be assessed on the same terms as the wider employee population with their personal rating determining the award level. Their personal objectives will be considered as part of a framework by the Committee with judgement applied to outcomes without reference to formulaic targets or weightings. • Details on the assessment will be set out in each relevant annual report on remuneration.	• The variable pay structure/profit share allows for a consistent approach to be applied across the Group, with all individuals sharing in the success of the Group. • The Committee felt that introducing more traditional variable pay elements (e.g. a standard annual bonus structure or LTIP) would not be achievable at this stage given continued limitations on variable quantum.
Shareholding requirement	n/a as no award of equity within the Executive package.	• In-employment level of 100% of salary. Under the FSA, the net amount of shares, post application of tax, cannot be disposed until the requirement is met. • Post employment requirement of the minimum of the in-employment level or actual shareholding at time of departure. This must be held for 2 years post departure from the Group.	• Introduction of shareholding requirement helps to align Executive Directors with long-term shareholder experience. • The shareholding requirement has been set at a level commensurate with the level of share awards being made under the FSA. A requirement of 100% represents a larger multiple of annual share awards than is typically seen within the market, and has been set such that it can be achieved within a reasonable timeframe (expected to be c.5 years).

Report of the Court Remuneration Committee *(continued)*

The Committee carefully considered the level of total remuneration that was appropriate for the CEO and CFO role when determining the FSA level. In comparing the proposals against the market, the Committee was mindful of the requirement for pay in the Group to be primarily fixed, given the remuneration restrictions. Therefore, whilst total target compensation was the most directly comparable reference point, there needs to be a discount to reflect the difference in the fixed/variable mix at peers. The proposals are therefore set at a significant discount to market levels, in particular:

- CEO total target compensation is:
  - below the lower quartile total target compensation of the UK mid-tier banks;
  - between the lower quartile and median total target compensation of the ISEQ-15; and
  - below the median fixed pay for level 1 UK banks.
- CFO total target compensation is:
  - below the lower quartile total target compensation of the mid-tier UK banks;
  - below the lower quartile total target compensation of the ISEQ-15; and
  - below the median fixed pay for level 1 UK banks.

In addition, the Committee noted that

- A FSA of 50% of salary is below the percentage levels typically applied, which are often in excess of 100% of salary.
- The total compensation levels for the CEO role and CFO role have been unchanged since 2014 and 2016 respectively.

Committee responsibilities

At a high level, the Committee is established by the Court 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 Court.

The Remuneration Restrictions were in operation for the Bank of Ireland for the entirety of 2022, but are subject to a partial release, which affords the Court, and this Committee, greater autonomy and the ability to ensure, to a limited degree, 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. The Group continues to engage with the Department of Finance in this regard and if the remaining restrictions were removed, the Group would consider and seek shareholder approval to update the remuneration policy, as appropriate, including the possible introduction of a market competitive variable pay scheme for Executive Directors.

Committee membership and meeting attendance

Details on Committee Members, Committee meetings and attendance at meetings during 2022 are outlined below:

Committee Meetings	Eligible to attend	Attended
Steve Pateman	9	9
Giles Andrews	9	9
Ian Buchanan	9	9
Eileen Fitzpatrick	9	9
Fiona Muldoon	9	9

The Committee acts independently of the Executive and is comprised of independent NEDs. On 31 December 2022, the Committee was comprised of five independent NEDs from diverse backgrounds, who provide a balanced and independent view on remuneration matters. 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 Committee and the Court Risk Committee via Giles Andrews, Ian Buchanan and I, who were members of both Committees in 2022. In addition, Eileen Fitzpatrick, who serves as Workforce Engagement Director, is a member of this Committee.

The Governor, 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, including remuneration benchmarking and market pay practices.

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 2022, 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 and tax 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 2022

The Committee reports to the Court on how it discharges its responsibilities and makes recommendations to the Court on key matters. An external effectiveness evaluation of the Court and its Committees was conducted during 2022 by Heidrick & Struggles, and that evaluation was reviewed by the Court

Report of the Court Remuneration Committee *(continued)*

in January 2023. 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 is aligned to company purpose and values and clearly linked to the successful delivery of the Company's long-term strategy.

During 2022, and in the absence of a more normalised remuneration policy, we were increasingly challenged in our efforts to attract and retain suitable executives in an increasingly competitive environment, evidenced by the departure of the Group CFO in March 2022 and the Group CEO in September 2022. The absence of variable remuneration capability also leads to a higher fixed base salary for certain key roles where, in place of the preferred policy of a lower fixed base salary 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 to provide a higher fixed base salary to attract and retain key colleagues. This gap in our remuneration policy materially impacts the Court's ability to align risk and the Group's longer term strategy and business performance objectives, which is an important tool for all stakeholders. Whilst a partial release of the Remuneration Restrictions is welcome progress toward a normalised pay environment, the remaining cap on variable remuneration will continue to impact the attraction and retention of key talent and the structure of pay for senior roles, which will remain predominantly fixed, by necessity.

Matters considered and action taken by the Committee in 2022

Remuneration Policy, including impact on the Group's risk profile.

Committee considerations
- Approval of Group Remuneration Policy and of governance and monitoring of that policy.
- Review of the 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 the remuneration approach for the workforce in the context of the continuing COVID 19 pandemic and the cost of living challenges experienced by our workforce.
- Review of the subsidiary remuneration practices.
- Consideration of the Davy Group remuneration model and approval of related aspects of remuneration in the new subsidiary, post acquisition.

Committee conclusion
- 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 the remaining cap on variable remuneration and shareholder approval.
- The Committee'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, during 2022, due to the Remuneration Restrictions, this has yet to be achieved.
- The acquisition of Davy is transformative for the Group over the long-term. In 2022, the Committee focused on remuneration aspects of the acquisition and codified how remuneration governance of Davy as a wholly-owned subsidiary operates post acquisition.

Remuneration Disclosure

Committee considerations
- Approval of the Pillar 3 disclosures and the Remuneration Report.
- Consideration of remuneration disclosures if an Incentive scheme is introduced.

Committee conclusion
- Current disclosures are appropriate.
- Future disclosures should reflect good remuneration practice, strong governance and shareholder expectations.

Performance and Remuneration of senior management

Committee considerations
- Objective setting and performance appraisal of Senior Executives to inform the setting of remuneration, including for heads of independent control functions.
- Review of the 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.

Committee conclusion
- There is an appropriate process in place to assess the performance of Senior Executives, which will be further enhanced in 2023 with the introduction of Thrive, the Group's new performance appraisal process.
- Changes to Senior Executive remuneration are properly assessed and approved, in line with the Remuneration Policy and regulatory requirements.
- Workforce remuneration is reviewed in advance of reviewing and setting Executive Director and Senior Executives remuneration.
- The Committee considered the design of regulatory-compliant variable remuneration mechanisms for Executive Directions and senior management, including the alignment of remuneration with performance metrics, but was unable to progress these initiative due to Remuneration Restrictions.

Report of the Court Remuneration Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

Governance and review of remuneration practice

Committee considerations
- 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.

Committee conclusion
- 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 Committee has responsibility for Material Risk Takers, including oversight of their remuneration and ongoing suitability for the role.
- Throughout 2022, due to certain agreements in place with the Irish State, the Committee and the Court were 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 was not permitted, the Court's discretion was limited and, as such, the Committee and the Court could not be in compliance with the recommendation to exercise independent judgement in relation to remuneration matters. Under the partial release, a very limited variable remuneration scheme will be introduced, but it remains capped at €20,000 under the remaining restrictions. The Group will fully adhere to these principles and associated provisions and guidance in the design, implementation and operation of variable remuneration structures, as far as is possible under the remaining restrictions.
- The Committee keeps aspects of remuneration and reward for the Governor, 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.

Governor and subsidiary NED fees

Committee considerations
- Review of the fees paid to the Governor and NEDs of subsidiary boards.

Committee conclusion
- The Governor's fee remained unchanged and will be subject to review and benchmarking in 2023.
- Subsidiary NED fees were reviewed in 2022, including fees for the Davy Board, benchmarking of the NIAC and BoIMB Chair fees, and benchmarking of the BoIMB NED fees. Subsidiary NED fees are kept under review, with a view to attracting and retaining NEDs with the necessary knowledge, skills and experience.
- The remuneration of Group NEDs is not a matter for the Committee and is instead reviewed by the Governor in consultation with the Group CEO, the Chief People Officer and the Group Company Secretary. NED fees shall be determined by the Court within the limits set by shareholders in accordance with the Constitution. 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 Court Remuneration Committee

6 March 2023

Report of the Court Audit Committee

Evelyn Bourke
Chair

Dear Shareholders,

On behalf of the Court Audit Committee (the 'Committee' or 'CAC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2022.

Committee responsibilities

Together, the CRC and the CAC oversee the Group's risk framework and internal control environment. Based on the oversight activities of the CAC and the CRC, 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 Court for approval.

During 2022, the Committee oversaw the updates to 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 Cross-Membership changes and relevant management changes

Details on Committee Members, Committee meetings and attendance at meetings during 2022 are outlined below.

Committee meetings	Eligible to attend[1]	Attended
Evelyn Bourke	12	12
Eileen Fitzpatrick	12	12
Richard Goulding	12	12
Fiona Muldoon	12	12
Steve Pateman	12	12

The Committee met in conjunction with the CRC five times during 2022 to consider the impairment charges being applied to the 2021 Annual Report and the 30 June 2022 Interim Report.

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 25 to 28. 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, Court deep dives and training. During 2022, the Committee received a number of briefings on the Group's progress in relation to the implementation of the IFRS 17 Accounting standard as well as a Court-wide training on the same topic.

Common membership between the Committee and the CRC 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 2022, 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 March 2022, the Group CFO and Executive Director, Myles O'Grady, resigned and was replaced by Mark Spain, former Chief Strategy Officer, following an extensive internal and external appointment process.

Committee Activities in 2022

The Committee reports to the Court on how it discharges its responsibilities and makes recommendations to the Court on key matters. While not intending to be an exhaustive list of the Committee's considerations and activities in 2022, 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 requiring 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 on key audits.

[1] *Including joint meetings with the Court Risk Committee.*

Report of the Court Audit Committee *(continued)*

Following the External Quality Assurance Report on the GIA function's effectiveness, undertaken by Deloitte in 2020, the Committee monitors GIA's responses to the areas highlighted for further enhancement. This process is scheduled to complete in H1 2023.

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 quarterly reporting to the Committee during 2022. I continued to act as Sponsor of the Speak Up Policy during 2022 and significant work has gone into enhancing the Group's Speak Up processes and procedures to ensure complete alignment with the Protected Disclosures Act and increase awareness of Speak Up across the Group.

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 133 to 179 in the BOIG Annual Report.

External audit

The Committee oversees the relationship with KPMG and Patricia Carroll, KPMG's lead audit partner, attends Committee meetings, following the conclusion of Niamh Marshall's tenure as lead audit partner in April 2022. KPMG was appointed as external auditor to the Group on 19 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.

The Committee considers that the Group has appropriate safeguards 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) 2020 from the Irish Auditing Accounting Supervisory Authority (IAASA), the Financial Reporting Council (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. 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 payable to KPMG for the year ended 31 December 2022 amounted to €7.2 million (2021: €5.7 million), of which €1.4 million (2021: €0.9 million) was payable in respect of non audit assurance services. Assurance services represented 24% of the statutory audit fee (2021: 19%). 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 2022 and recommended that the Court propose KPMG for re-appointment approval at the 2023 AGC.

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 Court that all financial reports are considered to be a fair, balanced and understandable assessment of the Group's financial position.

Due to increased economic uncertainty and geopolitical events, the CAC and CRC continued their specific focus on the approach to and implementation of management overlays for the Expected Credit Loss (ECL) model to account for the expected impairment arising from Russia's invasion of Ukraine, the high inflationary environment and the deteriorating economic outlook, prior to the publication of the interim and year-end financial statements. Much of this consideration took place in conjunction with the CRC, following which the Committees made recommendations to the Court 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 3 Disclosures to the Court for approval. It also considers and approves the Country-by-Country report required under the CRD.

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 2022 annual report, including the financial statements, is fair, balanced and understandable.

Report of the Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2022

IFRS 9 and impairment of financial instruments

Committee considerations
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 and other Post-Model Management Adjustments; and
- 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 Court in December 2022 on the recommendation of the Committee, following recommendation by the Executive Risk Committee and the Group Credit 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 made during the reporting period.

Committee conclusion
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 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 IAS 1 and IFRS 7.

The Committee, in conjunction with the CRC, considered and made recommendations to the Court regarding the approach to and measurement of the proposed net impairment loss applied to the Group's 2022 financial statements. The full year impairment loss reflects: a deterioration in the economic outlook (particularly in the UK); impairment increases associated with model methodology enhancements; and loss emergence (primarily in the Corporate Banking division). These dynamics were partly offset by impairment reductions related to the removal of prior year post model adjustments and the recognition of cash recoveries from previous reporting periods.

Retirement benefit obligations

Committee considerations
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, Willis Tower Watson (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.

Committee conclusion
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 Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

Deferred taxation

Committee considerations
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 Court. 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 DTA 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 such as the accelerated transformation of banking business models. However, recent improvements in the interest rate environment have led to a significant improvement in the ICAAP financial projections which has resulted in a decrease in the recovery period of the DTA.

The most recent financial projections indicate a recovery period of 6 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 2022.

Committee conclusion
The Committee discussed with management its assessment of the recoverability of the DTA and the related disclosures. The Committee agreed that the Irish DTA should be recognised in full and that the related disclosures are as required under IAS 12 'Income Taxes'.

Life assurance accounting

Committee considerations
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).

Committee conclusion
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.

Intangible assets - capitalisation and impairment

Committee considerations
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.

Committee conclusion
The Committee considers the level of the impairment charge to be recognised in 2022, as reasonable and in line with the requirements of IFRS.

Report of the Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

Viability statement

Committee considerations
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 Court 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.

Committee conclusion
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

Committee considerations
The Committee considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2022 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 the deteriorating economic outlook. The considerations assessed by the Committee are set out on page 85 in the Going Concern disclosure within the Accounting Policies in note 1 to the consolidated financial statements.

Committee conclusion
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 85) was subsequently approved by the Court.

IT Risk

Committee considerations
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.

Committee conclusion
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 Court Audit Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

IFRS 17

Committee considerations
The Committee discussed in detail the expected impact of the implementation of the new IFRS 17 Accounting standard 'Insurance Contracts' on the Group's financial statements. It noted that IFRS 17 will replace the existing IFRS 4 standard and it will fundamentally alter how insurance contracts will be accounted for in the Group accounts. IFRS 17 will be applied retrospectively. The Committee reviewed and challenged the key judgements and estimates proposed by management, and considered the views of the New Ireland Assurance Company's Board.

Committee conclusion
The Committee approved the IFRS17 Transition assumptions and judgements required for calculation of the opening IFRS17 liabilities at 1 January 2022 , and concluded that the related disclosure were as required by IAS 8.

Acquisition of Davy

Committee considerations
The Group entered into an agreement to acquire Davy stockbrokers (Davy) on 22 July 2021 for a total enterprise value of c.€427 million. On 1 June 2022, following receipt of all regulatory approvals, the Group acquired Davy.

The Committee was updated on the impact of the business combination under IFRS 3.

The Committee considered factors that make up the goodwill recognised by the Group, such as the fair value of the total consideration transferred at the date of acquisition, the fair value of the identifiable net assets of the acquiree, which includes intangible assets, substantially reflecting the fair value of customer relationships and brand value in the Davy business at the date of acquisition. The Committee also considered management's analysis of the allocation of the amounts paid and accrued by the Group between consideration for the acquisition of Davy, including contingent consideration, and remuneration of employees of Davy for post-combination services to the Group. The Committee further considered the measurement of goodwill and intangibles created by the combination at the reporting date of 31 December 2022.

In relation to disclosure, the Committee considered the appropriateness and completeness of the disclosures relating to the business combination and the resulting goodwill and intangible assets in the annual report.

Committee conclusion
The Committee was satisfied with the amounts recognised by the Group in relation to consideration, goodwill, intangible assets and other net assets acquired in the business combination, and with the allocation of amounts paid and accrued between consideration for the acquisition and post-combination employee remuneration. The Committee was also satisfied with the measurement of related goodwill and intangible assets at the reporting date of 31 December 2022. The Committee considered the related disclosures to be in line with the requirements of IFRS 3 and IAS 36.

The Committee also:
- considered the valuation at 31 December 2022, under IFRS 9, of the commitment to acquire a portfolio of c.€7.8 billion of loans and €2 billion of deposits from KBC Bank Ireland plc. The committee also considered the disclosure under IAS 10 of the estimated financial effect of the completion of the acquisition of those portfolios on 3 February 2023;
- considered and approved an update to the Group's accounting policies to include a new policy on 'Client Properties' and an addition to its current accounting policy on Fee and Commission income, as a result of the Group's acquisition of Davy on 1 June 2022;
- considered and approved a voluntary change in accounting policy on the presentation of portfolio fair value hedge adjustments on the Group balance sheet as a separate line item;
- 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 are detailed in the Committee's terms of reference, which can be found Bank of Ireland Group Website.

bankofireland.com/about-bank-of-ireland/corporate-governance

Evelyn Bourke

Evelyn Bourke
Chair of the Court Audit Committee

6 March 2023

Report of the Court Risk Committee

Richard Goulding
Chair

Dear Shareholders,

On behalf of the Court Risk Committee (the 'Committee' or the 'CRC'), I am pleased to introduce the report on the Committee's activities for the year ended 31 December 2022.

Committee purpose and responsibilities

The Committee was established to advise and support the Court on oversight of risk management and to ensure 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 Court, or approves under delegation, certain risk matters and maintains oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards. The Committee oversees the implementation of the Group's Risk Management Framework, constituent policies, adherence to risk appetite and management of risk within operational limits.

Committee membership and meeting attendance

Details of the Committee members, Committee meetings and attendance at meetings during 2022 are outlined below:

Committee meetings	Eligible to attend[1]	Attended
Giles Andrews	27	27
Evelyn Bourke	27	25
Ian Buchanan	27	24
Richard Goulding	27	27
Michele Greene	27	27
Steve Pateman	27	24

The Committee acts independently of the Executive and comprises six NEDs. Michele Greene had been designated as non-independent by virtue of her nomination by the Minister for Finance. Further details on Michele Greene's status as an independent NED can be seen on page 27.

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, together with broad experience in technology, digital and operations. There is also a keen awareness of the importance of taking all reasonable steps to ensure good customer outcomes for both consumer and commercial customers. Members' biographies can be found on pages 25 to 28.

Court consideration of risk-related issues is considered to be enhanced by Members serving on more than one Court sub-committee. The CRC is required under regulation to have one shared member with each of the Court Audit Committee (CAC) and the Court Remuneration Committee (CRC). Given the Group's ongoing 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. During the course of 2022, the Group established a Group Sustainability Committee and shared membership between the CRC and the Group Sustainability Committee is also considered appropriate in the context of risk management in respect of Responsible and Sustainable Business, particularly climate-related activities.

Shared-membership between the CRC and each of the CAC, CRC, GTOC and Group Sustainability Committee (GSC) is currently maintained as follows:

Committee	Shared Members with the CRC
CAC	Evelyn Bourke, Richard Goulding and Steve Pateman
CRC	Steve Pateman, Giles Andrews and Ian Buchanan
GTOC	Giles Andrews, Ian Buchanan, Richard Goulding and Michele Greene
GSC	Giles Andrews, Evelyn Bourke and Michele Greene

The Committee holds private sessions with senior management. During 2022, the Committee met in private session (without other members of management being present) with each of the Group CRO and Group CEO.

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 Group's CRO, Stephen Roughton-Smith, was appointed on 13 December 2021 and has given strong impetus to furthering the risk management enhancements initiated in 2021. This has included the restructure of the function to clarify and align responsibilities between the 2nd line and 1st line, as well as between the 2nd and 3rd lines of defence to position the Group to have a best-in-class risk function to support the execution of the strategy.

Committee activities in 2022

The Committee met a total of 27 times on a standalone basis in 2022, driven by oversight of two material acquisitions and a number of NPE transactions, the changes in risk management tools and processes from the further enhancement and implementation of the Group Risk Management Framework, together with oversight of regulatory requirements. The Committee also met in 5 joint sessions with the Group Audit Committee to discuss impairment, twice with the Group Transformation Oversight Committee to discuss the risk aspects of investment allocation given the Group's investment in digital capabilities, and once with the Group Sustainability Committee to consider ESG matters.

[1] *Including 5 joint meetings with the GAC to consider the impairment charges being applied to the 2021 financial statements and the 30 June 2022 interim financial statements and 1 joint meeting with the Group Sustainability Committee to consider ESG matters and 2 joint meetings with the GTOC to consider risk assessment of investment allocation.*

Report of the Court Risk Committee *(continued)*

While not intending to be an exhaustive list to the Committee's activities, a number of areas that were subject to particular focus are outlined below:

Risk Management Framework, library and organisation

Since his arrival, the new Group CRO has driven extensive change in the risk management function and processes in the Group. This has included further enhancements to the Group Risk Management Framework and implementation of a more comprehensive and complete risk library to define risk mitigation standards at a granular level, particularly for operational risk types. This is building on previous work commenced under the Non Financial Risk (NFR) Programme, with the objective of uplifting risk management capabilities across operational, conduct and regulatory risks, by driving a simplified common and consistent approach and sound methodologies for management of these risks. Work is now taking place on enhancing risk appetite and individual risk policies and this will continue to impact on annual review cycles for policies and frameworks which will flow into 2023. In parallel with this work, there has been considerable focus on standardisation of risk management tools and management mechanisms to improve the effectiveness of risk management in line with the Group's simplification agenda.

In addition to its standard reports, the Committee considered deep dives across a number of key credit portfolios, including: Mortgages in both of the Group's main markets, Leveraged Acquisition Finance, RoI Small & Medium Size Business Banking and UK Consumer, and other risk areas such as Market Risk, Model Risk and Financial Crime. These reviews were forward-looking detailed examinations of the organisation of risk management, control effectiveness and changing market dynamics. The Committee has also considered continuous improvement in Cyber and IT controls to take into account relevant external context including digital developments/ disruption.

Risk Assessments

Following agreement in October 2021 to purchase certain assets and liabilities of KBC Bank Ireland plc, and clearance of the acquisition by the Competition and Consumer Protection Commission (CCPC) on 22 May 2022, the Committee has continued to conduct risk assessments on the migration approach and refine the customer impact assessment, to ensure due consideration of the customer at all times. This included comprehensive contingency arrangements to underpin go/no-go decisions on the final transfer, noting successful migration on 3 February 2023.

Following completion of the Davy acquisition, the Committee considered the following items over a number of meetings: the approach to risk and compliance integration and related risk assessments, the Davy LTIP Non-Financial Multiplier, and a scoping assessment of key risk areas to be included in a back-book review of legacy risks in the Davy business prior to acquisition. Work is underway to align Davy risk management procedures and controls with those of the Group.

The Group completed three Non-Performing Loan Exposure (NPE) transactions in 2022, comprising the disposal of a portfolio of non-performing UK mortgages and non-performing Irish mortgages and Business Loans. The Committee carried out a comprehensive assessment of customer impact and risk management assessments on each transaction.

In 2022, the Committee received and reviewed a final report on risk monitoring of the Enhanced Group-Wide Voluntary Parting Scheme. The overall operational risk impact of the programme on business as usual operations was considered low to medium across Divisions, with no material increase in risks attributed to the programme.

The Committee also held detailed discussions with the Risk Committee Chairs and CROs of the respective material subsidiary entities, during which we received reports on the risk profiles and areas of focus of the subsidiary Board Risk Committees during the year. This included separate private sessions with the subsidiary Board Risk Committee chairs in the absence of management.

Matters considered and action taken by the Committee in 2022

Credit Risk

Committee considerations
With the unwinding of government supports post COVID-19 pandemic, combined with cost of living challenges arising from the slowdown in global macro-economic growth, the credit risk environment has become elevated in each of the Group's main portfolios.

Committee conclusion
The Group made progress on NPE reduction through the disposal of UK non-performing Mortgages and disposals of RoI non-performing mortgages and non-performing Business Banking exposures, reducing the overall NPE% to 3.6% at year end.

Early Warning Indicators are reviewed regularly to monitor trends in key portfolios and challenge management on actions underway.

Capital Adequacy

Committee considerations
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 CRC considered the impacts of future capital requirements and capital availability and reviewed in detail the ICAAP, including stress scenarios, with updates considered post changes in macroeconomic assumptions midyear.

Committee conclusion
The Group holds sufficient capital to meet its regulatory and business requirements over its planning horizon.

Report of the Court Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

Funding and Liquidity Risk

Committee considerations
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).

Committee conclusion
The Group continues to be fully compliant and has no issues with market access or pricing.

Market Risk

Committee considerations
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 Committee also considered a deep dive into market risk assessing the general control environment, framework and related governance.

Committee conclusion
The Group continues to be fully compliant with risk appetite.

Operational Risk

Committee considerations
Managing Operational risk continues to be a key focus for the Group, due to the complexity and volume of change, the IT infrastructure, cyber risk and reliance on and management of third party suppliers. The CRC focuses on ensuring the Group has an effective framework for managing operational risk, including enhancing policies to ensure that appropriate risk mitigation standards are explicit and comprehensive and that residual risk reporting captures the potential for negative outcomes.

Committee conclusion
The Group continues to enhance and refine its approach to Operational risk management, noting progress made during 2022, particularly with respect to Cyber and IT risks. Further progress is expected during the course of 2023.

Regulatory Risk

Committee considerations
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 CRC continued to experience a busy regulatory and compliance agenda in 2022, as a result of ongoing regulatory interactions, coupled with the increased regulatory focus arising from the acquisition of Davy and the purchase of certain assets and liabilities arising from the exit of KBC Bank Ireland plc from the Irish market. The Group paid a fine of €100.5m under the Mortgage Tracker Examination which related to 81 historic regulatory breaches which led to customer harm and detriment and for which the Group provided an unreserved apology.

Committee conclusion
The Group has applied lessons learned from previous regulatory failings. The Group continues to meet its regulatory and compliance requirements.

Report of the Court Risk Committee *(continued)*

Matters considered and action taken by the Committee in 2022 *(continued)*

Conduct Risk

Committee considerations
The effective management of Conduct risk is essential to serving our customers and creating the right culture. In 2022, the CRC considered frequent reports on the resolution of customer conduct issues, in particular consumer errors and the closure of the Tracker Mortgage Examination. The pace and quality of remediation efforts remained a focus, including root cause analyses to avoid recurrence of similar issues. During 2022, the CRC reviewed and challenged the customer impact assessments performed for all of the Group's significant transactions e.g. Davy acquisition, UK Mortgages NPE disposal, RoI non performing mortgages and business loans disposals and the purchase of certain assets and liabilities arising from the exit of KBC Bank Ireland plc from the Irish market.

Committee conclusion
The Group continues to prioritise Conduct risk matters and seeks to minimise any forms of customer harm or detriment.

Business and Strategic Risk

Committee considerations
The CRC recognises the risks in delivering the approved strategy, particularly in the context of a heavy transformation agenda and elevated macroeconomic uncertainty stemming from Russia's invasion of Ukraine, Brexit and the impact of stagnating global growth. The Committee also monitors any changes in the market that may impact the business model.

Committee conclusion
The Committee annually considers the risk impact of Strategic updates including review and challenge of underlying macro assumptions underpinning the Group strategic plans.

People Risk

Committee considerations
Following a significant voluntary redundancy programme, and ongoing substantial transformation programme, the CRC maintained oversight of key people metrics and trends. A heated labour market in RoI, combined with continuing remuneration restrictions has kept People risk elevated and subject to regular discussion.

Committee conclusion
In 2022, the Enhanced Group-Wide Voluntary Parting programme moved to business as usual management and tracking of people risk is now conducted through the Court Risk Report.

Richard Goulding
Chair of the Court Risk Committee

6 March 2023

Attendance table

Court and Committee composition and attendance at scheduled meetings in 2022.

	Court		Audit Committee		Nomination & Governance Committee[2]		Remuneration Committee		Risk Committee		Group Transformation Oversight Committee		Sustainability Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Giles Andrews	11	11					9	9	27	27	10	10	6	6
Evelyn Bourke	11	10	12	12					27	25			6	6
Ian Buchanan	11	11					9	9	27	24	10	10		
Eileen Fitzpatrick	11	10	12	12	6	6	9	9						
Richard Goulding	11	11	12	12	6	6			27	27	10	10		
Michele Greene	11	11							27	27	10	10	6	6
Francesca McDonagh *(resigned 2 September 2022)*	8	8												
Gavin Kelly *(appointed 2 September 2022)* *(resigned 16 November 2022)*	2	2												
Patrick Kennedy	11	11			6	6					10	10		
Fiona Muldoon	11	11	12	12	6	6	9	9					6	6
Myles O'Grady *(resigned as CFO 30 March 2022)* *(appointed as CEO 17 November 2022)*	4	4												
Mark Spain *(appointed 31 March 2022)*	8	8												
Steve Pateman	11	11	12	12			9	9	27	24				

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.

[2] The Nomination, Governance & Responsible Business Committee became the Nomination & Governance Committee on 1 June 2022.

Report of the Directors

Results
In 2022, the Group made a profit before tax of €1,036 million (2021: €1,213 million) and an after tax profit of €879 million (2021: €1,048 million).

Dividends
No dividend on ordinary stock was paid in respect of the year ended 31 December 2022.

Group activities
The Group provides a range of banking and other financial services. The Strategic Report on pages 3 to 47 and Financial Review on pages 48 to 71 of the BOIG Annual Report contain 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 2022.

Principal Risks and Uncertainties
Information concerning the Principal Risks and Uncertainties facing the Group is set out on pages 9 to 17 in the Risk Management Report of the BOIG Annual 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 note 26. The Group's approach to risk management is aligned to the of BOIG plc, the Bank's immediate and ultimate parent. Further information can be found in the BOIG plc Group Annual Report 2022.

Capital stock
At 31 December 2022, the Group had 32,363,275,074 units of issued ordinary stock of €0.05 each. Further detail on the structure of the Group's capital is set out in note 48.

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 117 of the BOIG Annual Report.

Directors
The names of the members of the Court of Directors of the Company at 31 December 2022, together with a short biographical note on each Director appear on pages 25 to 28.

At the AGC held on 26 May 2022, Mark Spain was elected following his appointment to the Court on 31 March 2022; Giles Andrews, Evelyn Bourke, Ian Buchanan, Eileen Fitzpatrick, Richard Goulding, Michele Greene, Patrick Kennedy, Francesca McDonagh, Fiona Muldoon, and Steve Pateman were re-elected.

Remuneration
See Remuneration Report on pages 119 to 131 of the BOIG Annual Report.

Directors' and Secretary's interests
The Directors and Secretary had no interests in the stock / securities of the Bank or its Group undertakings at 31 December 2022 and no change to this provision has been disclosed to the Bank under the provisions of article 19 of the Market Abuse Regulation occurring between the end of the year under review and 6 March 2023.

Listing rules disclosures
Information required under UK Listing Rule LR 9.8.4C can be found on page 43 for Directors' Emoluments and above under 'Group activities' for Contracts of Significance.

Substantial stockholdings
All ordinary stock of the Bank was held by its parent company, BOIG plc, at 31 December 2022. There were no other interests disclosed to the Bank 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 2022 to 6 March 2023.

Corporate governance
The Company is 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 Euronext Dublin (formally the Irish Stock Exchange).

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 page 37.

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 2022.

Branches 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 2022 on page 85, which forms part of the Report of the Directors and on pages 62, 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.

Report of the Directors *(continued)*

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 uncertain geopolitical environment and the macro-economic outlook, the monitoring of key risks identified under the Group's risk identification process by the ERC, the CRC and the Court (see page 142 of the Risk Management Report of the BOIG Annual Report), and the assessment of Principal Risks and Uncertainties (pages 9 to 17) together with the Group's strategic direction as set out in the Strategic report (pages 3 and 47 of the BOIG Annual Report). Within the Principal Risks and Uncertainties, the Directors consider Credit risk, Funding and Liquidity risk and Capital Adequacy, together with Environmental, Social and Governance risk and Operational risk (including Digital) to be the most relevant to the viability assessment.

The ICAAP process facilitates the Court 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, (BOIG plc Risk Management Report section 3.2). 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 Court approved risk appetite and strategy, and to meet its CRD IV regulatory capital, leverage and liquidity requirements.

The economic impact of uncertainty in the geopolitical environment and the impact in the Group's core markets as the COVID-19 crisis abates have been among the items 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 2025.

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.

Directors' and Secretary's interests in stock
The Directors and Secretary had no interests in the stock / securities of the Bank or its Group undertakings at 31 December 2022 and no change to this provision has been disclosed to the Bank under the provisions of article 19 of the Market Abuse Regulation occurring between the end of the year under review and 6 March 2023.

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 in the Strategic Report in the BOIG plc Group Annual Report 2022 on page 42. The strategic report also includes information on topics such as the Environment and Employee matters.

Post balance sheet events
These are described in note 63 to the financial statements.

Patrick Kennedy
Governor

Richard Goulding
Deputy Governor

The Governor and Company
of the Bank of Ireland
Registered Office
40 Mespil Road,
Dublin 4

6 March 2023

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 the following pages, 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 Bank financial statements for each financial year.

The Directors are responsible for preparing the Bank 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 Bank's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Bank's assets, liabilities and financial position 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 Bank 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 Bank 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 Bank; and
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Bank 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 Bank's systems of internal control in relation to the financial reporting processes, and have a general responsibility for safeguarding the assets of the Group and the Bank 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 report relating to 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 Group'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 Bank financial statements, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities and financial position of the Bank;
- the management report contained in the Business Review includes a fair review of the development and performance of the business and the position of the Group and the Bank, 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 Court by

6 March 2023

Patrick Kennedy	Richard Goulding	Myles O'Grady
Governor	*Deputy Governor*	*Group Chief Executive Officer*

Independent Auditor's Report

to the members of The Governor and Company of the Bank of Ireland

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Governor and Company of The Bank of Ireland ('the Company' or 'the Bank') and its consolidated undertakings ('the Group') for the year ended 31 December 2022 set out on pages 74 to 280, contained within the reporting package govcoboi-2022-12-31-en.zip,which comprise the consolidated income statement, consolidated statement of comprehensive income, balance sheet of the Group and Bank, consolidated statement of changes in equity of the Group and Bank, consolidated cash flow statement and related notes, including the summary of significant accounting policies set out in note 1.

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 their preparation is Irish Law, including the Commission Delegated Regulation 2019/815 regarding the single electronic reporting format (ESEF) and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Bank financial statements, as applied in accordance with 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 2022 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 Bank financial statements have been properly prepared in accordance with Irish Law and FRS 101 Reduced Disclosure Framework issued in the United Kingdom by the Financial Reporting Council; and
- the Group and Bank 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 report to the audit committee.

We were appointed as auditor by the Court of Directors on 19 April 2018. The period of total uninterrupted engagement is the five years ended 31 December 2022. 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 - Legal Uncertainty relating to ESEF requirements on iXBRL format ('Block tagging')

Due to the conversion process chosen by the Group in relation to the information in the notes to the financial statements in iXBRL format ("block tagging"), the rendering of the consolidated financial statements into ESEF-Format is not completely machine readable in a meaningful way. The legal compliance of the interpretation by management, that meaningful machine readability of structured information in the notes is not explicitly required by the Delegated Regulation (EU) 2019/815 for the block tagging of the notes, is subject to legal uncertainty, which therefore also represents an inherent uncertainty in our audit of the block tagging of the notes to the financial statements.

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 Directors' assessment of the Group's and Bank's ability to continue to adopt the going concern basis of accounting included the following:

- We used our knowledge of the Group and Bank, 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 Bank'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 Bank'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 any material uncertainties 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 a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the Directors. In addition, our risk assessment procedures included:

- Inquiring with management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims,
- Inquiring of the Directors, the Audit Committee and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud,
- Inquiring of the Directors, the Audit Committee and internal audit regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud,
- Inspecting the Group's regulatory and legal correspondence, as applicable,
- Reading minutes of meetings of the Court of Directors, the Audit Committee and other relevant sub-committees,
- Considering remuneration incentive schemes and performance targets for management, and
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team. This included communication from the group to component audit teams of relevant laws and regulations and any fraud risks identified at the Group level and requests to component audit teams to report to the group audit team any instances of fraud that could give rise to a material misstatement at Group.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We identified fraud risks in relation to the Group's Impairment loss allowance – Post model adjustments, Valuation of Insurance contract liabilities and the Value in force business ("ViF") asset, Unobservable pricing inputs into Level 3 fair value derivatives Existence and accuracy of unconfirmed derivatives and Management override of controls.

Further detail in respect of Impairment loss allowance – Post model adjustments and Valuation of Insurance contract liabilities and the Value in force business ("ViF") asset is set out in the key audit matter disclosures in this report.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation,
- Evaluating the business purpose of significant unusual transactions,
- Assessing significant accounting estimates for bias, and
- Assessing the disclosures in the financial statements.

As the Group is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Bank operates and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, 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.

IFRS 3 accounting and disclosure relating to the acquisition of J&E Davy is a new key audit matter for the Group in the current year. We continue to perform procedures over conduct risk. However, following the settlement of the Tracker Mortgage Examination in September 2022, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Impairment loss allowance under IFRS 9 €1,295 million (2021: €1,958 million)

Refer to page 88 to 90 (accounting policy) and note 25 (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 Probability of Default (PD) models and Loss Given Default (LGD) models
Owing to the complexity and uncertainty in certain PD models, including the underlying assumptions, we have identified a significant risk of error in expected credit losses as a result of inaccurate PDs being generated by certain PD models.

Having regard to the increased complexity arising from the incorporation of the 2021 Post Model Adjustments (PMA) associated with LGD floor into the LGD models, we have identified a new significant risk of error over the accuracy of the IFRS 9 Mortgage LGD models.

Post model adjustment
PMAs are raised by management to address known impairment model limitations or emerging trends.

We have identified a significant risk of error associated with the completeness, as well as a significant risk of error and fraud associated with the valuation of those PMAs with the greatest degree of management judgement. There is a possibility that management could increase or decrease PMAs to meet market expectations for the Group's results.

Economic scenarios
Economic scenarios have a direct impact on the loan staging classification and the resultant ECL. Significant management judgement is applied to the determination of the economic scenarios and the weightings applied to them.

We have identified a significant risk due to error with respect to management judgment applied in the selection of scenarios, the associated scenario probabilities and the significant economic variables which drive the scenarios and the related weightings, particularly given the elevated economic and geopolitical uncertainty.

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 with respect to the measurement of impairment of stage 3 individually assessed loans.

How the matter was addressed in our audit
Accuracy of PD models and LGD models
- We performed end-to-end process walkthroughs to identify the key systems, applications and key controls used in the impairment loss allowance modelling processes.
- In conjunction with our credit modelling specialists, we tested the design, implementation and operating effectiveness of key controls including:
  - model implementation, validation, monitoring for the PD models and Mortgage LGD models;
  - monitoring of staging effectiveness to assess whether the PD models are appropriately identifying assets which have experienced a significant increase in credit risk; and
  - controls over significant model inputs and outputs.
- In conjunction with our credit modelling specialists, we held probing inquiries with the model development and validation teams to assess whether the basis for significant model enhancements introduced were reasonable.
- In conjunction with our credit modelling specialists, we assessed whether the changes to the mortgage LGD models were reasonable and in accordance with IFRS 9 by inspecting the associated model development document, validation reports, and inspecting the model code which underpins the model changes.
- We tested the completeness and accuracy of identified critical data elements used within the PD models.
- In conjunction with our credit modelling specialists, we performed reperformance of key aspects of the models underlying the calculation of expected credit losses, including:
  - Reperformance of ECL execution for a selection of SAS models;
  - ECL replication testing for a selection of IFRS 9 PD models and the Mortgage LGD models;
  - Assessing the accuracy of the LGD model components (portfolio sales, cure rates, time-to-sale);
  - Inspecting model validation and model monitoring reports to assess whether the findings have been appropriately considered and addressed by management / model developers; and
  - Inspecting the model development documentation to assess whether model updates in the period were reasonable.

Post model adjustments
- We performed end to end process walkthroughs and tested the design, implementation and operating effectiveness of the key controls over the identification, calculation, review and authorisation of PMAs.
- In conjunction with our credit modelling specialists, we evaluated the conceptual soundness of the PMAs by critically assessing management's methodology, including the limitation and / or risk that the PMA is seeking to address, and the PMAs compliance with the requirements of IFRS 9.
- We inspected the PMA calculation methodology and tested the completeness and accuracy of key data inputs into the PMA calculation.
- For model updates associated with 2021 PMAs which have been incorporated into the relevant IFRS 9 model during the year, we assessed the appropriateness of the updated model code and the conceptual soundness of model updates for compliance with IFRS 9.
- We tested the completeness and accuracy of PMAs having regard for the risk profile of loan books, as well as known model limitations and by challenging management on their assumptions relating to the credit risk impact of prevailing macroeconomic uncertainty such as interest rates and inflation.
- We challenged the overall reasonableness of the PMAs by comparing the PMAs recognised by management to the model limitations and / or data limitations that we consider to exist in the portfolio.
- We assessed the overall adequacy of disclosures relating to the ECL impact associated with the cohorts of loans identified through management's affordability analysis.

Economic scenarios
- We performed end to end process walkthroughs and tested the design, implementation and operating effectiveness of key controls relating to the estimation of macroeconomic forecasts used in measuring ECL including the economic scenarios and probability weightings applied to them;
- In conjunction with our economic specialists, we held probing inquiries with the Real Estate Advisory Unit ("REAU") and Economic Research Unit ("ERU") and inspected related documentation to assess whether the basis for significant management assumptions and judgements are reasonable and consistent with independent consensus forecasts.

- We challenged the reasonableness of management's forward-looking information ("FLI") upside / downside scenario weightings were reasonable, having regard to relevant available information at year-end.
- In conjunction with our economics specialists, we challenged and assessed the reasonableness of the significant assumptions underpinning management's economic scenarios which we determined to be GDP / GNP, unemployment and property prices by comparing to independent and observable economic forecasts, leveraging a number of external data points.

Identification and quantification of Stage 3 loans

- We tested the design, implementation and operating effectiveness of key controls relating to the assignment of credit risk grades and overrides, the higher risk and watchlist categories and calculation of individual impairments.
- For a selection of performing loans, we critically assessed, by reference to the underlying documentation and through inquiries with management, whether the trigger for an impairment had occurred.
- For a selection of credit-impaired loans, we assessed the forecasts of future cash flows prepared by management to support the calculation of the impairment loss allowance by challenging the key assumptions through corroborating estimates to external support where available. Where appropriate, our work involved inspecting third party valuations of collateral, internal valuation guidelines derived from benchmark data and / or externally prepared reports to determine whether appropriate valuation methodologies and assumptions were employed.
- As part of our iterative risk assessment procedures, we held probing inquiries with Divisional and Group management and reviewed relevant management information to understand the emerging and potential issues across the relevant portfolios.
- We independently assessed emerging and potential areas where impairment indicators might have arisen based upon our knowledge and experience of emerging industry issues and the regulatory environment. We used this cumulative knowledge and expertise to challenge the completeness of the issues identified by management and assessed whether a loan was appropriately classified in stage 1, 2 or 3 and that the related ECL was reasonable.

We found the significant judgements used by management in determining the ECL charge and provision, including the completeness and accuracy of PD models and LGD models, application of PMAs, economic scenarios and identification and quantification of stage 3 loans, to be reasonable.

Valuation of defined benefit pension net asset €700 million (2021: €598 million net asset)

Refer to page 96 (accounting policy) and note 46 (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 net asset of €700 million at 31 December 2022.

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 rate and the inflation rate.

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 the application of the appropriate actuarial assumptions.

How the matter was addressed in our audit

- We performed end to end process walkthroughs and tested the design, implementation and operating effectiveness of key controls related to the valuation of the defined benefit pension net asset.
- In conjunction with our actuarial specialists, we held inquiries with management and the scheme actuary to understand changes in the methodology.
- We challenged the reasonableness of significant assumptions, being the discount rate and inflation rate, used by the Group through developing an independent range using observable market data against which to compare significant inputs used in the Group's valuation.
- We obtained details of data provided to the Group's actuary and selected a sample of data for testing through vouching to underlying systems and reports.
- We tested, on a sample basis, the valuation of the underlying pension scheme assets to third party sources.
- We assessed the reasonableness of movements in the pension position including income statement and OCI elements with a focus on key drivers of the movements such as changes in assumptions adopted.
- We assessed the reasonableness of management's quarterly back testing analysis, which determines if remeasurement of liabilities is required in the event of a special event or curtailment.
- We assessed the adequacy of the disclosures relating to retirement benefit obligations having regard for IAS 19 requirements.

Overall, we found the significant assumptions used by management in the valuation of the defined benefit pension net asset, at 31 December 2022, to be reasonable.

Valuation of the insurance contract liabilities €14.3 billion (2021: €15.4 billion) and the Value of in Force business (ViF) asset €738 million (2021: €700 million)

Refer to page 97 and 98 (accounting policy) and notes 36 and 40 (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.

The valuation of the insurance contract liabilities and the ViF asset includes a component which is also considered to be a significant risk owing to the complex calculations and the use of detailed methodologies and significant judgements related to the ultimate settlement value of long term policyholder liabilities including a number of significant assumptions such as 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 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 significant 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 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, implementation and operating effectiveness of management's key controls over the output of the calculations;
  - evaluating the reports of the Group's external actuarial expert in relation to the examination of management's methodologies, significant assumptions, and calculations; and
  - replicating the best estimate liability for a cohort of policies.

We found that the significant methods and assumptions used in the valuation of the insurance contract liabilities and the ViF asset, including mortality, morbidity, persistency, lapses, longevity, expenses and PHI recovery rates, were reasonable.

IFRS 3 accounting and disclosure relating to the acquisition of J&E Davy €427 million

Refer to page 93 (accounting policy) and note 53 (financial statement disclosures).

The key audit matter

On 1 June 2022, the Group acquired J&E Davy ("Davy") through the acquisition of 100% of the voting equity interests of Amber Note Unlimited Company and its subsidiaries including J&E Davy. We have identified the transaction as a significant unusual transaction owning to the size and non-routine nature of the acquisition. We identified a significant risk of error relating to the identification and valuation of the intangible assets recognised as part of the acquisition.

We regard the acquisition of Davy as a key audit matter owing to the significance of the transaction and the key judgements applied by management as part of the acquisition accounting.

How the matter was addressed in our audit

- We inspected management's technical accounting analysis with reference to underlying documentation associated with the transaction, including the share purchase agreement ("SPA"), to assess whether the accounting is consistent with the requirements of IFRS 3, and the relevant legal documentation.
- To support us in critically assessing the valuation methods and significant assumptions applied by management and their external specialist in determining the fair value of identified intangible assets, we engaged our corporate finance valuation specialists. Our work in this regard included the following procedures:
  - We challenged the reasonableness of the assumptions associated with future earnings for Davy, which underpin the basis on which the valuation of the intangible assets have been determined;
  - We inspected the underlying specialist valuation report and inquired of management and the specialists to critically assess the basis on which significant assumptions were determined, and how alternative assumptions or outcomes were considered;
  - We inspected the contractual agreement between the Group and their specialist to assess the objectivity, expertise and scope of their work; and
  - We performed independent sensitivity analysis on significant assumptions underpinning the intangible asset valuations to assess whether different assumptions would have resulted in a materially different net asset allocation.
- With regard to consideration transferred, we vouched the cash consideration paid to bank statements, and recalculated the deferred consideration with reference to the underlying SPA.
- We tested the mathematical accuracy of the IFRS 3 calculation and reconciled the calculations to the underlying transaction documentation.
- With regard to the tangible net assets acquired, we performed certain procedures including inquiries, analytical procedures and inspection of underlying documentation to obtain evidence that the Davy acquisition balance sheet was free from material misstatement.
- We tested the measurement adjustments made up to 31 December 2022, through inspection of supporting documentation.
- We assessed the reasonableness of the Group's IFRS 3 disclosure in the financial statements.

Overall, we found the accounting for the Davy acquisition to be consistent with the requirements of IFRS 3, and the key assumptions and valuation methods associated with the determination of fair value for the net assets acquired, to be reasonable.

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.

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

- In conjunction with our IT audit specialists, we performed end to end walkthroughs and tested the design, implementation and operating effectiveness, of the key automated controls that are relevant to financial reporting.
- We updated our understanding of the Group's IT environment having particular regard for developments with respect to the Group's IT strategy.

- We inspected internal governance reporting relating to IT (including Risk, Cyber, Internal Control functions) to identify any IT matters that may impact integrity of financial reporting.
- We inquired of Group Internal Audit (GIA) and divisional leads and inspected the relevant GIA reports produced during the period to understand the nature of findings, if any, to date and consider the impact on our audit.
- We inquired of management about any significant changes in internal controls and considered the potential effect of any such changes on the preparation of the financial statements.
- We tested relevant General IT Controls for IT applications considered relevant to the financial reporting process, including access management, program development, change management and computer operations.
- We continued to focus on testing privileged access and change processes for in-scope systems given their pervasiveness and criticality to our ability to rely on IT controls for audit purposes.

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) €989 million (2021: €1,044 million)
Refer to page 96 and 97 (accounting policy) and note 34 (financial statement disclosures)

The key audit matter

The total DTA relating to the Irish and UK trading losses as at 31 December 2022 is €989m (31 December 2021: €1,044m).

We have assessed there to be an elevated risk of error associated with the recoverability of the DTA in respect of the quantum and timing of future profitability owing to management judgements and the degree of estimation uncertainty.

We regard the recoverability of the DTA as a key audit matter owing to the degree of uncertainty given the length of recovery periods involved and the elevated level of economic uncertainty. The recovery period of the DTA is predicated on the achievement of the Group's 2023 ICAAP.

How the matter was addressed in our audit

- We performed an end to end walkthroughs and tested the design and implementation of key controls over the forecasting and approval of the forecast of taxable profits used to support the recognition of the deferred tax assets.
- With the assistance of our tax specialists, we tested the accuracy of the DTA calculations, and the appropriateness of tax utilisation strategies applied, including the Group's transfer pricing methodologies.
- We assessed whether estimated future profits used within the forecasts were reasonable by reference to recent performance and challenged the key assumptions underpinning the Group's future forecasts using our knowledge of the business, the Group's strategy and wider initiatives within the Group.
- We assessed and challenged the reasonableness of external economic assumptions applied in the future forecast 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 case and stress case scenarios.
- We assessed whether key assumptions within the DTA were internally consistent and whether the period over which the asset is projected to be recovered is reasonable.
- We considered the reasonableness of cost reduction assumptions of the Group using our knowledge of the business, Group strategy and wider initiatives within the Group.
- We assessed the adequacy of disclosures in the Group's financial statements.

On the basis of the work performed, we found the key assumptions associated with the recoverability of the DTA, including the timing and sufficiency of future taxable profits, to be reasonable. We note in particular that the deferred tax asset has continued to be utilised in the year as the Group has earned profits, so the combination of its utilisation and the increased profit expectations reduces the level of judgement associated with the recovery of this asset.

Recoverability of the carrying value of the investment by Governor and Company of the Bank of Ireland in material subsidiaries (Company only risk and key audit matter) €3,947 million (2021: €4,023 million)
Refer to page 98 (accounting policy) and note 28 (financial statement disclosures)

The key audit matter

The GovCo Company balance sheet includes a €3.9 billion investment in material subsidiaries.

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 for each investment. 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 material investments to the Company and the judgement associated with their recovery which is predicated on the achievement of future projections.

How the matter was addressed in our audit

- We tested the design and implementation of key controls over the forecasting and approval of the projections of future profits;
- We assessed the investments for indicators of impairment and compared the carrying amount of the investment to its VIU;
- We challenged the assumptions used in the cash flow model based on our knowledge of the Group and the markets in which the subsidiaries operate and tested the resulting impairment amount, if any;
- We compared management's historic forecasts against actual cash flows achieved in the previous year to ascertain their historical accuracy;
- We critically assessed the basis on which the VIU discount rate was calculated and tested the key calculation inputs for reasonableness;
- We assessed the adequacy of the disclosures in the financial statements in respect of the shares in Group undertakings balance in the GovCo company only financial statements.

Based on evidence obtained, we found that the significant assumptions associated with recoverability of the carrying value of the investments, 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 financial statements as a whole was set at €52.0m (2021: €44.8m), determined with reference to a benchmark of profit before taxation of €1,036 million, (of which it represents 5.0% (2021: 3.6%). We consider profit before taxation to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

The materiality for the Bank financial statements is €87.3 million (2021: €91.0 million) which represents 0.88% of net assets. Net assets is a proxy for capital resources and is included in the audited financial statements. Capital resources is a key metric used externally by users of the Bank's financial statements. Hence a benchmark based on net assets reflects the focus of the users of the financial statements.

Performance materiality for the Group financial statements and Company financial statements as a whole was set at €39m (2021: €33.6m) and €65.5m (2021: €68.3m) respectively, determined with reference to benchmarks of profit before taxation and net assets for the Group and Company (of which it represents 3.8% (2021: 2.8%) and 0.66% (2021: 0.75%) respectively.

We reported to the GAC all corrected and uncorrected misstatements we identified through our audit with a value in excess of €2.6 million (2021: €2.2 million) in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

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 financial information of the Retail Ireland, Wealth and Insurance (excluding Davy), Retail UK, Corporate and Markets and Group Centre. Davy was not individually financially significant to require a full scope audit for group purposes but was included in the scope of our group reporting work in order to provide further coverage over the group's results.

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 €5 million to €29 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 3 of the 7 components was performed by component auditors and the rest, including the audit of the 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 included in the Business Review on pages 3 to 17, the Governance section (including Report of the Directors) on pages 18 to 63, and the unaudited parts of the Other Information on pages 281 to 283.

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.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern and longer-term viability, that form part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review by the Listing Rules of Euronext Dublin and the UK Listing Authority.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement are materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 62;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 63;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 63;
- Directors' statement on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out on page 65;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out on page 37 and 38;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 37; and
- Section describing the work of the audit committee set out on pages 51 to 56.

The Listing Rules of Euronext Dublin also requires us to review certain elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee.

We have nothing to report in this regard.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 18 to 63 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 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 Statement 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 purposes 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 and the Bank 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; and
- the Bank 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 2021 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Responsibilities of Directors for the financial statements

Directors' responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 65, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

A fuller description of our responsibilities is provided on IAASA's website at *https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.*

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Bank'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 this report, or for the opinions we have formed.

P. Carroll

P Carroll
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2, D02 DE03
Ireland

6 March 2023

Consolidated and Bank financial statements

Consolidated income statement *(for the year ended 31 December 2022)*

	Note	2022 €m	2021 €m
Interest income calculated using the effective interest method	4	2,772	2,398
Other interest income	4	378	372
Interest income		**3,150**	**2,770**
Interest expense	5	(685)	(553)
Net interest income		**2,465**	**2,217**
Net insurance premium income	6	2,046	2,018
Fee and commission income	7	579	448
Fee and commission expense	7	(267)	(178)
Net trading income	8	34	111
Life assurance investment income, gains and losses	9	(1,471)	1,284
Other leasing income	10	71	63
Other leasing expense	10	(45)	(47)
Other operating income	11	176	153
Total operating income		**3,588**	**6,069**
Insurance contract liabilities and claims paid	12	(378)	(3,089)
Total operating income, net of insurance claims		**3,210**	**2,980**
Operating expenses	13	(2,011)	(1,858)
Cost of restructuring programme	14	(17)	(110)
Operating profit before impairment (losses) / gains on financial instruments		**1,182**	**1,012**
Net impairment (losses) / gains on financial instruments at amortised cost	16	(187)	194
Operating profit		**995**	**1,206**
Share of results of associates and joint ventures (after tax)	17	40	5
Gain on disposal / liquidation of business activities		1	2
Profit before tax		**1,036**	**1,213**
Taxation charge	18	(157)	(165)
Profit for the year		**879**	**1,048**
Attributable to stockholders		879	1,048
Attributable to non-controlling interests		–	–
Profit for the year		**879**	**1,048**

Consolidated statement of comprehensive income *(for the year ended 31 December 2022)*

	Note	2022 €m	2021 €m
Profit for the year		**879**	**1,048**
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		(61)	(20)
Transfer to income statement - asset disposal		(85)	(14)
Net change in debt instruments at FVOCI reserve		**(146)**	**(34)**
Cash flow hedge reserve, net of tax:			
Changes in fair value		309	(801)
Transfer to income statement		(304)	791
Net change in cash flow hedge reserve		**5**	**(10)**
Foreign exchange reserve:			
Foreign exchange translation (losses) / gains		(93)	183
Transfer to income statement		–	1
Net change in foreign exchange reserve		**(93)**	**184**
Total items that may be reclassified to profit or loss in subsequent years		**(234)**	**140**
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement of the net defined benefit pension liability, net of tax		91	597
Revaluation of property, net of tax		(3)	–
Net change in liability credit reserve, net of tax		15	(5)
Total items that will not be reclassified to profit or loss in subsequent years		**103**	**592**
Other comprehensive income for the year, net of tax		**(131)**	**732**
Total comprehensive income for the year, net of tax		**748**	**1,780**
Total comprehensive income attributable to equity stockholders		748	1,780
Total comprehensive income attributable to non-controlling interests		–	–
Total comprehensive income for the year, net of tax		**748**	**1,780**

The effect of tax on these items is shown in note 18.

Balance sheet *(at 31 December 2022)*

		Group		Bank	
			Restated[1]		*Restated*[1]
	Note	31 Dec 2022 €m	31 Dec 2021 €m	31 Dec 2022 €m	31 Dec 2021 €m
Assets					
Cash and balances at central banks	50	36,855	31,360	34,330	27,247
Items in the course of collection from other banks		140	159	51	38
Trading securities		–	20	–	20
Derivative financial instruments	19	5,138	1,571	5,851	1,658
Fair value changes due to interest rate risk of the hedged items in portfolio hedges[1]	20	(738)	(76)	(457)	(19)
Other financial assets at fair value through profit or loss	21	18,563	20,099	432	430
Loans and advances to banks	22	3,044	2,750	17,049	15,645
Debt securities at amortised cost	23	4,472	6,008	6,570	7,745
Financial assets at fair value through other comprehensive income	24	4,254	9,457	4,254	9,457
Assets classified as held for sale		2	5	1	3
Loans and advances to customers	25	71,961	76,422	40,868	41,256
Shares in Group undertakings	28	–	–	3,947	4,023
Interest in associates	29	83	59	18	4
Interest in joint ventures	30	82	57	1	1
Intangible assets and goodwill	31	1,276	852	848	754
Investment properties	32	883	992	–	–
Property, plant and equipment	33	802	820	585	642
Current tax assets		36	38	23	27
Deferred tax assets	34	989	1,044	862	931
Other assets	35	2,766	2,919	488	540
Retirement benefit assets	46	736	740	725	725
Total assets		**151,344**	**155,296**	**116,446**	**111,127**
Equity and liabilities					
Deposits from banks	37	3,445	12,946	4,808	14,073
Customer accounts	38	99,802	93,465	88,343	77,204
Items in the course of transmission to other banks		232	207	161	134
Derivative financial instruments	19	6,526	2,185	7,223	2,367
Fair value changes due to interest rate risk of the hedged items in portfolio hedges[1]	20	(2,824)	(20)	(2,615)	(6)
Debt securities in issue	39	7,783	8,491	5,926	5,103
Liabilities to customers under investment contracts	40	5,870	6,671	–	–
Insurance contract liabilities	40	14,280	15,399	–	–
Other liabilities	41	2,574	2,399	540	499
Lease liabilities	42	423	452	413	447
Current tax liabilities		6	16	–	–
Provisions	43	79	190	41	113
Loss allowance provision on loan commitments and financial guarantees	45	55	48	51	46
Deferred tax liabilities	34	96	89	–	–
Retirement benefit obligations	46	36	142	28	81
Subordinated liabilities	47	1,661	1,984	1,624	1,945
Total liabilities		**140,044**	**144,664**	**106,543**	**102,006**

[1] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

Balance sheet *(at 31 December 2022) (continued)*

	Note	Group 31 Dec 2022 €m	Group 31 Dec 2021 €m	Bank 31 Dec 2022 €m	Bank 31 Dec 2021 €m
Equity					
Capital stock	48	1,625	1,625	1,625	1,625
Stock premium account		571	571	561	561
Retained earnings		7,434	6,552	6,162	5,215
Other reserves		694	907	580	745
Own shares held by Group subsidiaries	48	(1)	–	–	–
Stockholders' equity		**10,323**	**9,655**	**8,928**	**8,146**
Other equity instruments - Additional Tier 1	49	975	975	975	975
Total equity excluding non-controlling interests		**11,298**	**10,630**	**9,903**	**9,121**
Non-controlling interests		2	2	–	–
Total equity		**11,300**	**10,632**	**9,903**	**9,121**
Total equity and liabilities		**151,344**	**155,296**	**116,446**	**111,127**

The Bank recorded a profit after tax of €972 million for the year ended 31 December 2022 (2021: profit after tax of €1,258 million).

Patrick Kennedy
Governor

Richard Goulding
Deputy Governor

Myles O'Grady
Group Chief Executive Officer

Gabrielle Ryan
Interim Group Secretary

Consolidated statement of changes in equity *(for the year ended 31 December 2022)*

				Other reserves									
	Capital stock	Stock premium account	Retained earnings	Debt instruments at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Capital reserve	Other reserves	Own shares held by Group subsidiaries	Attributable to equity holders of Parent	Other equity instruments	Non-controlling interests	Total
Group	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2022	**1,625**	**571**	**6,552**	**129**	**(36)**	**(693)**	**1,486**	**21**	**–**	**9,655**	**975**	**2**	**10,632**
Profit for the year	–	–	879	–	–	–	–	–	–	879	–	–	879
Other comprehensive income for the year	–	–	91	(146)	5	(93)	–	12	–	(131)	–	–	(131)
Total comprehensive income for the year	**–**	**–**	**970**	**(146)**	**5**	**(93)**	**–**	**12**	**–**	**748**	**–**	**–**	**748**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - Additional tier 1 coupon	–	–	(72)	–	–	–	–	–	–	(72)	–	–	(72)
Dividends on preference equity interests paid in cash	–	–	(7)	–	–	–	–	–	–	(7)	–	–	(7)
Changes in amount and value of own shares held (note 48)	–	–	–	–	–	–	–	–	(1)	(1)	–	–	(1)
Total transactions with owners	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(80)**	**–**	**–**	**(80)**
Transfer from capital reserve to retained earnings	–	–	(9)	–	–	–	9	–	–	–	–	–	–
Balance at 31 December 2022	**1,625**	**571**	**7,434**	**(17)**	**(31)**	**(786)**	**1,495**	**33**	**(1)**	**10,323**	**975**	**2**	**11,300**

Other reserves includes the amalgamation of the liability credit reserve €9 million, and revaluation reserve €24 million.

Consolidated statement of changes in equity *(for the year ended 31 December 2021) (continued)*

				Other reserves									
Group	Capital stock €m	Stock premium account €m	Retained earnings €m	Debt instruments at FVOCI reserve €m	Cash flow hedge reserve €m	Foreign exchange reserve €m	Capital reserve €m	Other reserves €m	Own shares held by Group subsidiaries €m	Attributable to equity holders of Parent €m	Other equity instruments €m	Non-controlling interests €m	Total €m
Balance at 1 January 2021	**1,625**	**571**	**5,057**	**163**	**(26)**	**(877)**	**1,414**	**26**	**–**	**7,953**	**975**	**2**	**8,930**
Profit for the year	–	–	1,048	–	–	–	–	–	–	1,048	–	–	1,048
Other comprehensive income for the year	–	–	597	(34)	(10)	184	–	(5)	–	732	–	–	732
Total comprehensive income for the year	**–**	**–**	**1,645**	**(34)**	**(10)**	**184**	**–**	**(5)**	**–**	**1,780**	**–**	**–**	**1,780**
Transactions with owners													
Contributions by and distributions to owners of the Group													
Distribution on other equity instruments - Additional tier 1 coupon	–	–	(71)	–	–	–	–	–	–	(71)	–	–	(71)
Dividends on preference equity interests paid in cash	–	–	(7)	–	–	–	–	–	–	(7)	–	–	(7)
Changes in amount and value of own shares held (note 48)	–	–	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	**–**	**–**	**(78)**	**–**	**–**	**–**	**–**	**–**	**–**	**(78)**	**–**	**–**	**(78)**
Transfer from capital reserve to retained earnings	–	–	(72)	–	–	–	72	–	–	–	–	–	–
Balance at 31 December 2021	**1,625**	**571**	**6,552**	**129**	**(36)**	**(693)**	**1,486**	**21**	**–**	**9,655**	**975**	**2**	**10,632**

Other reserves includes the amalgamation of the liability credit reserve (€6) million, and revaluation reserve €27 million.

Statement of changes in equity *(for the year ended 31 December 2022)*

				Other reserves							
	Capital stock	Stock premium account	Retained earnings	Debt instruments at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Capital reserve	Other reserves	Attributable to equity holders of Parent	Other equity instruments	Total
Bank	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Balance at 1 January 2022	**1,625**	**561**	**5,215**	**129**	**(56)**	**(324)**	**976**	**20**	**8,146**	**975**	**9,121**
Profit for the year	–	–	972	–	–	–	–	–	972	–	972
Other comprehensive income for the year	–	–	54	(146)	26	(71)	–	26	(111)	–	(111)
Total comprehensive income for the year	**–**	**–**	**1,026**	**(146)**	**26**	**(71)**	**–**	**26**	**861**	**–**	**861**
Transactions with owners											
Contributions by and distributions to owners of the Group											
Distribution on other equity instruments - Additional tier 1 coupon	–	–	(72)	–	–	–	–	–	(72)	–	(72)
Dividends on preference equity interests paid in cash	–	–	(7)	–	–	–	–	–	(7)	–	(7)
Total transactions with owners	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**	**–**	**(79)**	**–**	**(79)**
Balance at 31 December 2022	**1,625**	**561**	**6,162**	**(17)**	**(30)**	**(395)**	**976**	**46**	**8,928**	**975**	**9,903**

Other reserves includes the amalgamation of the liability credit reserve €19 million, and revaluation reserve €27 million.

Statement of changes in equity *(for the year ended 31 December 2021) (continued)*

Bank	Capital stock	Stock premium account	Retained earnings	Other reserves: Debt instruments at FVOCI reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign exchange reserve	Other reserves: Capital reserve	Other reserves: Other reserves	Attributable to equity holders of Parent	Other equity instruments	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2021	**1,625**	**561**	**3,486**	**163**	**(70)**	**(448)**	**976**	**27**	**6,320**	**975**	**7,295**
Profit for the year	–	–	1,258	–	–	–	–	–	1,258	–	1,258
Other comprehensive income for the year	–	–	549	(34)	14	124	–	(7)	646	–	646
Total comprehensive income for the year	**–**	**–**	**1,807**	**(34)**	**14**	**124**	**–**	**(7)**	**1,904**	**–**	**1,904**
Transactions with owners											
Contributions by and distributions to owners of the Group											
Distribution on other equity instruments - Additional tier 1 coupon	–	–	(71)	–	–	–	–	–	(71)	–	(71)
Dividends on preference equity interests paid in cash	–	–	(7)	–	–	–	–	–	(7)	–	(7)
Total transactions with owners	**–**	**–**	**(78)**	**–**	**–**	**–**	**–**	**–**	**(78)**	**–**	**(78)**
Balance at 31 December 2021	**1,625**	**561**	**5,215**	**129**	**(56)**	**(324)**	**976**	**20**	**8,146**	**975**	**9,121**

Other reserves includes the amalgamation of the liability credit reserve (€10) million, and revaluation reserve €30 million.

Consolidated cash flow statement *(for the year ended 31 December 2022)*

	Note	2022 €m	*Restated*[1] 2021 €m
Cash flows from operating activities			
Profit before tax		1,036	1,213
Share of results of associates and joint ventures	17	(40)	(5)
Gain on disposal / liquidation of business activities	18	(1)	(2)
Depreciation and amortisation	10,13	237	247
Net impairment losses / (gains) on financial instruments, excluding cash recoveries		267	(159)
Impairment of property, plant and equipment	14,34	14	30
Impairment of intangible assets and goodwill	31	7	2
Reversal of impairment on property	13	–	(2)
Revaluation of investment property	32	71	17
Interest expense on subordinated liabilities	5	89	82
Interest expense on lease liabilities	5	12	11
Charge for pension and similar obligations	46	58	99
Net change in accruals and interest payable		99	6
Net change in prepayments and interest receivable		89	(60)
Charge for provisions	43	55	102
Non-cash and other items		(112)	97
Cash inflows from operating activities before changes in operating assets and liabilities		**1,881**	**1,678**
Net change in items in the course of collection from other banks		44	(2)
Net change in trading securities		20	(20)
Net change in derivative financial instruments		2,015	934
Net change in fair value changes due to interest rate risk of the hedged items in portfolio hedges[1]		(2,142)	(252)
Net change in other financial assets at FVTPL		1,546	(2,682)
Net change in loans and advances to banks		123	(38)
Net change in loans and advances to customers[1]		3,057	2,174
Net change in other assets		323	(33)
Net change in deposits from banks		(9,355)	10,396
Net change in customer accounts[1]		7,166	3,778
Net change in debt securities in issue		(571)	1,482
Net change in liabilities to customers under investment contracts		(801)	779
Net change in insurance contract liabilities		(1,119)	1,920
Net change in other operating liabilities		(580)	(264)
Net cash (outflows) / inflows from operating assets and liabilities		**(274)**	**18,172**
Net cash inflows from operating activities before tax		**1,607**	**19,850**
Tax paid		(69)	(87)
Net cash inflows from operating activities		**1,538**	**19,763**
Investing activities (section a below)		4,686	842
Financing activities (section b below)		(479)	287
Effect of exchange translation and other adjustments		166	(226)
Net change in cash and cash equivalents		**5,911**	**20,666**
Opening cash and cash equivalents		33,931	13,265
Closing cash and cash equivalents	50	**39,842**	**33,931**

[1] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

Consolidated cash flow statement *(for the year ended 31 December 2022) (continued)*

	Note	2022 €m	2021 €m
(a) Investing activities			
Disposal / redemption of financial assets at FVOCI	24	4,785	2,620
Disposal / redemption of debt securities at amortised cost		1,003	432
Additions to financial assets at FVOCI	24	(283)	(1,446)
Acquisition of subsidiary, net of cash and cash equivalents acquired	53	(281)	–
Additions to intangible assets	31	(264)	(247)
Additions to debt securities at amortised cost		(232)	(312)
Additions to property, plant and equipment - owned assets	33	(104)	(73)
Proceeds from disposal of property, plant and equipment		45	22
Additions to investment property	32	(65)	(157)
Proceeds from disposal of investment property		95	1
Net change in interest in associates	29	(16)	2
Dividends received from joint ventures	30	3	–
Cash inflows from investing activities		**4,686**	**842**
(b) Financing activities			
Repayment of subordinated liabilities	51	(1,091)	–
Proceeds from issue of subordinated liabilities	51	848	500
Interest paid on subordinated liabilities	51	(92)	(78)
Distribution paid on other equity instruments - AT1 coupon	49	(72)	(71)
Payment of lease liability	42	(53)	(46)
Interest paid on lease liability	42	(12)	(11)
Dividend paid on other preference equity interests		(7)	(7)
Cash (outflows) / inflows from financing activities		**(479)**	**287**

Net cash flows from operating activities includes interest received of €3,237 million (2021: €2,785 million) and interest paid of €451 million (2021: €347 million).

Notes to the consolidated financial statements

1 Group accounting policies

Basis of preparation
These consolidated financial statements are financial statements of the Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries (collectively the 'Group') and the separate financial statements of the Bank.

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Bank balance sheets, the Consolidated and Bank statements of changes in equity, the Consolidated cash flow statement and the notes to the consolidated financial statements and Bank financial statements on pages 84 to 280.

The separate financial statements of the Bank reflect the financial statements of the Bank only and do not consolidate the results of any subsidiaries.

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. The financial statements of the Bank are prepared under FRS 101 'Reduced disclosure framework' and in accordance with Section 290 (1) of the Companies Act 2014.

In preparing these financial statements the Bank 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 Bank 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 Statements';
- certain disclosure requirements in respect of IFRS 15 'Revenue from Contracts with Customers'; and
- the effects of new but not yet effective IFRSs.

Where relevant, equivalent disclosures have been given in the Group financial statements. Accounting policies that are relevant to the Bank only are set out on page 98.

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 or 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 applied is set out in note 2.

FX rates used during the year are as follows:

	2022		2021	
	Average	Closing	Average	Closing
€ / Stg£	0.8528	0.8869	0.8596	0.8403
€ / US$	1.0531	1.0666	1.1827	1.1326

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 2022 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 for the Irish economy and the current global macroeconomic and geopolitical environment.

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.

Adoption of new and amended accounting standards
There have been no new standards or amendments to standards, adopted by the Group during the year ended 31 December 2022, which have had a material impact on the Group.

Voluntary change in accounting policy on the presentation of the portfolio fair value hedge adjustment
The Group has voluntarily changed its accounting policy for the presentation of portfolio fair value hedge adjustments on the Group's balance sheet as a separate line item.

In prior periods, the portfolio fair value hedge adjustments relating to fixed rate mortgages, current accounts and demand deposit accounts were included within the carrying amount of the hedged items.

The Group has adopted an amended accounting policy in 2022, such that:

The portfolio fair value hedge adjustment is no longer included within the carrying amount of the hedged asset or liability. Instead, the portfolio fair value hedge adjustment is presented separately on the balance sheet as a separate line item "Fair value changes due to interest rate risk of the hedged items in portfolio hedges."
- Where the underlying hedged item is an asset, the portfolio hedge adjustment is presented separately within assets.

1 Group accounting policies *(continued)*

- Where the underlying hedged item is a liability, the portfolio hedge adjustment is presented separately within liabilities.

The Group believes this revised accounting policy provides reliable and more relevant information on the Group's customer lending and customer deposit volumes and in particular the impact of hedge accounting.

This change in accounting policy has been applied 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 note 20.

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 disclosures as appropriate.

Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method for financial instruments measured at amortised cost and financial assets which are debt instruments measured at fair value through other comprehensive income (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 Purchased or Originated Credit impaired financial asset (POCI) financial assets where ECL is 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 portfolio fair value hedges of financial liabilities and portfolio 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 fair value through profit or loss (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.

1 Group accounting policies *(continued)*

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.

Financial assets

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.

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.

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.

Regular way purchases and sales of financial assets measured at FVOCI are recognised on trade date.

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.

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
- 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

1 Group accounting policies *(continued)*

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.

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.

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:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

1 Group accounting policies *(continued)*

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:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date 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.

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.

1 Group accounting policies *(continued)*

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:
- 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
- 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
- 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 57 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.

In October 2022, the ECB decided to recalibrate the conditions of TLTRO III as part of monetary policy measures adopted to restore price stability over the medium term. From 23 November 2022 until the maturity date or early repayment date of TLTRO III funding, the interest rate will be indexed to the average applicable key ECB interest rates over this period. The Group repaid its TLTRO III funding in full on 23 November 2022.

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.

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 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.

1 Group accounting policies *(continued)*

The Group designates certain derivatives as either:
- 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
- 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.

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 portfolio 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, portfolio 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 effectiveness testing is performed on a portfolio basis rather than on an individual hedge relationship by hedge relationship basis.

For micro fair value hedges, the hedge adjustment is presented as an adjustment to the carrying amount of the hedged item.

For portfolio fair value hedges, the hedge adjustment is presented on the balance sheet as a separate line item "Fair value changes due to interest rate risk of the hedged items in portfolio hedges." Where the underlying hedged item is an asset, the portfolio hedge adjustment is presented separately within assets. Where the underlying hedged item is a liability, the portfolio hedge adjustment is presented separately within liabilities.

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 portfolio 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.

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.

1 Group accounting policies *(continued)*

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, discounted cash flow (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.

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

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

1 Group accounting policies *(continued)*

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.

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.

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.

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 Bank 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

1 Group accounting policies *(continued)*

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. Stockbroking commission income arising from the Davy Stockbroking business is recognised as earned in the period in which the related deals are executed on behalf of clients and the performance obligation is satisfied. 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 Right of Use (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'.

The Group has elected not to recognise 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 the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

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.

1 Group accounting policies *(continued)*

Assets leased to customers under an operating leases are included within property, plant and equipment on the statement of financial position and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Depreciation on assets acquired for the purpose of leasing under operating leases is recognised in other leasing expense. Lease income is recognised on a straight line basis over the period of the lease unless another systematic basis is more appropriate.

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 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
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.

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.

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.

Client Property
In the normal course of business, the Group (through Davy) provides the following services to certain of its clients:
- investment of funds at the sole discretion of the Group in securities and the placing of deposits in separately designated accounts with recognised banks and building societies, the income from which accrues for the benefit of these clients, and
- custodianship of securities held on behalf of clients.

1 Group accounting policies *(continued)*

Client property placed with third parties is not recognised on the Group's balance sheet as the Group does not have any rights to the benefits from this property nor have any control over the property and therefore the property is not considered an asset of the Group.

Where the client property is placed on deposit with the Group, these are considered liabilities of the Group and are recognised in customer accounts.

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

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. Plans in surplus are shown as assets and plans in deficit are shown as liabilities. A surplus is only recognised as an asset to the extent that it is recoverable through a refund from the plan or through reduced contributions in the future.

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).

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.

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.

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

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.

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

1 Group accounting policies *(continued)*

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.

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.

Capital Stock and reserves
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.

Dividends on ordinary shares
Final dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank’s shareholders on the recommendation of the Court of Directors, or approved by the Court of Directors, as appropriate. Interim dividends are recognised in equity in the period in which they are paid.

Treasury shares
Where the Bank or its subsidiaries purchase the Bank’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 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.

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.

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.

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.

Share premium account
Where the Bank 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 Bank’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.

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.

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.

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.

1 Group accounting policies *(continued)*

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.

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.

Accounting Policies relevant to the Bank only

Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Bank, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. Where the transactions meet the definition of a group reconstruction or achieve a similar result, predecessor accounting is applied. The assets and liabilities of the business transferred are measured in the acquiring entity upon initial recognition at their existing book value in the Group, as measured under IFRS. The Bank incorporates the results of the acquired businesses only from the date on which the business combination occurs.

Shares in Group undertakings

The Bank's shares in Group undertakings are stated at cost less any impairment. The Bank reviews its shares in Group undertakings 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.

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 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. The use of reasonably possible alternative assumptions would not materially impact the carrying value of the Bank's shares in Group undertakings. See note 28 for further information.

Impact of new accounting standards

The following standards will be relevant to the Group but were not effective at 31 December 2022 and have not been applied in preparing these financial statements. There are no other standards that are not yet effective and that would have a material impact on the Group in future reporting periods. The Group's current view of the impact of these standards is outlined below.

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 and reinsurance contracts, ensuring an entity provides relevant information that faithfully represents those contracts. The description for insurance contracts issued that follows also applies, the appropriate changes, to reinsurance contracts held. Items relevant specifically to reinsurance contracts held are dealt with in a separate section.

The Standard was endorsed by the EU on 19 November 2021, with an optional exemption from applying annual cohort requirements that relates to the timing of the recognition of the

1 Group accounting policies *(continued)*

profit in the contract, the contractual service margin (CSM), in profit or loss. The Group does not intend to use this exemption.

Effective date

The effective date is for financial periods beginning on or after 1 January 2023, with early application permitted.

Impact

Impact of the adoption of IFRS 17 on the following areas has been considered:

- impact on operating segment and operations;
- transitional provisions (including accounting policy elections on first-time adoption);
- changes to the current accounting policies;
- differences between IFRS 17 and Solvency II;
- impact on Alternative Performance Measures (APMs);
- IFRS 17 project status; and
- estimated financial impact.

Impact on operating segments and operations

The Group issues insurance contracts through its subsidiary New Ireland Assurance Company (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 the recognition, measurement, presentation and disclosure of the insurance business in the Group's financial statements. There are also no changes to the underlying fundamentals and operations of the operating segment or the operations of the Wealth and Insurance segment.

Transitional provisions (including accounting policy elections on first-time adoption)

IFRS 17 prescribes the transition approaches that must be applied. On transition to IFRS 17, entities must apply the fully retrospective approach (FRA), unless impracticable. The Group will apply the FRA to contracts issued on or after 1 January 2019. The fair value approach will be applied to contracts which were issued before 1 January 2019, as it was considered impracticable to apply the FRA prior to this date as a result of material changes to cash flow models due to data limitations.

Contracts within the scope of IFRS 17 must now apply the prescribed measurement models. IFRS 17 permits three possible measurement models: the General Measurement Model (GMM), the Premium Allocation Approach (PAA) and the Variable Fee Approach (VFA). The GMM is the default measurement model in IFRS 17 and the PAA is a simplified approach, which may be applied where certain eligibility criteria are met. The VFA must be applied to contracts with direct participation features. On transition to IFRS 17 the Group expects that insurance contracts issued and reinsurance contracts held will be measured using the GMM, except where the VFA applies. The Group expects the VFA to be applied to insurance contracts in the unit linked life and pension portfolio. Further detail is provided below as to how a "portfolio" is defined.

As permitted by IFRS 17, the Group also plans to elect the following accounting policies on first time adoption of IFRS 17:

- Changes in the risk adjustment for non-financial risk will be disaggregated between the insurance services result and the insurance finance income or expenses (IFIE) will be;
- IFIE will not be disaggregated between amounts included in profit or loss and amounts included in other comprehensive income; and
- The financial performance of groups of reinsurance contracts held will be presented on a net basis in net income (expense) from reinsurance contracts held.

No accounting policy elections have been made in relation to balances, which may have been recognised and measured in accordance with IFRS 4, which are now within the scope of IFRS 9 as a result of transitioning to IFRS 17.

Changes to the current accounting policies

IFRS 17 introduces new initial recognition, measurement models, presentation and disclosure requirements. As part of the on-going transition effort the Group have identified the following key accounting policies which will be impacted by transitioning to IFRS 17:

Investment components

IFRS 17 requires the identification and separation of distinct investment components from contracts within the scope of IFRS 17, unless it is an investment contract with discretionary participation features. For contracts that include both insurance coverage and investment-related service the Group will separate distinct investment components that are not highly inter-related to the insurance component. The distinct investment components will then be measured in accordance with IFRS 9.

Contract boundary

The measurement of a group of insurance contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. The Group has determined that expected future single premium injections and regular premium increases for unit-linked life and pensions contracts, even though at the discretion of policyholders, are within the contract boundaries as the Group may not adjust the terms and conditions for such increases.

Level of aggregation (LoA)

IFRS 17 requires an entity to determine the LoA for applying its requirements. The LoA for the Group will be determined firstly by dividing the business written into portfolios. Portfolios in accordance with IFRS 17 comprise groups of contracts with similar risks which are managed together. Portfolios will be further divided at inception into three categories based on expected profitability: onerous contracts, contracts with no significant possibility of becoming onerous, and the remainder. Contracts issued more than one year apart will not be allocated to the same group, except for contracts measured using the fair value approach at transition to IFRS 17.

Measurement

Under IFRS 17 the carrying value of insurance contracts comprises of the present value of future cash flows (separated into liability for remaining coverage and liability for incurred claims), a risk adjustment for non-financial risk and the contractual service margin, which is calculated retrospectively and represents expected future profits to be recognized over the lifetime of contracts. In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

1 Group accounting policies *(continued)*

GMM
Changes in liability for incurred claims (LIC) and liability for remaining coverage (LRC) will be reflected in insurance revenue, insurance service expense, IFIE, or adjust the contractual service margin (CSM). The amount of CSM recognised in profit or loss for services in the period will be determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. Services provided will be estimated using coverage units, which reflect the quantity of benefits and the coverage duration.

VFA
For insurance contracts under the VFA there will be adjustments that relate to future service thus changing the CSM. These are expected to include changes in the group's share of the fair value of underlying items and changes in the fulfilment cashflows (FCF) that would not vary based on the returns of underlying items and relate to future service. Other changes in cashflows are reflected in profit or loss.

Coverage units
The Group determines coverage units applying equal weight to the expected benefits resulting from insurance coverage to which policyholders may become entitled, investment-return service and investment-related service. Coverage units for future years are discounted at rates determined at the inception of a group of contracts (locked-in rates), except for the unit-linked life and pension's portfolio, where current discount rates are used.

Reinsurance
The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:
- Measurement of the cash flows will include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including allowing for the effects of collateral and losses from disputes.
- The Group will determine the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The Group will recognise both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and this will be released to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition. The amount of the CSM recognised in profit or loss for services in the period will be determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units, representing the proportion of insurance coverage and investment return service of underlying contracts that will be reinsured. Equal weights are expected to be applied to insurance coverage and investment-return service.
- Changes in the fulfilment cash flows will be recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- The VFA does not apply to reinsurance contracts.

Risk adjustment for non-financial risk
The risk adjustment reflects the compensation that the Group requires to compensate for the risk in the level and timing of future cash flows arising from non-financial risks. The Group plans to determine the risk adjustment for non-financial risk as follows:
- a value at risk approach (also referred to as a confidence interval approach) will be applied at a confidence interval of 90% over one year, which reflects the Group's risk appetite for insurance business. In addition to the disclosure of the one year confidence interval of 90% the Group intends to disclose the approximate confidence interval over the run-off of the in force business (ultimate confidence interval);
- the effect of assumed adverse experience will be determined as a one-off sensitivity at the reporting date that persists for the duration of contracts;
- the Group will allow for diversification of non-financial risks with financial risks and with investment contracts, based on the Solvency II (the prudential regime for insurance and reinsurance undertakings in the EU) standard formula diversification factors;
- the risk adjustment for contracts issued will allow for the effect of sensitivities net of reinsurance plus the expected cost of reinsurance; and
- the risk adjustment for reinsurance contracts held will be based on the reinsured proportions of risks included in the risk adjustment for contracts issued.

Value of in Force (VIF)
In accordance with IFRS 17 there will be no VIF asset recognised and as a result the estimated future profits will now be included in the measurement of the insurance contract liability as the CSM, representing unearned profit, which will be gradually recognised over the duration of the contract. The removal of the VIF asset and the recognition of the CSM, which is a liability, will reduce equity.

Discount rates
Discount rates will be based on market information where available and will be determined using the top-down approach for the annuity portfolios and the bottom-up approach for other contracts. For long durations where there is no observable market information interest rates will be estimated based on a small excess return of between 0.5% and 1% above expected long-term inflation rates, based on the excess return above expected long-term inflation rates at long duration where the market is liquid. An illiquidity premium, depending on the nature of contracts, will be included in discount rates, except for contracts in the unit-linked life and pensions portfolio, as these contracts are considered to be liquid. The reference portfolios for the top down approach are based on assets backing the liabilities with characteristics similar to the liabilities. The implied investment returns on these assets are adjusted to allow for credit risk based on the Solvency II fundamental spreads. The bottom-up risk-free discount rate curve will be based on similar methodology as the Solvency II risk-free curve, which is derived using swaps, but non-market constraints are removed and ultimate forward rate reduced (as noted above).

Directly Attributable Expenses (DAE)
DAE, which include both acquisition and maintenance costs, in accordance with IFRS 17 will be incorporated in actual and estimated future cash flows and recognised in the result of insurance services. Acquisition costs will be amortised, and for contracts not measured under the PAA, this amortisation is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cashflows. Costs that are not directly attributable will remain in operating expenses. This will result in a reduction in reported operating expenses compared to the current accounting treatment.

Presentation and disclosure
IFRS 17 requires amendments to the Financial Statement Line Items (FSLI) that will be presented in the primary statements. In the Group consolidated primary statements currently

1 Group accounting policies *(continued)*

in accordance with IFRS 4 net insurance premium income, insurance contract liabilities, claims paid and total operating income net of insurance claims are presented as FSLI. These IFRS 4 FSLI's will be replaced with an insurance service result (which comprises insurance revenue, insurance service expense and net income/expense from reinsurance contracts held). The Insurance finance income or expense (IFIE) will be recognised within net insurance investment and finance result. The presentation of the IFIE and the financial performance of the groups of reinsurance contracts held will be in line with the Group's planned accounting policy election as set out in the impact of IFRS 17 section above.

Insurance service result will include insurance revenue, which for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses.

IFIE will include the changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein. They also include changes in the measurement of groups of contracts caused by the changes in the value of underlying items.

IFRS 17 also requires increased disclosures with more granular information in relation to the amounts recognised from insurance contracts; significant judgements and their changes; and the nature and extent of risks that arise from insurance contracts.

Currently it is anticipated that the changes in accounting policies mentioned above create an impact on either profit or equity as follows:
- IFRS 17 will have a significant impact on the accounting for insurance contracts. The Group expects that profits pertaining to insurance contracts, within the Wealth and Insurance operating segment of the Group, will be gradually recognised over the life of the contract, rather than being accelerated at the inception. This is expected to result in a reduction in earnings in 2023, however the profit over the life of the insurance contracts will remain unchanged.
- In accordance with IFRS 17 there will be no VIF asset recognised. The future profit instead will be included in the measurement of CSM and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an insurance contract will be unchanged, the emergence of this profit will be later under IFRS 17. The removal of the VIF asset and the recognition of CSM, which is a liability, will reduce equity on transition.
- DAE, in accordance with IFRS 17, will be recognised in the result of insurance services as a reduction in reported revenue, as profit is recognised over the duration of insurance contracts. Costs that are not directly attributable will remain in operating expenses. This will result in a reduction in reported operating expenses compared to the current accounting treatment.

Please refer to the estimated financial impact of adoption of IFRS 17 section below for an estimated quantitative range of the impact on equity as a result of transition to IFRS 17.

Difference between IFRS 17 and Solvency II

Solvency II remains as NIAC's capital and regulatory framework and the Solvency II ratio of NIAC is unchanged as a result of the Group's transition to IFRS 17. NIAC's ability to pay dividends to its parent company within the Group will therefore not be affected. As a general principal the Solvency II cashflows and IFRS 17 best estimate of future cashflows were aligned to the extent appropriate. IFRS 17 best estimate of future cash flows deviate from the Solvency II best estimate mainly due to the following key differences:
- Level of aggregation of projected cash flows;
- Contracts boundaries; and
- Directly attributable and non-directly attributable expenses.

APMs

IFRS 17 requires directly attributable expenses to be captured within the measurement model of insurance contracts. As a result APMs that pertain to expenses therefore will be impacted by transitioning to IFRS 17. Other APMs are not expected to be impacted by transitioning to IFRS 17 and will continue to be reported.

IFRS 17 Project status

The Group's IFRS 17 implementation programme is progressing to plan. The development of methodologies and accounting policies has been largely completed. The data sourcing work has been completed on all administration systems and the build phase of the development is completed. Work is focusing on finalising the changes required to reporting and other systems. Key transition controls are in place, given the iterative progress of transition some additional minor controls are anticipated prior to finalisation of the transition project. Work has been performed to validate the IFRS 17 end-to-end solution and migrate to the new IFRS 17 valuation process. This included a number of dry runs during 2022, to calculate comparative data following its validation. The programme has moved to parallel runs.

The opening balance sheet at the transition date of 1 January 2022 has been prepared. Production of H1 2022 comparatives has been completed. The production of FY 2022 comparatives will be completed in H1 2023, which will produce the balance sheet at 1 January 2023, the date of initial application.

Estimated financial impact of adoption of IFRS 17

In addition to the expected impacts on profit as detailed above, the Group has estimated the impact on shareholders' equity on transition to IFRS 17, being an estimated reduction in the range of €350 million to €390 million at the transition date of 1 January 2022. A range has been disclosed, pending finalisation of all assumptions impacting the measurement of the Group's insurance contract liabilities under IFRS 17 at that date.

The Group has not disclosed an estimate of the impact of the implementation of IFRS 17 at the date of initial application of 1 January 2023, as the impact is not yet known or reasonably estimable. The Group anticipates completion of its work on the financial impact at that date by the end of H1 2023.

Pronouncement: Amendments to IAS 1 ‘Presentation of Financial Statements’ - 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.

1 Group accounting policies *(continued)*

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 'Presentation of Financial Statements' and IFRS Practice Statement 2: Disclosure of Accounting policies.

Nature of change
The effect of the amendment is that an entity will discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. To support the amendments, 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 were endorsed by the EU on 2 March 2022.

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 'Accounting policies, Changes in Accounting Estimates and Errors'

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 were endorsed by the EU on 2 March 2022.

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 12 'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Nature of change
The amendments were introduced to address potential issues of inconsistency and interpretation by users in respect of the initial recognition exemption detailed in paragraphs 15 and 24 (for deferred tax liabilities and assets respectively). The amendments introduce an exception to the initial recognition exemption in IAS 12. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The amendments were endorsed by the EU on 11 August 2022.

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.

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).

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 Loss Given Default (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 195 to 200.

Changes in estimates

Forward Looking Information

FLI refers to probability weighted future macroeconomic scenarios approved semi-annually by the Executive Risk Committee 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 2022, comprising 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 year ending 31 December 2022 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 idiosyncratic nature of recent events i.e. Russia's invasion of Ukraine, the COVID-19 economic shock and Brexit, the Group has employed an amended approach for the selection of the upside and downside FLI scenarios for reporting periods since 31 December 2020, in order to avoid counterintuitive 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 comprising one upside and two downside scenarios have been constructed.

The FLI methodology framework was leveraged to assign an initial set of 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 final set of probability weightings used in Expected credit losses (ECL) estimates reflected the application of management judgement to the initial probability weightings. Increased weight was assigned to the central scenario and downside scenario 2, with an offsetting decrease in the upside scenario weight. External forward looking information informed the application of this management judgement, and reflected economic uncertainty associated with a combination of factors including: Russia's invasion of Ukraine; elevated inflation rates; supply chain disruption; and interest rate expectations in the Group's key economies. The estimated impact of this judgement was a c.€37 million increase in reported impairment loss allowance.

2 Critical accounting estimates and judgements *(continued)*

The table below shows the mean average forecast values for the key macroeconomic variables under each scenario for the forecast period 2023 to 2027, together with the scenario weightings for both the RoI and the UK.

	Republic of Ireland				United Kingdom			
			Downside				Downside	
2022	**Central scenario**	**Upside scenario**	**Scenario 1**	**Scenario 2**	**Central scenario**	**Upside scenario**	**Scenario 1**	**Scenario 2**
Scenario probability weighting	**45%**	**15%**	**25%**	**15%**	**45%**	**15%**	**25%**	**15%**
Gross Domestic Product (GDP) - annual growth rate	3.5%	3.9%	2.8%	1.9%	1.2%	1.6%	0.4%	(0.3%)
Gross National Product (GNP) - annual growth rate	3.1%	3.6%	2.5%	1.5%	n/a	n/a	n/a	n/a
Unemployment - average yearly rate	4.8%	4.4%	6.4%	8.5%	4.4%	3.9%	6.1%	7.8%
Residential property price growth - year end figures	1.2%	1.6%	(3.0%)	(5.6%)	(1.2%)	0.0%	(4.4%)	(6.6%)
Commercial property price growth - year end figures	(0.6%)	0.8%	(3.1%)	(5.7%)	(1.3%)	0.0%	(3.8%)	(6.5%)

	Republic of Ireland				United Kingdom			
			Downside				Downside	
2021	**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%**
Gross Domestic Product (GDP) - annual growth rate	3.8%	4.2%	3.2%	2.1%	2.3%	2.8%	1.7%	0.7%
Gross National Product (GNP) - annual growth rate	3.8%	4.1%	3.1%	2.0%	n/a	n/a	n/a	n/a
Unemployment - average yearly rate	5.9%	5.1%	7.3%	9.3%	4.4%	3.8%	5.8%	8.0%
Residential property price growth - year end figures	2.2%	3.4%	(0.8%)	(3.0%)	1.8%	3.0%	(1.2%)	(3.6%)
Commercial property price growth - year end figures	1.4%	2.4%	(0.4%)	(3.4%)	1.6%	2.8%	(0.4%)	(3.4%)

The tables below set out the forecast values for 2023 and 2024 and the average forecast values for the period 2025 to 2027 for the key macroeconomic variables which underpin the above mean average values.

	Republic of Ireland			United Kingdom		
	2023	**2024**	**2025-2027**	**2023**	**2024**	**2025-2027**
Central scenario - 45% weighting						
Gross Domestic Product - (GDP) - annual growth rate	4.1%	3.8%	3.1%	(0.6%)	0.7%	1.9%
Gross National Product - (GNP) - annual growth rate	3.7%	2.8%	3.0%	n/a	n/a	n/a
Unemployment - average yearly rate	4.9%	4.9%	4.8%	4.4%	4.8%	4.2%
Residential property price growth - year end figures	0.0%	0.0%	2.0%	(7.0%)	(4.0%)	1.7%
Commercial property price growth - year end figures	(6.0%)	(2.5%)	1.8%	(10.5%)	(2.5%)	2.2%
Upside scenario - 15% weighting						
Gross Domestic Product - (GDP) - annual growth rate	4.6%	4.5%	3.4%	0.2%	1.4%	2.1%
Gross National Product - (GNP) - annual growth rate	4.2%	3.7%	3.3%	n/a	n/a	n/a
Unemployment - average yearly rate	4.5%	4.4%	4.3%	4.2%	4.1%	3.7%
Residential property price growth - year end figures	2.0%	1.0%	1.7%	(4.0%)	(2.0%)	2.0%
Commercial property price growth - year end figures	(3.5%)	(0.5%)	2.7%	(8.0%)	0.0%	2.7%
Downside scenario 1 - 25% weighting						
Gross Domestic Product - (GDP) - annual growth rate	2.0%	2.8%	3.0%	(2.0%)	(1.2%)	1.8%
Gross National Product - (GNP) - annual growth rate	1.8%	2.0%	2.8%	n/a	n/a	n/a
Unemployment - average yearly rate	6.0%	6.6%	6.4%	5.3%	6.5%	6.2%
Residential property price growth - year end figures	(11.0%)	(4.0%)	0.0%	(13.0%)	(7.0%)	(0.7%)
Commercial property price growth - year end figures	(9.5%)	(6.0%)	0.0%	(14.0%)	(6.0%)	0.3%
Downside scenario 2 - 15% weighting						
Gross Domestic Product - (GDP) - annual growth rate	0.0%	1.0%	2.8%	(3.3%)	(3.0%)	1.5%
Gross National Product - (GNP) - annual growth rate	(0.4%)	(0.1%)	2.7%	n/a	n/a	n/a
Unemployment - average yearly rate	7.1%	8.8%	8.9%	6.2%	8.2%	8.2%
Residential property price growth - year end figures	(15.0%)	(8.0%)	(1.7%)	(17.0%)	(11.0%)	(1.7%)
Commercial property price growth - year end figures	(14.5%)	(8.5%)	(1.8%)	(19.0%)	(8.5%)	(1.7%)

2 Critical accounting estimates and judgements *(continued)*

The central, upside and downside scenarios are described below for the both the RoI and the UK:

Central scenario
The Irish and UK economies have been benefiting from the removal of pandemic-related restrictions and rebounding employment during 2022. At the same time, the fallout from Russia's invasion of Ukraine - including high global energy prices and an uncertain external environment - has been adding to prices and costs for consumers and businesses and weighing on confidence, with the UK also experiencing political and market turmoil. ECB and Bank of England interest rate increases are a drag for activity too, so notwithstanding the help to households and firms from government cost-of-living and energy supports, the Central Scenario envisages a moderation in GDP growth in Ireland, and an outright contraction in GDP in the UK, in 2023. Inflation in the two countries is expected to ease significantly in 2024 and economic growth resumes in the UK, while unemployment ticks up for a time before settling at a relatively low rate in both.

Upside scenario
In the Upside Scenario, a mild winter in Europe and increased conservation help lower wholesale energy prices. This has a knock-on effect to inflation in Ireland and the UK, and with rising consumer and business confidence, reduced uncertainty and lingering post-restrictions tailwinds contributing to stronger economic momentum, unemployment edges down in 2023 in Ireland and in 2024 in the UK, and remains low in both countries in subsequent years.

Downside scenario 1
Amid further geopolitical tension, the Downside Scenario 1 sees a complete cut off of Russian oil and gas supplies to Europe. Given limited substitution possibilities and a particularly cold winter, energy rationing and a spike in wholesale prices ensue. Higher food and other commodity prices also add to upward inflationary pressures in Ireland and the UK. Tighter monetary and financial conditions put downward pressure on consumer and business spending, with weaker global demand a headwind for exporting sectors including Information and Communications Technology (ICT) in Ireland, and a renewed bout of domestic economic policy uncertainty impacting the UK. The Irish economy goes into recession in late 2022/early 2023, and GDP growth in the UK is negative in 2023 and in 2024, while unemployment increases in both countries and stays relatively high out the forecast horizon.

Downside scenario 2
The Downside Scenario 2 also assumes a complete cut off of Russian energy supplies to Europe. In addition, the full implementation of customs checks by the UK authorities is followed by the termination of the UK-EU trade agreement as post-Brexit tensions come to a head, adding to existing industrial unrest in the UK and significantly impacting Irish (indigenous) exports. The parallel circulation of the COVID-19 and seasonal flu viruses also requires the imposition of some public health restrictions in Ireland and (to a lesser extent) the UK this winter and next. Amid high inflation, heightened uncertainty, collapsing confidence and tightening financial conditions, the Irish economy goes into recession in late 2022/early 2023 and again during 2024, while GDP growth in the UK is in deep negative territory in both 2023 and 2024. Unemployment moves up in the two countries and remains elevated over the entire forecast period.

Property price growth, all scenarios
In the central scenario, following reasonable growth throughout 2022, residential price growth slows to 0% and -7% in RoI and the UK in 2023 respectively. No further growth is forecast in RoI in 2024 and UK price growth reduces by a further -4.0%. From 2025 onwards both markets record marginal positive growth of 0 – 3% per annum. Following negative outturns in 2022, commercial property prices show further declines in 2023 and 2024 in both RoI and UK. Growth is forecast to return in 2025 with both markets recording positive growth from 2025 onwards of 1.5% - 2.5%.

In the upside scenario, residential property shows low single digit growth for the forecast period in RoI. In the UK prices are expected to turn negative in 2023 and 2024, returning to low single digit growth out to the end of the forecast period. Commercial property price growth is expected to slow in 2023 and 2024 in RoI, returning to low level growth in 2025. In the UK, a decline is expected in 2023, remaining flat in 2024 and returning to growth of 2.5 - 3.0% per annum thereafter.

In the downside scenarios (1 and 2), residential prices are expected to turn negative in 2023 for both RoI and UK with a trough point of -28% (downside scenario 2) for RoI and -33% (downside scenario 2) for UK. Downside scenario 2 effectively sees a full reversal of the gains made in residential prices since recovery from COVID-19 uncertainty began in 2020. Commercial property growth in the downside 1 scenarios is expected to be negative until 2025 in both economies. In downside 2, a marginal return to growth (0.5%) is expected in UK in 2027. For RoI, no return to growth is forecast over the period, with growth flat (0%) by 2027.

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 2022, excluding post-model Group management adjustments to impairment loss allowances, 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). The scenarios outlined in the following tables are based on the FLI weightings outlined on previous page.

Comparative figures at 31 December 2021 are also outlined below (and in subsequent tables in this section). Changes in the figures at 31 December 2022 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.

2 Critical accounting estimates and judgements *(continued)*

2022 Impact of applying multiple scenarios rather than only central scenario	Additional impairment loss allowance Stage 1 Impact €m	 Stage 1 Impact %	 Stage 2 Impact €m	 Stage 2 Impact %	 Stage 3 Impact €m	 Stage 3 Impact %	 Total Impact €m	 Total Impact %
Residential mortgages	3	21%	17	81%	6	6%	26	21%
Retail Ireland	*1*	*14%*	*11*	*94%*	*3*	*5%*	*15*	*18%*
Retail UK	*2*	*28%*	*6*	*65%*	*3*	*12%*	*11*	*30%*
Non-property SME and corporate	6	9%	37	31%	8	2%	51	7%
Property and construction	1	13%	19	58%	4	3%	24	16%
Consumer	5	13%	6	15%	–	–	11	7%
Total	**15**	**12%**	**79**	**38%**	**18**	**2%**	**112**	**10%**

2021 Impact of applying multiple scenarios rather than only central scenario	Additional impairment loss allowance Stage 1 Impact €m	 Stage 1 Impact %	 Stage 2 Impact €m	 Stage 2 Impact %	 Stage 3 Impact €m	 Stage 3 Impact %	 Total Impact €m	 Total 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%**

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:

2022 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios	Multiple scenarios Impairment loss allowance €m	Central scenario Impairment loss allowance €m	Central scenario Impact %	Upside scenario Impairment loss allowance €m	Upside scenario Impact %	Downside scenario 1 Impairment loss allowance €m	Downside scenario 1 Impact %	Downside scenario 2 Impairment loss allowance €m	Downside scenario 2 Impact %
Residential mortgages	146	(26)	(21%)	(32)	(22%)	83	57%	170	116%
Retail Ireland	*100*	*(15)*	*(18%)*	*(17)*	*(17%)*	*34*	*34%*	*72*	*72%*
Retail UK	*46*	*(11)*	*(30%)*	*(15)*	*(33%)*	*49*	*107%*	*98*	*213%*
Non-property SME and corporate	747	(51)	(7%)	(84)	(11%)	65	9%	270	36%
Property and construction	171	(24)	(16%)	(36)	(21%)	17	10%	115	67%
Consumer	171	(11)	(7%)	(15)	(9%)	8	5%	38	22%
Total	**1,235**	**(112)**	**(10%)**	**(167)**	**(14%)**	**173**	**14%**	**593**	**48%**

2 Critical accounting estimates and judgements *(continued)*

2021 Impact of applying only a central, upside or downside scenarios rather than multiple probability weighted scenarios	Multiple scenarios Impairment loss allowance €m	Central scenario Impairment loss allowance €m	Central scenario Impact %	Upside scenario Impairment loss allowance €m	Upside scenario Impact %	Downside scenario 1 Impairment loss allowance €m	Downside scenario 1 Impact %	Downside scenario 2 Impairment loss allowance €m	Downside scenario 2 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%**

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 a central scenario if there was an immediate change in residential property prices as at the reporting date. 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 to a once-off change in residential property values.

2022 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	Residential property price reduction of 10% Impact %	Residential property price reduction of 5% Impact €m	Residential property price reduction of 5% Impact %	Residential property price increase of 5% Impact €m	Residential property price increase of 5% Impact %	Residential property price increase of 10% Impact €m	Residential property price increase of 10% Impact %
Residential mortgages	120	17	14%	8	7%	(7)	(6%)	(13)	(11%)
Retail Ireland	*85*	*8*	*9%*	*4*	*5%*	*(3)*	*(4%)*	*(6)*	*(7%)*
Retail UK	*35*	*9*	*26%*	*4*	*11%*	*(4)*	*(11%)*	*(7)*	*(20%)*

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	Residential property price reduction of 10% Impact %	Residential property price reduction of 5% Impact €m	Residential property price reduction of 5% Impact %	Residential property price increase of 5% Impact €m	Residential property price increase of 5% Impact %	Residential property price increase of 10% Impact €m	Residential property price increase of 10% 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%)*

The sensitivity of impairment loss allowances to stage allocation is such that, based on the respective impairment cover ratios, on a transfer of 1% of Stage 1 balances at 31 December 2022 to Stage 2 would increase the Group's impairment loss allowance by c.€12 million excluding Group management adjustments.

Management judgement in impairment measurement

Management judgement has been incorporated into the Group's impairment measurement process for the year end. Management judgement can be described with reference to:
- credit risk assessment for significant increase in credit risk;
- management judgement in impairment model parameters; and
- post-model Group management adjustments to impairment loss allowance and staging classification.

Credit risk assessment for significant increase in credit risk

As outlined on page 198 of the credit risk methodologies section, the Group considers other reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred. In this regard, for the year ending 31 December 2022, the Group has assessed the impact of inflation and rising interest rates on asset quality.

Credit risk assessments on the impact of elevated inflation rates and rising interest rates on debt affordability were completed across the residential mortgage and consumer portfolios. Where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in stage 2. The credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify c.€1.9 billion of assets as stage 2 at the reporting date, with an associated €12 million increase in impairment loss allowance.

2 Critical accounting estimates and judgements *(continued)*

Management judgement in impairment model parameters

As outlined on page 197 of the credit risk methodologies section, the ECL model framework was updated in the year to reflect an enhanced approach to LGD components for the residential mortgages, micro-SME, Corporate Banking and Business Banking portfolios.

The residential mortgages LGD component was reviewed and enhanced to improve the ability of the model to calibrate LGD estimates for variances between indexed property values and individual property values for distressed sales. The enhanced approach also utilises observed data with respect to alternative resolution strategies such as portfolio sales.

The enhancements to the LGD component of the Residential mortgage impairment models resulted in an increase in impairment loss allowance of c.€49 million (c.€34 million for the RoI mortgage portfolio and c.€15 million for the UK mortgage portfolio). On a like-for-like basis, i.e. including the non-performing portfolios that were disposed of in the second half of 2022, the impact would have been a c.€115 million increase in impairment loss allowance. Following these enhancements, the Group management adjustment for LGD in residential mortgage portfolios recognised at 31 December 2021 is no longer considered to be required (as outlined below).

An enhanced approach to the application of FLI within the LGD component of the impairment models for Corporate Banking and Business Banking portfolios (as outlined on page 197 of the credit risk methodologies section) was adopted. The changes to the LGD component of the Corporate Banking and Business Banking impairment models resulted in a decrease in impairment loss allowance of c.€25 million, noting that the Group management adjustment for LGD in Corporate portfolios recognised at 31 December 2021 is no longer considered to be required (as outlined below).

An updated approach for the estimation of LGD for stage 3 assets in the micro-SME portfolio was implemented in 2022. The updated approach in the impairment model resulted in an increase in impairment loss allowance of c.€45 million.

As outlined on page 197 of the credit risk methodologies section, the Probability of Default (PD) component of the model utilised for the relationship managed segment of the RoI SME portfolio was updated in the year. The macro-economic variables utilised in the PD component were reviewed and updated, with RoI GNP replacing RoI GDP as one of the macro-economic model factors. The updated approach resulted in an increase in impairment loss allowance of c.€20 million, noting that the Group management adjustment for the RoI SME model recognised at 31 December 2021 is no longer considered to be required (as outlined below).

In addition, other impairment model factors were updated at the reporting date to reflect observed information.

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 post-model 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 a late breaking event. At 31 December 2022, the Group's stock of impairment loss allowance of €1.3 billion includes a €60 million total post-model Group management adjustment (31 December 2021: €392 million). Details of the components of the post-model Group management adjustment, as well as the rationale for the removal and / or utilisation of previous management adjustments, are outlined below. The following table provides an overview of Group management adjustments.

		Post - model Group management adjustments						
2022	Impairment loss allowance-before post-model Group Management adjustments €m	COVID-19 €m	Residential Mortgages Loss Given Default €m	NPEs €m	RoI SME Model €m	Corporate Portfolios Loss Given Default €m	Total Post Model Adjustments €m	Total Impairment Loss Allowance €m
Residential mortgages	146	–	–	–	–	–	–	146
Retail Ireland	*100*	–	–	–	–	–	–	*100*
Retail UK	*46*	–	–	–	–	–	–	*46*
Non-property SME and corporate	747	–	–	36	–	–	36	783
Property and construction	171	–	–	24	–	–	24	195
Consumer	171	–	–	–	–	–	–	171
Total loans and advances to customers	**1,235**	**–**	**–**	**60**	**–**	**–**	**60**	**1,295**
Other financial instruments	63	–	–	–	–	–	–	63
Total Financial Assets	**1,298**	**–**	**–**	**60**	**–**	**–**	**60**	**1,358**

2 Critical accounting estimates and judgements *(continued)*

2021	Impairment loss allowance-before post-model Group Management adjustments €m	Post - model Group management adjustments: COVID-19 €m	Residential Mortgages Loss Given Default €m	NPEs €m	RoI SME Model €m	Corporate Portfolios Loss Given Default €m	Total Post Model Adjustments €m	Total Impairment Loss Allowance €m
Residential mortgages	287	20	117	80	–	–	217	504
Retail Ireland	*251*	*16*	*80*	*80*	–	–	*176*	*427*
Retail UK	*36*	*4*	*37*	–	–	–	*41*	*77*
Non-property SME and corporate	619	77	–	–	31	28	136	755
Property and construction	510	13	–	–	–	4	17	527
Consumer	153	19	–	–	–	–	19	172
Total loans and advances to customers	**1,569**	**129**	**117**	**80**	**31**	**32**	**389**	**1,958**
Other financial instruments	61	3	–	–	–	–	3	64
Total Financial Assets	**1,630**	**132**	**117**	**80**	**31**	**32**	**392**	**2,022**

Group management adjustment for NPE
The impairment loss allowance for stage 3 assets at 31 December 2022 includes a €60 million post-model management adjustment to reflect the potential for the Group to utilise portfolio sales and / or securitisations in its resolution strategies for NPEs in the RoI and UK business banking portfolios. The requirement for post-model adjustments reflects the fact that individually assessed impairment loss allowances are determined on a case-specific assessment and do not take account of discounts that may apply for a portfolio sale / securitisation.

The Group has identified cohorts of loans in RoI and UK business banking portfolios that will likely 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, and an assessment of the likelihood of the completion of future asset sales / securitisations.

€25 million of this post-model adjustment is recognised in the RoI SME portfolio, €24 million is related to the Property and construction portfolio, and €11 million is related to the UK SME portfolio.

The Group completed the disposal of €1.3 billion of NPEs in the second half of 2022. Accordingly the post-model adjustment of €80 million recognised at 31 December 2021 (increased to €130 million at 30 June 2022) associated with these transactions was utilised in full and is no longer required.

Group management adjustment for COVID-19
At 31 December 2022, the Group considered the risk associated with the 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.

The majority of RoI and UK government supports for COVID-19 ceased in Q2 2022 and Q4 2021 respectively. Consequently, potential latent COVID-19 risk in the Group's loan portfolios has diminished and management is satisfied that underlying customer specific risk can be identified in risk management models and credit metrics. Therefore, the €132 million post-model adjustment that was recognised at 31 December 2021 (decreased to €62 million at 30 June 2022) is no longer considered to be required.

Group management adjustment for residential mortgages
As outlined above, the LGD component of the residential mortgages impairment models has been reviewed. Given the enhancements to the LGD component of the impairment models in the period, the €117 million Group management adjustment applied to the residential mortgages impairment loss allowance at 31 December 2021 (decreased to €104 million at 30 June 2022) is no longer considered to be required.

Group management adjustment for RoI SME model
As outlined above, the PD model component of the relationship managed segment of the RoI SME portfolio has been reviewed. Given the enhancements to the PD component of the impairment model, the €31 million Group management adjustment applied to the RoI SME impairment loss allowance at 31 December 2021 (decreased to €24 million at 30 June 2022) is no longer considered to be required.

Group management adjustment for late breaking events
A post-model management adjustment to the Group's impairment loss allowance of €32 million was recognised at 30 June 2022 to reflect increased economic uncertainty, primarily related to geopolitical events as well as inflation and interest rate expectations, which emerged in the Group's key markets in late June 2022. At 31 December 2022 this adjustment is not considered to be required, noting the Group's impairment models have been updated and reflect information available at the reporting date (including forward-looking information).

Stage 3 Group management adjustment for LGD in Corporate Portfolios
As outlined above, the LGD component of the Corporate Banking and Business Banking impairment models has been reviewed. Given the enhancements to the LGD component of the impairment models in the period, the €32 million Group management adjustment applied to the impairment models within Corporate Banking at 31 December 2021 is no longer considered to be required.

Taxation
The current taxation charge of €78 million (note 18) 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 2022, the net DTA was €893 million (2021: €955 million), of which €1,026 million (2021: €1,118 million) related to trading losses. The closing DTA includes €951 million of Irish trading losses, €70 million of UK trading losses, and €5 million of US trading losses.

2 Critical accounting estimates and judgements *(continued)*

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. 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 profitability of the current year, and with the exception of 2020 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 employment levels.

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 evolving 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 2028 (2021: 2032). The decrease in the recovery period is due to improved underlying profitability projections, primarily driven by higher lending volumes and margins due to the projected higher interest rate environment.

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 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 2022.

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 reduced to nil at 31 December 2022 (31 December 2021: increase of €7 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 became 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.

Due to improved profitability projections, which takes into account the Group's long-term financial and strategic plans, and primarily driven by higher projected market interest rates, lending mix and margins and reduced funding costs, the Group are projecting a greater utilisation of Bank of Ireland (UK) plc tax losses than had been projected at December 2021 which results in a further reassessment and increase of the DTA relating to trading losses of €23 million at 31 December 2022 (31 December 2021: increase of €50 million). The DTA of Bank of Ireland (UK) plc is recognised in full and any previous amounts de-recognised have been reversed. The DTA is expected to be recovered by 2032.

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 external challenges facing the banking industry.

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.

2 Critical accounting estimates and judgements *(continued)*

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.

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 46.

Life assurance operations

The Group accounts for the value of the shareholders' interest in its long-term assurance business using Market Consistent Embedded Value (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 36.

Davy acquisition

The Group acquired Davy, Ireland's leading provider of wealth management and capital markets services, on 1 June 2022. The Davy transaction is being treated as a business combination in line with the requirements of IFRS 3. Further detail on the accounting considerations and related key management judgements are outlined in note 53, Davy acquisition.

Impairment review of goodwill in relation to Davy acquisition

On 1 June 2022, following receipt of all regulatory approvals, the Group acquired 100% of the voting equity interests of Amber Note Unlimited Company and its subsidiaries including J&E Davy Holdings ('Davy') and goodwill of €273million was recognised.

Goodwill is allocated to cash generating units (CGU) at a level which represents the smallest identifiable group of assets that generate largely independent cash flows. The Group has determined that Davy is the appropriate cash generating unit and this was assessed for impairment at 31 December 2022.

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 Value in Use ('VIU'), where the VIU is the present value of the future cash flows expected to be derived from the asset. As it is not possible to estimate the recoverable amount of the goodwill recognised, the recoverable amount of the Davy CGU has been determined. The recoverable amount is based on VIU. The VIU of the Davy CGU was determined to be €539 million, which was €12 million higher than the carrying amount of €527 million. As a result no impairment of the assets in the Davy CGU was recognised at 31 December 2022.

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.

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 prepared under the Group's ICAAP process Underpinning the ICAAP process, the Group prepares detailed financial projections, with the base case projections prepared using consensus macroeconomic forecasts together with Group-specific assumptions.

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%.

Discount rate

The discount rate applied is the pre-tax weighted average cost of capital for the Group which is 10.96% at 31 December 2022.

A reasonably possible change in the above assumptions could result in the carrying amount of the Davy CGU exceeding its recoverable amount. The amount by which each assumption must change in order for the recoverable amount to equal the carrying amount is as follows:

Key assumption	Change in assumption Increase / (decrease)
Cash flow projections (Year 5)	(€1.56m)
Growth rate	(0.26%)
WACC	0.19%

2 Critical accounting estimates and judgements *(continued)*

Critical accounting estimates and judgements relevant to the Bank only

Shares in Group undertakings

The Bank carries its investment in its subsidiaries 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 Value in Use (VIU), where the VIU is the present value of the future cash flows expected to be derived from the asset. The calculation of the recoverable amount is based upon a VIU calculation that discounts expected pre-tax cash flows at a rate appropriate to the cash generating unit.

At 31 December 2022, the VIU of Bank of Ireland Mortgage Bank (BOIMB) was calculated at €4.95 billion which was higher that the carrying value of the Bank's investment of €1.59 billion and accordingly, no impairment was recognised by the Bank at that date. At 31 December 2021, no impairment was recognised.

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; adjustment of these projected cash flows for the effects of internal transfer pricing and the assessment of the discount rate and growth rate appropriate to the business.

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 (see below). 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.

Growth rates

Growth rates beyond five years are determined by reference to local economic growth rates. An increase of 1% to the growth rate would lead to an increase in VIU of €309 million; a decrease of 1% would result in a decrease in VIU of €273 million.

Discount rate

The discount rate applied is the pre-tax Weighted Average Cost of Capital ('WACC') for the BOIMB which is 10.99% at 31 December 2022.

A decrease of 0.5% in the WACC would lead to an increase in VIU of €239 million; an increase of 0.5% would result in a decrease of €222 million.

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 serves consumer and business customers across a broad range of segments and sectors. We deliver day to day services, products, propositions and a financial wellbeing programme tailored to meet customers' individual needs. Customers use their preferred channels to request and fulfil their banking requirements. These channels include our branches, 24/7 ATMs, digital, contact centre, and our post office partnership for day-to-day banking services.

Wealth and Insurance

On 1 June 2022, the Group acquired Davy, Ireland's leading provider of wealth management and capital markets services. Wealth and Insurance now includes Davy, and 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 UK residential mortgage business, the Group's branch network in NI, the Group's business banking business in NI, asset finance and contract hire, incorporating Northridge Finance, as well as the financial services partnership and FX joint venture with the UK Post Office, and the financial services partnership with the Automobile Association (AA). The Group also has a banking business in Great Britain 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

Corporate & Markets provide a range of lending, banking and treasury risk management services to the Groups largest customers through offices in Ireland, the UK, across Europe and in the US. Our relationship teams have a wealth of experience across a variety of sectors including corporate banking, commercial real estate, acquisition finance, foreign direct investment and treasury solutions.

Group Centre

Group Centre comprises Group Technology and Customer Solutions, Group Finance, Group Risk, People Services, Strategy & Transformation, Group Internal Audit and other central support and control functions. These Group central functions establish governance and oversee policies, provide management services to the Group and provide and manage processes and delivery platforms for the trading 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 Group Chief Executive Officer (CEO) and Group Chief Financial Officer (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

3 Operating segments *(continued)*

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. They also do not include adjustments for the impact of the assets and liabilities of BOIG plc, the Bank's holding company.

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 / (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 or loss' in its internal management reporting systems. Underlying profit or loss excludes:
- acquisition costs;
- transformation programme costs;
- customer redress charges;
- investment return on treasury shares held for policyholders;
- gross-up for policyholder tax in the Wealth and Insurance business;
- portfolio divestments;
- IT Service Continuity Framework; and
- gain on disposal / liquidation of business activities.

Underlying profit excludes any operating profit or loss attributable to BOIG plc.

In the tables below, 'Other reconciling items' represent inter segment transactions which are eliminated upon consolidation and the application of hedge accounting at Group level.

Group 2022	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
Net interest income	**1,153**	**(8)**	**691**	**651**	**(5)**	**–**	**2,482**	**(22)**	**2,460**
Other income, net of insurance claims	276	258	(25)	185	60	(2)	752	1	753
Total operating income, net of insurance claims	**1,429**	**250**	**666**	**836**	**55**	**(2)**	**3,234**	**(21)**	**3,213**
Other operating expenses	(654)	(203)	(259)	(181)	(361)	2	(1,656)	1	(1,655)
Other operating expenses (before levies and regulatory charges)	*(654)*	*(201)*	*(254)*	*(181)*	*(225)*	*2*	*(1,513)*	*1*	*(1,512)*
Levies and regulatory charges	*–*	*(2)*	*(5)*	*–*	*(136)*	*–*	*(143)*	*–*	*(143)*
Depreciation and amortisation	(49)	(15)	(27)	(7)	(124)	(4)	(226)	–	(226)
Impairment of goodwill and intangibles	–	–	–	–	(7)	–	(7)	–	(7)
Total operating expenses	**(703)**	**(218)**	**(286)**	**(188)**	**(492)**	**(2)**	**(1,889)**	**1**	**(1,888)**
Underlying operating profit / (loss) before impairment charges on financial assets	**726**	**32**	**380**	**648**	**(437)**	**(4)**	**1,345**	**(20)**	**1,325**
Net impairment gains/ (losses) on financial instruments	112	–	(107)	(199)	7	–	(187)	–	(187)
Share of results of associates and joint ventures	8	–	32	–	–	–	40	–	40
Underlying profit / (loss) before tax	**846**	**32**	**305**	**449**	**(430)**	**(4)**	**1,198**	**(20)**	**1,178**

In Retail Ireland, net impairment gains/ (losses) on financial instruments includes additional recoveries of €47 million which represent the recognition, during 2022, of recoveries received between 2018 and 2021 in respect of loans that previously were subject to the utilisation of impairment loss allowance.

3 Operating segments *(continued)*

2022 Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	1,178
Acquisition costs	(54)
Transformation programme costs	(50)
Customer redress charges	(29)
Investment return on treasury shares held for policyholders	(8)
Gross-up for policyholder tax in the Wealth and Insurance business	(2)
Portfolio divestments	1
IT Service Continuity Framework	–
Gain on disposal / liquidation of business activities	–
Profit before tax	**1,036**

Restated[1,2] Group 2021	Retail Ireland €m[1]	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m[1]	Group Centre €m[2]	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
Net interest income	**961**	**(7)**	**623**	**643**	**(2)**	**1**	**2,219**	**(10)**	**2,209**
Other income, net of insurance claims	217	300	5	191	10	2	725	1	726
Total operating income, net of insurance claims	**1,178**	**293**	**628**	**834**	**8**	**3**	**2,944**	**(9)**	**2,935**
Other operating expenses	(616)	(128)	(262)	(163)	(385)	–	(1,554)	1	(1,553)
Other operating expenses (before levies and regulatory charges)	*(616)*	*(125)*	*(257)*	*(163)*	*(263)*	–	*(1,424)*	*1*	*(1,423)*
Levies and regulatory charges	–	*(3)*	*(5)*	–	*(122)*	–	(130)	–	*(130)*
Depreciation and amortisation	*(52)*	*(9)*	*(23)*	*(8)*	*(130)*	–	*(222)*	–	*(222)*
Impairment of goodwill and intangibles	–	(1)	–	–	–	–	(1)	–	(1)
Total operating expenses	**(668)**	**(138)**	**(285)**	**(171)**	**(515)**	**–**	**(1,777)**	**1**	**(1,776)**
Underlying operating profit / (loss) before impairment charges on financial assets	**510**	**155**	**343**	**663**	**(507)**	**3**	**1,167**	**(8)**	**1,159**
Net impairment (losses) / gains on financial instruments	*30*	–	*77*	*95*	*(8)*	–	*194*	–	*194*
Share of results of associates and joint ventures	*7*	–	*(2)*	–	–	–	*5*	–	*5*
Underlying profit / (loss) before tax	**547**	**155**	**418**	**758**	**(515)**	**3**	**1,366**	**(8)**	**1,358**

2021 Reconciliation of underlying loss before tax to loss before tax	Group €m
Underlying profit before tax	1,358
Acquisition costs	(2)
Transformation programme costs	(122)
Customer redress charges	(22)
Investment return on treasury shares held for policyholders	(8)
Gross-up for policyholder tax in the Wealth and Insurance business	24
Portfolio divestments	8
IT service Continuity Framework	(25)
Gain on disposal / liquidation of business activities	2
Profit before tax	**1,213**

[1] Comparative figures have been restated to reflect the Group's updated internal funding costs allocations between divisions for managing the Group's structural balance sheet, this has resulted in a decrease of €39 million to €643 million in net interest income for Corporate and Markets and a corresponding increase of €39 million to €961 million in net interest income for Retail Ireland.

[2] The Group is no longer incurring transformation investment charges. Accordingly, prior period comparatives have been restated to ensure consistency with 2022, with the 2021 transformation investment charge of €29 million reallocated. 'Other operating expenses (before levies and regulatory charges)' increased by €29 million to €263 million in Group Centre and €1,424 million for total Group.

3 Operating segments *(continued)*

In the tables below, external asset balances are inclusive of investments in associates and joint ventures.

Group 2022 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**83**	**–**	**81**	**–**	**1**	**–**	**165**
External assets	33,658	22,043	25,391	34,583	35,652	(3)	151,324
Inter segment assets	97,779	633	1,553	145,355	33,325	(278,645)	–
Total assets	**131,437**	**22,676**	**26,944**	**179,938**	**68,977**	**(278,648)**	**151,324**
Other Bank assets							20
Group assets							**151,344**
External liabilities	76,366	21,011	17,787	14,698	9,523	7	139,392
Inter segment liabilities	49,808	277	7,010	166,864	54,648	(278,607)	–
Total liabilities	**126,174**	**21,288**	**24,797**	**181,562**	**64,171**	**(278,600)**	**139,392**
Other Bank liabilities							652
Group liabilities							**140,044**

Group 2021 Analysis by operating segment	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	**59**	**–**	**56**	**–**	**1**	**–**	**116**
External assets	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**
Other Bank assets							28
Group assets							**155,296**
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**
Other Bank liabilities							734
Group liabilities							**144,664**

3 Operating segments *(continued)*

Group 2022 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**1,118**	**777**	**917**	**1,334**	**397**	**82**	**4,625**	**–**	**4,625**
Inter segment revenues	965	(48)	171	232	207	(1,527)	–	–	–
Revenue before claims paid	**2,083**	**729**	**1,088**	**1,566**	**604**	**(1,445)**	**4,625**	**–**	**4,625**
Insurance contract liabilities and claims paid	–	(380)	–	–	2	–	(378)	–	(378)
Revenue	**2,083**	**349**	**1,088**	**1,566**	**606**	**(1,445)**	**4,247**	**–**	**4,247**
Interest expense	**(27)**	**–**	**(95)**	**(238)**	**(314)**	**11**	**(663)**	**(22)**	**(685)**
Capital expenditure	**19**	**231**	**106**	**53**	**310**	**–**	**719**	**–**	**719**

Group 2021 Revenue by operating segments	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**1,291**	**3,464**	**776**	**1,323**	**(1)**	**(1)**	**6,852**	**–**	**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**	**–**	**6,852**
Insurance contract liabilities and claims paid	–	(3,089)	–	–	–	–	(3,089)	–	(3,089)
Revenue	**1,858**	**398**	**912**	**1,684**	**291**	**(1,380)**	**3,763**	**–**	**3,763**
Interest expense	**(33)**	**–**	**(84)**	**(225)**	**(246)**	**45**	**(543)**	**(10)**	**(553)**
Capital expenditure	**18**	**24**	**93**	**45**	**144**	**–**	**324**	**–**	**324**

Group 2022 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**3,458**	**1,061**	**106**	**–**	**4,625**	**–**	**4,625**
Inter segment revenues	142	134	28	(304)	–	–	–
Revenue before claims paid	**3,600**	**1,195**	**134**	**(304)**	**4,625**	**–**	**4,625**
Insurance contract liabilities and claims paid	(380)	–	2	–	(378)	–	(378)
Revenue	**3,220**	**1,195**	**136**	**(304)**	**4,247**	**–**	**4,247**
Capital expenditure	**613**	**106**	**–**	**–**	**719**	**–**	**719**
External assets	122,681	26,717	1,926	–	151,324		
Inter segment assets	9,882	2,116	676	(12,674)	–		
Total assets	**132,563**	**28,833**	**2,602**	**(12,674)**	**151,324**		
Other Bank assets					20		
Group assets					**151,344**		
External liabilities	120,347	18,928	117	–	139,392		
Inter segment liabilities	2,384	7,953	2,339	(12,676)	–		
Total liabilities	**122,731**	**26,881**	**2,456**	**(12,676)**	**139,392**		
Other Bank liabilities					652		
Group liabilities					**140,044**		

3 Operating segments *(continued)*

Group 2021 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	BOIG plc Group €m	BOIG plc €m	Group €m
External revenue	**5,747**	**1,014**	**91**		**6,852**	**–**	**6,852**
Inter segment revenues	83	76	13	(172)	–	–	–
Revenue before claims paid	**5,830**	**1,090**	**104**	**(172)**	**6,852**	**–**	**6,852**
Insurance contract liabilities and claims paid	(3,089)	–	–	–	(3,089)		(3,089)
Revenue	**2,741**	**1,090**	**104**	**(172)**	**3,763**	**–**	**3,763**
Capital expenditure	**228**	**93**	**3**	**–**	**324**	**–**	**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**		
Other Bank assets					28		
Group assets					**155,296**		
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**		
Other Bank liabilities					734		
Group liabilities					**144,664**		

4 Interest income

Interest income on loans and advances to customers

In 2022, interest income of €70 million (2021: €92 million) was recognised, and €93 million was received (2021: €100 million) on credit-impaired loans and advances to customers.

In 2022, interest income of €170 million (2021: €170 million) was recognised, and €189 million (2021: €169 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 €170 million (2021: €82 million) transferred from the cash flow hedge reserve (note 18).

Interest income recognised on debt securities at amortised cost

Interest income on debt securities at amortised cost is recognised net of negative interest on derivatives which are in a hedge relationship with the relevant financial asset of €15 million (2021: €nil).

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 €11 million (2021: €25 million).

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 (TLTRO III).

The Group had expected to retain the funding until March 2024, however, following the ECB's decision to recalibrate the conditions of TLTRO III funding, the Group repaid its TLTRO III funding in full on 23 November 2022.

In 2022, €46 million (2021: €104 million) of interest income was recognised on the TLTRO III liability.

Interest income recognised on customer accounts

Interest income on customer accounts of €101 million (2021: €181 million) comprises interest income of €57 million resulting from negative effective interest rates (2021: €71 million) and interest income of €44 million (2021: €110 million) arising on related derivatives which are in a hedge relationship.

	2022 €m	2021 €m
Financial assets measured at amortised cost		
Loans and advances to customers	2,365	2,079
Loans and advances to banks	212	5
Debt securities at amortised cost	18	6
Interest income on financial assets measured at amortised cost	**2,595**	**2,090**
Financial assets at FVOCI		
Debt securities at FVOCI	29	22
Interest income on financial assets at FVOCI	**29**	**22**
Negative interest on financial liabilities		
Customer accounts	101	181
Deposits from banks	39	105
Debt securities in issue	8	–
Negative interest on financial liabilities	**148**	**286**
Interest income calculated using the effective interest method	**2,772**	**2,398**
Other interest income		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	194	193
Finance leases and hire purchase receivables	169	161
Loans and advances to customers at FVTPL	14	18
Other financial assets at FVTPL	1	–
Other interest income	**378**	**372**
Interest income	**3,150**	**2,770**

5 Interest expense

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 €5 million (2021: €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 €6 million (2021: €15 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 €2 million on debt securities at amortised cost (2021: €20 million) comprises interest expense of €1 million (2021: interest income of €22 million) and interest expense on related derivatives which are in a hedge relationship of €1 million (2021: €42 million).

Interest expense recognised on debt securities at FVOCI
Interest expense of €6 million on debt securities at FVOCI (2021: €34 million) comprises interest expense of €2 million (2021: interest income of €24 million) and interest expense on related derivatives which are in a hedge relationship of €4 million (2021: €58 million).

Group	2022 €m	*Restated*[1] 2021 €m
Financial liabilities measured at amortised cost		
Debt securities in issue	190	76
Subordinated liabilities	83	67
Customer accounts	55	74
Deposits from banks	47	3
Lease liabilities	12	11
Interest expense on financial liabilities measured at amortised cost	**387**	**231**
Negative interest on financial assets		
Cash and balances at central banks	74	75
Debt securities at FVOCI	6	34
Loans and advances to banks	3	2
Debt securities at amortised cost	2	20
Negative interest on financial assets	**85**	**131**
Interest expense calculated using the effective interest rate method	**472**	**362**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	208	189
Customer accounts at FVTPL	4	2
Other interest expense	1	–
Other interest expense	**213**	**191**
Interest expense	**685**	**553**

6 Net insurance premium income

	2022 €m	2021 €m
Gross premiums written	2,277	2,189
Ceded reinsurance premiums	(231)	(171)
Net premium written	**2,046**	**2,018**

[1] Comparative figures for 'negative interest on financial assets' have been restated to reclassify €75 million from 'negative interest on loans and advances to banks' to 'negative interest on cash and balances at central banks', as interest on balances held with central banks was incorrectly classified in 2021.

7 Fee and commission income and expense

2022 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Group €m
Retail banking customer fees	312	–	36	52	–	400
Asset management fees	–	79	–	–	–	79
Credit related fees	5	–	2	14	–	21
Insurance commissions	–	11	1	–	–	12
Other	20	13	6	28	–	67
Fee and commission income	**337**	**103**	**45**	**94**	**–**	**579**

2021 Income	Retail Ireland €m	Wealth and Insurance €m	Retail UK €m	Corporate and Markets €m	Group Centre €m	Group €m
Retail banking customer fees	256	–	60	44	–	360
Asset management fees	–	3	–	–	–	3
Credit related fees	5	–	2	22	–	29
Insurance commissions	–	11	1	–	–	12
Other	6	5	5	28	–	44
Fee and commission income	**267**	**19**	**68**	**94**	**–**	**448**

Expense

Fee and commission expense of €267 million (2021: €178 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

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 €20 million of a net gain arising from FX (2021: €13 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 income from financial instruments mandatorily measured at FVTPL includes dividend income from equities, realised and unrealised gains and losses. Non-trading equities and debt securities mandatorily measured at FVTPL 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 FVTPL is reported in note 9.

Net fair value hedge ineffectiveness reflects a net gain from hedged items of €1,374 million (2021: net charge of €32 million) offsetting a net charge from hedging instruments of €1,365 million (2021: net gain of €35 million).

Net income from financial instruments designated at FVTPL	2022 €m	2021 €m
Financial liabilities designated at fair value	63	(72)
Related derivatives held for trading	(59)	72
	4	**–**
Net income from financial instruments mandatorily measured at FVTPL		
Other financial instruments held for trading	7	84
Equities	13	21
Loans and advances	4	1
Non-trading debt securities	(3)	2
	25	**108**
Net fair value hedge ineffectiveness	9	3
Net trading income	**34**	**111**

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 (excluding Davy), 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 losses of €1,471 million in 2022 (2021: gains of €1,284 million) is consistent with adverse investment market performance, due in large part to the external economic environmental factors. The fall in value of insurance contract liabilities (note 12) is consistent with the fall in value of investments reflected in the life assurance investment income losses outlined in this note.

	2022 €m	2021 €m
(Losses) / gains on other financial assets held on behalf of Wealth and Insurance policyholders	(1,442)	1,258
(Losses) / gains on investment property held on behalf of Wealth and Insurance policyholders	(29)	26
Life assurance investment income, gains and losses	**(1,471)**	**1,284**

10 Other leasing income and expense

Other leasing income and expense relate to the business activities of Marshall Leasing, which is a car and commercial leasing and fleet management business based in the UK. This business was conducted through the subsidiary entity Marshall Leasing Limited until 1 April 2022, at which point the business transferred to N.I.I.B Group Limited. Both entities are wholly-owned subsidiaries of Bank of Ireland UK plc, whose ultimate parent is the Group.

	2022 €m	2021 €m
Other leasing income	**71**	**63**
Operating lease payments	*44*	*37*
Sale of leased assets	*21*	*21*
Other income	*6*	*5*
Other leasing expense	**(45)**	**(47)**
Depreciation of rental vehicles	*(25)*	*(25)*
Other selling and disposal costs	*(20)*	*(22)*
Net other leasing income	**26**	**16**

11 Other operating income

	2022 €m	2021 €m
Transfer from debt instruments at FVOCI reserve on asset disposal (note 24)	98	16
Other insurance income	43	52
Movement in Value of in Force asset (note 36)	38	85
Elimination of investment return on treasury shares held for the benefit of policyholders in the Wealth and Insurance business	(3)	(3)
Dividend income	–	3
Other operating income	**176**	**153**

Transfer from debt instruments at FVOCI reserve on asset disposal has increased by €82 million driven by gains realised on bond sales in 2022.

12 Insurance contract liabilities and claims paid

	2022 €m	2021 €m
Claims paid		
Policy surrenders	983	836
Death and critical illness claims	204	207
Annuity payments	110	110
Other claims	136	114
Gross claims paid	**1,433**	**1,267**
Recovered from reinsurers	(148)	(150)
Net claims paid	**1,285**	**1,117**
Change in insurance contract liabilities		
Change in gross liabilities	(1,119)	1,923
Change in reinsured liabilities	212	49
Net change in insurance contract liabilities	**(907)**	**1,972**
Insurance contract liabilities and claims paid	**378**	**3,089**

The fall in value of investments reflected in the life assurance investment income losses (note 9) is consistent with the fall in value of insurance contract liabilities and is also a result of the adverse investment market performance, due in large part to external economic environmental factors.

13 Other operating expenses

Group **Administrative expenses and staff costs**	**2022** **€m**	*Restated*[1] **2021** **€m**
Staff costs excluding transformation programme staff costs	861	815
Amortisation of intangible assets (note 31)	152	150
Levies and regulatory charges	143	130
Irish bank levy	25	25
Other	118	105
Depreciation of property, plant and equipment (note 33)	60	72
Impairment of property, plant and equipment (note 33)	14	2
Lease expenses (note 42)	3	2
Impairment of intangible assets (note 31)	7	1
Other administrative expenses	771	686
Total	**2,011**	**1,858**
Total staff costs are analysed as follows:		
Wages and salaries	690	626
Social security costs	79	72
Retirement benefit costs (defined benefit plans) (note 46)	59	105
Retirement benefit costs (defined contribution plans)	42	35
Other staff expenses	27	14
	897	**852**
Staff costs capitalised	(36)	(37)
Staff costs excluding transformation programme staff costs	**861**	**815**
Additional transformation programme staff costs:		
Included in cost of restructuring programme (note 14)	9	23
Total staff costs recognised in the income statement	**870**	**838**

Other administrative expenses, there was a charge of €36 million in 2022 in respect of the Tracker Mortgage Examination Review (2021: €28 million) (see note 43 for further details).

[1] *The Group is no longer incurring transformation investment charges. Accordingly prior period comparatives have been restated to ensure consistency with 2022, with the 2021 transformation investment charge of €29 million reallocated, 'staff costs' increased by €4 million to €815 million and €25 million went to 'other administrative expenses'.*

13 Other operating expenses *(continued)*

Staff numbers
At 31 December 2022, the number of staff for Group (full time equivalents) was 10,153 (2021: 8,696) (Bank 2022: 8,118, 2021: 7,551). The Group year end figure includes 829 Davy staff post acquisition on 1 June 2022.

The table here outlines the reduction in the average number of staff employed by the Group.

Average number of staff (full time equivalents)	2022	2021
Retail Ireland	3,444	3,512
Retail UK	1,172	1,325
Wealth and Insurance	1,643	816
Corporate and Markets	607	626
Group Centre	3,028	3,063
Total	**9,894**	**9,342**

Bank **Staff costs**	**2022** **€m**	*Restated*[2] **2021** **€m**
Total staff costs are analysed as follows:		
Wages and salaries	524	533
Social security costs	62	60
Retirement benefit costs (defined benefit plans) (note 46)	51	96
Retirement benefit costs (defined contribution plans)	25	28
Other staff expenses	4	10
	666	**727**
Staff costs capitalised	(34)	(35)
Staff costs excluding transformation programme staff costs	**632**	**692**
Additional transformation programme staff costs:		
Included in transformation programme costs	10	16
Total staff costs recognised in the income statement	**642**	**708**
Average number of staff (full time equivalents)	7,912	8,127

14 Cost of restructuring programme

In 2022, the Group recognised a restructuring charge of €17 million (2021: €110 million) relating to the Group's transformation programme costs. Further details can be found on page 4.

	2022 €m	2021 €m
Staff costs	9	19
Programme management costs	8	4
UK Strategic Review costs	(1)	22
Property-related costs	–	70
Other restructuring charges	1	(5)
Total	**17**	**110**

[2] *The Group is no longer incurring transformation investment charges. Accordingly prior period comparatives have been restated to ensure consistency with 2022, with the 2021 transformation investment charge of €4 million reallocated to 'other staff expenses' increasing from €6 million to €10 million.*

15 Auditor's remuneration (excluding Value Added Tax)

Audit and assurance services	Note	RoI (i) €m	Overseas (ii) €m	2022 €m	2021 €m
Statutory audit of financial statements		4.3	1.5	5.8	4.8
Other assurance services	iii	1.3	0.1	1.4	0.9
Total Auditor's remuneration		**5.6**	**1.6**	**7.2**	**5.7**

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, letters of comfort, Davy assurance services, ESG related reporting, fees in connection with reporting to regulators including the CBI and review of compliance with the Government Guarantee Schemes.

16 Net impairment (losses) / gains on financial instruments

	2022 €m	2021 €m
Loans and advances to customers at amortised cost	(188)	147
Movement in impairment loss allowance (note 25)	*(268)*	*112*
Cash recoveries	*80*	*35*
Loan commitments	(5)	52
Guarantees and irrevocable letters of credit	(2)	1
Other financial assets	8	(6)
Net impairment (losses) / gains on financial instruments	**(187)**	**194**

Cash recoveries of €80 million at 31 December 2022 includes additional recoveries of €47 million received between 2018 and 2021 in respect of loans that previously were subject to the utilisation of impairment loss allowance.

Net impairments (losses) / gains on loans and advances to customers at amortised cost

	2022 €m	2021 €m
Residential mortgages	(22)	(41)
Retail Ireland	*40*	*(58)*
Retail UK	*(62)*	*17*
Non-property SME and corporate	(124)	102
Republic of Ireland SME	*28*	*37*
UK SME	*(13)*	*23*
Corporate	*(139)*	*42*
Property and construction	(18)	43
Investment	*(23)*	*28*
Development	*5*	*15*
Consumer	(24)	43
Total	**(188)**	**147**

During 2022, the Group completed three transactions whereby it derecognised €0.9 billion of loans and advances to customers (after impairment loss allowance). Expected cash flows arising from the sale of a loan are included in the measurement of expected credit losses under IFRS 9, where certain conditions are met. As the transactions satisfied these conditions, the cash flows have been included in the impairment calculation. See note 25 for further information.

As a result, net impairment (losses) / gains on financial instruments includes a net impairment loss of €9 million arising on the transactions. See note 25 for further information.

17 Share of results of associates and joint ventures (after tax)

	2022 €m	2021 €m
Associates (note 29)	8	7
First Rate Exchange Services (note 30)	32	(2)
Share of results of associates and joint ventures (after tax)	**40**	**5**

18 Taxation

The taxation charge for the year is €157 million with an effective statutory taxation rate of 15% (2021: taxation charge of €165 million and taxation rate of 14%). The effective tax rate is influenced by changes in the jurisdictional mix of profits and losses and the reassessment of the tax losses carried forward.

During 2022, the Group and HM Revenue & Customs ("HMRC") concluded and settled upon the tax treatment of the liability management exercises undertaken between 2009 and 2011 which was previously disclosed in the Annual Report for the year ended 31 December 2021. The opening provision of €16 million, comprising €12 million tax and €4 million interest, was fully utilised as part of the settlement and no provision remains at 31 December 2022.

Recognised in income statement	2022 €m	2021 €m
Current tax		
Irish Corporation Tax		
Current year	*13*	*29*
Adjustments in respect of prior year	*(2)*	*(7)*
Foreign tax		
Current year	*61*	*91*
Adjustments in respect of prior year	*6*	*(4)*
Current tax charge	**78**	**109**
Deferred tax		
Current year profit	100	95
Adjustments in respect of prior year	12	3
Origination and reversal of temporary differences	(23)	28
Impact of Corporation Tax rate change	5	(13)
Reassessment of value of tax losses carried forward	(15)	(57)
Deferred tax charge	**79**	**56**
Taxation charge	**157**	**165**

Reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to actual tax charge	2022 €m	2021 €m
Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2021: 12.5%)	130	152
Effects of:		
Reassessment of value of tax losses carried forward	(15)	(57)
Foreign earnings subject to different rates of tax	39	70
Wealth & Insurance companies - different basis of accounting	(15)	17
Adjustments in respect of prior year	16	(8)
Share of results of associates and joint ventures shown post tax in the income statement	(4)	–
Impact of corporation tax rate change	5	(13)
Other adjustments for tax purposes	1	4
Taxation charge	**157**	**165**

18 Taxation *(continued)*

Analysis of selected other comprehensive income	2022 Pre-tax €m	2022 Tax €m	2022 Net of Tax €m	2021 Pre-tax €m	2021 Tax €m	2021 Net of Tax €m
Debt instruments at FVOCI reserve						
Changes in fair value	(68)	7	(61)	(23)	3	(20)
Transfer to income statement - asset disposal	(98)	13	(85)	(16)	2	(14)
Net change in debt instruments at FVOCI reserve	**(166)**	**20**	**(146)**	**(39)**	**5**	**(34)**
Remeasurement of the net defined benefit pension asset	**84**	**7**	**91**	**710**	**(113)**	**597**
Cash flow hedge reserve						
Changes in fair value	356	(47)	309	(921)	120	(801)
Transfer to income statement	(354)	50	(304)	906	(115)	791
- Net trading income / (expense)	*(524)*	*75*	*(449)*	*824*	*(104)*	*720*
- Net interest income	*170*	*(25)*	*145*	*82*	*(11)*	*71*
Net change in cash flow hedge reserve	**2**	**3**	**5**	**(15)**	**5**	**(10)**
Net change in foreign exchange reserve	**(93)**	**–**	**(93)**	**184**	**–**	**184**
Net change in revaluation reserve	**(4)**	**1**	**(3)**	**–**	**–**	**–**
Liability credit reserve						
Changes in fair value of liabilities designated at FVTPL due to own credit risk	20	(5)	15	(6)	1	(5)
Other comprehensive income for the year	**(157)**	**26**	**(131)**	**834**	**(102)**	**732**

19 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 note 26 Financial Risk Management. 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 €5.1 billion at 31 December 2022 (2021: €1.6 billion):

- €5.0 billion (2021: €1.4 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;
- cash collateral of €0.6 billion (2021: €0.1 billion) was held against these assets and is reported within deposits from banks (note 37); and
- €0.1 billion (2021: €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.

€1.4 billion (2021: €0.8 billion) of cash collateral is included within placements with other banks (note 22) and €0.05 billion (2021: €0.1 billion) in loans and advances to customers (note 25) is placed with derivative counterparties in respect of a net derivative liability position of €1.2 billion (2021: €0.9 billion).

19 Derivative financial instruments *(continued)*

The notional amounts and fair values of derivative instruments held by the Group are set out in the table below.

	2022			2021		
	Contract notional amounts	Fair values		Contract notional amounts	Fair values	
Group	**€m**	**Assets €m**	**Liabilities €m**	**€m**	**Assets €m**	**Liabilities €m**
Derivatives held for trading						
Foreign exchange derivatives						
Currency swaps	6,677	122	86	5,641	73	66
Currency forwards	4,245	50	94	2,947	28	42
Over the counter currency options	283	6	6	377	3	4
Total foreign exchange derivatives held for trading	**11,205**	**178**	**186**	**8,965**	**104**	**112**
Interest rate derivatives						
Interest rate swaps	204,755	2,353	2,247	171,204	899	1,025
Cross currency interest rate swaps	555	20	23	442	10	11
Over the counter interest rate options	18,506	241	503	14,933	37	15
Interest rate futures	2,541	8	8	158	–	–
Forward rate agreements	731	3	3	2,092	1	1
Total interest rate derivatives held for trading	**227,088**	**2,625**	**2,784**	**188,829**	**947**	**1,052**
Equity contracts, commodity contracts and credit derivatives						
Equity index-linked contracts held	2,264	22	36	2,051	38	19
Commodity contracts	60	4	4	–	–	–
Contract for differences (CFDs)	13	2	2	–	–	–
Total equity contracts and credit derivatives	**2,337**	**28**	**42**	**2,051**	**38**	**19**
Total derivative assets / liabilities held for trading	**240,630**	**2,831**	**3,012**	**199,845**	**1,089**	**1,183**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	75,217	2,080	3,391	52,979	482	513
Cross currency interest rate swaps	82	–	16	82	–	7
Total designated as fair value hedges	**75,299**	**2,080**	**3,407**	**53,061**	**482**	**520**
Derivatives designated as cash flow hedges						
Cross currency interest rate swaps	7,731	227	77	10,989	–	471
Interest rate swaps	205	–	30	217	–	11
Total designated as cash flow hedges	**7,936**	**227**	**107**	**11,206**	**–**	**482**
Total derivative assets / liabilities held for hedging	**83,235**	**2,307**	**3,514**	**64,267**	**482**	**1,002**
Total derivative assets / liabilities	**323,865**	**5,138**	**6,526**	**264,112**	**1,571**	**2,185**

At 31 December 2022, the fair value of the Group's derivative portfolio was a net liability of c.€1.4 billion comprising assets of €5.1 billion and liabilities of €6.5 billion (31 December 2021: net liability of €0.6 billion, comprising assets of €1.6 billion and liabilities of €2.2 billion). The movement of c.€0.8 billion is primarily due to the impact of the rising interest rate environment on the revaluation of interest rate derivatives (€1.4 billion credit) partially offset by the move in cross-currency swaps (€0.6 billion charge) as a result of Euro strengthening against GBP.

Included in the Group's derivative financial liabilities of €6.5 billion at 31 December 2022 is €275 million relating to a derivative contract recognised as part of the commitment to purchase the performing retail book of KBCI. The fair value of this derivative financial instrument was immaterial at 31 December 2021. On 22 October 2021 the Group entered into a binding agreement with KBCI and KBC Group for the acquisition of their mortgage, commercial loan, consumer loan and deposit portfolios. This transaction completed on 3 February 2023. See note 63 for additional information on the portfolio. This agreement is considered to represent a derivative financial instrument, with a fair value of €275 million recognised at 31 December 2022.

Interest rate benchmark reform

At 31 December 2022, 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.

19 Derivative financial instruments *(continued)*

The process being used by the Group to manage the transition to alternative benchmark rates is further discussed in note 62.

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.

Group Hedging strategy	2022 Up to 1 year €m	2022 1-2 years €m	2022 2-5 years €m	2022 >5 years €m	2021 Up to 1 year €m	2021 1-2 years €m	2021 2-5 years €m	2021 >5 years €m
Fair value hedge								
Interest rate risk								
Interest rate swap - notional amount	2,320	1,423	8,784	5,749	3,363	3,125	8,112	6,939
Average fixed interest rate	0.78%	(0.04%)	0.88%	0.68%	0.62%	0.62%	0.25%	0.36%
Foreign exchange risk								
Cross currency interest rate swap - notional amount	–	–	–	82	–	–	–	82
Average EUR- JPY foreign exchange risk	–	–	–	0.01	–	–	–	0.01
Cash flow hedge								
Interest rate risk								
Interest rate swap - notional amount	–	–	197	8	–	–	–	217
Average fixed interest rate	–	–	0.36%	4.00%	–	–	–	0.50%
Foreign exchange risk								
Cross currency interest rate swap - notional amount	3,792	794	3,145	–	4,510	4,682	1,321	476
Average EUR - GBP foreign exchange rate	0.89	0.85	0.84	–	0.87	0.89	0.84	0.84

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 are shown in the tables below.

In the tables below 'Nominal amount of the hedging instruments affected by BMR reform' consists of USD LIBOR interest rate swaps of which, €501 million (2021: €472 million) in nominal value mature after the USD LIBOR cessation date of 30 June 2023 and €47 million (2021: €508 million) mature before the cessation date.

Items designated as hedging instruments and hedge ineffectiveness Group - 2022 Risk category	Hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used to calculate hedge ineffectiveness €m	Ineffectiveness recognised in profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk	Interest rate swaps	75,217	2,080	(3,391)	(1,359)	9	548
Foreign Exchange Risk	Cross Currency Interest Rate Swaps	82	–	(16)	(6)	–	–
Total		**75,299**	**2,080**	**(3,407)**	**(1,365)**	**9**	**548**

19 Derivative financial instruments *(continued)*

Items designated as hedging instruments and hedge ineffectiveness **Group - 2021** **Risk category**	**Hedging instrument**	**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 €m**	**Ineffectiveness recognised in profit or loss €m**	**Nominal amount of the hedging instruments affected by BMR reform €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**

All hedging instruments are included within derivative financial instruments on the balance sheet and ineffectiveness is included within net trading income on the income statement.

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. In the tables below, the fair value adjustment on loans and advances to customers and customer accounts is presented separately on the balance sheet.

Group **2022** **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	4,070	–	(482)	–	(569)	–
Debt securities at amortised cost	3,982	–	(659)	–	(703)	–
Loans and advances to customers	15,068	–	(47)	–	(721)	(1)
Customer accounts	–	(44,562)	–	–	2,780	–
Debt securities in issue	–	(6,773)	–	417	481	(1)
Subordinated liabilities	–	(1,543)	–	98	100	–
Foreign exchange risk						
Debt securities in issue	–	(67)	–	5	6	–
Total	**23,120**	**(52,945)**	**(1,188)**	**520**	**1,374**	**(2)**

Group *Restated*[1] **2021** **Line item on the balance sheet in which the hedged item is included**	**Carrying amount of the hedged item**[1] Assets €m	Liabilities €m	**Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item**[1] Assets €m	Liabilities €m	**Changes in value used for calculating hedge ineffectiveness €m**	**Remaining adjustments for discontinued hedges**[1] €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[1]	10,902	–	2	–	(155)	(1)
Customer accounts[1]	–	(20,750)	–	–	373	–
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	**24,976**	**(28,851)**	**53**	**(62)**	**(32)**	**26**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

19 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 are shown in the tables below:

Group 2022 Risk category and hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument		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 €m	Amount reclassified from the cash flow hedge reserve to profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
		Assets €m	Liabilities €m					
Interest rate risk								
Interest rate swaps	205	–	(30)	17	(17)	–	6	–
Foreign exchange risk								
Cross currency interest rate swaps	7,731	227	(77)	516	(516)	–	(360)	–
Total	**7,936**	**227**	**(107)**	**533**	**(533)**	**–**	**(354)**	**–**

In the comparative table below, 'Nominal amount of the hedging instruments affected by BMR reform' includes 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.

Group 2021 Risk category and hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument		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 €m	Amount reclassified from the cash flow hedge reserve to profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
		Assets €m	Liabilities €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**

All hedging instruments are included within derivative financial instruments on the balance sheet and ineffectiveness is included within net trading income on the income statement.

There are no material causes of ineffectiveness in the Group's cash flow hedges.

19 Derivative financial instruments *(continued)*

Group 2022 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	(17)	32	8
Foreign exchange risk	(516)	–	–
Total	**(533)**	**32**	**8**

Group 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**

In 2022 and 2021, there were no forecast transactions to which the Group had applied hedge accounting which were no longer expected to occur.

Group Movement in cash flow hedge reserve	2022 €m	2021 €m
Changes in fair value		
Interest rate risk	(18)	(19)
Foreign exchange risk	374	(902)
Transfer to income statement		
Interest income		
Interest rate risk	2	(2)
Foreign exchange risk	168	84
Net trading income / (expense)		
Interest rate risk	4	(4)
Foreign exchange risk	(528)	828
Deferred tax on reserve movements	3	5
Net increase / (decrease) in cash flow hedge reserve	**5**	**(10)**

19 Derivative financial instruments *(continued)*

The notional amounts and fair values of derivative instruments held by the Bank are set out in the table below.

Bank	2022			2021		
	Contract notional amounts	Fair values		Contract notional amounts	Fair values	
Restated[2]	€m	Assets €m	Liabilities €m	€m	Assets €m	Liabilities €m
Derivatives held for trading						
Foreign exchange derivatives						
Currency swaps	6,680	118	82	5,807	71	66
Currency forwards	4,245	55	98	2,777	29	43
Over the counter currency options	283	6	6	377	3	4
Total foreign exchange derivatives held for trading	**11,208**	**179**	**186**	**8,961**	**103**	**113**
Interest rate derivatives						
Interest rate swaps	244,500	3,450	3,272	217,036	1,127	1,251
Cross currency interest rate swaps	754	20	23	661	10	11
Over the counter interest rate options	18,506	241	503	14,933	37	15
Interest rate futures	2,541	8	8	158	–	–
Forward rate agreements	731	3	3	2,092	1	1
Total interest rate derivatives held for trading	**267,032**	**3,722**	**3,809**	**234,880**	**1,175**	**1,278**
Equity contracts, commodity contracts and credit derivatives						
Equity index-linked contracts held	2,264	22	40	2,051	38	22
Credit derivatives	111	9	–	362	–	1
Commodity contracts	60	4	4	–	–	–
Total designated as fair value hedges	**2,435**	**35**	**44**	**2,413**	**38**	**23**
Total derivative assets / liabilities held for trading	**280,675**	**3,936**	**4,039**	**246,254**	**1,316**	**1,414**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	66,680	1,688	3,091	42,988	342	471
Cross currency interest rate swaps	82	–	16	82	–	7
Total designated as fair value hedges	**66,762**	**1,688**	**3,107**	**43,070**	**342**	**478**
Derivatives designated as cash flow hedges						
Cross currency interest rate swaps	7,731	227	77	10,989	–	471
Interest rate swaps	8	–	–	8	–	4
Total designated as cash flow hedges	**7,739**	**227**	**77**	**10,997**	**–**	**475**
Total derivative assets / liabilities held for hedging	**74,501**	**1,915**	**3,184**	**54,067**	**342**	**953**
Total derivative assets / liabilities	**355,176**	**5,851**	**7,223**	**300,321**	**1,658**	**2,367**
Amounts include:						
Due from / to Group undertakings[2]	31,766	724	710	36,383	89	189

The Bank uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €5.9 billion at 31 December 2022 (2021: €1.7 billion):

- €5.0 billion (2021: €1.4 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;
- cash collateral of €0.6 billion (2021: €0.1 billion) was held against these assets and is reported within deposits from banks (note 37); and
- €0.1 billion (2021: €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.

€1.4 billion (2021: €0.8 billion of cash collateral is included in placements with other banks (Note 22) and €0.05 billion (2021: €0.1 billion)) in loans and advances to customers (note 25) is placed with derivative counterparties in respect of a net derivative liability position of €1.2 billion (2021: €0.9 billion).

The Bank designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships. At 31 December 2022, the Bank held the following instruments in either fair value or cash flow hedge relationships.

[2] *Comparative notional amounts for 'Due from / to Group undertakings' have been restated to reflect only notional amounts that are Due from / to Group undertakings.*

19 Derivative financial instruments *(continued)*

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:

Bank Hedging strategy	2022 Up to 1 year €m	2022 1-2 years €m	2022 2-5 years €m	2022 >5 years €m	2021 Up to 1 year €m	2021 1-2 years €m	2021 2-5 years €m	2021 >5 years €m
Fair value hedge								
Interest rate risk								
Interest rate swap - notional amount	2,227	1,388	7,919	5,387	2,371	3,026	7,252	6,533
Average fixed interest rate (%)	0.79%	(0.07%)	0.90%	0.62%	0.75%	0.62%	0.19%	0.30%
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	–	–	–	8	–	–	–	8
Average fixed interest rate (%)	–	–	–	4.00%	–	–	–	3.99%
Foreign exchange risk								
Cross currency interest rate swap - notional amount	3,792	794	3,145	–	4,510	4,682	1,321	476
Average EUR - GBP foreign exchange rate	0.89	0.85	0.84	–	0.87	0.89	0.84	0.84

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 Bank'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.

In the tables below 'Nominal amount of the hedging instruments affected by BMR reform' consists of USD LIBOR interest rate swaps of which, €501 million (2021: €472 million) in nominal value mature after the USD LIBOR cessation date of 30 June 2023 and €47 million (2021: €508 million) mature before the cessation date.

Bank Items designated as hedging instruments and hedge ineffectiveness 2022 Risk category	Hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used to calculate hedge ineffectiveness €m	Ineffectiveness recognized in profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk	Interest rate swaps	66,680	1,688	(3,091)	(1,284)	10	548
Foreign exchange Risk	Cross Currency Interest Rate Swaps	82	–	(16)	(6)	–	–
Total		**66,762**	**1,688**	**(3,107)**	**(1,290)**	**10**	**548**

Bank Items designated as hedging instruments and hedge ineffectiveness 2021 Risk category	Hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument Liabilities €m	Changes in value used to calculate hedge ineffectiveness €m	Ineffectiveness recognized in profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk	Interest rate swaps	42,988	342	(471)	(27)	2	980
Foreign exchange Risk	Cross Currency Interest Rate Swaps	82	–	(7)	(2)	–	–
Total		**43,070**	**342**	**(478)**	**(29)**	**2**	**980**

All hedging instruments are included within derivative financial instruments on the balance sheet and ineffectiveness is included within the Bank's net trading income on the income statement.

The main cause of ineffectiveness in the Bank's fair value hedge relationships are differences in interest indices or maturities between certain interest rate swaps and their related hedged items. In the tables below, the fair value adjustment on loans and advances to banks and customer accounts is presented separately on the balance sheet.

19 Derivative financial instruments *(continued)*

Bank **2022** **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	4,070	–	(482)	–	(569)	–
Debt securities at amortised cost	3,639	–	(618)	–	(669)	–
Loans and advances to customers	460	–	(47)	–	(50)	(1)
Loans and advances to banks	9,050	–	–	–	(438)	–
Customer accounts	–	(42,822)	–	–	2,576	–
Debt securities in issue	–	(5,871)	–	339	344	–
Subordinated liabilities	–	(1,543)	–	98	100	–
Foreign exchange risk						
Debt securities in issue	–	(67)	–	5	6	–
Total	**17,219**	**(50,303)**	**(1,147)**	**442**	**1,300**	**(1)**

Restated[3,4] **Bank** **2021** **Line item on the balance sheet in which the hedged item is included**	**Carrying amount of the hedged item**[4] Assets[3] €m	Liabilities €m	**Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of the hedged item**[4] Assets €m	Liabilities €m	**Changes in value used for calculating hedge ineffectiveness**[3] €m	**Remaining adjustments for discontinued hedges**[4] €m
Interest rate risk						
Debt instruments measured at FVOCI	9,021	–	8	–	(213)	27
Debt securities at amortised cost	4,630	–	50	–	(173)	–
Loans and advances to customers[3,4]	241	–	3	–	(8)	(1)
Loans and advances to banks[3,4]	4,255	–	–	–	(19)	–
Customer accounts	–	(19,499)	–	–	359	–
Debt securities in issue	–	(4,165)	–	3	59	–
Subordinated liabilities	–	(1,865)	–	(7)	24	–
Foreign exchange risk						
Debt securities in issue	–	(75)	–	2	2	–
Total	**18,147**	**(25,604)**	**61**	**(2)**	**31**	**26**

Cash flow hedges

The Bank 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 are shown in the tables below:

[3] In the 2021 comparison table, the hedged item relating to Loans and advances to customers have been restated in order to exclude and separately disclose the hedged item relating to Loans and advances to banks.

[4] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

19 Derivative financial instruments *(continued)*

Bank 2022 Risk category and hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument 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 €m	Amount reclassified from the cash flow hedge reserve to profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk								
Interest rate swaps	8	–	–	(11)	11	–	13	–
Foreign exchange risk								
Cross currency interest rate swaps	7,731	227	(77)	516	(516)	–	(362)	–
Total	**7,739**	**227**	**(77)**	**505**	**(505)**	**–**	**(349)**	**–**

In the comparative table below, 'Nominal amount of the hedging instruments affected by BMR reform' includes 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.

Bank 2021 Risk category and hedging instrument	Nominal amount of the hedging instrument €m	Carrying amount of the hedging instrument Assets €m	Carrying amount of the hedging instrument 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 €m	Amount reclassified from the cash flow hedge reserve to profit or loss €m	Nominal amount of the hedging instruments affected by BMR reform €m
Interest rate risk								
Interest rate swaps	8	–	(4)	1	(1)	–	8	–
Foreign exchange risk								
Cross currency interest rate swaps	10,989	–	(471)	(838)	838	–	912	5
Total	**10,997**	**–**	**(475)**	**(837)**	**837**	**–**	**920**	**5**

All hedging instruments are included within derivative financial instruments on the balance sheet and ineffectiveness is included within net trading income / (expense) on the Bank's income statement.

There are no material causes of ineffectiveness in the Bank’s cash flow hedges.

Bank 2022 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discounted hedges €m
Interest rate risk	11	5	32
Foreign exchange risk	(516)	–	–
Total	**(505)**	**5**	**32**

19 Derivative financial instruments *(continued)*

Bank 2021 Risk category	Changes in the hedged risk used for calculating hedge ineffectiveness €m	Cash flow hedge reserve €m	Remaining adjustments for discounted hedges €m
Interest rate risk	(1)	11	46
Foreign exchange risk	838	14	–
Total	**837**	**25**	**46**

In 2022 and 2021, there were no forecast transactions to which the Bank had applied hedge accounting which were no longer expected to occur.

Bank Movement in cash flow hedge reserve	2022 €m	2021 €m
Changes in fair value		
Interest rate risk	7	(2)
Foreign exchange risk	376	(902)
Transfer to income statement		
Interest income		
Interest rate risk	–	(1)
Foreign exchange risk	168	84
Net trading income / (expense)		
Interest rate risk	12	9
Foreign exchange risk	(530)	828
Deferred tax on reserve movements	(7)	(2)
Net increase in cash flow hedge reserve	**26**	**14**

20 Impact of voluntary change in fair value hedge adjustment accounting policy

As outlined in the Group accounting policies note 1, 'Voluntary change in accounting policy' on page 85, the Group has voluntarily changed its accounting policy during 2022 for the presentation of portfolio fair value hedge adjustments.

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.

The table below includes the relevant financial statement line items only which have been impacted by the change in accounting policy:

Group Consolidated balance sheet (selected lines)	2022 Before change in accounting policy €m	2022 Impact of change in accounting policy €m	2022 Total €m	2021 Published €m	2021 Impact of change in accounting policy €m	2021 Total €m
Loans and advances to customers	71,223	738	71,961	76,346	76	76,422
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	(738)	(738)	–	(76)	(76)
Total	**71,223**	**–**	**71,223**	**76,346**	**–**	**76,346**
Customer accounts	96,978	2,824	99,802	93,445	20	93,465
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	(2,824)	(2,824)	–	(20)	(20)
Total	**96,978**	**–**	**96,978**	**93,445**	**–**	**93,445**

20 Impact of voluntary change in fair value hedge adjustment accounting policy *(continued)*

Bank Consolidated balance sheet (selected lines)	2022 Before change in accounting policy €m	2022 Impact of change in accounting policy €m	2022 Total €m	2021 Published €m	2021 Impact of change in accounting policy €m	2021 Total €m
Loans and advances to banks	16,592	457	17,049	15,626	19	15,645
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	(457)	(457)	–	(19)	(19)
Total	**16,592**	**–**	**16,592**	**15,626**	**–**	**15,626**
Customer accounts	85,728	2,615	88,343	77,198	6	77,204
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	(2,615)	(2,615)	–	(6)	(6)
Total	**85,728**	**–**	**85,728**	**77,198**	**–**	**77,198**

21 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 2022, such assets were €16,666 million (2021: €17,991 million). Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €12,068 million (2021: €13,108 million) (note 56).

	Group 2022 €m	Group 2021 €m	Bank 2022 €m	Bank 2021 €m
Assets linked to policyholder liabilities				
Equity securities	12,376	13,674	–	–
Debt securities	1,864	1,900	–	–
Unit trusts	1,482	1,450	–	–
Government bonds	944	967	–	–
	16,666	**17,991**	**–**	**–**
Other financial assets				
Equity securities	657	129	93	71
Debt securities	519	868	339	359
Government Bonds	502	836	–	–
Unit trust	219	275	–	–
	1,897	**2,108**	**432**	**430**
Other financial assets at fair value through profit and loss	**18,563**	**20,099**	**432**	**430**
Amounts include:				
Due to Group undertakings	–	–	338	357

21 Other financial assets at fair value through profit or loss *(continued)*

Other financial assets of €1,897 million (2021: €2,108 million) include €1,747 million (2021: €1,964 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 58. Included in these assets are investments in unconsolidated structured entities which comprise investments in collective investment vehicles of €764 million (2021: €303 million) (note 56).

At 31 December 2022, NIAC held ordinary shares of BOIG plc the Bank's ultimate Parent company, with a fair value of €11 million (2021: €16 million), for the benefit of life assurance policyholders.

Bank other financial assets of €432 million (2021: €430 million) include €338 million (2021: €357 million) £300 million (2021: £300 million) relating to Bank of Ireland (UK) plc MREL issuance.

22 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 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 2022, the Group's loans and advances to banks includes €160 million (2021: €184 million) of assets held on behalf of Wealth and Insurance life policyholders.

Mandatory deposits with central banks includes €1.0 billion relating to collateral in respect of the Group's issued bank notes in NI (2021: €1.2 billion).

Placements with other banks includes cash collateral of €1.4 billion (2021: €0.8 billion) placed with derivative counterparties in relation to net derivative liability positions (note 19).

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 2022, there was no collateral included in the loans and advances to banks at FVTPL (2021: €61 million).

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 168 and the asset quality of loans and advances to banks at amortised cost is set out on page 194.

Loans and advances to banks at FVTPL are not subject to impairment under IFRS 9.

	Group		Bank	
				Restated[1]
	2022 €m	2021 €m	2022 €m	2021 €m
Placements with banks[1]	1,788	1,172	17,029	15,568
Mandatory deposits with central banks	1,076	1,263	22	13
Funds placed with central banks not on demand	34	36	–	–
	2,898	**2,471**	**17,051**	**15,581**
Less impairment loss allowance on loans and advances to banks	(1)	(1)	(7)	(8)
Loans and advances to banks at amortised cost	**2,897**	**2,470**	**17,044**	**15,573**
Loans and advances to banks at fair value through profit and loss	147	280	5	72
Loans and advances to banks	**3,044**	**2,750**	**17,049**	**15,645**
Amounts include:				
Due from Group undertakings[1]	**–**	**–**	**15,506**	**14,644**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

23 Debt securities at amortised cost

	Group		Bank	
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Government bonds	3,752	5,231	3,655	5,019
Other debt securities at amortised cost	671	737	2,876	2,700
Asset backed securities	50	41	41	28
Less impairment loss allowance	(1)	(1)	(2)	(2)
Debt securities at amortised cost	**4,472**	**6,008**	**6,570**	**7,745**
Amounts include:				
Due from Group undertakings	–	–	2,699	2,699

The table above details the significant categories of debt securities at amortised cost.

At 31 December 2022, there were no debt securities at amortised cost that had been pledged to third parties in sale and repurchase agreements (2021: €4,712 million), (Bank 2021: €4,776 million). In 2021, this related to government and corporate bonds pledged to the CBI as part of the TLTRO III drawdown. This funding under TLTRO III was repaid in full by the Group in November 2022. The Group did not derecognise 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 168 and the asset quality of debt securities at amortised cost is set out on page 194.

24 Financial assets at fair value through other comprehensive income

At 31 December 2022, there were no debt instruments at FVOCI that had been pledged to third parties in sale and repurchase agreements (2021: €5,326 million). In 2021, this related to government and corporate bonds pledged to the CBI as part of the TLTRO III drawdown. This funding under TLTRO III was repaid in full by the Group in November 2022. 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 €1 million (2021: €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 168 and the asset quality of debt instruments at FVOCI is set out on page 194.

In 2022, the Group disposed of debt instruments at FVOCI of €4,201 million (2021: €1,924 million) which resulted in a transfer of €98 million (2021: €16 million) from the debt instruments at FVOCI reserve to the income statement.

At 31 December 2022, financial assets at FVOCI included €2,745 million (2021: €5,486 million) placed with Monetary Authorities as collateral, to access intraday and other funding facilities, if required.

Group and Bank	**2022 €m**	**2021 €m**
Debt instruments at fair value through other comprehensive income		
Other debt securities - listed	3,524	4,375
Government bonds	730	5,082
Total debt instruments at fair value through other comprehensive income	**4,254**	**9,457**
Impairment loss allowance on debt instruments at fair value through other comprehensive income	**(1)**	**(3)**

Group and Bank Fair value	**2022 €m**	**2021 €m**
Opening balance	**9,457**	**10,942**
Additions	283	1,446
Redemptions and disposals	(4,785)	(2,620)
Revaluation, exchange and other adjustments	(701)	(311)
Closing balance	**4,254**	**9,457**

25 Loans and advances to customers

Loans and advances to customers at amortised cost
Loans and advances to customers at amortised cost (after impairment loss allowance) at 31 December 2022 were €71.7 billion (2021: €76.0 billion) and included cash collateral of €45 million (2021: €118 million) placed with derivative counterparties in relation to net derivative liability positions.

Loans and advances to customers at FVTPL
Loans and advances to customers at fair value through profit or loss are not subject to impairment under IFRS 9. At 31 December 2022, loans and advances to customers at FVTPL included €217 million (2021: €225 million) relating to 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.

There are no loans and advances to customers at FVTPL related to syndicated corporate facilities for year ended 31 December 2022 (2021: €201 million). As the Group's objective is to realise cash flows through the sale of these assets, they were classified as loans and advances to customers at FVTPL.

Included within loans and advances to customers is €257 million (2021: €360 million) of lending in relation to the UK government-backed Bounce Back Loan and Coronavirus Business Interruption schemes.

During 2022, the Group completed three transactions whereby it derecognised €0.9 billion of loans and advances to customers (after impairment loss allowance) as follows:

- In April 2022, the Group disposed of a portfolio of non-performing RoI residential mortgage loans. The portfolio disposed of had a gross carrying value of €83 million (before impairment loss allowance) and a net carrying value of €72 million (after impairment loss allowance);
- In November 2022, the Group entered into a securitisation arrangement for a portfolio of non-performing UK residential mortgage loans through an unconsolidated SPV, Temple Quay No.1 Plc (note 56). The portfolio had a gross carrying value of €527 million (before impairment loss allowance) and a net carrying value of €462 million (after impairment loss allowance). The Group transferred the beneficial interest in the loans to Temple Quay No. 1 which in turn has issued notes backed by these loans. The Group has retained 5% of the risks, rewards and cash flows in the securitisation by way of a Vertical Risk Retention (VRR) Loan which is held in debt securities at amortised cost; and
- In November 2022, the Group disposed of a portfolio of RoI non-performing loans (comprising primarily of owner occupier and BTL NPEs, together with a smaller portfolio of non-mortgage NPEs) with a gross carrying value of €742 million (before impairment loss allowance) and a net carrying value of €385 million (after impairment loss allowance).

All loans included in these transactions have been derecognised from the balance sheet.

The Group has recognised an impairment loss of €9 million relating to the disposal of these loans which has been reported through net impairment losses on financial instruments, see note 16.

	Group		Bank	
		Restated[1]		
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Loans and advances to customers at amortised cost[1]	69,454	74,400	40,483	41,242
Finance leases and hire purchase receivables	3,585	3,554	1,229	1,102
	73,039	**77,954**	**41,712**	**42,344**
Less allowance for impairment charges on loans and advances to customers	(1,295)	(1,958)	(1,004)	(1,451)
Loans and advances to customers at amortised cost	**71,744**	**75,996**	**40,708**	**40,893**
Loans and advances to customers at fair value through profit or loss	217	426	160	363
Total loans and advances to customers	**71,961**	**76,422**	**40,868**	**41,256**
Amounts include:				
Due from joint ventures and associates	84	131		
Due from Group undertakings			1,379	995

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment.See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

25 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. The Purchased or Originated Credit-impaired (POCI) assets of €80 million at 31 December 2022 (2021: €81 million) included €1 million (2021: €1 million) (Bank 2022: €1 million, 2021: €1 million) of assets with an impairment loss allowance of €nil (2021: €nil) (Bank 2022: €nil, 2021: €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.

Group **2022** **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)	34,020	15,253	3,864	4,694	57,831
Stage 2 - Lifetime ECL (not credit impaired)	3,546	4,665	3,922	510	12,643
Stage 3 - Lifetime ECL (credit impaired)	450	1,534	355	146	2,485
Purchased / originated credit-impaired	4	16	60	–	80
Gross carrying amount at 31 December 2022	**38,020**	**21,468**	**8,201**	**5,350**	**73,039**

Group **2022** **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)	18	65	10	49	142
Stage 2 - Lifetime ECL (not credit impaired)	38	153	53	41	285
Stage 3 - Lifetime ECL (credit impaired)	89	563	102	81	835
Purchased / originated credit-impaired	1	2	30	–	33
Impairment loss allowance at 31 December 2022	**146**	**783**	**195**	**171**	**1,295**

Group *Restated*[2] **2021** **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages €m**	**Non-property SME and corporate[2] €m**	**Property and construction €m**	**Consumer €m**	**Total[2] €m**
Stage 1 - 12 month ECL (not credit impaired)[2]	38,708	14,430	3,280	4,863	61,281
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	2	15	64	–	81
Gross carrying amount at 31 December 2021	**43,262**	**20,850**	**8,613**	**5,229**	**77,954**

Group **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	–	2	23	–	25
Impairment loss allowance at 31 December 2021	**504**	**755**	**527**	**172**	**1,958**

[2] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

25 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 2022. 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 note 26 and the Group accounting policies note on page 88 with updates for 2022 (including the impact of the implementation of a revised definition of default) outlined in note 26 on pages 198 and 200.

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).

'Re-measurements' 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 and / or methodology 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.

'Measurement reclassification and other movements' includes a fair value hedge adjustment on loans to customers.

Group **2022** **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 2022	**61,281**	**12,407**	**4,185**	**81**	**77,954**
Total net transfers	(3,762)	2,756	1,006	–	–
To 12 month ECL (not credit impaired)	*6,490*	*(6,478)*	*(12)*	–	–
To lifetime ECL (not credit impaired)	*(9,985)*	*10,586*	*(601)*	–	–
To lifetime ECL (credit impaired)	*(267)*	*(1,352)*	*1,619*	–	–
Net changes in exposure	1,542	(2,427)	(1,696)	–	(2,581)
Impairment loss allowances utilised	–	–	(927)	–	(927)
Exchange adjustments	(1,186)	(108)	(83)	(1)	(1,378)
Measurement reclassification and other movements	(44)	15	–	–	(29)
Gross carrying amount at 31 December 2022	**57,831**	**12,643**	**2,485**	**80**	**73,039**

25 Loans and advances to customers *(continued)*

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2022 includes €312 million of contractual amounts outstanding that are still subject to enforcement activity.

Group 2022 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 impairment loss allowance €m
Opening balance 1 January 2022	**170**	**416**	**1,347**	**25**	**1,958**
Total net transfers	143	(164)	21	–	–
To 12 month ECL (not credit impaired)	*188*	*(185)*	*(3)*	–	–
To lifetime ECL (not credit impaired)	*(43)*	*126*	*(83)*	–	–
To lifetime ECL (credit impaired)	*(2)*	*(105)*	*107*	–	–
Net impairment losses / (gains) in income statement	(166)	34	391	9	268
Re-measurement	*(240)*	*68*	*529*	*7*	*364*
Net changes in exposure	*41*	*(97)*	*(200)*	–	*(256)*
ECL model parameter and / or methodology changes	*33*	*63*	*62*	*2*	*160*
Impairment loss allowances utilised	–	–	(927)	–	(927)
Exchange adjustments	(4)	(3)	(8)	(2)	(17)
Measurement reclassification and other movements	(1)	2	11	1	13
Impairment loss allowance at 31 December 2022	**142**	**285**	**835**	**33**	**1,295**
Impairment coverage at 31 December 2022 (%)	**0.25%**	**2.25%**	**33.60%**	**41.23%**	**1.77%**

Total gross loans and advances to customers decreased during the period by €4.9 billion from €77.9 billion at 31 December 2021 to €73.0 billion at 31 December 2022.

The Group's approach for identifying a significant increase in credit risk is outlined on page 198 of the credit risk methodologies section.

Stage 1 loans have decreased by €3.5 billion primarily reflecting the impact of net transfers of €3.8 billion to other risk stages and adverse FX movements of €1.2 billion partly offset net new lending of €1.5 billion. Net transfers to other risk stages reflect the impact of the deterioration in the economic conditions, including elevated inflation rates and interest rates on the credit risk in the loan book, offset by the diminished latent credit risk associated with COVID-19 that was reflected in the balance sheet at 31 December 2021.

Impairment loss allowances on Stage 1 loans have decreased by €28 million, resulting in a decrease in coverage on Stage 1 loans from 0.28% at 31 December 2021 to 0.25% at 31 December 2022. The impact of the staging transfers resulted in a further increase to impairment loss allowances of €143m and ECL model parameter changes, which includes the impact of impairment model parameter updates and changes in the macroeconomic outlook, resulted in a further increase of €33 million during 2022. Remeasurements contributed a decrease of €240 million reflecting the impact of re-measuring net transfers from other stages from lifetime ECL to 12-month ECL, as well as the removal of the stage 1 component of the Group's post model adjustments at 31 December 2021.

Stage 2 loans have increased by €0.2 billion, with transfers from other stages of €2.8 billion offset by net repayments of €2.4 billion and other adjustments of €0.2 billion. The net increase in stage 2 loans reflects the application of updated FLI at the reporting date, individually assessed risk ratings, credit risk assessments and re-assessment for post-model adjustments. The relative stability in the stage 2 population reflects the deterioration in economic conditions, including elevated inflation rates and rising interest rates, that emerged in 2022, offset by the diminished latent credit risk associated with COVID-19 that was reflected in the balance sheet at 31 December 2021.

Coverage on Stage 2 loans has decreased from 3.35% at 31 December 2021 to 2.25% at 31 December 2022. The impact of the net repayment of Stage 2 exposures noted above was a reduction in impairment loss allowances with net transfers to other stages resulting in a reduction of €164 million. This is partially offset by a net €34 million charge comprising of remeasurement, repayments, ECL model parameter or methodology changes and the removal of the Stage 2 component of the Group's post model adjustments at 31 December 2021.

Stage 3 loans have decreased by €1.7 billion, with the key drivers being the impact of repayments of €1.3 billion from portfolio disposals and €0.3 billion from case specific resolution activities, the utilisation of impairment loss allowances of €0.9 billion and FX of €0.1 billion offset by a net migration from other stages of €0.9 billion. The net reduction in stage 3 was delivered via portfolio disposals as well as case specific resolution strategies, particularly in relation to a small number of large, defaulted cases in the Investment property portfolio. These decreases were partly offset by the emergence of new defaults for case specific reasons primarily in the corporate portfolio.

Stage 3 ILAs have decreased by €512 million due to the utilisation of ILAs of €927 million from the portfolio disposals and the impact of net reductions in exposure of €200 million across all portfolios offset by re-measurement of €529 million and ECL parameter changes of €62 million.

Cover on Stage 3 loans has increased from 32.19% at 31 December 2021 to 33.60% at 31 December 2022. The increase is primarily driven by an increase in Stage 3 Non-property SME and corporate from 34% to 37% reflecting case specific impairment assessments for some larger defaulted assets.

25 Loans and advances to customers *(continued)*

Group *Restated*[3] **2021** **Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit impaired)[3] €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[3] €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[3]	(7)	14	1	–	8
Gross carrying amount at 31 December 2021	**61,281**	**12,407**	**4,185**	**81**	**77,954**

'Measurement reclassification and other movements' includes a fair value hedge adjustment on loans to customers.

Group **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 €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 and / or methodology 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.

Bank **2022** **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)	9,520	15,160	3,756	1,877	30,313
Stage 2 - Lifetime ECL (not credit impaired)	1,024	4,418	3,767	159	9,368
Stage 3 - Lifetime ECL (credit impaired)	165	1,406	308	72	1,951
Purchased / originated credit-impaired	4	16	60	–	80
Gross carrying amount at 31 December 2022	**10,713**	**21,000**	**7,891**	**2,108**	**41,712**

[3] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

25 Loans and advances to customers *(continued)*

Bank **2022** **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)	7	61	10	15	93
Stage 2 - Lifetime ECL (not credit impaired)	14	143	49	12	218
Stage 3 - Lifetime ECL (credit impaired)	26	515	82	37	660
Purchased / originated credit-impaired	1	2	30	–	33
Impairment loss allowance at 31 December 2022	**48**	**721**	**171**	**64**	**1,004**

Bank **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)	10,813	13,923	3,208	1,746	29,690
Stage 2 - Lifetime ECL (not credit impaired)	799	4,694	4,100	135	9,728
Stage 3 - Lifetime ECL (credit impaired)	689	1,179	913	64	2,845
Purchased / originated credit-impaired	2	15	64	–	81
Gross carrying amount at 31 December 2021	**12,303**	**19,811**	**8,285**	**1,945**	**42,344**

Bank **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)	11	62	9	18	100
Stage 2 - Lifetime ECL (not credit impaired)	20	234	72	9	335
Stage 3 - Lifetime ECL (credit impaired)	142	408	410	31	991
Purchased / originated credit-impaired	–	2	23	–	25
Impairment loss allowance at 31 December 2021	**173**	**706**	**514**	**58**	**1,451**

Bank **2022** **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 2022	**29,690**	**9,728**	**2,845**	**81**	**42,344**
Total net transfers	(2,463)	1,578	885	–	–
To 12 month ECL (not credit impaired)	*4,082*	*(4,072)*	*(10)*	–	–
To lifetime ECL (not credit impaired)	*(6,397)*	*6,749*	*(352)*	–	–
To lifetime ECL (credit impaired)	*(148)*	*(1,099)*	*1,247*	–	–
Net changes in exposure	3,003	(1,921)	(1,067)	2	17
Impairment loss allowances utilised	–	–	(660)	–	(660)
Exchange adjustments	(260)	(32)	(51)	(3)	(346)
Measurement reclassification and other movements	343	15	(1)	–	357
Gross carrying amount at 31 December 2022	**30,313**	**9,368**	**1,951**	**80**	**41,712**

25 Loans and advances to customers *(continued)*

Bank **2022** **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 impairment loss allowance €m**
Opening balance 1 January 2022	**100**	**335**	**991**	**25**	**1,451**
Total net transfers	105	(149)	44	–	–
To 12 month ECL (not credit impaired)	*137*	*(135)*	*(2)*	–	–
To lifetime ECL (not credit impaired)	*(31)*	*76*	*(45)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(90)*	*91*	–	–
Net impairment losses / (gains) in income statement	(113)	33	277	9	206
Re-measurement	*(171)*	*62*	*422*	*7*	*320*
Net changes in exposure	*37*	*(71)*	*(188)*	–	*(222)*
ECL model parameter and / or methodology changes	*21*	*42*	*43*	*2*	*108*
Impairment loss allowances utilised	–	–	(660)	–	(660)
Exchange adjustments	–	(1)	(2)	(2)	(5)
Measurement reclassification and other movements	1	–	10	1	12
Impairment loss allowance at 31 December 2022	**93**	**218**	**660**	**33**	**1,004**
Impairment coverage at 31 December 2022 (%)	**0.31%**	**2.33%**	**33.83%**	**41.25%**	**2.41%**

Impairment loss allowances utilised on loans and advances to customers at amortised cost during 2022 includes €272 million of contractual amounts outstanding that are still subject to enforcement activity.

Bank **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) €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**22,666**	**12,783**	**2,749**	**90**	**38,288**
Total net transfers	(525)	(146)	671	–	–
To 12 month ECL (not credit impaired)	*5,586*	*(5,578)*	*(8)*	–	–
To lifetime ECL (not credit impaired)	*(5,957)*	*6,231*	*(274)*	–	–
To lifetime ECL (credit impaired)	*(154)*	*(799)*	*953*	–	–
Net changes in exposure	6,892	(3,209)	(485)	2	3,200
Impairment loss allowances utilised	–	–	(165)	(16)	(181)
Exchange adjustments	501	285	72	5	863
Measurement reclassification and other movements	156	15	3	–	174
Gross carrying amount at 31 December 2021	**29,690**	**9,728**	**2,845**	**81**	**42,344**

25 Loans and advances to customers *(continued)*

Bank 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) €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**185**	**476**	**960**	**32**	**1,653**
Total net transfers	81	(125)	44	–	–
To 12 month ECL (not credit impaired)	*169*	*(167)*	*(2)*	–	–
To lifetime ECL (not credit impaired)	*(85)*	*123*	*(38)*	–	–
To lifetime ECL (credit impaired)	*(3)*	*(81)*	*84*	–	–
Net impairment losses / (gains) in income statement	(166)	(20)	106	6	(74)
Re-measurement	*(111)*	*184*	*223*	*7*	*303*
Net changes in exposure	*23*	*(111)*	*(130)*	*(1)*	*(219)*
ECL model parameter and / or methodology changes	*(78)*	*(93)*	*13*	–	*(158)*
Impairment loss allowances utilised	–	–	(165)	(16)	(181)
Exchange adjustments	1	2	10	1	14
Measurement reclassification and other movements	(1)	2	36	2	39
Impairment loss allowance at 31 December 2021	**100**	**335**	**991**	**25**	**1,451**
Impairment coverage at 31 December 2021 (%)	**0.34%**	**3.44%**	**34.83%**	**30.86%**	**3.43%**

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

Group 2022 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 €m	Total gross carrying amount €m
Opening balance 1 January 2022	**38,708**	**2,779**	**1,773**	**2**	**43,262**
Total net transfers	(1,479)	1,346	133	–	–
To 12 month ECL (not credit impaired)	*3,028*	*(3,028)*	–	–	–
To lifetime ECL (not credit impaired)	*(4,350)*	*4,654*	*(304)*	–	–
To lifetime ECL (credit impaired)	*(157)*	*(280)*	*437*	–	–
Net changes in exposure	(2,230)	(524)	(1,053)	1	(3,806)
Impairment loss allowances utilised	–	–	(365)	–	(365)
Exchange adjustments	(1,002)	(53)	(37)	–	(1,092)
Measurement reclassification and other movements	23	(2)	(1)	1	21
Gross carrying amount at 31 December 2022	**34,020**	**3,546**	**450**	**4**	**38,020**

25 Loans and advances to customers *(continued)*

Group 2022 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 €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**28**	**60**	**416**	**–**	**504**
Total net transfers	61	(29)	(32)	–	–
To 12 month ECL (not credit impaired)	*68*	*(68)*	*–*	–	–
To lifetime ECL (not credit impaired)	*(7)*	*48*	*(41)*	–	–
To lifetime ECL (credit impaired)	*–*	*(9)*	*9*	–	–
Net impairment losses / (gains) in income statement	(70)	8	85	1	24
Re-measurement	*(68)*	*(8)*	*90*	*1*	*15*
Net changes in exposure	*(13)*	*(14)*	*(22)*	*–*	*(49)*
ECL model parameter and / or methodology changes	*11*	*30*	*17*	*–*	*58*
Impairment loss allowances utilised	–	–	(365)	–	(365)
Exchange adjustments	(1)	(1)	(3)	–	(5)
Measurement reclassification and other movements	–	–	(12)	–	(12)
Impairment loss allowance at 31 December 2022	**18**	**38**	**89**	**1**	**146**
Impairment coverage at 31 December 2022 (%)	**0.05%**	**1.07%**	**19.78%**	**25.00%**	**0.38%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2022 includes €12 million of contractual amounts outstanding that are still subject to enforcement activity.

Group 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 €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**

25 Loans and advances to customers *(continued)*

Group **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 €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 and / or methodology 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.

Bank **2022** **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 €m**	**Total gross carrying amount €m**
Opening balance 1 January 2022	**10,813**	**799**	**689**	**2**	**12,303**
Total net transfers	(494)	403	91	–	–
To 12 month ECL (not credit impaired)	*924*	*(924)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(1,335)*	*1,451*	*(116)*	*–*	*–*
To lifetime ECL (credit impaired)	*(83)*	*(124)*	*207*	*–*	*–*
Net changes in exposure	(530)	(163)	(459)	2	(1,150)
Impairment loss allowances utilised	–	–	(137)	–	(137)
Exchange adjustments	(299)	(13)	(18)	–	(330)
Measurement reclassification and other movements	30	(2)	(1)	–	27
Gross carrying amount at 31 December 2022	**9,520**	**1,024**	**165**	**4**	**10,713**

25 Loans and advances to customers *(continued)*

Bank **2022** **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2022	**11**	**20**	**142**	**–**	**173**
Total net transfers	20	(9)	(11)	–	–
To 12 month ECL (not credit impaired)	*24*	*(24)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(4)*	*19*	*(15)*	*–*	*–*
To lifetime ECL (credit impaired)	*–*	*(4)*	*4*	*–*	*–*
Net impairment losses / (gains) in income statement	(24)	4	42	–	22
Re-measurement	*(27)*	*(2)*	*45*	*–*	*16*
Net changes in exposure	*(1)*	*(5)*	*(11)*	*–*	*(17)*
ECL model parameter and / or methodology changes	*4*	*11*	*8*	*–*	*23*
Impairment loss allowances utilised	–	–	(137)	–	(137)
Exchange adjustments	–	(1)	(2)	1	(2)
Measurement reclassification and other movements	–	–	(8)	–	(8)
Impairment loss allowance at 31 December 2022	**7**	**14**	**26**	**1**	**48**
Impairment coverage at 31 December 2022 (%)	**0.07%**	**1.37%**	**15.76%**	**25.00%**	**0.45%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2022 includes €4 million of contractual amounts outstanding that are still subject to enforcement activity.

Bank **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 €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**8,051**	**513**	**819**	**2**	**9,385**
Total net transfers	(428)	376	52	–	–
To 12 month ECL (not credit impaired)	*699*	*(699)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(1,051)*	*1,186*	*(135)*	*–*	*–*
To lifetime ECL (credit impaired)	*(76)*	*(111)*	*187*	*–*	*–*
Net changes in exposure	2,876	(101)	(187)	–	2,588
Impairment loss allowances utilised	–	–	(19)	–	(19)
Exchange adjustments	179	9	23	–	211
Measurement reclassification and other movements	135	2	1	–	138
Gross carrying amount at 31 December 2021	**10,813**	**799**	**689**	**2**	**12,303**

25 Loans and advances to customers *(continued)*

Bank **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**23**	**9**	**124**	**–**	**156**
Total net transfers	14	(8)	(6)	–	–
To 12 month ECL (not credit impaired)	*20*	*(20)*	*–*	–	*–*
To lifetime ECL (not credit impaired)	*(5)*	*16*	*(11)*	–	*–*
To lifetime ECL (credit impaired)	*(1)*	*(4)*	*5*	–	*–*
Net impairment losses / (gains) in income statement	(25)	19	38	–	32
Re-measurement	*(18)*	*23*	*42*	–	*47*
Net changes in exposure	*1*	*(3)*	*(6)*	–	*(8)*
ECL model parameter and / or methodology changes	*(8)*	*(1)*	*2*	–	*(7)*
Impairment loss allowances utilised	–	–	(19)	–	(19)
Exchange adjustments	1	–	2	–	3
Measurement reclassification and other movements	(2)	–	3	–	1
Impairment loss allowance at 31 December 2021	**11**	**20**	**142**	**–**	**173**
Impairment coverage at 31 December 2021 (%)	**0.10%**	**2.50%**	**20.61%**	**–**	**1.41%**

Impairment loss allowances utilised on Residential mortgages at amortised cost during 2021 includes €2 million of contractual amounts outstanding that are still subject to enforcement activity.

Non-property SME and corporate

Group **2022** **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 2022	**14,430**	**5,100**	**1,305**	**15**	**20,850**
Total net transfers	(1,332)	641	691	–	–
To 12 month ECL (not credit impaired)	*2,131*	*(2,125)*	*(6)*	–	*–*
To lifetime ECL (not credit impaired)	*(3,394)*	*3,602*	*(208)*	–	*–*
To lifetime ECL (credit impaired)	*(69)*	*(836)*	*905*	–	*–*
Net changes in exposure	2,218	(1,084)	(283)	–	851
Impairment loss allowances utilised	–	–	(161)	–	(161)
Exchange adjustments	3	(3)	(19)	1	(18)
Measurement reclassification and other movements	(66)	11	1	–	(54)
Gross carrying amount at 31 December 2022	**15,253**	**4,665**	**1,534**	**16**	**21,468**

25 Loans and advances to customers *(continued)*

Group **2022** **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2022	**67**	**247**	**439**	**2**	**755**
Total net transfers	68	(105)	37	–	–
To 12 month ECL (not credit impaired)	*94*	*(93)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(25)*	*57*	*(32)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(69)*	*70*	–	–
Net impairment losses / (gains) in income statement	(69)	12	236	(1)	178
Re-measurement	*(138)*	*41*	*248*	*(1)*	*150*
Net changes in exposure	*51*	*(51)*	*(50)*	–	*(50)*
ECL model parameter and / or methodology changes	*18*	*22*	*38*	–	*78*
Impairment loss allowances utilised	–	–	(161)	–	(161)
Exchange adjustments	(1)	(1)	(2)	1	(3)
Measurement reclassification and other movements	–	–	14	–	14
Impairment loss allowance at 31 December 2022	**65**	**153**	**563**	**2**	**783**
Impairment coverage at 31 December 2022 (%)	**0.43%**	**3.28%**	**36.70%**	**12.50%**	**3.65%**

Impairment loss allowances utilised on Non-property SME and corporate during 2022 includes €63 million of contractual amounts outstanding that are still subject to enforcement activity.

Group *Restated*[4] **2021** **Non-property SME and corporate - Gross carrying amount (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired)[4] €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[4] €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[4]	88	16	3	1	108
Gross carrying amount at 31 December 2021	**14,430**	**5,100**	**1,305**	**15**	**20,850**

[4] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

25 Loans and advances to customers *(continued)*

Group 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 €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 and / or methodology 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 (%)	**0.46%**	**4.84%**	**33.64%**	**13.33%**	**3.62%**

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.

Bank 2022 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 2022	**13,923**	**4,694**	**1,179**	**15**	**19,811**
Total net transfers	(1,327)	668	659	–	–
To 12 month ECL (not credit impaired)	*1,900*	*(1,895)*	*(5)*	–	–
To lifetime ECL (not credit impaired)	*(3,167)*	*3,341*	*(174)*	–	–
To lifetime ECL (credit impaired)	*(60)*	*(778)*	*838*	–	–
Net changes in exposure	2,186	(972)	(262)	1	953
Impairment loss allowances utilised	–	–	(158)	–	(158)
Exchange adjustments	63	17	(12)	–	68
Measurement reclassification and other movements	315	11	–	–	326
Gross carrying amount at 31 December 2022	**15,160**	**4,418**	**1,406**	**16**	**21,000**

25 Loans and advances to customers *(continued)*

Bank **2022** **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2022	**62**	**234**	**408**	**2**	**706**
Total net transfers	68	(110)	42	–	–
To 12 month ECL (not credit impaired)	*89*	*(88)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(20)*	*44*	*(24)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(66)*	*67*	–	–
Net impairment losses / (gains) in income statement	(68)	18	212	–	162
Re-measurement	*(124)*	*39*	*229*	–	*144*
Net changes in exposure	*38*	*(44)*	*(47)*	–	*(53)*
ECL model parameter and / or methodology changes	*18*	*23*	*30*	–	*71*
Impairment loss allowances utilised	–	–	(158)	–	(158)
Exchange adjustments	–	–	–	–	–
Measurement reclassification and other movements	(1)	1	11	–	11
Impairment loss allowance at 31 December 2022	**61**	**143**	**515**	**2**	**721**
Impairment coverage at 31 December 2022 (%)	**0.40%**	**3.24%**	**36.63%**	**12.50%**	**3.43%**

Impairment loss allowances utilised on Non-property SME and corporate during 2022 includes €63 million of contractual amounts outstanding that are still subject to enforcement activity.

Bank **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	**10,283**	**7,616**	**904**	**26**	**18,829**
Total net transfers	659	(1,124)	465	–	–
To 12 month ECL (not credit impaired)	*3,576*	*(3,571)*	*(5)*	–	–
To lifetime ECL (not credit impaired)	*(2,847)*	*2,940*	*(93)*	–	–
To lifetime ECL (credit impaired)	*(70)*	*(493)*	*563*	–	–
Net changes in exposure	2,590	(2,004)	(119)	3	470
Impairment loss allowances utilised	–	–	(88)	(16)	(104)
Exchange adjustments	270	190	13	2	475
Measurement reclassification and other movements	121	16	4	–	141
Gross carrying amount at 31 December 2021	**13,923**	**4,694**	**1,179**	**15**	**19,811**

25 Loans and advances to customers *(continued)*

Bank **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**125**	**341**	**384**	**13**	**863**
Total net transfers	55	(86)	31	–	–
To 12 month ECL (not credit impaired)	*129*	*(128)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(72)*	*93*	*(21)*	–	–
To lifetime ECL (credit impaired)	*(2)*	*(51)*	*53*	–	–
Net impairment losses / (gains) in income statement	(119)	(24)	68	4	(71)
Re-measurement	*(77)*	*144*	*100*	*5*	*172*
Net changes in exposure	*17*	*(84)*	*(42)*	*(1)*	*(110)*
ECL model parameter and / or methodology changes	*(59)*	*(84)*	*10*	–	*(133)*
Impairment loss allowances utilised	–	–	(88)	(16)	(104)
Exchange adjustments	–	1	–	–	1
Measurement reclassification and other movements	1	2	13	1	17
Impairment loss allowance at 31 December 2021	**62**	**234**	**408**	**2**	**706**
Impairment coverage at 31 December 2021 (%)	**0.45%**	**4.99%**	**34.61%**	**13.33%**	**3.56%**

Impairment loss allowances utilised on Non-property SME and corporate during 2021 includes €39 million of contractual amounts outstanding that are still subject to enforcement activity.

Property and construction

Group **2022** **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 2022	**3,280**	**4,299**	**970**	**64**	**8,613**
Total net transfers	(552)	438	114	–	–
To 12 month ECL (not credit impaired)	*1,145*	*(1,145)*	–	–	–
To lifetime ECL (not credit impaired)	*(1,696)*	*1,781*	*(85)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(198)*	*199*	–	–
Net changes in exposure	1,165	(773)	(349)	(1)	42
Impairment loss allowances utilised	–	–	(355)	–	(355)
Exchange adjustments	(27)	(48)	(25)	(2)	(102)
Measurement reclassification and other movements	(2)	6	–	(1)	3
Gross carrying amount at 31 December 2022	**3,864**	**3,922**	**355**	**60**	**8,201**

25 Loans and advances to customers *(continued)*

Group 2022 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 €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**10**	**78**	**416**	**23**	**527**
Total net transfers	9	(18)	9	–	–
To 12 month ECL (not credit impaired)	*13*	*(13)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(4)*	*12*	*(8)*	*–*	*–*
To lifetime ECL (credit impaired)	*–*	*(17)*	*17*	*–*	*–*
Net impairment losses / (gains) in income statement	(9)	(8)	28	9	20
Re-measurement	*(10)*	*(6)*	*149*	*7*	*140*
Net changes in exposure	*3*	*(9)*	*(128)*	*–*	*(134)*
ECL model parameter and / or methodology changes	*(2)*	*7*	*7*	*2*	*14*
Impairment loss allowances utilised	–	–	(355)	–	(355)
Exchange adjustments	–	–	(1)	(3)	(4)
Measurement reclassification and other movements	–	1	5	1	7
Impairment loss allowance at 31 December 2022	**10**	**53**	**102**	**30**	**195**
Impairment coverage at 31 December 2022 (%)	**0.26%**	**1.35%**	**28.73%**	**50.00%**	**2.38%**

Impairment loss allowances utilised on Property and construction during 2022 includes €188 million of contractual amounts outstanding that are still subject to enforcement activity.

Group 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 €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**

25 Loans and advances to customers *(continued)*

Group **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 €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 and / or methodology 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.

Bank **2022** **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 / originate credit-impaired €m**	**Total gross carrying amount €m**
Opening balance 1 January 2022	**3,208**	**4,100**	**913**	**64**	**8,285**
Total net transfers	(532)	420	112	–	–
To 12 month ECL (not credit impaired)	*1,075*	*(1,075)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(1,606)*	*1,666*	*(60)*	*–*	*–*
To lifetime ECL (credit impaired)	*(1)*	*(171)*	*172*	*–*	*–*
Net changes in exposure	1,105	(722)	(341)	(1)	41
Impairment loss allowances utilised	–	–	(355)	–	(355)
Exchange adjustments	(23)	(37)	(21)	(3)	(84)
Measurement reclassification and other movements	(2)	6	–	–	4
Gross carrying amount at 31 December 2022	**3,756**	**3,767**	**308**	**60**	**7,891**

25 Loans and advances to customers *(continued)*

Bank **2022** **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2022	**9**	**72**	**410**	**23**	**514**
Total net transfers	8	(17)	9	–	–
To 12 month ECL (not credit impaired)	*11*	*(11)*	–	–	–
To lifetime ECL (not credit impaired)	*(4)*	*9*	*(5)*	–	–
To lifetime ECL (credit impaired)	*1*	*(15)*	*14*	–	–
Net impairment losses / (gains) in income statement	(8)	(6)	14	9	9
Re-measurement	*(10)*	*(4)*	*136*	*7*	*129*
Net changes in exposure	*3*	*(9)*	*(126)*	–	*(132)*
ECL model parameter and / or methodology changes	*(1)*	*7*	*4*	*2*	*12*
Impairment loss allowances utilised	–	–	(355)	–	(355)
Exchange adjustments	–	–	–	(3)	(3)
Measurement reclassification and other movements	1	–	4	1	6
Impairment loss allowance at 31 December 2022	**10**	**49**	**82**	**30**	**171**
Impairment coverage at 31 December 2022 (%)	**0.27%**	**1.30%**	**26.62%**	**50.00%**	**2.17%**

Impairment loss allowances utilised on Property and construction during 2022 includes €188 million of contractual amounts outstanding that are still subject to enforcement activity.

Bank **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 €m**	**Total gross carrying amount €m**
Opening balance 1 January 2021	**2,559**	**4,603**	**957**	**62**	**8,181**
Total net transfers	(627)	486	141	–	–
To 12 month ECL (not credit impaired)	*1,219*	*(1,219)*	–	–	–
To lifetime ECL (not credit impaired)	*(1,844)*	*1,889*	*(45)*	–	–
To lifetime ECL (credit impaired)	*(2)*	*(184)*	*186*	–	–
Net changes in exposure	1,324	(1,073)	(172)	(1)	78
Impairment loss allowances utilised	–	–	(47)	–	(47)
Exchange adjustments	52	86	36	3	177
Measurement reclassification and other movements	(100)	(2)	(2)	–	(104)
Gross carrying amount at 31 December 2021	**3,208**	**4,100**	**913**	**64**	**8,285**

25 Loans and advances to customers *(continued)*

Bank 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 €m	Total impairment loss allowance €m
Opening balance 1 January 2021	**8**	**120**	**418**	**19**	**565**
Total net transfers	6	(23)	17	–	–
To 12 month ECL (not credit impaired)	*11*	*(11)*	*–*	*–*	*–*
To lifetime ECL (not credit impaired)	*(5)*	*10*	*(5)*	*–*	*–*
To lifetime ECL (credit impaired)	*–*	*(22)*	*22*	*–*	*–*
Net impairment losses / (gains) in income statement	(5)	(26)	(4)	2	(33)
Re-measurement	*(8)*	*–*	*74*	*2*	*68*
Net changes in exposure	*6*	*(21)*	*(79)*	*–*	*(94)*
ECL model parameter and / or methodology changes	*(3)*	*(5)*	*1*	*–*	*(7)*
Impairment loss allowances utilised	–	–	(47)	–	(47)
Exchange adjustments	–	1	8	1	10
Measurement reclassification and other movements	–	–	18	1	19
Impairment loss allowance at 31 December 2021	**9**	**72**	**410**	**23**	**514**
Impairment coverage at 31 December 2021 (%)	**0.28%**	**1.76%**	**44.91%**	**35.94%**	**6.20%**

Impairment loss allowances utilised on Property and construction during 2021 includes €7 million of contractual amounts outstanding that are still subject to enforcement activity.

Consumer

Group 2022 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 2022	**4,863**	**229**	**137**	**–**	**5,229**
Total net transfers	(399)	331	68	–	–
To 12 month ECL (not credit impaired)	*186*	*(180)*	*(6)*	*–*	*–*
To lifetime ECL (not credit impaired)	*(545)*	*549*	*(4)*	*–*	*–*
To lifetime ECL (credit impaired)	*(40)*	*(38)*	*78*	*–*	*–*
Net changes in exposure	389	(46)	(11)	–	332
Impairment loss allowances utilised	–	–	(46)	–	(46)
Exchange adjustments	(160)	(4)	(2)	–	(166)
Measurement reclassification and other movements	1	–	–	–	1
Gross carrying amount at 31 December 2022	**4,694**	**510**	**146**	**–**	**5,350**

25 Loans and advances to customers *(continued)*

Group 2022 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 €m	Total impairment loss allowance €m
Opening balance 1 January 2022	**65**	**31**	**76**	**–**	**172**
Total net transfers	5	(12)	7	–	–
To 12 month ECL (not credit impaired)	*13*	*(11)*	*(2)*	–	–
To lifetime ECL (not credit impaired)	*(7)*	*9*	*(2)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(10)*	*11*	–	–
Net impairment losses / (gains) in income statement	(18)	22	42	–	46
Re-measurement	*(24)*	*41*	*42*	–	*59*
Net changes in exposure	–	*(23)*	–	–	*(23)*
ECL model parameter and / or methodology changes	*6*	*4*	–	–	*10*
Impairment loss allowances utilised	–	–	(46)	–	(46)
Exchange adjustments	(2)	(1)	(2)	–	(5)
Measurement reclassification and other movements	(1)	1	4	–	4
Impairment loss allowance at 31 December 2022	**49**	**41**	**81**	**–**	**171**
Impairment coverage at 31 December 2022 (%)	**1.04%**	**8.04%**	**55.48%**	**–**	**3.20%**

Impairment loss allowances utilised on Consumer during 2022 includes €49 million of contractual amounts outstanding that are still subject to enforcement activity.

Group 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**

25 Loans and advances to customers *(continued)*

Group **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 €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 and / or methodology 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.

Bank **2022** **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 2022	**1,746**	**135**	**64**	**–**	**1,945**
Total net transfers	(110)	87	23	–	–
To 12 month ECL (not credit impaired)	*183*	*(178)*	*(5)*	–	–
To lifetime ECL (not credit impaired)	*(289)*	*291*	*(2)*	–	–
To lifetime ECL (credit impaired)	*(4)*	*(26)*	*30*	–	–
Net changes in exposure	242	(64)	(5)	–	173
Impairment loss allowances utilised	–	–	(10)	–	(10)
Exchange adjustments	(1)	1	–	–	–
Measurement reclassification and other movements	–	–	–	–	–
Gross carrying amount at 31 December 2022	**1,877**	**159**	**72**	**–**	**2,108**

25 Loans and advances to customers *(continued)*

Bank **2022** **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2022	**18**	**9**	**31**	**–**	**58**
Total net transfers	9	(13)	4	–	–
To 12 month ECL (not credit impaired)	*13*	*(12)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(3)*	*4*	*(1)*	–	–
To lifetime ECL (credit impaired)	*(1)*	*(5)*	*6*	–	–
Net impairment losses / (gains) in income statement	(13)	17	9	–	13
Re-measurement	*(10)*	*29*	*12*	–	*31*
Net changes in exposure	*(3)*	*(13)*	*(4)*	–	*(20)*
ECL model parameter and / or methodology changes	–	*1*	*1*	–	*2*
Impairment loss allowances utilised	–	–	(10)	–	(10)
Exchange adjustments	–	–	–	–	–
Measurement reclassification and other movements	1	(1)	3	–	3
Impairment loss allowance at 31 December 2022	**15**	**12**	**37**	**–**	**64**
Impairment coverage at 31 December 2022 (%)	**0.80%**	**7.55%**	**51.39%**	**–**	**3.04%**

Impairment loss allowances utilised on Consumer during 2022 includes €17 million of contractual amounts outstanding that are still subject to enforcement activity.

Bank **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	**1,773**	**51**	**69**	**–**	**1,893**
Total net transfers	(129)	116	13	–	–
To 12 month ECL (not credit impaired)	*92*	*(89)*	*(3)*	–	–
To lifetime ECL (not credit impaired)	*(215)*	*216*	*(1)*	–	–
To lifetime ECL (credit impaired)	*(6)*	*(11)*	*17*	–	–
Net changes in exposure	102	(31)	(7)	–	64
Impairment loss allowances utilised	–	–	(11)	–	(11)
Exchange adjustments	–	–	–	–	–
Measurement reclassification and other movements	–	(1)	–	–	(1)
Gross carrying amount at 31 December 2021	**1,746**	**135**	**64**	**–**	**1,945**

25 Loans and advances to customers *(continued)*

Bank **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 €m**	**Total impairment loss allowance €m**
Opening balance 1 January 2021	**29**	**6**	**34**	**–**	**69**
Total net transfers	6	(8)	2	–	–
To 12 month ECL (not credit impaired)	*9*	*(8)*	*(1)*	–	–
To lifetime ECL (not credit impaired)	*(3)*	*4*	*(1)*	–	–
To lifetime ECL (credit impaired)	–	*(4)*	*4*	–	–
Net impairment losses / (gains) in income statement	(17)	11	4	–	(2)
Re-measurement	*(8)*	*17*	*7*	–	*16*
Net changes in exposure	*(1)*	*(3)*	*(3)*	–	*(7)*
ECL model parameter and / or methodology changes	*(8)*	*(3)*	–	–	*(11)*
Impairment loss allowances utilised	–	–	(11)	–	(11)
Exchange adjustments	–	–	–	–	–
Measurement reclassification and other movements	–	–	2	–	2
Impairment loss allowance at 31 December 2021	**18**	**9**	**31**	**–**	**58**
Impairment coverage at 31 December 2021 (%)	**1.03%**	**6.67%**	**48.44%**	**–**	**2.98%**

Impairment loss allowances utilised on Consumer during 2021 includes €4 million of contractual amounts outstanding that are still subject to enforcement activity.

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 2022 was €3,585 million, an increase of €31 million since 31 December 2021. This was primarily driven by increase in syndicated loans balances.

	Group		**Bank**	
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Gross investment in finance leases				
Not later than 1 year	1,039	1,081	267	246
1 to 2 years	906	1,017	289	249
2 to 3 years	928	845	351	303
3 to 4 years	751	595	215	188
4 to 5 years	248	256	178	180
Later than 5 years	16	13	6	4
	3,888	**3,807**	**1,306**	**1,170**
Unearned future finance income on finance leases	(303)	(253)	(77)	(68)
Net investment in finance leases	**3,585**	**3,554**	**1,229**	**1,102**
The net investment in finance leases is analysed as follows:				
Not later than 1 year	956	1,008	250	231
1 to 2 years	835	948	271	235
2 to 3 years	857	790	331	286
3 to 4 years	691	556	203	177
4 to 5 years	232	240	168	170
Later than 5 years	14	12	6	3
	3,585	**3,554**	**1,229**	**1,102**

25 Loans and advances to customers *(continued)*

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 No.2 DAC and Temple Quay No.1, all of the Group's securitisation structured entities are consolidated. See note 56 for further details.

26 Financial risk management

Financial instruments are fundamental to the Group's activities and, as a consequence, the risks associated with financial instruments represent a significant component of the risks faced by the Group.

The primary risks affecting the Group and Bank through the use of financial instruments are: credit risk, liquidity risk and market risk. The Group is also exposed to life insurance risk. Information about the Group and Bank's management of these risks is given below.

The Group's approach to risk management including risk policies, risk appetite, measurement bases and sensitivities, in particular for credit risk, market risk and liquidity risk, is aligned to that of BOIG plc, the Bank's immediate and ultimate parent. Further information can be found in the BOIG plc Group Annual Report 2022.

The Group's approach to managing capital is also included in this note on page 209.

Credit risk

Credit risk is the risk of loss resulting from a customer or counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes debt underwriting risk, loan origination risk, credit concentration risk, cross border transfer risk, credit quality deterioration risk, default risk and collateral valuation 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 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.

Debt underwriting risk

Debt underwriting risk is the risk of loss arising from movements in credit spreads or other changes in market conditions in respect of debt underwriting transactions.

Loan origination risk

Loan origination risk is the risk of loss from originating credit exposures where asset quality is outside risk appetite.

Credit concentration risk

Credit concentration risk is the risk of loss due to exposures to a single name, product, industry or geography 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.

Cross boarder 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.

Default risk

Default risk is the risk that companies or individuals (counterparties) will be unable to meet the required payment on their debt obligations.

Collateral valuation risk

Collateral valuation risk is the risk of loss arising from a change in the value of security or an inability to enforce security held due to errors in the nature, quantity, pricing, or characteristics of security held in respect of a transaction with credit risk.

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 stockholder value.

The Group's credit strategy is to underwrite credit risk within a clearly defined Court-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 Court-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.

26 Financial risk management *(continued)*

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 or 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 GRPC, the CRC and the Court 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 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 Court. 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 Court.

It includes specific long term limits for each category and maximum exposure limits to a customer or a group of connected customers.

The Court 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 GRPC 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 195.

An analysis of the Group's impairment loss allowances at 31 December 2022 is set out on page 168.

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 and 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 191 to 193.

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

26 Financial risk management *(continued)*

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 regular basis the GCRC considers credit concentration reports which track changes in portfolio, product/sectoral and single name concentrations measured under agreed parameters.

In addition, other reports are submitted to senior management and the Board as required.

Credit Review (CR), an independent function within Group Risk, 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 non-performing credit. These include:
- enhanced collections and recoveries processes;
- specialist work-out teams to ensure early intervention for borrowers in or potentially in financial difficulty;
- intensive review cycles for 'at risk' exposures and the management of arrears and excess positions; and
- support from central teams in managing 'at risk' portfolios at a business unit level.

Group forbearance strategies
A forbearance measure is a concession to a borrower for reasons relating to the actual or apparent financial difficulties of that borrower. A concession is any change to the terms and conditions of a credit agreement (e.g. term extension, margin change, release of security, covenant waiver) or a total or partial refinancing of a credit facility. If the concession to a borrower is not granted for reasons relating to the actual or apparent financial difficulty of that borrower, then it does not represent a forbearance measure.

The key objective of granting forbearance measures is to prevent performing borrowers entering arrears, from reaching a non-performing status or to pave the way for non-performing borrowers to return to performing status. Forbearance measures should always aim to return the exposure to a sustainable repayment situation.

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.

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 Forbearance Policy outlines the core principles and parameters underpinning the Group's approach to forbearance with individual business unit 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.

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.

26 Financial risk management *(continued)*

- **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 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.

- **POCI 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 pages 198 to 199.

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.

An analysis of loans and advances to customers that are non-performing by asset classification at 31 December 2022 can be found on page 179.

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.

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

26 Financial risk management *(continued)*

Financial assets

Composition and risk profile

The tables below summarise the composition and risk profile of the Group and Bank's financial assets subject to impairment and the impairment loss allowances on these financial assets. The tables exclude loan commitments, guarantees and letters of credit of €16,871 million at 31 December 2022 (2021: €16,023 million) (Bank 2022: €14,536 million, 2021 €13,793 million) that are subject to impairment (note 45).

At 31 December 2022, POCI assets included €1 million of assets (2021: €1 million) (Bank 2022: €1 million, 2021: €1 million) with an impairment loss allowance of €nil (2021: €nil) (Bank 2022: €nil, 2021: €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.

Group 2022 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 €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	57,831	12,643	2,485	80	73,039
Loans and advances to banks	2,898	–	–	–	2,898
Debt securities	4,471	1	–	–	4,472
Other financial assets	37,001	–	–	–	37,001
Total financial assets measured at amortised cost	**102,201**	**12,644**	**2,485**	**80**	**117,410**
Debt instruments at FVOCI	4,254	–	–	–	4,254
Total	**106,455**	**12,644**	**2,485**	**80**	**121,664**

Group 2022 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 €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	142	285	835	33	1,295
Loans and advances to banks	1	–	–	–	1
Debt securities	1	–	–	–	1
Other financial assets	6	–	–	–	6
Total financial assets measured at amortised cost	**150**	**285**	**835**	**33**	**1,303**
Debt instruments at FVOCI	1	–	–	–	1
Total	**151**	**285**	**835**	**33**	**1,304**

Group *Restated*[1] 2021 Financial assets exposure by stage (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired)[1] €m	Stage 2 - Lifetime ECL (not credit-impaired) €m	Stage 3 - Lifetime ECL (credit-impaired) €m	Purchased / originated credit-impaired €m	Total[1] €m
Financial assets measured at amortised cost					
Loans and advances to customers[1]	61,281	12,407	4,185	81	77,954
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	**101,287**	**12,411**	**4,185**	**81**	**117,964**
Debt instruments at FVOCI	9,457	–	–	–	9,457
Total	**110,744**	**12,411**	**4,185**	**81**	**127,421**

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

26 Financial risk management *(continued)*

Group **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 €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**

Loans and advances to customers excludes €217 million (Bank 2022: €160 million) of loans mandatorily measured at FVTPL at 31 December 2022 which are not subject to impairment under IFRS 9 and are therefore excluded from impairment related tables (2021: €426 million, Bank 2021: €363 million) (note 25).

At 31 December 2022, other financial assets includes: cash and balances at central banks of €36,861 million (2021: €31,371 million) and items in the course of collection from other banks of €140 million (2021: €159 million). At 31 December 2022, the Bank's other financial assets includes: cash and balances at central banks of €34,336 million (2021: €27,258 million) and items in the course of collection from other banks of €51 million (2021: €38 million).

Bank **2022** **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 €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	30,313	9,368	1,951	80	41,712
Loans and advances to banks	17,051	–	–	–	17,051
Debt securities	6,570	–	–	–	6,570
Other financial assets	34,387	–	–	–	34,387
Total financial assets measured at amortised cost	**88,321**	**9,368**	**1,951**	**80**	**99,720**
Debt instruments at FVOCI	4,254	–	–	–	4,254
Total	**92,575**	**9,368**	**1,951**	**80**	**103,974**

Bank **2022** **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 €m**	**Total €m**
Financial assets measured at amortised cost					
Loans and advances to customers	93	218	660	33	1,004
Loans and advances to banks	7	–	–	–	7
Debt securities	2	–	–	–	2
Other financial assets	6	–	–	–	6
Total financial assets measured at amortised cost	**108**	**218**	**660**	**33**	**1,019**
Debt instruments at FVOCI	1	–	–	–	1
Total	**109**	**218**	**660**	**33**	**1,020**

26 Financial risk management *(continued)*

Bank 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 €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	29,690	9,728	2,845	81	42,344
Loans and advances to banks	15,561	1	–	–	15,562
Debt securities	7,747	–	–	–	7,747
Other financial assets	27,296	–	–	–	27,296
Total financial assets measured at amortised cost	**80,294**	**9,729**	**2,845**	**81**	**92,949**
Debt instruments at FVOCI	9,457	–	–	–	9,457
Total	**89,751**	**9,729**	**2,845**	**81**	**102,406**

Bank 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 €m	Total €m
Financial assets measured at amortised cost					
Loans and advances to customers	100	335	991	25	1,451
Loans and advances to banks	8	–	–	–	8
Debt securities	2	–	–	–	2
Other financial assets	11	–	–	–	11
Total financial assets measured at amortised cost	**121**	**335**	**991**	**25**	**1,472**
Debt instruments at FVOCI	3	–	–	–	3
Total	**124**	**335**	**991**	**25**	**1,475**

Loans and advances to customers at amortised cost

Composition and risk profile

The tables below summarise the composition and risk profile of the Group and Bank's loans and advances to customers at amortised cost.

Excluded from the table below and on the following page are POCI assets of €80 million (2021: €81 million) (Bank 2022: €80 million, 2021: €81 million), €1 million (2021: €1 million) (Bank 2022: €1 million, 2021: €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. The table below and on the following page exclude also impairment loss allowance of €33 million (2021: €25 million) (Bank 2022: €33 million, 2021: €25 million) on POCI assets.

26 Financial risk management *(continued)*

Group Loans and advances to customers Composition and risk profile (before impairment loss allowance)	2022 Not credit-impaired €m	2022 Credit-impaired €m	2022 Total €m	2022 Total %	Restated[2] 2021 Not credit-impaired[2] €m	2021 Credit-impaired €m	2021 Total[2] €m	2021 Total[2] %
Residential mortgages	37,566	450	38,016	52%	41,487	1,773	43,260	56%
Retail Ireland	*22,217*	*251*	*22,468*	*31%*	*21,349*	*1,047*	*22,396*	*29%*
Retail UK	*15,349*	*199*	*15,548*	*21%*	*20,138*	*726*	*20,864*	*27%*
Non-property SME and corporate[2]	19,918	1,534	21,452	29%	19,530	1,305	20,835	26%
Republic of Ireland SME[2]	*6,614*	*561*	*7,175*	*10%*	*6,334*	*680*	*7,014*	*9%*
UK SME[2]	*1,457*	*121*	*1,578*	*2%*	*1,611*	*137*	*1,748*	*2%*
Corporate	*11,847*	*852*	*12,699*	*17%*	*11,585*	*488*	*12,073*	*15%*
Property and construction	7,786	355	8,141	12%	7,579	970	8,549	11%
Investment	*6,685*	*339*	*7,024*	*10%*	*6,549*	*939*	*7,488*	*10%*
Development	*1,101*	*16*	*1,117*	*2%*	*1,030*	*31*	*1,061*	*1%*
Consumer	5,204	146	5,350	7%	5,092	137	5,229	7%
Total	**70,474**	**2,485**	**72,959**	**100%**	**73,688**	**4,185**	**77,873**	**100%**
Impairment loss allowance on loans and advances to customers	**427**	**835**	**1,262**	**2%**	**586**	**1,347**	**1,933**	**2%**

Bank Loans and advances to customers Composition and risk profile (before impairment loss allowance)	2022 Not credit-impaired €m	2022 Credit-impaired €m	2022 Total €m	2022 Total %	2021 Not credit-impaired €m	2021 Credit-impaired €m	2021 Total €m	2021 Total %
Residential mortgages	10,544	165	10,709	26%	11,612	689	12,301	29%
Retail Ireland	*6,114*	*77*	*6,191*	*15%*	*5,671*	*348*	*6,019*	*14%*
Retail UK	*4,430*	*88*	*4,518*	*11%*	*5,941*	*341*	*6,282*	*15%*
Non-property SME and corporate	19,578	1,406	20,984	50%	18,617	1,179	19,796	47%
Republic of Ireland SME	*7,717*	*559*	*8,276*	*20%*	*7,016*	*677*	*7,693*	*19%*
UK SME	*51*	*12*	*63*	*–*	*59*	*20*	*79*	*–*
Corporate	*11,810*	*835*	*12,645*	*30%*	*11,542*	*482*	*12,024*	*28%*
Property and construction	7,523	308	7,831	19%	7,308	913	8,221	19%
Investment	*6,451*	*296*	*6,747*	*16%*	*6,309*	*885*	*7,194*	*17%*
Development	*1,072*	*12*	*1,084*	*3%*	*999*	*28*	*1,027*	*2%*
Consumer	2,036	72	2,108	5%	1,881	64	1,945	5%
Total	**39,681**	**1,951**	**41,632**	**100%**	**39,418**	**2,845**	**42,263**	**100%**
Impairment loss allowance on loans and advances to customers	**311**	**660**	**971**	**2%**	**435**	**991**	**1,426**	**3%**

[2] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Financial risk management *(continued)*

Asset quality - not credit-impaired

The tables below summarise the composition and impairment loss allowance of the Group and Bank's loans and advances to customers at amortised cost that are not credit-impaired.

Excluded from the table below and on the following page are POCI assets of €80 million (2021: €81 million) (Bank 2022: €80 million, 2021: €81 million), €1 million (2021: €1 million) (Bank 2022: €1 million, 2021: €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.

	Stage 1				Stage 2			
Group **2022** **Not credit-impaired loans and advances to customers Composition and impairment loss allowance**	**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	34,020	47%	18	0.05%	3,546	4%	38	1.07%
Retail Ireland	*19,733*	*27%*	*8*	*0.04%*	*2,484*	*3%*	*22*	*0.89%*
Retail UK	*14,287*	*20%*	*10*	*0.07%*	*1,062*	*1%*	*16*	*1.51%*
Non-property SME and corporate	15,253	22%	65	0.43%	4,665	6%	153	3.28%
Republic of Ireland SME	*4,931*	*7%*	*39*	*0.79%*	*1,683*	*2%*	*63*	*3.74%*
UK SME	*1,177*	*2%*	*4*	*0.34%*	*280*	*–*	*12*	*4.29%*
Corporate	*9,145*	*13%*	*22*	*0.24%*	*2,702*	*4%*	*78*	*2.89%*
Property and construction	3,864	5%	10	0.26%	3,922	6%	53	1.35%
Investment	*3,216*	*4%*	*7*	*0.22%*	*3,469*	*5%*	*47*	*1.35%*
Development	*648*	*1%*	*3*	*0.46%*	*453*	*1%*	*6*	*1.32%*
Consumer	4,694	6%	49	1.04%	510	1%	41	8.04%
Total	**57,831**	**80%**	**142**	**0.25%**	**12,643**	**17%**	**285**	**2.25%**

	Restated[3] Stage 1				Stage 2			
Group **2021** **Not credit-impaired loans and advances to customers Composition and impairment loss allowance**	**Loans[3] €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[3]	14,430	18%	67	0.46%	5,100	7%	247	4.84%
Republic of Ireland SME[3]	*4,258*	*5%*	*39*	*0.92%*	*2,076*	*3%*	*136*	*6.55%*
UK SME[3]	*1,161*	*1%*	*4*	*0.34%*	*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	**61,281**	**78%**	**170**	**0.28%**	**12,407**	**16%**	**416**	**3.35%**

[3] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Financial risk management *(continued)*

Bank 2022 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1				Stage 2			
	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	9,520	23%	7	0.07%	1,024	3%	14	1.37%
Retail Ireland	*5,433*	*13%*	*3*	*0.06%*	*681*	*2%*	*6*	*0.88%*
Retail UK	*4,087*	*10%*	*4*	*0.10%*	*343*	*1%*	*8*	*2.33%*
Non-property SME and corporate	15,160	36%	61	0.40%	4,418	10%	143	3.24%
Republic of Ireland SME	*6,034*	*14%*	*39*	*0.65%*	*1,683*	*4%*	*63*	*3.74%*
UK SME	*2*	*–*	*–*	*–*	*49*	*–*	*3*	*6.12%*
Corporate	*9,124*	*22%*	*22*	*0.24%*	*2,686*	*6%*	*77*	*2.87%*
Property and construction	3,756	9%	10	0.27%	3,767	9%	49	1.30%
Investment	*3,126*	*7%*	*7*	*0.22%*	*3,325*	*8%*	*44*	*1.32%*
Development	*630*	*2%*	*3*	*0.48%*	*442*	*1%*	*5*	*1.13%*
Consumer	1,877	4%	15	0.80%	159	–	12	7.55%
Total	**30,313**	**72%**	**93**	**0.31%**	**9,368**	**22%**	**218**	**2.33%**

Bank 2021 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1				Stage 2			
	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	10,813	25%	11	0.10%	799	2%	20	2.50%
Retail Ireland	*5,120*	*12%*	*6*	*0.12%*	*551*	*1%*	*15*	*2.72%*
Retail UK	*5,693*	*13%*	*5*	*0.09%*	*248*	*1%*	*5*	*2.02%*
Non-property SME and corporate	13,923	33%	62	0.45%	4,694	11%	234	4.99%
Republic of Ireland SME	*4,941*	*12%*	*38*	*0.77%*	*2,075*	*5%*	*135*	*6.51%*
UK SME	*2*	*–*	*–*	*–*	*57*	*–*	*4*	*7.02%*
Corporate	*8,980*	*21%*	*24*	*0.27%*	*2,562*	*6%*	*95*	*3.71%*
Property and construction	3,208	8%	9	0.28%	4,100	10%	72	1.76%
Investment	*2,532*	*6%*	*6*	*0.24%*	*3,777*	*9%*	*67*	*1.77%*
Development	*676*	*2%*	*3*	*0.44%*	*323*	*1%*	*5*	*1.55%*
Consumer	1,746	4%	18	1.03%	135	–	9	6.67%
Total	**29,690**	**70%**	**100**	**0.34%**	**9,728**	**23%**	**335**	**3.44%**

26 Financial risk management *(continued)*

The table below provides analysis of the asset quality of loans and advances to customers at amortised cost based on mapping the IFRS 9 twelve month PD of each loan to a PD grade based on the table provided on page 167.

Excluded from the table below and on the following page are POCI assets of €80 million (2021: €81 million) (Bank 2022: €80 million, 2021: €81 million), €1 million (2021: €1 million) (Bank 2022: €1 million, 2021: €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.

Group 2022 Loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1										
1-4	8,838	23%	4,412	20%	200	2%	7	–	13,457	18%
5-7	22,072	58%	5,996	28%	2,870	35%	2,071	39%	33,009	45%
8-9	2,420	6%	3,603	17%	578	7%	1,289	24%	7,890	11%
10-11	690	2%	1,242	6%	216	3%	1,327	25%	3,475	5%
Total Stage 1	**34,020**	**89%**	**15,253**	**71%**	**3,864**	**47%**	**4,694**	**88%**	**57,831**	**79%**
Stage 2										
1-4	479	1%	1,469	7%	140	2%	–	–	2,088	4%
5-7	1,874	5%	410	2%	1,845	23%	178	3%	4,307	5%
8-9	309	1%	1,423	7%	1,180	14%	103	2%	3,015	4%
10-11	884	2%	1,363	6%	757	9%	229	4%	3,233	4%
Total Stage 2	**3,546**	**9%**	**4,665**	**22%**	**3,922**	**48%**	**510**	**9%**	**12,643**	**17%**
Not credit-impaired										
1-4	9,317	24%	5,881	27%	340	4%	7	–	15,545	22%
5-7	23,946	63%	6,406	30%	4,715	58%	2,249	42%	37,316	50%
8-9	2,729	7%	5,026	24%	1,758	21%	1,392	26%	10,905	15%
10-11	1,574	4%	2,605	12%	973	12%	1,556	29%	6,708	9%
Total not credit-impaired	**37,566**	**98%**	**19,918**	**93%**	**7,786**	**95%**	**5,204**	**97%**	**70,474**	**96%**
Credit-impaired (stage 3)										
12	450	2%	1,534	7%	355	5%	146	3%	2,485	4%
Total credit-impaired	**450**	**2%**	**1,534**	**7%**	**355**	**5%**	**146**	**3%**	**2,485**	**4%**
Total	**38,016**	**100%**	**21,452**	**100%**	**8,141**	**100%**	**5,350**	**100%**	**72,959**	**100%**

26 Financial risk management *(continued)*

Group *Restated*[4] **2021** **Loans and advances to customers** **Asset quality - PD grade**	**Residential mortgages**		**Non-property SME and corporate**[4]		**Property and construction**		**Consumer**		**Total**[4]	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
Stage 1										
1-4[4]	3,523	8%	4,712	24%	226	3%	11	–	8,472	12%
5-7	31,746	73%	6,534	31%	2,507	29%	612	12%	41,399	53%
8-9	2,465	6%	2,327	11%	399	5%	2,785	53%	7,976	10%
10-11	974	2%	857	4%	148	2%	1,455	28%	3,434	4%
Total Stage 1[4]	**38,708**	**89%**	**14,430**	**70%**	**3,280**	**39%**	**4,863**	**93%**	**61,281**	**79%**
Stage 2										
1-4	32	–	211	1%	–	–	–	–	243	–
5-7	1,515	4%	1,567	8%	2,352	28%	2	–	5,436	7%
8-9	435	1%	1,658	8%	1,153	13%	67	1%	3,313	5%
10-11	797	2%	1,664	8%	794	9%	160	3%	3,415	4%
Total Stage 2	**2,779**	**7%**	**5,100**	**25%**	**4,299**	**50%**	**229**	**4%**	**12,407**	**16%**
Not credit-impaired										
1-4[4]	3,555	8%	4,923	25%	226	3%	11	–	8,715	12%
5-7	33,261	77%	8,101	39%	4,859	57%	614	12%	46,835	60%
8-9	2,900	7%	3,985	19%	1,552	18%	2,852	54%	11,289	15%
10-11	1,771	4%	2,521	12%	942	11%	1,615	31%	6,849	8%
Total not credit-impaired[4]	**41,487**	**96%**	**19,530**	**94%**	**7,579**	**89%**	**5,092**	**97%**	**73,688**	**95%**
Credit-impaired (Stage 3)										
12	1,773	4%	1,305	6%	970	11%	137	3%	4,185	5%
Total credit-impaired	**1,773**	**4%**	**1,305**	**6%**	**970**	**11%**	**137**	**3%**	**4,185**	**5%**
Total	**43,260**	**100%**	**20,835**	**100%**	**8,549**	**100%**	**5,229**	**100%**	**77,873**	**100%**

[4] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

26 Financial risk management *(continued)*

Bank 2022 Loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1										
1-4	2,335	22%	5,413	26%	200	3%	7	–	7,955	19%
5-7	5,736	54%	5,140	24%	2,814	35%	527	25%	14,217	35%
8-9	1,113	10%	3,403	16%	546	7%	1,233	59%	6,295	15%
10-11	336	3%	1,204	6%	196	3%	110	5%	1,846	4%
Total Stage 1	**9,520**	**89%**	**15,160**	**72%**	**3,756**	**48%**	**1,877**	**89%**	**30,313**	**73%**
Stage 2										
1-4	130	1%	1,467	6%	140	2%	–	–	1,737	4%
5-7	474	4%	337	2%	1,787	23%	3	–	2,601	6%
8-9	93	1%	1,366	7%	1,130	14%	102	5%	2,691	6%
10-11	327	3%	1,248	6%	710	9%	54	3%	2,339	6%
Total Stage 2	**1,024**	**9%**	**4,418**	**21%**	**3,767**	**48%**	**159**	**8%**	**9,368**	**22%**
Not credit-impaired										
1-4	2,465	23%	6,880	32%	340	5%	7	–	9,692	23%
5-7	6,210	58%	5,477	26%	4,601	58%	530	25%	16,818	41%
8-9	1,206	11%	4,769	23%	1,676	21%	1,335	64%	8,986	21%
10-11	663	6%	2,452	12%	906	12%	164	8%	4,185	10%
Total not credit-impaired	**10,544**	**98%**	**19,578**	**93%**	**7,523**	**96%**	**2,036**	**97%**	**39,681**	**95%**
Credit-impaired (Stage 3)										
12	165	2%	1,406	7%	308	4%	72	3%	1,951	5%
Total-credit-impaired	**165**	**2%**	**1,406**	**7%**	**308**	**4%**	**72**	**3%**	**1,951**	**5%**
Total	**10,709**	**100%**	**20,984**	**100%**	**7,831**	**100%**	**2,108**	**100%**	**41,632**	**100%**

26 Financial risk management *(continued)*

Bank 2021 Loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%
Stage 1										
1-4	765	6%	5,354	27%	226	3%	11	1%	6,356	15%
5-7	8,325	68%	5,618	28%	2,480	30%	507	26%	16,930	40%
8-9	1,317	11%	2,097	11%	364	4%	1,070	55%	4,848	11%
10-11	406	3%	854	4%	138	2%	158	8%	1,556	4%
Total Stage 1	**10,813**	**88%**	**13,923**	**70%**	**3,208**	**39%**	**1,746**	**90%**	**29,690**	**70%**
Stage 2										
1-4	2	–	204	1%	–	–	–	–	206	–
5-7	339	3%	1,415	7%	2,328	28%	1	1	4,083	10%
8-9	183	1%	1,496	8%	1,073	13%	67	3%	2,819	7%
10-11	275	2%	1,579	8%	699	9%	67	3%	2,620	6%
Total Stage 2	**799**	**6%**	**4,694**	**24%**	**4,100**	**50%**	**135**	**7%**	**9,728**	**23%**
Not credit-impaired										
1-4	767	6%	5,558	28%	226	3%	11	1%	6,562	15%
5-7	8,664	71%	7,033	35%	4,808	58%	508	27%	21,013	50%
8-9	1,500	12%	3,593	19%	1,437	17%	1,137	58%	7,667	18%
10-11	681	5%	2,433	12%	837	11%	225	11%	4,176	10%
Total not credit-impaired	**11,612**	**94%**	**18,617**	**94%**	**7,308**	**89%**	**1,881**	**97%**	**39,418**	**93%**
Credit-impaired (Stage 3)										
12	689	6%	1,179	6%	913	11%	64	3%	2,845	7%
Total-credit-impaired	**689**	**6%**	**1,179**	**6%**	**913**	**11%**	**64**	**3%**	**2,845**	**7%**
Total	**12,301**	**100%**	**19,796**	**100%**	**8,221**	**100%**	**1,945**	**100%**	**42,263**	**100%**

26 Financial risk management *(continued)*

Asset quality - credit-impaired

Credit-impaired 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 tables below summarise the composition and impairment loss allowance of the Group and Bank's loans and advances to customers at amortised cost that are credit-impaired (i.e. Stage 3). Excluded from the tables below are POCI assets of €80 million (2021: €81 million) (Bank 2022: €80 million 2021: €81 million), €1 million (2021: €1 million) (Bank 2022: €1 million, 2021: €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 until derecognition.

Group **Credit-impaired loans and advances to customers Composition and impairment loss allowance**	**2022** **Credit-impaired loans €m**	**2022** **CI loans as % of total advances %**	**2022** **Impairment loss allowance €m**	**2022** **ILA as % of loans %**	**2021** **Credit-impaired loans €m**	**2021** **CI loans as% of total advances %**	**2021** **Impairment loss allowance €m**	**2021** **ILA as % of loans %**
Residential mortgages	450	–	89	20%	1,773	2%	416	23%
Retail Ireland	*251*	*–*	*69*	*27%*	*1,047*	*1%*	*362*	*35%*
Retail UK	*199*	*–*	*20*	*10%*	*726*	*1%*	*54*	*7%*
Non-property SME and corporate	1,534	2%	563	37%	1,305	2%	439	34%
Republic of Ireland SME	*561*	*1%*	*269*	*48%*	*680*	*1%*	*258*	*38%*
UK SME	*121*	*–*	*45*	*37%*	*137*	*–*	*30*	*22%*
Corporate	*852*	*1%*	*249*	*29%*	*488*	*1%*	*151*	*31%*
Property and construction	355	–	102	29%	970	1%	416	43%
Investment	*339*	*–*	*97*	*29%*	*939*	*1%*	*408*	*43%*
Development	*16*	*–*	*5*	*31%*	*31*	*–*	*8*	*26%*
Consumer	146	–	81	55%	137	–	76	55%
Total credit-impaired	**2,485**	**2%**	**835**	**34%**	**4,185**	**5%**	**1,347**	**32%**

Bank **Credit-impaired loans and advances to customers Composition and impairment loss allowance**	**2022** **Credit-impaired loans €m**	**2022** **CI loans as % of total advances %**	**2022** **Impairment loss allowance €m**	**2022** **ILA as % of loans %**	**2021** **Credit-impaired loans €m**	**2021** **CI loans as % of total advances %**	**2021** **Impairment loss allowance €m**	**2021** **ILA as % of loans %**
Residential mortgages	165	–	26	16%	689	2%	142	21%
Retail Ireland	*77*	*–*	*16*	*21%*	*348*	*1%*	*114*	*33%*
Retail UK	*88*	*–*	*10*	*11%*	*341*	*1%*	*28*	*8%*
Non-property SME and corporate	1,406	3%	515	37%	1,179	3%	408	35%
Republic of Ireland SME	*559*	*1%*	*268*	*48%*	*677*	*2%*	*257*	*38%*
UK SME	*12*	*–*	*5*	*42%*	*20*	*–*	*5*	*25%*
Corporate	*835*	*2%*	*242*	*29%*	*482*	*1%*	*146*	*30%*
Property and construction	308	1%	82	27%	913	2%	410	45%
Investment	*296*	*1*	*78*	*26%*	*885*	*2%*	*402*	*45%*
Development	*12*	*–*	*4*	*33%*	*28*	*–*	*8*	*29%*
Consumer	72	–	37	51%	64	–	31	48%
Total credit-impaired	**1,951**	**4.00%**	**660**	**34%**	**2,845**	**7%**	**991**	**35%**

26 Financial risk management *(continued)*

Non-performing exposures

The tables below provide an analysis of loans and advances to customers that are non-performing by asset classification. The following tables include NPEs relating to loans and advances to customers at amortised cost of €2,584 million (2021: €4,280 million) (Bank 2022: €2,066 million, 2021: €2,936 million) and loans and advances to customers measured at fair value through profit or loss of €33 million (2021: €31 million) (Bank 2022: €nil, 2021: €nil). Credit-impaired includes Stage 3 and POCI assets which remain credit-impaired at the reporting period. Not credit-impaired NPEs (€53 million) include forborne loans that had yet to satisfy internal exit criteria for NPE reporting purposes.

Group 2022 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non- property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	453	1,550	415	146	2,564
Not credit-impaired	34	12	6	1	53
Total	**487**	**1,562**	**421**	**147**	**2,617**

Group 2021 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non- property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	1,774	1,320	1,034	137	4,265
Not credit-impaired	31	8	6	1	46
Total	**1,805**	**1,328**	**1,040**	**138**	**4,311**

NPEs decreased to €2.62 billion at 31 December 2022 from €4.3 billion at 31 December 2021.The movements in NPEs in the period are broadly consistent with the movements in credit-impaired loans as set in the composition and impairment section above.

Bank 2022 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non- property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	168	1,422	368	72	2,030
Not credit-impaired	–	30	3	3	36
Total	**168**	**1,452**	**371**	**75**	**2,066**

Bank 2021 Risk profile of loans and advances to customers - NPEs	Residential mortgages €m	Non- property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Credit-impaired	690	1,194	977	64	2,925
Not credit-impaired	–	4	3	4	11
Total	**690**	**1,198**	**980**	**68**	**2,936**

26 Financial risk management *(continued)*

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 2022 of €73.0 billion (31 December 2021: €77.9 billion) is available in note 25. The tables below exclude €217 million of loans and advances to customers at 31 December 2022 (31 December 2021: €426 million) that are measured at FVTPL and are therefore not subject to impairment under IFRS 9. Exposures are before impairment loss allowance.

Group **2022** **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 €m**	**Total €m**
Non-forborne loans and advances to customers					
Residential mortgages	34,019	3,272	281	1	37,573
Retail Ireland	*19,732*	*2,276*	*112*	*1*	*22,121*
Retail UK	*14,287*	*996*	*169*	*–*	*15,452*
Non-property SME and corporate	15,253	3,123	385	–	18,761
Republic of Ireland SME	*4,931*	*1,437*	*233*	*–*	*6,601*
UK SME	*1,177*	*187*	*61*	*–*	*1,425*
Corporate	*9,145*	*1,499*	*91*	*–*	*10,735*
Property and construction	3,864	2,991	17	–	6,872
Investment	*3,216*	*2,568*	*14*	*–*	*5,798*
Development	*648*	*423*	*3*	*–*	*1,074*
Consumer	4,694	509	143	–	5,346
Total non-forborne loans and advances to customers	**57,830**	**9,895**	**826**	**1**	**68,552**
Forborne loans and advances to customers					
Residential mortgages	1	274	169	3	447
Retail Ireland	*1*	*208*	*139*	*3*	*351*
Retail UK	*–*	*66*	*30*	*–*	*96*
Non-property SME and corporate	–	1,542	1,149	16	2,707
Republic of Ireland SME	*–*	*246*	*328*	*–*	*574*
UK SME	*–*	*93*	*60*	*–*	*153*
Corporate	*–*	*1,203*	*761*	*16*	*1,980*
Property and construction	–	931	338	60	1,329
Investment	*–*	*901*	*325*	*60*	*1,286*
Development	*–*	*30*	*13*	*–*	*43*
Consumer	–	1	3	–	4
Total forborne loans and advances to customers	**1**	**2,748**	**1,659**	**79**	**4,487**

At 31 December 2022, forborne POCI loans included €1 million (31 December 2021: €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.

26 Financial risk management *(continued)*

Group *Restated*[5] **2021 Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired)[5] €m**	**Stage 2 (not credit-impaired) €m**	**Stage 3 (credit-impaired) €m**	**Purchased / originated credit-impaired €m**	**Total[5] €m**
Non-forborne loans and advances to customers[5]					
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[5]	14,430	2,899	352	–	17,681
Republic of Ireland SME[5]	*4,258*	*1,702*	*240*	*–*	*6,200*
UK SME[5]	*1,161*	*356*	*77*	*–*	*1,594*
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*
Development	*684*	*279*	*11*	*–*	*974*
Consumer	4,863	228	133	–	5,224
Total non-forborne loans and advances to customers	**61,280**	**9,117**	**1,416**	**1**	**71,814**
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*
Development	*–*	*67*	*20*	*–*	*87*
Consumer	–	1	4	–	5
Total forborne loans and advances to customers	**1**	**3,290**	**2,769**	**80**	**6,140**

Group **2022 Risk profile of loans and advances to customers at amortised cost - NPEs**	**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	281	385	17	143	826
Not credit-impaired	33	12	4	1	50
Total non-forborne loans and advances to customers	**314**	**397**	**21**	**144**	**876**
Forborne loans and advances to customers					
Credit-impaired	172	1,165	398	3	1,738
Not credit-impaired	1	–	2	–	3
Total forborne loans and advances to customers	**173**	**1,165**	**400**	**3**	**1,741**

[5] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

26 Financial risk management *(continued)*

Group **2021** **Risk profile of loans and advances to customers at amortised cost - NPEs**	**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	877	352	55	133	1,417
Not credit-impaired	31	7	6	1	45
Total non-forborne loans and advances to customers	**908**	**359**	**61**	**134**	**1,462**
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**

Loans and advances to customers - other credit risk information

Segmental analysis

The tables below provide an analysis of the risk profile of loans and advances to customers at amortised cost by division. Credit-impaired includes Stage 3 and POCI assets which remain credit-impaired at the reporting period. Not credit-impaired figures include forborne loans that had yet to satisfy internal exit criteria in line with European Banking Authority guidance to return to performing.

Group **2022** **Risk profile of loans and advances to customers (before impairment loss allowance)**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit impaired)	27,348	18,367	12,116	57,831
Stage 2 - Lifetime ECL (not credit impaired)	4,858	1,900	5,885	12,643
Stage 3 - Lifetime ECL (credit impaired)	999	457	1,029	2,485
Purchased / originated credit-impaired	4	60	16	80
Gross carrying amount at 31 December 2022	**33,209**	**20,784**	**19,046**	**73,039**

Group *Restated*[6] **2021** **Risk profile of loans and advances to customers (before impairment loss allowance)**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets €m**	**Total Group €m**
Stage 1 - 12 month ECL (not credit impaired)[6]	26,213	23,397	11,671	61,281
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	**33,015**	**26,550**	**18,389**	**77,954**

Group **2022** **Risk profile of loans and advances to customers - non-performing exposures**	**Retail Ireland €m**	**Retail UK €m**	**Corporate & Markets €m**	**Total Group €m**
Credit-impaired	1,002	517	1,045	2,564
Not credit-impaired	44	9	–	53
Total	**1,046**	**526**	**1,045**	**2,617**

[6] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Financial risk management *(continued)*

Group 2021 Risk profile of loans and advances to customers - non-performing exposures	Retail Ireland €m	Retail UK €m	Corporate & Markets €m	Total Group €m
Credit-impaired	2,011	1,288	966	4,265
Not credit-impaired	42	4	–	46
Total	**2,053**	**1,292**	**966**	**4,311**

Loans and advances to customers - other credit risk information

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. The geographical breakdown is primarily based on the location of the business unit where the asset is booked. 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 below can therefore differ period on period.

Group 2022	Gross carrying amount (before impairment loss allowance)				Impairment loss allowance			
Geographical / industry analysis	RoI €m	UK €m	RoW €m	Total €m	RoI €m	UK €m	RoW2 €m	Total €m
Personal	**24,630**	**18,740**	**–**	**43,370**	**165**	**152**	**–**	**317**
Residential mortgages	*22,472*	*15,548*	*–*	*38,020*	*100*	*46*	*–*	*146*
Other consumer lending	*2,158*	*3,192*	*–*	*5,350*	*65*	*106*	*–*	*171*
Property and construction	**7,632**	**569**	**–**	**8,201**	**121**	**74**	**–**	**195**
Investment	*6,549*	*535*	*–*	*7,084*	*110*	*71*	*–*	*181*
Development	*1,083*	*34*	*–*	*1,117*	*11*	*3*	*–*	*14*
Non-property SME & corporate	**18,459**	**1,829**	**1,180**	**21,468**	**631**	**73**	**79**	**783**
Manufacturing	*3,997*	*289*	*536*	*4,822*	*111*	*10*	*53*	*174*
Administrative and support service activities	*2,624*	*298*	*227*	*3,149*	*82*	*14*	*2*	*98*
Wholesale and retail trade	*1,857*	*281*	*47*	*2,185*	*56*	*4*	*–*	*60*
Agriculture, forestry and fishing	*1,562*	*170*	*–*	*1,732*	*57*	*4*	*–*	*61*
Accommodation and food service activities	*1,475*	*82*	*40*	*1,597*	*63*	*8*	*4*	*75*
Human health services and social work activities	*1,299*	*155*	*69*	*1,523*	*49*	*10*	*1*	*60*
Financial and Insurance activities	*933*	*38*	*–*	*971*	*8*	*1*	*–*	*9*
Transport and storage	*684*	*74*	*76*	*834*	*42*	*6*	*3*	*51*
Professional, scientific and technical activities	*750*	*18*	*61*	*829*	*29*	*–*	*–*	*29*
Other services	*643*	*39*	*85*	*767*	*18*	*2*	*13*	*33*
Real estate activities	*602*	*132*	*–*	*734*	*55*	*8*	*–*	*63*
Education	*408*	*38*	*24*	*470*	*5*	*–*	*–*	*5*
Arts, entertainment and recreation	*388*	*29*	*13*	*430*	*23*	*1*	*3*	*27*
Other sectors	*1,237*	*186*	*2*	*1,425*	*33*	*5*	*–*	*38*
Total	**50,721**	**21,138**	**1,180**	**73,039**	**917**	**299**	**79**	**1,295**
Analysed by stage:								
Stage 1	38,513	18,533	785	57,831	88	51	3	142
Stage 2	10,420	1,986	237	12,643	206	67	12	285
Stage 3	1,768	559	158	2,485	620	151	64	835
Purchased / originated credit-impaired	20	60	–	80	3	30	–	33
Total	**50,721**	**21,138**	**1,180**	**73,039**	**917**	**299**	**79**	**1,295**

26 Financial risk management *(continued)*

Group *Restated[7]* **2021** **Geographical / industry analysis**	Gross carrying amount (before impairment loss allowance) RoI[7] €m	UK[7] €m	RoW €m	Total[7] €m	Impairment loss allowance RoI €m	UK €m	RoW €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	**17,380**	**2,292**	**1,178**	**20,850**	**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[7]	*1,047*	*240*	*20*	*1,307*	*22*	*2*	*1*	*25*
Total	**49,401**	**27,375**	**1,178**	**77,954**	**1,382**	**548**	**28**	**1,958**
Analysed by stage:								
Stage 1[7]	36,578	23,842	861	61,281	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	**49,401**	**27,375**	**1,178**	**77,954**	**1,382**	**548**	**28**	**1,958**

[7] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Financial risk management *(continued)*

Bank **2022** **Geographical / industry analysis**	**Gross carrying amount (before impairment loss allowance)** **RoI €m**	**UK €m**	**RoW €m**	**Total €m**	**Impairment loss allowance** **RoI €m**	**UK €m**	**RoW €m**	**Total €m**
Personal	**8,303**	**4,518**	**–**	**12,821**	**90**	**22**	**–**	**112**
Residential mortgages	*6,195*	*4,518*	*–*	*10,713*	*26*	*22*	*–*	*48*
Other consumer lending	*2,108*	*–*	*–*	*2,108*	*64*	*–*	*–*	*64*
Property and construction	**7,632**	**259**	**–**	**7,891**	**123**	**48**	**–**	**171**
Investment	*6,548*	*259*	*–*	*6,807*	*111*	*48*	*–*	*159*
Development	*1,084*	*–*	*–*	*1,084*	*12*	*–*	*–*	*12*
Non-property SME & corporate	**19,505**	**315**	**1,180**	**21,000**	**623**	**19**	**79**	**721**
Manufacturing	*3,988*	*57*	*536*	*4,581*	*106*	*2*	*53*	*161*
Administrative and support service activities	*2,592*	*52*	*227*	*2,871*	*81*	*2*	*2*	*85*
Wholesale and retail trade	*1,848*	*–*	*47*	*1,895*	*55*	*–*	*–*	*55*
Other services	*1,796*	*–*	*85*	*1,881*	*18*	*–*	*13*	*31*
Agriculture, forestry and fishing	*1,560*	*–*	*–*	*1,560*	*57*	*–*	*–*	*57*
Accommodation and food service activities	*1,472*	*17*	*41*	*1,530*	*63*	*–*	*4*	*67*
Human health services and social work activities	*1,289*	*65*	*69*	*1,423*	*49*	*7*	*1*	*57*
Financial and Insurance activities	*926*	*–*	*–*	*926*	*8*	*–*	*–*	*8*
Professional, scientific and technical activities	*749*	*–*	*61*	*810*	*29*	*–*	*–*	*29*
Transport and storage	*682*	*23*	*76*	*781*	*42*	*5*	*3*	*50*
Real estate activities	*600*	*4*	*–*	*604*	*55*	*–*	*–*	*55*
Education	*408*	*35*	*23*	*466*	*5*	*–*	*–*	*5*
Electricity, gas, steam and air conditioning supply	*458*	*–*	*–*	*458*	*5*	*–*	*–*	*5*
Other sectors	*1,137*	*62*	*15*	*1,214*	*50*	*3*	*3*	*56*
Total	**35,440**	**5,092**	**1,180**	**41,712**	**836**	**89**	**79**	**1,004**
Analysed by stage:								
Stage 1	25,248	4,280	785	30,313	85	5	3	93
Stage 2	8,599	532	237	9,368	190	16	12	218
Stage 3	1,573	220	158	1,951	558	38	64	660
Purchased / originated credit-impaired	20	60	–	80	3	30	–	33
Total	**35,440**	**5,092**	**1,180**	**41,712**	**836**	**89**	**79**	**1,004**

26 Financial risk management *(continued)*

Bank 2021 Geographical / industry analysis	Gross carrying amount (before impairment loss allowance) RoI €m	UK €m	RoW €m	Total €m	Impairment loss allowance RoI €m	UK €m	RoW €m	Total €m
Personal	**7,966**	**6,282**	**–**	**14,248**	**193**	**38**	**–**	**231**
Residential mortgages	*6,021*	*6,282*	*–*	*12,303*	*135*	*38*	*–*	*173*
Other consumer lending	*1,945*	*–*	*–*	*1,945*	*58*	*–*	*–*	*58*
Property and construction	**7,582**	**703**	**–**	**8,285**	**243**	**271**	**–**	**514**
Investment	*6,555*	*703*	*–*	*7,258*	*227*	*271*	*–*	*498*
Development	*1,027*	*–*	*–*	*1,027*	*16*	*–*	*–*	*16*
Non-property SME & corporate	**17,999**	**631**	**1,181**	**19,811**	**647**	**32**	**27**	**706**
Manufacturing	*3,418*	*66*	*499*	*3,983*	*56*	*3*	*15*	*74*
Administrative and support service activities	*2,075*	*124*	*176*	*2,375*	*91*	*5*	*1*	*97*
Wholesale and retail trade	*1,949*	*16*	*45*	*2,010*	*69*	*–*	*–*	*69*
Accommodation and food service activities	*1,557*	*18*	*39*	*1,614*	*90*	*–*	*4*	*94*
Human health services and social work activities	*1,341*	*95*	*105*	*1,541*	*36*	*14*	*2*	*52*
Agriculture, forestry and fishing	*1,479*	*24*	*–*	*1,503*	*49*	*–*	*–*	*49*
Financial and Insurance activities	*1,004*	*–*	*–*	*1,004*	*11*	*–*	*–*	*11*
Other services	*726*	*–*	*127*	*853*	*55*	*–*	*3*	*58*
Transport and storage	*741*	*24*	*76*	*841*	*59*	*5*	*1*	*65*
Professional, scientific and technical activities	*617*	*2*	*57*	*676*	*17*	*–*	*–*	*17*
Real estate activities	*596*	*59*	*–*	*655*	*58*	*–*	*–*	*58*
Arts, entertainment and recreation	*428*	*41*	*8*	*477*	*30*	*5*	*1*	*36*
Other sectors	*2,068*	*162*	*49*	*2,279*	*26*	*–*	*–*	*26*
Total	**33,547**	**7,616**	**1,181**	**42,344**	**1,083**	**341**	**27**	**1,451**
Analysed by stage:								
Stage 1	22,675	6,151	864	29,690	89	7	4	100
Stage 2	8,982	497	249	9,728	307	17	11	335
Stage 3	1,873	904	68	2,845	685	294	12	991
Purchased / originated credit-impaired	17	64	–	81	2	23	–	25
Total	**33,547**	**7,616**	**1,181**	**42,344**	**1,083**	**341**	**27**	**1,451**

26 Financial risk management *(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. 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 tables below can therefore differ period on period.

Group	**Gross carrying amount (before impairment loss allowance)**					**Impairment loss allowance**				
2022 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	34,020	3,546	450	4	38,020	18	38	89	1	146
Other consumer	4,694	510	146	–	5,350	49	41	81	–	171
Motor lending UK	*1,553*	*225*	*27*	*–*	*1,805*	*3*	*4*	*9*	*–*	*16*
Loans UK	*1,216*	*126*	*45*	*–*	*1,387*	*31*	*25*	*34*	*–*	*90*
Motor lending RoI	*736*	*–*	*23*	*–*	*759*	*4*	*–*	*10*	*–*	*14*
Loans RoI	*686*	*137*	*40*	*–*	*863*	*8*	*9*	*21*	*–*	*38*
Credit cards - RoI	*503*	*22*	*11*	*–*	*536*	*3*	*3*	*7*	*–*	*13*
	38,714	**4,056**	**596**	**4**	**43,370**	**67**	**79**	**170**	**1**	**317**
Property and construction	**3,864**	**3,922**	**355**	**60**	**8,201**	**10**	**53**	**102**	**30**	**195**
Investment	*3,216*	*3,469*	*339*	*60*	*7,084*	*7*	*47*	*97*	*30*	*181*
Development	*648*	*453*	*16*	*–*	*1,117*	*3*	*6*	*5*	*–*	*14*
Non-property SME & corporate	**15,253**	**4,665**	**1,534**	**16**	**21,468**	**65**	**153**	**563**	**2**	**783**
Manufacturing	*3,388*	*1,114*	*320*	*–*	*4,822*	*11*	*36*	*127*	*–*	*174*
Administrative and support service activities	*2,544*	*428*	*161*	*16*	*3,149*	*12*	*17*	*67*	*2*	*98*
Wholesale and retail trade	*1,713*	*395*	*77*	*–*	*2,185*	*7*	*10*	*43*	*–*	*60*
Agriculture, forestry and fishing	*1,282*	*350*	*100*	*–*	*1,732*	*10*	*11*	*40*	*–*	*61*
Accommodation and food service activities	*608*	*794*	*195*	*–*	*1,597*	*3*	*16*	*56*	*–*	*75*
Human health services and social work activities	*880*	*444*	*199*	*–*	*1,523*	*3*	*17*	*40*	*–*	*60*
Financial and Insurance activities	*921*	*40*	*10*	*–*	*971*	*1*	*3*	*5*	*–*	*9*
Transport and storage	*562*	*165*	*107*	*–*	*834*	*2*	*6*	*43*	*–*	*51*
Professional, scientific and technical activities	*643*	*154*	*32*	*–*	*829*	*3*	*5*	*21*	*–*	*29*
Other services	*579*	*91*	*97*	*–*	*767*	*2*	*6*	*25*	*–*	*33*
Real estate activities	*390*	*246*	*98*	*–*	*734*	*5*	*9*	*49*	*–*	*63*
Education	*418*	*51*	*1*	*–*	*470*	*2*	*2*	*1*	*–*	*5*
Arts, entertainment and recreation	*241*	*142*	*47*	*–*	*430*	*1*	*8*	*18*	*–*	*27*
Other sectors	*1,084*	*251*	*90*	*–*	*1,425*	*3*	*7*	*28*	*–*	*38*
Total	**57,831**	**12,643**	**2,485**	**80**	**73,039**	**142**	**285**	**835**	**33**	**1,295**

26 Financial risk management *(continued)*

Group *Restated*[8] **2021 Sectoral analysis by stage**	**Gross carrying amount (before impairment loss allowance)**					**Impairment loss allowance**				
	Stage 1[8] **€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	**14,430**	**5,100**	**1,305**	**15**	**20,850**	**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[8]	*1,084*	*156*	*67*	*–*	*1,307*	*3*	*7*	*15*	*–*	*25*
Total	**61,281**	**12,407**	**4,185**	**81**	**77,954**	**170**	**416**	**1,347**	**25**	**1,958**

[8] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Financial risk management *(continued)*

Bank 2022 Sectoral analysis by stage	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance				
	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	9,520	1,024	165	4	10,713	7	14	26	1	48
Other consumer	1,877	159	72	–	2,108	15	12	37	–	64
Loans RoI	*686*	*137*	*40*	*–*	*863*	*8*	*9*	*21*	*–*	*38*
Motor lending RoI	*688*	*–*	*21*	*–*	*709*	*4*	*–*	*9*	*–*	*13*
Credit cards RoI	*503*	*22*	*11*	*–*	*536*	*3*	*3*	*7*	*–*	*13*
	11,397	**1,183**	**237**	**4**	**12,821**	**22**	**26**	**63**	**1**	**112**
Property and construction	**3,756**	**3,767**	**308**	**60**	**7,891**	**10**	**49**	**82**	**30**	**171**
Investment	*3,126*	*3,325*	*296*	*60*	*6,807*	*7*	*44*	*78*	*30*	*159*
Development	*630*	*442*	*12*	*–*	*1,084*	*3*	*5*	*4*	*–*	*12*
Non-property SME & corporate	**15,160**	**4,418**	**1,406**	**16**	**21,000**	**61**	**143**	**515**	**2**	**721**
Manufacturing	*3,213*	*1,071*	*297*	*–*	*4,581*	*11*	*34*	*116*	*–*	*161*
Administrative and support service activities	*2,312*	*407*	*136*	*16*	*2,871*	*11*	*15*	*57*	*2*	*85*
Wholesale and retail trade	*1,461*	*366*	*68*	*–*	*1,895*	*6*	*9*	*40*	*–*	*55*
Other services	*1,701*	*87*	*93*	*–*	*1,881*	*2*	*6*	*23*	*–*	*31*
Agriculture, forestry and fishing	*1,138*	*328*	*94*	*–*	*1,560*	*10*	*10*	*37*	*–*	*57*
Accommodation and food service activities	*575*	*777*	*178*	*–*	*1,530*	*3*	*15*	*49*	*–*	*67*
Human health services and social work activities	*850*	*377*	*196*	*–*	*1,423*	*3*	*15*	*39*	*–*	*57*
Financial and Insurance activities	*883*	*35*	*8*	*–*	*926*	*1*	*3*	*4*	*–*	*8*
Professional, scientific and technical activities	*626*	*152*	*32*	*–*	*810*	*3*	*5*	*21*	*–*	*29*
Transport and storage	*514*	*162*	*105*	*–*	*781*	*2*	*6*	*42*	*–*	*50*
Real estate activities	*294*	*230*	*80*	*–*	*604*	*4*	*8*	*43*	*–*	*55*
Education	*414*	*51*	*1*	*–*	*466*	*2*	*2*	*1*	*–*	*5*
Electricity, gas, steam and air conditioning supply	*409*	*45*	*4*	*–*	*458*	*1*	*1*	*3*	*–*	*5*
Other sectors	*770*	*330*	*114*	*–*	*1,214*	*2*	*14*	*40*	*–*	*56*
Total	**30,313**	**9,368**	**1,951**	**80**	**41,712**	**93**	**218**	**660**	**33**	**1,004**

26 Financial risk management *(continued)*

Bank 2021 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	10,813	799	689	2	12,303	11	20	142	–	173
Other consumer	1,746	135	64	–	1,945	18	9	31	–	58
Loans RoI	*653*	*122*	*30*	*–*	*805*	*9*	*7*	*16*	*–*	*32*
Motor lending RoI	*631*	*–*	*23*	*–*	*654*	*7*	*–*	*8*	*–*	*15*
Credit cards RoI	*462*	*13*	*11*	*–*	*486*	*2*	*2*	*7*	*–*	*11*
	12,559	**934**	**753**	**2**	**14,248**	**29**	**29**	**173**	**–**	**231**
Property and construction	**3,208**	**4,100**	**913**	**64**	**8,285**	**9**	**72**	**410**	**23**	**514**
Investment	*2,532*	*3,777*	*885*	*64*	*7,258*	*6*	*67*	*402*	*23*	*498*
Development	*676*	*323*	*28*	*–*	*1,027*	*3*	*5*	*8*	*–*	*16*
Non-property SME & corporate	**13,923**	**4,694**	**1,179**	**15**	**19,811**	**62**	**234**	**408**	**2**	**706**
Manufacturing	*3,052*	*831*	*100*	*–*	*3,983*	*13*	*37*	*24*	*–*	*74*
Administrative and support service activities	*1,565*	*690*	*105*	*15*	*2,375*	*6*	*41*	*48*	*2*	*97*
Wholesale and retail trade	*1,635*	*274*	*101*	*–*	*2,010*	*9*	*15*	*45*	*–*	*69*
Accommodation and food service activities	*233*	*1,171*	*210*	*–*	*1,614*	*1*	*42*	*51*	*–*	*94*
Human health services and social work activities	*940*	*538*	*63*	*–*	*1,541*	*4*	*27*	*21*	*–*	*52*
Agriculture, forestry and fishing	*1,255*	*131*	*117*	*–*	*1,503*	*10*	*5*	*34*	*–*	*49*
Financial and Insurance activities	*948*	*42*	*14*	*–*	*1,004*	*2*	*4*	*5*	*–*	*11*
Other services	*620*	*140*	*93*	*–*	*853*	*2*	*10*	*46*	*–*	*58*
Transport and storage	*516*	*176*	*149*	*–*	*841*	*3*	*7*	*55*	*–*	*65*
Professional, scientific and technical activities	*559*	*93*	*24*	*–*	*676*	*3*	*4*	*10*	*–*	*17*
Real estate activities	*346*	*224*	*85*	*–*	*655*	*4*	*15*	*39*	*–*	*58*
Arts, entertainment and recreation	*192*	*227*	*58*	*–*	*477*	*–*	*20*	*16*	*–*	*36*
Other sectors	*2,062*	*157*	*60*	*–*	*2,279*	*5*	*7*	*14*	*–*	*26*
Total	**29,690**	**9,728**	**2,845**	**81**	**42,344**	**100**	**335**	**991**	**25**	**1,451**

26 Financial risk management *(continued)*

Repossessed collateral

At 31 December 2022, the Group and Bank had collateral held as security, as set out in the table below. Repossessed collateral is sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

	Group		Bank	
Repossessed collateral	**2022 €m**	**2021 €m**	**2022 €m**	**2021 €m**
Residential properties				
Ireland	3	9	1	3
UK and other	–	4	–	2
	3	**13**	**1**	**5**
Other	–	1	–	–
Total	**3**	**14**	**1**	**5**

Loan to value profiles - total Retail Ireland mortgages

The tables below set out the weighted average indexed LTV for the total Retail Ireland mortgage loan book during 2022 and 2021. Excluded from the tables below are POCI loans of €3 million (2021: €2 million), €1 million (2021: €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.

Property values are determined by reference to the property valuations held, indexed to the Central Statistics Office (CSO) Residential Property Price Index (RPPI). The indexed LTV profile of the Retail Ireland mortgage loan book contained in the table below is based on the CSO RPPI at October 2022.

The Retail Ireland mortgages weighted average LTV ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.

Group	Owner occupied			Buy to let			Total		
2022 Loan to value ratio of total Retail Ireland mortgages	**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%	9,670	68	9,738	967	23	990	10,637	91	10,728
51% to 70%	7,109	41	7,150	189	8	197	7,298	49	7,347
71% to 80%	2,383	16	2,399	32	3	35	2,415	19	2,434
81% to 90%	1,552	9	1,561	51	7	58	1,603	16	1,619
91% to 100%	212	6	218	10	3	13	222	9	231
Subtotal	**20,926**	**140**	**21,066**	**1,249**	**44**	**1,293**	**22,175**	**184**	**22,359**
101% to 120%	9	12	21	6	6	12	15	18	33
121% to 150%	11	6	17	4	8	12	15	14	29
Greater than 151%	5	11	16	7	24	31	12	35	47
Subtotal	**25**	**29**	**54**	**17**	**38**	**55**	**42**	**67**	**109**
Total	**20,951**	**169**	**21,120**	**1,266**	**82**	**1,348**	**22,217**	**251**	**22,468**
Weighted average LTV:									
Stock of Retail Ireland mortgages at year end			52%			44%			51%
New Retail Ireland mortgages during the year			72%			54%			72%

26 Financial risk management *(continued)*

Group 2021 Loan to value ratio of total Retail Ireland mortgages	Owner occupied Not credit-impaired €m	 Credit-impaired €m	 Total €m	Buy to let Not credit-impaired €m	 Credit-impaired €m	 Total €m	Total 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**
Weighted average LTV:									
Stock of Retail Ireland mortgages at year end			54%			58%			54%
New Retail Ireland mortgages during the year			71%			53%			71%

Loan to value profiles- total Retail UK mortgages

The tables below set out the weighted average indexed LTV for the total Retail UK mortgage loan book.

Property values are determined by reference to the original or latest property valuations held, indexed to the published 'Nationwide UK House Price Index'.

Weighted average LTV ratios are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.

Group 2022 Loan to value ratio of total Retail UK mortgages	Standard Not credit-impaired £m	 Credit-impaired £m	Buy to let Not credit-impaired £m	 Credit-impaired £m	Self Certified Not credit-impaired £m	 Credit-impaired £m	Total Not credit-impaired £m	 Credit-impaired £m	 Total £m
Less than 50%	2,265	30	2,585	28	485	17	5,335	75	5,410
51% to 70%	3,059	33	2,159	31	276	19	5,494	83	5,577
71% to 80%	1,615	7	189	3	20	2	1,824	12	1,836
81% to 90%	728	3	7	–	4	–	739	3	742
91% to 100%	208	1	2	–	1	–	211	1	212
Subtotal	**7,875**	**74**	**4,942**	**62**	**786**	**38**	**13,603**	**174**	**13,777**
101% to 120%	6	–	–	–	2	–	8	–	8
121% to 150%	2	–	–	–	–	–	2	–	2
Greater than 150%	–	–	1	1	–	1	1	2	3
Subtotal	**8**	**–**	**1**	**1**	**2**	**1**	**11**	**2**	**13**
Total	**7,883**	**74**	**4,943**	**63**	**788**	**39**	**13,614**	**176**	**13,790**
Weighted average LTV:									
Stock of Retail UK mortgages at year end	59%	54%	49%	53%	45%	52%	55%	53%	55%
New Retail UK mortgages during year	77%	77%	65%	40%	42%	–	75%	75%	75%

26 Financial risk management *(continued)*

Group 2021 Loan to value ratio of total Retail UK mortgages	Standard Not credit-impaired £m	 Credit-impaired £m	Buy to let Not credit-impaired £m	 Credit-impaired £m	Self Certified Not credit-impaired £m	 Credit-impaired £m	Total 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**	**1**	**3**	**6**	**17**	**15**	**32**
Total	**9,615**	**224**	**6,328**	**164**	**979**	**222**	**16,922**	**610**	**17,532**
Weighted average LTV:									
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%

Asset quality: Other financial instruments

The tables below summarise the asset quality of debt instruments at FVOCI, debt securities at amortised cost and loans and advances to banks at amortised cost by IFRS 9 twelve month PD grade for Group and Bank.

2022 Debt instruments at FVOCI - Asset quality	Group Stage 1 €m	 %	 Stage 2 €m	 %	 Total €m	 %	Bank Stage 1 €m	 %	 Stage 2 €m	 %	 Total €m	 %
PD Grade												
1-4	4,172	98%	–	–	4,172	98%	4,172	98%	–	–	4,172	98%
5-7	82	2%	–	–	82	2%	82	2%	–	–	82	2%
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**4,254**	**100%**	**–**	**–**	**4,254**	**100%**	**4,254**	**100%**	**–**	**–**	**4,254**	**100%**

2021 Debt instruments at FVOCI - Asset quality	Group Stage 1 €m	 %	 Stage 2 €m	 %	 Total €m	 %	Bank Stage 1 €m	 %	 Stage 2 €m	 %	 Total €m	 %
PD Grade												
1-4	8,882	94%	–	–	8,882	94%	8,882	94%	–	–	8,882	94%
5-7	575	6%	–	–	575	6%	575	6%	–	–	575	6%
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**9,457**	**100%**	**–**	**–**	**9,457**	**100%**	**9,457**	**100%**	**–**	**–**	**9,457**	**100%**

26 Financial risk management *(continued)*

2022 Debt securities at amortised cost (before impairment loss allowance) - Asset quality	Group						Bank					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,471	100%	1	100%	4,472	100%	6,570	100%	–	–	6,570	100%
5-7	–	–	–	–	–	–	–	–	–	–	–	–
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**4,471**	**100%**	**1**	**100%**	**4,472**	**100%**	**6,570**	**100%**	**–**	**–**	**6,570**	**100%**

2021 Debt securities at amortised cost (before impairment loss allowance) - Asset quality	Group						Bank					
	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%	7,747	100%	–	–	7,747	100%
5-7	–	–	–	–	–	–	–	–	–	–	–	–
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**6,006**	**100%**	**3**	**100%**	**6,009**	**100%**	**7,747**	**100%**	**–**	**–**	**7,747**	**100%**

2022 Loans and advances to banks at amortised cost (before impairment loss allowance) - Asset quality	Group						Bank					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	2,878	99%	–	–	2,878	99%	17,032	100%	–	–	17,032	100%
5-7	20	1%	–	–	20	1%	19	–	–	–	19	–
8-9	–	–	–	–	–	–	–	–	–	–	–	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**2,898**	**100%**	**–**	**–**	**2,898**	**100%**	**17,051**	**100%**	**–**	**–**	**17,051**	**100%**

2021 Loans and advances to banks at amortised cost (before impairment loss allowance) - Asset quality	Group						Bank					
	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%	15,492	100%	–	–	15,492	100%
5-7	7	–	–	–	7	–	6	–	–	–	6	–
8-9	63	3%	1	100%	64	3%	63	–	1	100%	64	–
10-11	–	–	–	–	–	–	–	–	–	–	–	–
Total	**2,470**	**100%**	**1**	**100%**	**2,471**	**100%**	**15,561**	**100%**	**1**	**100%**	**15,562**	**100%**

26 Financial risk management *(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:	Group				Bank			
	2022		2021		2022		2021	
	€m	%	€m	%	€m	%	€m	%
AAA to AA-	4,085	33%	4,952	50%	212	4%	21	1%
A+ to A-	6,055	50%	2,525	26%	4,748	93%	1,301	70%
BBB+ to BBB-	1,683	14%	1,780	18%	99	2%	138	7%
BB+ to BB-	67	1%	354	4%	67	1%	341	18%
B+ to B-	199	2%	242	2%	12	–	47	3%
Lower than B-	40	–	42	–	2	–	10	1%
Total	**12,129**	**100%**	**9,895**	**100%**	**5,140**	**100%**	**1,858**	**100%**
Amounts include:								
Due from Group undertakings	n/a		n/a		1,222		606	

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 Ratings 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.

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

26 Financial risk management *(continued)*

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 Risk Adjusted Return on Capital (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 below.

Control mechanisms for credit rating and impairment models

The Group Model Risk Policy and Group Model Risk Standards, as approved by the CRC and GRPC 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. 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 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 appropriate of model use.
- **independent validation:** all 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 of data; and the appropriateness of model use. This analysis is carried out by a dedicated unit (the 'Independent Validation Unit' (IVU)) 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 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. However this may not be the case for very highly collateralised loans, such as residential mortgages at low LTV ratios. 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 199, noting further that FLI (page 200) 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 to the consolidated financial statements.

26 Financial risk management *(continued)*

An analysis of the Group's net impairment losses on financial instruments and impairment loss allowances is set out in notes 16, 25 and 26 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 and which allocate financial instruments to Stage 1, 2 or 3 and measure the appropriate 12 month or lifetime ECL. The characteristics of an exposure determine which impairment model is used, 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 PD, EAD and LGD (which is expressed as a percentage of EAD) and are described below. Other components include discount rate and maturity. The current contractual 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 revolving credit facilities, 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 or cyclical estimate PDs as it is an unbiased point-in-time PD based on current conditions and 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 2 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 generate 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.

The PD component of the model utilised for the relationship managed segment of the RoI SME portfolio was updated in 2022. The macro-economic variables utilised in the PD component of the model were reviewed and updated, with RoI Gross National Product replacing RoI Gross Domestic Product as one of the macro-economic model factors. The updated approach resulted in an increase in impairment loss allowance of c.€20 million noting that the Group management adjustment for the RoI SME model recognised at 31 December 2021 is no longer considered to be required.

Further details are provided in note 2 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 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 residential mortgages LGD component in the ECL model framework was reviewed in 2022 and enhanced to improve the ability of the model to calibrate LGD estimates for variances between indexed property values and individual property values for distressed sales. The enhanced approach also utilises observed data with respect to alternative resolution strategies such as portfolio sales. The enhancements to the LGD component of the residential mortgage impairment models, resulted in an increase in impairment loss allowance of c.€49 million (c.€34 million for the RoI mortgage portfolio and c.€15 million for the UK mortgage portfolio). Following these enhancements, the Group management adjustment for LGD in residential mortgage portfolios recognised at 31 December 2021 is no longer considered to be required.

The ECL model framework was updated in 2022 to reflect an enhanced approach to applying forward-looking information within the LGD component of the impairment models for Corporate Banking and Business Banking portfolios. The changes to the LGD component of the Corporate Banking and Business Banking impairment models, results in a decrease in impairment loss allowance of c.€25 million, noting that the Group management adjustment for LGD in Corporate portfolios recognised at 31 December 2021 is no longer considered to be required.

An internal model validation review completed in 2022 incorporated a number of observations on the estimation of LGD for the micro-SME portfolio. Accordingly, an updated approach for the estimation of LGD for stage 3 assets in the micro-SME portfolio was implemented in 2022. The updated approach in the impairment model resulted in an increase in impairment loss allowance of c.€45 million.

Further details are provided in note 2 Critical Accounting Estimates and Judgements.

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

26 Financial risk management *(continued)*

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.

Modelled loss rates

For some smaller and / or lower risk 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 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, the Group considers other reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred. In this regard, the Group has assessed the impact of elevated inflation and rising interest rates on asset quality. Credit risk assessments on the impact of higher inflation and rising interest rates on debt affordability were completed across the residential mortgage and consumer portfolios. Where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in stage 2. These credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify c.€1.9 billion of assets as stage 2 at the reporting date, with an associated €12 million increase in impairment loss allowance.

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 at initial recognition (adjusted where relevant for changes in prepayment expectations).

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;

26 Financial risk management *(continued)*

- 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 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);
- the borrower has been granted multiple forbearance arrangements over a period of 3 years.

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 2022 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.

Credit risk associated with Russia's invasion of Ukraine, cost of living, inflation and interest rates

In 2022 the Group conducted a number of assessments in relation to credit risk associated with Russia's invasion of Ukraine. While the Group has minimal direct exposure to Russia or Ukraine, a comprehensive review of customers whose business models are impacted by the conflict have been completed. Associated risk is considered to be captured in case specific credit management PD ratings.

Likewise, as outlined on page 198 above, the Group has assessed the impact of elevated inflation and rising interest rates on asset quality. Credit risk assessments were completed across the residential mortgage and consumer portfolios and, where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in stage 2. These credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to classify c.€1.9 billion of assets as stage 2 at the reporting date, with an associated €12 million increase in impairment loss allowance.

The impact of elevated inflation and rising interest rates have been taken into account within individual credit assessments in the relationship managed commercial portfolios.

Furthermore, the final set of probability weightings applied FLI scenarios utilised in the Group's impairment models incorporated the application of management judgement to the initial probability weightings to reflect economic uncertainty associated with factors including Russia's invasion of Ukraine; elevated inflation rates; supply chain disruption; and interest rate expectations in the Group's key economies. The estimated impact of this judgement was a c.€37 million increase in impairment loss allowance.

The majority of RoI and UK government supports for COVID-19 ceased in Q2 2022 and Q4 2021 respectively. Consequently, potential latent COVID-19 risk in the Group's loan portfolios

26 Financial risk management *(continued)*

has diminished and management is satisfied that underlying customer specific risk can be identified in risk management models and credit metrics. Therefore, the €132 million post-model adjustment that was recognised at 31 December 2021 (decreased to €62 million at 30 June 2022) is no longer considered to be required.

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 Critical Accounting Estimates and Judgements.

Quantitative information about credit risk within financial instruments held by the Group can be found on pages 168 to 195.

Forward Looking Information

Changes in estimates

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 2022, 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 2022 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 idiosyncratic nature of recent events i.e. Russia's invasion of Ukraine, the COVID-19 economic shock and Brexit, the Group has employed an amended approach for the selection of the upside and downside FLI scenarios for reporting periods since 31 December 2020, in order to avoid counterintuitive 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 levels of energy disruption arising from Russia's invasion of Ukraine (and associated sanctions), varying impacts of inflation and interest rates on the cost of living; depth of downturn in the RoI, UK and global economies; 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.

The application of property price growth forecasts for the estimation of stage 3 impairment loss allowances ensures 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 Critical Accounting Estimates and Judgements.

The development of climate risk modelling capabilities is a key objective of the Group's Climate Risk Action Plan. Methodology development is in the early stages across the industry. Initial implementation has focused on development of scenario analysis capabilities which is expected to be followed by integration into impairment models and internal credit ratings models in the medium term.

Funding and liquidity risk

Definition of funding and liquidity risk

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. The liquidity risk of the Group may also be impacted by external events which could result in a sudden withdrawal of deposits or the potential changes in customer behaviour.

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 (including securitisations) maturities. The Group's ability to access funding markets at a sustainable

26 Financial risk management *(continued)*

cost and in a sufficient volume can be negatively impacted by a disruption to wholesale and / or currency funding markets, credit rating downgrade(s) or deterioration in market sentiment which in turn could impact the financial position of the Group.

Liquidity risk statement

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

The Group has established a liquidity risk management framework which encompasses the liquidity policy, procedures and methodologies 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, procedures and methodologies which the Group has to manage funding and liquidity risk.

Liquidity risk management

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 methodology.

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 2022, and at 31 December 2022 maintained a buffer significantly in excess of regulatory liquidity requirements.

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 2022, and at 31 December 2022 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.

Balance sheet encumbrance

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 2022, €14 billion (2021: €24 billion) of the Group's assets and collateral received were encumbered (Bank 2022: €7 billion, 2021: €15 billion), primarily through these structures. The Group's overall encumbrance level was 10% (2021: 18%) (Bank 2022: 6%, 2021: 14%). The decrease in encumbered assets is primarily due to the repayment of TLTRO III funding by the Group.

The Group's overall encumbrance is 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.

Covered bonds, a key element of the Group's long term funding strategy are issued through its subsidiary Bank of Ireland Mortgage Bank (BoIMB). BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is

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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.

Liquidity risk reporting

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

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 below summarise the maturity profile of the Group's financial assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2022 and 31 December 2021. 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 €5,870 million and €14,280 million respectively (2021: €6,671 million and €15,399 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.

'Other financial assets at FVTPL' exclude equity shares which have no contractual maturity (note 21).

Group Customer deposits by division	2022 €bn	*Restated*[9] 2021 €bn
Retail Ireland	76	65
- Deposits	*27*	*24*
- Current account credit balances	*49*	*41*
Retail UK	14	19
Retail UK (Stg£bn equivalent)	12	16
- UK Post Office	*6*	*9*
- Other Retail UK	*6*	*7*
Corporate and Treasury	9	9
Total customer deposits	99	93
Loan to deposit ratio	73%	82%

Group 2022 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	36,749	106	–	–	–	36,855
Trading securities	–	–	–	–	–	–
Derivative financial instruments	272	102	356	2,614	1,794	5,138
Other financial assets at FVTPL	1,701	13	18	404	3,394	5,530
Loans and advances to banks	342	2,645	57	–	–	3,044
Debt securities at amortised cost	1,418	63	–	1,350	1,641	4,472
Financial assets at FVOCI	334	237	280	2,304	1,099	4,254
Loans and advances to customers including held for sale (before impairment loss allowance)	1,497	4,921	8,359	29,800	28,679	73,256
Total	**42,313**	**8,087**	**9,070**	**36,472**	**36,607**	**132,549**
Liabilities						
Deposits from banks	143	708	–	–	–	851
Monetary Authorities secured funding	–	–	–	2,594	–	2,594
Customer accounts	92,231	5,457	1,377	581	156	99,802
Derivative financial instruments	268	416	338	3,085	2,419	6,526
Debt securities in issue	–	4	909	5,722	1,148	7,783
Subordinated liabilities	–	–	–	–	1,661	1,661
Lease liabilities	–	13	42	165	203	423
Short positions in trading securities	–	3	–	–	–	3
Dividend payable to parent	27	–	–	–	–	27
Total	**92,669**	**6,601**	**2,666**	**12,147**	**5,587**	**119,670**

[9] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

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Group *Restated*[10] **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	1,725	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 FVOCI	–	239	342	5,419	3,457	9,457
Loans and advances to customers including held for sale (before impairment loss allowance)[10]	1,721	4,731	8,449	31,959	31,520	78,380
Total	**35,176**	**7,901**	**9,589**	**39,851**	**43,325**	**135,842**
Liabilities						
Deposits from banks	92	235	–	–	–	327
Monetary Authorities secured funding	–	–	–	13,467	–	13,467
Customer accounts[10]	84,602	5,755	1,992	903	213	93,465
Derivative financial instruments	177	63	251	823	871	2,185
Debt securities in issue	–	236	957	4,322	2,128	7,643
Subordinated liabilities	–	–	255	3	1,726	1,984
Lease liabilities	–	12	35	169	236	452
Short positions in trading securities	–	60	–	–	–	60
Dividend payable to parent	27	–	–	–	–	27
Total	**84,898**	**6,361**	**3,490**	**19,687**	**5,174**	**119,610**

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 2022 and 2021 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 balances in the table below 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.

Group **2022** **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	143	708	–	–	–	851
Monetary Authorities secured funding	–	41	68	2,698	–	2,807
Customer accounts	94,870	5,533	1,404	618	170	102,595
Debt securities in issue	–	80	1,419	6,481	1,716	9,696
Subordinated liabilities	–	9	33	405	2,287	2,734
Lease liabilities	–	15	48	193	247	503
Contingent liabilities	451	31	126	157	7	772
Commitments	15,033	49	554	892	–	16,528
Short positions in trading securities	–	3	–	–	–	3
Dividend payable to parent	27	–	–	–	–	27
Total	**110,524**	**6,469**	**3,652**	**11,444**	**4,427**	**136,516**

[10] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

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Group *Restated*[11] **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[11]	84,748	5,652	2,011	917	211	93,539
Debt securities in issue	–	281	1,075	4,789	2,487	8,632
Subordinated liabilities	–	10	324	238	1,854	2,426
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
Dividend payable to parent	27	–	–	–	–	27
Total	**100,197**	**6,354**	**4,050**	**19,560**	**4,852**	**135,013**

As set out in note 19, 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 held with hedging intent 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.

Group **2022** **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	–	1,068	1,565	14	90	2,737
Gross settled derivative liabilities - inflows	–	(1,037)	(1,501)	(3)	(73)	(2,614)
Gross settled derivative liabilities - net flows	**–**	**31**	**64**	**11**	**17**	**123**
Net settled derivative liabilities	–	252	1,279	3,602	442	5,575
Total derivatives held with hedging intent	**–**	**283**	**1,343**	**3,613**	**459**	**5,698**
Derivative liabilities held with trading intent	980	–	–	–	–	980
Total derivative cash flows	**980**	**283**	**1,343**	**3,613**	**459**	**6,678**

Group **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**

[11] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Financial risk management *(continued)*

The following tables summarise the maturity profile of the Bank's financial liabilities (excluding those arising on derivative financial instruments) at 31 December 2022 and 2021 based on contractual undiscounted repayment obligations. The Bank does not manage liquidity risk on the basis of contractual maturity. Instead the Bank manages liquidity risk based on expected cash flows.

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 in the table below 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.

Bank **2022** **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	62	2,812	1,330	240	359	4,803
Monetary Authorities secured funding	–	–	–	–	–	–
Customer accounts	84,076	5,261	204	985	500	91,026
Debt securities in issue	–	43	1,376	5,506	82	7,007
Subordinated liabilities	–	9	30	393	2,235	2,667
Lease liabilities	–	14	45	186	240	485
Contingent liabilities	423	31	125	157	7	743
Commitments	13,113	–	26	821	–	13,960
Short positions in trading securities	–	–	–	–	–	–
Dividend payable to parent	27	–	–	–	–	27
Total	**97,701**	**8,170**	**3,136**	**8,288**	**3,423**	**120,718**

Bank *Restated*[12] **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	46	2,412	516	558	426	3,958
Monetary Authorities secured funding	–	–	–	10,522	–	10,522
Customer accounts[12]	70,082	4,467	208	777	615	76,149
Debt securities in issue	–	11	72	3,549	922	4,554
Subordinated liabilities	–	10	321	226	1,800	2,357
Lease liabilities	–	14	41	199	279	533
Contingent liabilities	386	36	102	88	14	626
Commitments	13,286	–	22	–	–	13,308
Short positions in trading securities	–	60	–	–	–	60
Dividend payable to parent	27	–	–	–	–	27
Total	**83,827**	**7,010**	**1,282**	**15,919**	**4,056**	**112,094**

[12] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

26 Financial risk management *(continued)*

The following tables summarise the maturity profile of the Bank's derivative liabilities. The Bank 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.

Bank 2022 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	–	1,066	1,565	14	90	2,735
Gross settled derivative liabilities - inflows	–	(1,040)	(1,501)	(3)	(73)	(2,617)
Gross settled derivative liabilities - net flows	**–**	**26**	**64**	**11**	**17**	**118**
Net settled derivative liabilities	–	252	1,279	3,602	442	5,575
Total derivatives held with hedging intent	**–**	**278**	**1,343**	**3,613**	**459**	**5,693**
Derivative liabilities held with trading intent	978	–	–	–	–	978
Total derivative cash flows	**978**	**278**	**1,343**	**3,613**	**459**	**6,671**

Bank 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	–	178	4,617	6,125	445	11,365
Gross settled derivative liabilities - inflows	–	(149)	(4,353)	(5,729)	(436)	(10,667)
Gross settled derivative liabilities - net flows	**–**	**29**	**264**	**396**	**9**	**698**
Net settled derivative liabilities	–	64	167	686	219	1,136
Total derivatives held with hedging intent	**–**	**93**	**431**	**1,082**	**228**	**1,834**
Derivative liabilities held with trading intent	575	–	–	–	–	575
Total derivative cash flows	**575**	**93**	**431**	**1,082**	**228**	**2,409**

Market risk (Group only)

Definition and background

Market risk is the risk of loss arising from movements in interest rates, FX rates or other market prices (including equity and credit spreads).

Market risk arises from the structure of the balance sheet, the Group's business mix and includes 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 foreign exchange 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 shifts in market volatility as a result of external factors. Earnings for NIAC are also indirectly exposed to changes in equity and property markets through fee income generated on unit-linked customer investments.

Risk management, measurement and reporting

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. Prior to the cessation of proprietary risk taking, a small quantum of the risks concerned, were permitted to be run as short-term discretionary risk positions subject to policy and limits.

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.

Balance sheet linkage

The table below classifies the balance sheet in terms of Banking Book, Trading Book (as defined above) and Insurance assets

26 Financial risk management *(continued)*

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 2022 and this is representative of the position throughout the year. Interest rates are the most significant risk factor.

Group **Market risk linkage to the balance sheet** **2022**	**Total** **€m**	**Trading** **€m**	**Non- trading** **€m**	**Insurance** **€m**	**Primary Risk Sensitivity**
Assets					
Cash and balances at central banks	36,855	–	36,855	–	Interest Rate
Derivative financial instruments	5,138	1,069	4,069	–	Interest Rate, FX, Credit Spread, Equity
Trading and other financial assets at FVTPL	18,563	–	150	18,413	Interest Rate, FX, Credit Spread, Equity
Loans and advances to banks	3,044	–	2,897	147	Interest Rate
Loans and advances to customers	71,961	–	71,961	–	Interest Rate
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(738)	–	(738)	–	Interest Rate
Debt securities at amortised cost	4,472	–	4,472	–	Interest Rate
Financial assets at FVOCI	4,254	–	4,254	–	Interest Rate, FX, Credit Spread
ViF asset	–	–	(738)	738	Equity
Other assets	7,795	–	5,414	2,381	Interest Rate
Total assets	**151,344**	**1,069**	**128,596**	**21,679**	
Liabilities					
Deposits from banks	3,445	–	3,445	–	Interest Rate
Customer deposits	99,802	–	99,802	–	Interest Rate
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(2,824)	–	(2,824)	–	Interest Rate
Derivative financial instruments	6,526	968	5,558	–	Interest Rate, FX, Credit Spread, Equity
Debt securities in issue	7,783	–	7,783	–	Interest Rate
Liabilities arising from insurance and investment contracts	5,870	–	–	5,870	Interest Rate, FX, Credit Spread, Equity
Loss allowance provision on loan commitments and financial guarantees	55	–	55	–	Interest Rate
Insurance contract liabilities	14,280	–	–	14,280	Interest Rate, FX, Credit Spread, Equity
Lease liabilities	423	–	423	–	Interest Rate, FX
Other liabilities	3,023	–	2,282	741	Interest Rate, FX
Subordinated liabilities	1,661	–	1,661	–	Interest Rate
Total liabilities	**140,044**	**968**	**118,185**	**20,891**	

Discretionary market risk

Discretionary risk is a risk that is carried in the expectation of gain from near-term movements in liquid financial markets. As of end 2022, Davy is the Group's only business unit permitted to run discretionary market risk. Prior to cessation of proprietary risk taking in BoIGM, discretionary risk had been permitted in interest rate risk (including inflation exposure), FX risk, equity risk (Davy) and traded credit risk.

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. Discretionary risk is managed by an approved framework of limits and controls, based on VaR (see below), scenario stress tests and sensitivities.

The Group employs a VaR approach to measure and set limits on, discretionary market risk. 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 these 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.

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.

The table below shows total VaR at 31 December 2022 was €1.0 million (2021: €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 Interest Rate Risk in The Banking Book (IRRBB).

26 Financial risk management *(continued)*

Group and Bank Total VaR	2022 €m	2021 €m
Total	1.0	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 2022 and 2021.

Total VaR	2022 €m	2021 €m
Discretionary IRRBB		
Peak	1.5	0.4
Average	0.4	0.2
End Period	0.6	0.2
Trading book interest value VaR		
Peak	1.2	1.1
Average	0.5	0.5
End Period	0.3	0.2
Foreign Exchange VaR		
Peak	1.2	0.8
Average	0.3	0.2
End Period	–	0.1
Traded Credit risk VaR		
Peak	0.6	0.4
Average	0.2	0.2
End Period	–	0.1
Traded Equity risk VaR		
Peak	0.4	–
Average	0.1	–
End Period	0.1	–

Structural and other risks

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.

The structural FX positions at 31 December 2022 and the preceding year end were as follows:

Group Structural FX position	2022 €m	2021 €m
Sterling - net asset position	2,276	2,799
US dollar - net asset position	607	412
Total structural FX position	**2,883**	**3,211**

Use of derivatives in the management of market risk

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 and service its customer needs. 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.

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.

Life insurance risk (Group only)

Definition

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.

Risk management

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

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 36.

26 Financial risk management *(continued)*

Risk mitigation
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
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.

Capital management
Capital management objectives and policies
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.

Group **Capital resources**	2022 €m	2021 €m
Stockholders' equity	10,323	9,655
Other equity instruments	975	975
Non-controlling interests - equity	2	2
Total equity	**11,300**	**10,632**
Undated subordinated loan capital	122	129
Dated subordinated loan capital	1,539	1,855
Total capital resources	**12,961**	**12,616**

27 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.

	Group		Bank	
	2022 €m	2021 €m	2022 €m	2021 €m
Financial assets modified during the year				
Amortised cost before modification	517	1,294	430	894
Net modification gains (i.e. net of impairment losses impact)	(4)	(2)	(4)	(1)
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	1,249	1,400	4	1

28 Shares in group undertakings

The Bank's Shares in Group Undertakings are reviewed if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of each investment to its recoverable amount. In 2022, there has been a significant increase in the Group's WACC which is the discount rate used in calculating the asset's recoverable amount. This increase is considered to be an impairment indicator and therefore, the recoverable amount of the Bank's investments in its subsidiaries was calculated at 31 December 2022. This review resulted in no impairment being recognised. At 31 December 2021 a reversal of impairment in the Bank's investment in Bank of Ireland (UK) plc of €435 million was recognised.

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. The calculation of the recoverable amount for each cash generating unit is based upon a VIU calculation that discounts expected pre-tax cash flows at a rate appropriate to the cash generating unit. 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 amount of shares in Group undertakings 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 long-term growth rate appropriate for the business is applied (see 'growth rates'). The initial five years' cash flows are consistent with approved plans for each business.

Growth rates

Growth rates beyond five years are determined by reference to long-term economic growth rates. A growth rate of 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 is the pre-tax WACC for each subsidiary.

See note 2 Critical accounting estimates and judgements on page 112 for further information.

At 31 December 2022, acquisitions of €14 million relates to the stamp duty / expenses related to the Davy acquisition, see note 53.

Bank	2022 €m	2021 €m
At beginning of year	4,023	3,665
Impairment reversal	–	435
Exchange adjustments	(90)	98
Acquisitions	14	–
Increase in investments	–	177
Repayment of investment	–	(352)
At end of year	**3,947**	**4,023**
Group undertakings, of which:		
- Credit Institutions	3,294	3,388
- Others	653	635
	3,947	**4,023**

29 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 in 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 July 2022, the Bank together with the Irish State, AIB and Permanent TSB became a founding member and shareholder in the 'First Home' Shared Equity Scheme which is a key part of the Irish Government's "Housing for All" strategy. It aims to provide greater access to homes for eligible buyers by bridging the gap between their deposit and mortgage and the purchase price of the new home, which would otherwise be deemed unaffordable. The Bank has committed to provide an investment of €70 million out of the €400 million total initial investment. The initial investment between the founding members has been based on a mortgage market share calculation and will be as follows: Irish State (50%), the Bank (17.5%), AIB (19%) and Permanent TSB (13.5%). The first tranche was effective as of 7 July 2022 with an initial investment of €14 million.

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.

Group	2022 €m	2021 €m
At beginning of year	59	54
Increase in investments	25	15
Decrease in investments	(9)	(17)
Share of results after tax (note 17)	8	7
At end of year	**83**	**59**
Interest in associates FVTPL	65	55
Interest in associates using equity method	18	4
At end of year	**83**	**59**

30 Interest in joint ventures

Group	2022 €m	2021 €m
At beginning of year	57	54
Additions	–	1
Share of results after tax (note 17) - FRES	32	(2)
Exchange adjustments	(4)	4
Dividends received	(3)	–
At end of year	**82**	**57**

For further information on joint ventures refer to note 56 Interests in other entities.

31 Intangible assets and goodwill

	2022					2021				
Group	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	**36**	**72**	**2,475**	**197**	**2,780**	**34**	**71**	**2,219**	**180**	**2,504**
Additions	–	–	264	–	264	–	–	238	9	247
Acquisitions	273	5	–	48	326	–	–	–	–	–
Disposals / write-offs	–	–	–	–	–	–	–	–	(1)	(1)
Exchange adjustments	(1)	(1)	(15)	(10)	(27)	2	1	18	9	30
At 31 December	**308**	**76**	**2,724**	**235**	**3,343**	**36**	**72**	**2,475**	**197**	**2,780**
Amortisation and impairment	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**	**(9)**	**(71)**	**(1,522)**	**(151)**	**(1,753)**
Disposals / write-offs	–	–	–	–	–	–	–	–	1	1
Impairment	–	–	(7)	–	(7)	–	–	(1)	(1)	(2)
Amortisation charge for the year (note 13)	–	(1)	(142)	(9)	(152)	–	–	(140)	(10)	(150)
Exchange adjustments	–	1	12	7	20	–	(1)	(14)	(9)	(24)
At 31 December	**(9)**	**(72)**	**(1,814)**	**(172)**	**(2,067)**	**(9)**	**(72)**	**(1,677)**	**(170)**	**(1,928)**
Net book value	**299**	**4**	**910**	**63**	**1,276**	**27**	**–**	**798**	**27**	**852**

Computer software internally generated
The category 'computer software internally generated' includes amortising assets with a carrying value of €910 million (31 December 2021: €798 million). This includes amortising assets with a carrying value of €531 million (31 December 2021: €533 million) with amortisation periods normally ranging from five to ten years, and reflects investment in technical infrastructure, applications and software licences primarily comprising of Payments and Regulatory assets, with remaining amortisation periods ranging up to 10 years. It also includes assets under construction of €379 million (31 December 2021: €265 million) on which amortisation will commence once the assets are available for use.

Impairment review - computer software internally generated
During 2022, the Group reviewed its internally generated computer software for any indicators of impairment and concluded that €7 million impairment is required (31 December 2021: €1 million).

31 Intangible assets and goodwill *(continued)*

Other externally purchased intangible assets
The Group acquired the Davy business on 1 June 2022. As part of the acquisition, the Group identified intangible assets valued at €48 million relating to customer relationships and brand value at the date of acquisition.

Impairment review – other externally purchased intangible assets
During 2022, the Group reviewed other externally purchased intangible assets for any indicators of impairment and concluded that no impairment is required (31 December 2021: €1 million).

Goodwill
At 31 December 2022, goodwill on the Group's balance sheet is €299 million and relates to the acquisitions of Davy €273 million, Ireland's leading provider of wealth management and capital markets services (Note 53), and Marshall Leasing €26 million, a car commercial leasing and fleet management business in the UK. On 1 April 2022, the business of Marshall Leasing and the related goodwill was transferred to N.I.I.B Group Limited, a wholly-owned subsidiary of the Group.

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.

Impairment reviews of Davy and Marshall Leasing were carried out during 2022, and no impairment of goodwill was required.

Impairment testing of goodwill
Goodwill is allocated to cash generating units (CGU) 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 2022 and the next three 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 Davy is 2% and Marshall Leasing is 0% (2021: 0%).

Discount rate
The discount rates applied to Davy and Marshall Leasing are 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% for Davy and 14% for Marshall Leasing has been used in the models.

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 Marshall Leasing would not result in an impairment of goodwill. For an assessment of reasonably possible changes in key assumptions used to determine Davy's recoverable amount, refer to note 2 Critical accounting estimates and judgements.

31 Intangible assets and goodwill *(continued)*

Bank	2022 Computer software externally purchased €m	2022 Computer software internally generated €m	2022 Other externally purchased intangible assets €m	2022 Total €m	2021 Computer software externally purchased €m	2021 Computer software internally generated €m	2021 Other externally purchased intangible assets €m	2021 Total €m
Cost								
At 1 January	**49**	**2,278**	**94**	**2,421**	**49**	**2,050**	**84**	**2,183**
Additions	–	236	–	236	–	214	–	214
Disposals / write-offs	–	–	–	–	–	–	(1)	(1)
Exchange adjustments	–	(13)	(2)	(15)	–	14	11	25
At 31 December	**49**	**2,501**	**92**	**2,642**	**49**	**2,278**	**94**	**2,421**
Accumulated amortisation								
At 1 January	**(49)**	**(1,542)**	**(76)**	**(1,667)**	**(49)**	**(1,400)**	**(69)**	**(1,518)**
Disposals / write-offs	–	–	–	–	–	–	1	1
Impairment	–	(7)	–	(7)	–	–	(1)	(1)
Amortisation charge for the year	–	(129)	(3)	(132)	–	(130)	(5)	(135)
Exchange adjustments	–	10	2	12	–	(12)	(2)	(14)
At 31 December	**(49)**	**(1,668)**	**(77)**	**(1,794)**	**(49)**	**(1,542)**	**(76)**	**(1,667)**
Net book value	**–**	**833**	**15**	**848**	**–**	**736**	**18**	**754**

Impairment review - intangible assets

Intangible assets have been reviewed for any indication that impairment may have occurred. Where any such indication exists impairment has been measured by comparing the carrying value of the intangible asset to its recoverable amount. An impairment charge of €7 million has been recognised (2021: €1 million).

32 Investment properties

At 31 December 2022, the Group held investment property of €883 million (2021: €992 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 (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.

In 2022 rental income from investment property amounted to €55 million (2021: €59 million). Expenses directly attributable to investment properties generating rental income was €15 million (2021: €11 million).

Group	2022 €m	2021 €m
At beginning of year	992	843
Additions	65	157
Revaluation	(71)	(17)
Exchange adjustment	(10)	10
Disposals	(93)	(1)
At end of year	**883**	**992**

33 Property, plant and equipment

Group 2022	Freehold land & buildings & long leaseholds (FV)		Adaptations (at cost)		Computer & other equipment (at cost)		Payments on accounts & assets in the course of construction (at cost) €m	Total owned assets €m	Right of Use assets, excluding investment property		Total right of use assets €m	Total property plant and equipment €m
	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m	of which; own-use €m	of which; subject to operating lease €m			Buildings €m	Computer & other equipment €m		
Cost or valuation at 1 January 2022	**161**	**20**	**151**	**6**	**242**	**166**	**9**	**755**	**506**	**54**	**560**	**1,315**
Additions	1	–	1	–	3	80	19	**104**	4	7	**11**	**115**
Acquisitions	–	–	2	–	3	–	–	**5**	9	–	**9**	**14**
Disposals / write-offs	(14)	–	(2)	(1)	(4)	(36)	–	**(57)**	(3)	(1)	**(4)**	**(61)**
Impairment	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Revaluation recognised in OCI	(4)	–	–	–	–	–	–	**(4)**	–	–	**–**	**(4)**
Reclassifications	1	–	6	3	5	–	(15)	**–**	–	–	**–**	**–**
Adjustment of lease liability	–	–	–	–	–	–	–	**–**	2	–	**2**	**2**
Exchange Adjustments	(2)	(2)	(1)	1	(3)	(9)	–	**(16)**	(2)	–	**(2)**	**(18)**
At 31 December 2022	**143**	**18**	**157**	**9**	**246**	**201**	**13**	**787**	**516**	**60**	**576**	**1,363**
Accumulated Depreciation at 1 January 2022	**–**	**–**	**(101)**	**(2)**	**(191)**	**(38)**	**–**	**(332)**	**(147)**	**(16)**	**(163)**	**(495)**
Charge for the year (Note 10,13)	–	–	(9)	(1)	(14)	(23)	–	**(47)**	(27)	(11)	**(38)**	**(85)**
Impairment for the year	–	–	–	–	–	–	–	**–**	(14)	–	**(14)**	**(14)**
Disposals / write-offs	–	–	1	–	2	19	–	**22**	3	1	**4**	**26**
Reclassifications	–	–	1	(1)	–	–	–	**–**	–	–	**–**	**–**
Exchange Adjustments	–	–	1	–	3	2	–	**6**	1	–	**1**	**7**
At 31 December 2022	**–**	**–**	**(107)**	**(4)**	**(200)**	**(40)**	**–**	**(351)**	**(184)**	**(26)**	**(210)**	**(561)**
Net Book Value at 31 December 2022	**143**	**18**	**50**	**5**	**46**	**161**	**13**	**436**	**332**	**34**	**366**	**802**

At 31 December 2022, property, plant and equipment held at fair value was €161 million (2021: €181 million). The historical cost of property, plant and equipment held at fair value was €72 million (2021: €78 million). The net book value of property, plant and equipment held at cost less accumulated depreciation and impairment (excluding RoU assets) was €275 million (2021: €242 million) and RoU assets was €366 million (2021: €397 million).

At 31 December 2022, €13 million (2021: €5 million) of freehold land & buildings held for own use was transferred to assets classified as held for sale.

33 Property, plant and equipment *(continued)*

Group 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 OCI	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
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**
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)**	**(195)**	**(31)**	**–**	**(329)**	**(85)**	**(8)**	**(93)**	**(422)**
Charge for the year (Note 10,13)	–	–	(10)	–	(15)	(27)	–	**(52)**	(35)	(10)	**(45)**	**(97)**
Impairment for the year	–	–	–	–	(2)	–	–	**(2)**	(27)	–	**(27)**	**(29)**
Disposals / write-offs	–	–	11	–	23	23	–	**57**	1	2	**3**	**60**
Reclassifications	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Exchange Adjustments	–	–	(1)	–	(2)	(3)	–	**(6)**	(1)	–	**(1)**	**(7)**
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**

33 Property, plant and equipment *(continued)*

Bank 2022	Freehold land & buildings & long leaseholds (FV) of which; own-use €m	of which; subject to operating lease €m	Adaptations (at cost) of which; own-use €m	of which; subject to operating lease €m	Computer & other equipment (at cost) of which; own-use €m	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	Computer & other equipment €m	Total right of use assets €m	Total property plant and equipment €m
Cost or valuation at 1 January 2022	**120**	**12**	**149**	**6**	**239**	**–**	**9**	**535**	**496**	**54**	**550**	**1,085**
Additions	1	–	1	–	1	–	18	**21**	3	8	**11**	**32**
Disposals / write-offs	(11)	–	(2)	(1)	(3)	–	–	**(17)**	(2)	(1)	**(3)**	**(20)**
Impairment	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Revaluation recognised in OCI	(4)	–	–	–	–	–	–	**(4)**	–	–	**–**	**(4)**
Reclassifications	1	–	5	3	5	–	(14)	**–**	–	–	**–**	**–**
Adjustment of lease liability	–	–	–	–	–	–	–	**–**	2	–	**2**	**2**
Exchange Adjustments	(1)	–	1	–	(3)	–	–	**(3)**	1	–	**1**	**(2)**
At 31 December 2022	**106**	**12**	**154**	**8**	**239**	**–**	**13**	**532**	**500**	**61**	**561**	**1,093**
Accumulated Depreciation at 1 January 2022	**–**	**–**	**(98)**	**(2)**	**(188)**	**–**	**–**	**(288)**	**(139)**	**(16)**	**(155)**	**(443)**
Charge for the year (Note 10,13)	–	–	(8)	(1)	(13)	–	–	**(22)**	(25)	(11)	**(36)**	**(58)**
Impairment for the year	–	–	–	–	–	–	–	**–**	(13)	–	**(13)**	**(13)**
Reversal of previously recognised impairment	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Disposals / write-offs	–	–	1	–	2	–	–	**3**	2	1	**3**	**6**
Reclassifications	–	–	1	(1)	–	–	–	**–**	–	–	**–**	**–**
Exchange Adjustments	–	–	(1)	(1)	1	–	–	**(1)**	–	1	**1**	**–**
At 31 December 2022	**–**	**–**	**(105)**	**(5)**	**(198)**	**–**	**–**	**(308)**	**(175)**	**(25)**	**(200)**	**(508)**
Net Book Value at 31 December 2022	**106**	**12**	**49**	**3**	**41**	**–**	**13**	**224**	**325**	**36**	**361**	**585**

At 31 December 2022, property, plant and equipment held at fair value was €118 million (2021: €132 million). The historical cost of property, plant and equipment held at fair value was €47 million (2021: €51 million). The net book value of property, plant and equipment held at cost less accumulated depreciation and impairment (excluding RoU assets) was €106 million (2021: €115 million) and RoU assets was €361 million (2021: €395 million).

At 31 December 2022, €11 million (2021: €3 million) of freehold land & buildings held for own use was transferred to assets classified as held for sale.

33 Property, plant and equipment *(continued)*

Bank 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	**118**	**12**	**156**	**6**	**252**	**–**	**17**	**561**	**502**	**54**	**556**	**1,117**
Additions	–	–	–	–	1	–	8	**9**	3	1	**4**	**13**
Disposals / write-offs	–	–	(14)	–	(29)	–	–	**(43)**	(4)	(2)	**(6)**	**(49)**
Impairment	–	–	–	–	–	–	(1)	**(1)**	–	–	**–**	**(1)**
Revaluation recognised in OCI	1	–	–	–	–	–	–	**1**	–	–	**–**	**1**
Reclassifications	–	–	6	–	10	–	(15)	**1**	1	–	**1**	**2**
Adjustment of lease liability	–	–	–	–	–	–	–	**–**	(7)	–	**(7)**	**(7)**
Exchange Adjustments	1	–	1	–	5	–	–	**7**	1	1	**2**	**9**
At 31 December 2021	**120**	**12**	**149**	**6**	**239**	**–**	**9**	**535**	**496**	**54**	**550**	**1,085**
Accumulated depreciation at 1 January 2021	**–**	**–**	**(100)**	**(2)**	**(191)**	**–**	**–**	**(293)**	**(77)**	**(8)**	**(85)**	**(378)**
Charge for the year (Note 10,13)	–	–	(8)	–	(15)	–	–	**(23)**	(35)	(10)	**(45)**	**(68)**
Impairment for the year	–	–	–	–	(2)	–	–	**(2)**	(27)	–	**(27)**	**(29)**
Reversal of previously recognised impairment	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Disposals / write-offs	–	–	11	–	24	–	–	**35**	1	2	**3**	**38**
Reclassifications	–	–	–	–	–	–	–	**–**	–	–	**–**	**–**
Exchange Adjustments	–	–	(1)	–	(4)	–	–	**(5)**	(1)	–	**(1)**	**(6)**
At 31 December 2021	**–**	**–**	**(98)**	**(2)**	**(188)**	**–**	**–**	**(288)**	**(139)**	**(16)**	**(155)**	**(443)**
Net book value at 31 December 2021	**120**	**12**	**51**	**4**	**51**	**–**	**9**	**247**	**357**	**38**	**395**	**642**

33 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.

	Group		Bank	
Future Capital Expenditure	**2022 €m**	**2021 €m**	**2022 €m**	**2021 €m**
Contracted but not provided for in the financial statements	141	135	137	132
Authorised by the Directors but not contracted	74	265	47	258
	215	**400**	**184**	**390**

Group as lessor

Computer and other equipment of which subject to an operating lease relates to the business activities of Marshall Leasing, which were conducted through Marshall Leasing Limited up until 1 April 2022, at which point the business transferred to N.I.I.B Group Limited. Both entities are wholly-owned subsidiaries of Bank of Ireland UK plc, whose ultimate parent is the Group. The Marshall Leasing business 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 the Group is exposed to residual value risk on the vehicles leased.

The Group 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 the Marshall Leasing 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. The Group received operating lease income of €44 million in 2022 relating to the Marshall Leasing business (2021: €37 million) (note 10).

Bank as lessor

The Bank has also entered into a small number of sub-leases as lessor which represent properties and components of properties surplus to the Bank's own requirements. The Group received operating lease income of €nil in 2022 (2021: €nil) (note 10).

The table sets out the future undiscounted operating lease payments receivable.

	Group		Bank	
Operating lease receivables	**2022 €m**	**2021 €m**	**2022 €m**	**2021 €m**
Not later than 1 year	34	29	1	1
1 to 2 years	22	20	1	1
2 to 3 years	11	10	–	–
3 to 4 years	4	3	–	–
4 to 5 year	1	1	–	–
Later than 5 years	–	–	–	–
Total operating lease receivables	**72**	**63**	**2**	**2**

34 Deferred tax

The DTA of €989 million (31 December 2021: €1,044 million) includes an amount of €1,026 million (31 December 2021: €1,118 million) in respect of operating losses which are available to shelter future profits from tax, of which €951 million relates to Irish tax losses carried forward by the Bank, €70 million relates to UK tax losses carried forward by Bank of Ireland (UK) plc and the UK branch of the bank, and €5 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 DTAs on unused tax losses are set out in Critical Accounting Estimates and Judgements (note 2).

Net DTAs at 31 December 2022 of €0.9 billion (2021: €1.0 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 €1.3 billion at 31 December 2022 (2021: €1.5 billion).

The Group has not recognised a DTA of €164 million (2021: €226 million) in respect of temporary differences, unused tax losses and tax credits of which €49 million (2021: €47 million) relates to US tax losses which are subject to a 20 year life and are scheduled to expire unused in the period 2028-2030 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 Group's Annual Report for the year ended 31 December 2021 noted that the Organisation for Economic Co-operation and Development (OECD) had released the 15% minimum effective tax rate Model Rules in December 2021 with the new rules expected to be effective from 1 January 2023. On 15 December 2022, the European Council confirmed that the EU Directive had been endorsed and EU Member States have until 31 December 2023 to transpose the provisions of the Directive into their national laws with the provisions generally applying for fiscal years beginning on or after 31 December 2023. The legislation has not been substantively enacted at the balance sheet date and the Group will continue to monitor the evolving national legislation including any disclosures required, or exemptions available, under IAS 12 in the year ending 31 December 2023 as it is currently too early to indicate the possible quantitative effects.

					Balance at 31 December		
Group **2022**	**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	1,118	(92)	–	–	1,026	1,026	–
Pensions and other post retirement benefits	(116)	3	7	–	(106)	–	(106)
Assets used in the business	41	(16)	–	–	25	25	–
Impact of adopting IFRS 9	14	(4)	–	–	10	10	–
Cash flow hedge reserve	6	–	3	–	9	9	–
Other temporary differences - assets	71	1	–	(7)	65	65	–
Wealth & Insurance - different basis of accounting	(70)	12	–	–	(58)	–	(58)
Debt instruments at FVOCI	(18)	–	20	–	2	2	–
Property revaluation surplus	(18)	2	1	–	(15)	–	(15)
Liability credit reserve	2	–	(5)	–	(3)	–	(3)
Other temporary differences - liabilities	(75)	15	–	(2)	(62)	–	(62)
Tax assets / (liabilities) before set-off	**955**	**(79)**	**26**	**(9)**	**893**	**1,137**	**(244)**
Set-off of tax					**–**	**(148)**	**148**
Net tax assets / (liabilities)					**893**	**989**	**(96)**

34 Deferred tax *(continued)*

Group 2021	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December 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	–	12	71	71	–
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)**	**12**	**955**	**1,252**	**(297)**
Set-off of tax					**–**	**(208)**	**208**
Net tax assets / (liabilities)					**955**	**1,044**	**(89)**

Bank 2022	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Deferred tax assets €m	Deferred tax liabilities €m
Unutilised tax losses	1,058	(103)	–	–	955	955	–
Pensions and other post retirement benefits	(119)	–	14	–	(105)	–	(105)
Assets used in the business	23	(10)	–	–	13	13	–
Impact of adopting IFRS 9	5	(3)	–	–	2	2	–
Cash flow hedge reserve	16	(2)	(6)	–	8	8	–
Other temporary differences - assets	27	8	–	–	35	35	–
Debt instruments at FVOCI	(18)	–	20	–	2	2	–
Property revaluation surplus	(16)	2	–	–	(14)	–	(14)
Liability Credit Reserve	(2)	–	(4)	–	(6)	–	(6)
Other temporary differences - liabilities	(43)	15	–	–	(28)	–	(28)
Tax assets / (liabilities) before set-off	**931**	**(93)**	**24**	**–**	**862**	**1,015**	**(153)**
Set-off of tax					**–**	**(153)**	**153**
Net tax assets / (liabilities)					**862**	**862**	**–**

34 Deferred tax *(continued)*

Bank 2021	Net balance at 1 January €m	Recognised in profit or loss €m	Recognised in OCI €m	Foreign exchange and other movements €m	Balance at 31 December Net €m	Deferred tax assets €m	Deferred tax liabilities €m
Unutilised tax losses	1,140	(82)	–	–	1,058	1,058	–
Pensions and other post retirement benefits	(7)	(5)	(107)	–	(119)	–	(119)
Assets used in the business	25	(2)	–	–	23	23	–
Impact of adopting IFRS 9	7	(2)	–	–	5	5	–
Cash flow hedge reserve	17	–	(1)	–	16	16	–
Other temporary differences - assets	26	(5)	–	6	27	27	–
Debt instruments at FVOCI	(23)	–	5	–	(18)	–	(18)
Property revaluation surplus	(16)	–	–	–	(16)	–	(16)
Liability Credit Reserve	1	(4)	1	–	(2)	–	(2)
Other temporary differences - liabilities	(20)	(23)	–	–	(43)	–	(43)
Tax assets / (liabilities) before set-off	**1,150**	**(123)**	**(102)**	**6**	**931**	**1,129**	**(198)**
Set-off of tax					**–**	**(198)**	**198**
Net tax assets / (liabilities)					**931**	**931**	**–**

35 Other assets

	Group 2022 €m	Group 2021 €m	Bank 2022 €m	Bank 2021 €m
Reinsurance asset	1,090	1,302	–	–
ViF asset (note 36)	738	700	–	–
Sundry and other debtors	572	489	189	159
Interest receivable	234	328	206	303
Accounts receivable and prepayments	83	78	60	62
Trade receivables	42	18	26	12
Contract assets	7	4	7	4
Other assets	**2,766**	**2,919**	**488**	**540**
Other assets are analysed as follows:				
Within 1 year	878	856	456	505
After 1 year	1,888	2,063	32	35
	2,766	**2,919**	**488**	**540**
The movement in the reinsurance asset is noted below:				
At beginning of year	1,302	1,352		
New business	151	91		
Changes in business	(363)	(141)		
At end of year	**1,090**	**1,302**		
Amounts include:				
Due from Group undertakings			16	8

For the purpose of disclosure of credit risk exposures, the reinsurance asset is included within other financial instruments of €12.1 billion (2021: €9.9 billion) in note 26 on page 195.

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.

36 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 the 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.

Changes in assumptions during the year reflect the strong performance and experience on the back-book across a number of metrics. The changes in assumptions impact the value of in force business and insurance contract liabilities.

The main impact of assumption changes in the year were due to:
- Disciplined cost management within the business has resulted in a reduction of €3.5 million per year in renewal expenses leading to an associated release in technical provisions of €24 million.
- Durational lapse assumptions modelling has been applied to the product suite, resulting in a reduction in the future lapse assumption for some key product lines leading to a release of technical provisions in aggregate of €30 million.

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. The impact of a 10% improvement in longevity rates relates to the Annuity book of business. A 0.5% widening in bond spreads includes the impact of Volatility Adjustment.

Group **Value of in Force asset**	**2022 €m**	**2021 €m**
At beginning of year	700	615
Income statement movement in Value of in Force asset (gross of tax)	38	85
At end of year	**738**	**700**

Group **Sensitivities: impact on annual profit before tax**	**2022 €m**	**2021 €m**
1% increase in interest rates and unit growth rates	(23)	(8)
1% decrease in interest rates and unit growth rates	18	(6)
10% improvement in mortality	22	23
10% improvement in longevity	(24)	(35)
10% improvement in morbidity	17	12
10% deterioration in persistency	(19)	(17)
10% increase in equity and property markets	40	33
5% improvement in maintenance expenses	17	21
0.5% widening in bond spreads	(47)	(55)

37 Deposits from banks

	Group		**Bank**	
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Monetary Authority secured funding	2,594	12,619	–	9,882
Deposits from banks	851	327	4,808	4,191
Deposits from banks	**3,445**	**12,946**	**4,808**	**14,073**
Amounts include:				
Due to Group undertakings	–	–	4,027	3,913

37 Deposits from banks *(continued)*

Deposits from banks include cash collateral of €0.6 billion (2021: €0.1 billion) received from derivative counterparties in relation to net derivative asset positions (note 19) (Bank 2022: €0.6 billion, 2021: €0.1 billion).

Group **Monetary Authority secured funding**	2022 TFSME €m	2022 TLTRO €m	2022 Total €m	2021 TFSME €m	2021 TLTRO €m	2021 Total €m
Deposits from banks	2,594	–	2,594	2,737	9,882	12,619
Debt securities in issue (note 39)	–	–	–	–	848	848
Total	**2,594**	**–**	**2,594**	**2,737**	**10,730**	**13,467**

Bank **Monetary Authority secured funding**	2022 TFSME €m	2022 TLTRO €m	2022 Total €m	2021 TFSME €m	2021 TLTRO €m	2021 Total €m
Deposits from banks	–	–	–	–	9,882	9,882
Total	**–**	**–**	**–**	**–**	**9,882**	**9,882**

During 2021, the Group secured funding from the ECB under TLTRO III. The Group had expected to retain the funding until March 2024, however, following changes made by the ECB to the terms and conditions of the TLTRO III the funding was repaid in full on the 23 November 2022.

Negative interest on the TLTRO III is recognised in interest income. The interest rate applicable to the TLTRO III from June 2022 until repayment in November 2022 was the average deposit facility rate of -0.29% over the life of the instrument.

Drawings under the Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) from the Bank of England (BoE) will be repaid by October 2026.

The Group's Monetary Authority funding is secured by debt securities at amortised cost, financial assets at FVOCI and loans and advances to customers.

38 Customer accounts

	Group 2022 €m	Group Restated[1] 2021 €m	Bank 2022 €m	Bank Restated[1] 2021 €m
Current accounts	59,932	52,781	57,131	49,798
Demand deposits	29,511	28,556	23,742	20,307
Term deposits and other products[1]	9,945	11,711	6,732	6,269
Customer accounts at amortised cost	**99,388**	**93,048**	**87,605**	**76,374**
Term deposits at FVTPL	414	417	738	830
Total customer accounts	**99,802**	**93,465**	**88,343**	**77,204**
Amounts include:				
Due to BOIG plc	601	691	601	691
Due to associates and joint ventures	46	3	n/a	n/a
Due to Group undertakings	n/a	n/a	2,313	2,479

[1] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

38 Customer accounts *(continued)*

The movement in own credit risk related to the Group's customer accounts designated at FVTPL for the year is shown below.

The carrying amount of the customer accounts designed at FVTPL at 31 December 2022 is €414 million, €49 million lower than the contractual amount due at maturity of €463 million (2021: the carrying amount was €417 million, €3 million higher than the contractual amount due at maturity of €414 million) (Bank 2022: the carrying amount was €738 million, €92 million lower than the contractual amount due at maturity of €830 million. 2021: the carrying amount was €830 million, €1 million higher than the contractual amount due at maturity of €829 million). This is set out in note 57.

At 31 December 2022, the Group's largest 20 customer deposits amounted to 4% (2021: 4%) of customer accounts. 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 203 in the Financial Risk Management note.

At 31 December 2022, customer accounts include client deposits amounting to €2,346 million for the Group and €2,298 million for the Bank whereby Davy, which became a Group undertaking effective 1 June 2022, acts as a financial intermediary. Further details on client property are disclosed in note 54.

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 the maturity table on page 202 in the Financial Risk Management note.

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.

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 Financial Services Compensation Scheme (FSCS) (in respect of eligible deposits with Bank of Ireland (UK) plc).

	Group		Bank	
Movement in own credit risk on deposits at FVTPL	**2022 €m**	**2021 €m**	**2022 €m**	**2021 €m**
Balance at beginning of the year	4	(2)	9	1
Recognised in other comprehensive income	(17)	6	(29)	8
Balance at end of the year	**(13)**	**4**	**(20)**	**9**

39 Debt securities in issue

The carrying amount of bonds and medium term notes has increased by €0.6 billion at 31 December 2022 (2021: €0.3 billion) (Bank 2022: €0.8 billion, 2021: €2 billion) due to senior issuances amounting to €2 billion (2021: €1 billion) (Bank 2022: €2.0 billion, 2021: €1.0 billion) in bonds, offset by the redemption of notes and bonds amounting to €0.9 billion (2021: €0.7 billion) during the year. A further decrease of €0.5 billion (2021: €0.1 billion) in the carrying amount of bonds and medium term notes are attributable to foreign exchange adjustments, amortisation of discount and movements in fair value hedges.

The Monetary Authority secured funding classified as debt securities in issue amounted to €nil (2021: €0.8 billion) has decreased due to the repayment in full by the Group of TLTRO III in November 2022.

The carrying amount of the debt securities in issue designated at FVTPL at 31 December 2022 was €250 million, €37 million lower than the contractual amount due at maturity of €287 million (2021: the carrying amount was €307 million, €23 million higher than the contractual amount due at maturity of €284 million). The carrying amount in Bank was €25 million, €3 million lower than the contractual amount due at maturity of €28 million (2021: the carrying amount was €28 million, €2 million higher than the contractual amount due at maturity of €26 million). This is set out in note 57.

	Group		Bank	
	2022 €m	2021 €m	2022 €m	2021 €m
Bonds and medium term notes	6,816	6,236	5,901	5,075
Monetary Authorities secured funding	–	848	–	–
Other debt securities in issue	717	1,100	–	–
Debt securities in issue at amortised cost	**7,533**	**8,184**	**5,901**	**5,075**
Debt securities in issue at FVTPL	250	307	25	28
Total debt securities in issue	**7,783**	**8,491**	**5,926**	**5,103**
Amounts include:				
Due to BOIG plc	5,880	4,206	5,880	4,206

	Group		Bank	
	2022 €m	2021 €m	2022 €m	2021 €m
Opening balance	8,491	6,972	5,103	3,214
Issued during the year	3,869	2,438	3,867	1,971
Redemptions	(3,976)	(817)	(2,705)	(20)
Repurchases	–	(11)	–	–
Other movements	(601)	(91)	(339)	(62)
Closing balance	**7,783**	**8,491**	**5,926**	**5,103**

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.

	Group		Bank	
Movement in own credit risk on debt securities in issue at FVTPL	2022 €m	2021 €m	2022 €m	2021 €m
Balance at beginning of the year	3	3	3	3
Recognised in other comprehensive income	(3)	–	(3)	–
Balance at end of the year	**–**	**3**	**–**	**3**

40 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.

Group **Investment contract liabilities**	**2022** **€m**	**2021** **€m**
Liabilities to customers under investment contracts, at fair value	5,870	6,671

The movement in gross life insurance contract liabilities is analysed as follows:

Group **Insurance contract liabilities**	**2022** **€m**	**2021** **€m**
At beginning of year	15,399	13,479
New business	2,037	2,020
Changes in existing business	(3,156)	(100)
At end of year	**14,280**	**15,399**

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 Solvency Capital Requirement (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.

41 Other liabilities

	Group		Bank	
	2022 €m	2021 €m	2022 €m	2021 €m
Notes in circulation	900	1,066	–	–
Sundry creditors	451	377	82	64
Operating expenses accrued	292	253	239	202
Accrued interest payable	150	115	78	54
Accruals and deferred income	80	28	1	1
Dividend payable to parent	27	27	27	27
Short position in trading securities	3	60	–	60
Other	671	473	113	91
Other liabilities	**2,574**	**2,399**	**540**	**499**
Other liabilities are analysed as follows:				
Within 1 year	2,476	2,331	533	471
After 1 year	98	68	7	28
	2,574	**2,399**	**540**	**499**
Amounts include:				
Due to BOIG plc	90	62	90	62

42 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).

Total cash outflows on leases amounted to €87 million in 2022 (2021: €79 million).

Amounts recognised in the balance sheet and income statement
The carrying amount of the Group's RoU assets and the movements during 2022 are set out in note 33.

The carrying amount of the lease liabilities and the movements during 2022 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 25) 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 Marshall Leasing business, which has been conducted through the subsidiary N.I.I.B Group Limited since 1 April 2022. Further detail on the nature of the company's leasing activities, risks and risk management is outlined in note 33.

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. The Group received operating lease income of €nil in 2022 (2021: €nil) (note 10).

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.

A maturity analysis of undiscounted operating lease receivables set out on an annual basis is included in note 33. Income and expense associated with the Group's operating lease activities is included in note 10.

42 Leasing *(continued)*

Balance sheet liabilities	Group 2022 €m	Group 2021 €m	Bank 2022 €m	Bank 2021 €m
At 1 January	**452**	**498**	**447**	**491**
Payment of lease liability and interest	(65)	(57)	(60)	(54)
Interest expense (note 5)	12	11	11	11
Additions (note 33)	11	4	11	4
Acquisitions (note 33)	9	–	–	–
Lease liability adjustment	2	(7)	2	(7)
Other	2	3	2	2
At 31 December	**423**	**452**	**413**	**447**

Group **Summary of amounts recognised in the income statement under IFRS 16 'Leases'**	2022 €m	2021 €m
Amounts recognised in interest expense (note 5)		
Interest expense on lease liabilities	12	11
Amounts recognised in interest income (note 4)		
Finance lease interest	169	161
Amounts recognised in other operating expense (note 13)		
Depreciation of RoU assets in property, plant and equipment	38	45
Impairment of RoU assets	14	–
Variable lease expenses	2	1
Short-term lease expenses	1	1
	55	**47**
Amounts recognised in cost of restructuring (note 14)		
Impairment of RoU assets	–	27

43 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.

Group	2022 Restructuring €m	2022 Legal and other €m	2022 Total €m	2021 Restructuring €m	2021 Legal and other €m	2021 Total €m
Opening balance at 1 January	**55**	**135**	**190**	**148**	**120**	**268**
Exchange adjustment	(1)	(1)	(2)	3	–	3
Charge to income statement	16	39	55	61	41	102
Transfers	–	–	–	–	1	1
Utilised during the year	(37)	(131)	(168)	(147)	(19)	(166)
Unused amounts reversed and released to profit or loss	(5)	(6)	(11)	(10)	(11)	(21)
Other	–	(2)	(2)	–	3	3
Acquisitions		17	17	–	–	–
At 31 December	**28**	**51**	**79**	**55**	**135**	**190**

43 Provisions *(continued)*

Restructuring provisions of €28 million at 31 December 2022 (2021: €55 million) largely relates to building exit costs of €22 million (2021: €32 million) in line with the Group's property strategy, and Voluntary Redundancy Programme costs of €6 million (2021: €21 million).

	2022			2021		
Group **Expected utilisation**	**Restructuring €m**	**Legal and other €m**	**Total €m**	**Restructuring €m**	**Legal and other €m**	**Total €m**
Less than 1 year	17	34	51	39	129	168
1 to 2 years	3	11	14	4	3	7
2 to 5 years	4	3	7	6	3	9
5 to 10 years	4	3	7	6	–	6
Total	**28**	**51**	**79**	**55**	**135**	**190**

	2022			2021		
Bank	**Restructuring €m**	**Legal and other €m**	**Total €m**	**Restructuring €m**	**Legal and other €m**	**Total €m**
Opening balance at 1 January	**46**	**67**	**113**	**122**	**56**	**178**
Exchange adjustment	(1)	–	(1)	2	–	2
Charge to income statement	15	32	47	50	30	80
Transfers	–	–	–	–	1	1
Utilised during the year	(31)	(79)	(110)	(122)	(9)	(131)
Unused amounts reversed and released to profit or loss	(3)	(5)	(8)	(6)	(11)	(17)
At 31 December	**26**	**15**	**41**	**46**	**67**	**113**

Restructuring provisions of €26 million at 31 December 2022 (2021: €46 million) largely relates to building exit costs of €19 million (2021: €25 million) in line with the Group's property strategy, Voluntary Redundancy Programme costs of €5 million (2021 €18 million) and other costs of €2 million (2021: €3 million).

	2022			2021		
Bank **Expected Utilization**	**Restructuring €m**	**Legal and other €m**	**Total €m**	**Restructuring €m**	**Legal and other €m**	**Total €m**
Less than 1 year	16	12	28	32	63	95
1 to 2 years	2	1	3	3	2	5
2 to 5 years	4	2	6	5	2	7
5 to 10 years	4	–	4	6	–	6
Total	**26**	**15**	**41**	**46**	**67**	**113**

At 31 December 2022, the Group held a provision of €14 million (2021: €94 million) in respect of the industry wide Tracker Mortgage Examination Review ('Review'). The provision represents the Group's best estimate of the costs of remediation of any remaining impacted customers, addressing customer appeals and closing out all other outstanding costs of the exercise. In September 2022, the Group was fined €100.5 million by the Central Bank of Ireland (CBI) under its administrative sanctions procedure.

Since 31 December 2021, €116 million of the provision has been utilised to cover payment of this fine, customer redress and compensation, and related costs. During 2022, the Group set aside a further €36 million provision to cover the operational costs associated with the length and nature of the review and for the estimated costs of closing out the Tracker Mortgage examination review including the sanction incurred under the CBI's administrative sanctions procedure.

Acquisitions of €17 million at 31 December 2022, relate to provisions identified from the acquisition of Davy, see note 53, Davy acquisition.

44 Contingent liabilities and commitments

	Group		Bank	
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Contingent liabilities				
Guarantees and irrevocable letters of credit	595	507	576	485
Acceptances and endorsements	5	6	5	6
Other contingent liabilities	172	145	162	135
	772	**658**	**743**	**626**
Loan commitments				
Documentary credits and short-term trade related transactions	24	33	24	33
Undrawn formal standby facilities, credit lines and other commitments to lend:	16,252	15,483	13,936	13,275
Revocable or irrevocable with original maturity of 1 year or less	*8,805*	*7,949*	*6,560*	*5,799*
Irrevocable with original maturity of over 1 year	*7,447*	*7,534*	*7,376*	*7,476*
	16,276	**15,516**	**13,960**	**13,308**
Capital commitments	**252**	–		

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 €55 million (2021: €48 million) (Bank: €51 million; 2021: €46 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 45. Provisions on all other contingent liabilities are shown in note 43.

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 letter 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

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. In addition, the Group's Retail UK motor finance business, similar to industry peers, has received, and is reviewing, a number of complaints in relation to its historical commission arrangements, some of which are with the Financial Ombudsman Service. It is not currently practicable to estimate the amount or timing of any impact from these reviews. There is significant uncertainty around the scope and /or nature of complaints and of any remediation, if required, given the challenges to the interpretation and / or validity of complaints.

Loan commitments

On 24 May 2022, the Competition and Consumer Protection Commission (CCPC) confirmed clearance of the Group's acquisition of certain assets and liabilities of KBCI. As part of the agreement, the Group committed to support the growth of non-bank lenders in the Irish mortgage market, making €1 billion in total funding available to certain non-bank lenders through the purchase of securities issued by them, to increase their funding capacity and reduce their cost of funding. At 31 December 2022, €821 million remains available to the lenders.

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 €187 million of undrawn loan commitments to the Group's joint ventures (2021: €51 million). Details of the Group's acquisitions of Davy are set out in note 53.

Capital commitments

In the normal course of business, the Group sources investment opportunities for private clients principally in respect of private equity investments from leading international private equity groups who require Davy to enter into commitments in relation to meeting any future capital calls as investments are made. The total of such commitments at 31 December 2022 was €252 million (31 December 2021: €nil). In turn, Davy obtain legally binding commitments from private clients to meet their share of potential future cash calls up to indicative levels as outlined in the individual investment memoranda. The total of such cash calls at 31 December 2022 was €54 million (31 December 2021: €nil).

At 31 December 2022, there were no unpaid cash calls in respect of third-party investment providers (31 December 2021: €nil). The amounts and timing of any future cash calls are uncertain and are dependent on the investment activities and funding requirements of the relevant third- party private equity providers. The Directors believe that, based on conditions in existence at the balance sheet date, there is no potential liability that would result in a loss for Davy arising from future potential cash calls which may be made. When cash calls are made, the normal risk management procedures in relation to counterparty & settlement risk are applied.

45 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.

Group	2022 Amount €m	2022 Loss allowance €m	2021 Amount €m	2021 Loss allowance €m
Loan commitments (note 44)	16,276	49	15,516	44
Guarantees and irrevocable letters of credit (note 44)	595	6	507	4
	16,871	**55**	**16,023**	**48**
Loss allowance of which are:				
Stage 1		22		21
Stage 2		19		23
Stage 3		14		4
		55		**48**

Bank	2022 Amount €m	2022 Loss allowance €m	2021 Amount €m	2021 Loss allowance €m
Loan commitments (note 44)	13,960	42	13,308	39
Guarantees and irrevocable letters of credit (note 44)	576	9	485	7
	14,536	**51**	**13,793**	**46**
Loss allowance of which are:				
Stage 1		20		18
Stage 2		18		24
Stage 3		13		4
		51		**46**

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.

Group 2022 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,739	38%	673	58%	6,412	40%	267	50%	19	35%	286	49%
5-7	6,756	46%	156	13%	6,912	43%	254	48%	4	8%	258	45%
8-9	2,298	15%	279	24%	2,577	16%	4	1%	16	30%	20	3%
10-11	124	1%	61	5%	185	1%	2	1%	14	27%	16	3%
Total	**14,917**	**100%**	**1,169**	**100%**	**16,086**	**100%**	**527**	**100%**	**53**	**100%**	**580**	**100%**

At 31 December 2022, the Group's credit-impaired loan commitments are €190 million (2021: €125 million) while credit-impaired guarantees and irrevocable letters of credit are €15 million (2021: €15 million).

Group 2021 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	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%**

45 Loss allowance provision on loan commitments and financial guarantees *(continued)*

Bank 2022 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	5,363	42%	667	61%	6,030	44%	267	52%	19	35%	286	51%
5-7	4,997	39%	110	10%	5,107	37%	237	46%	4	8%	241	43%
8-9	2,211	18%	270	24%	2,481	18%	3	1%	16	30%	19	3%
10-11	113	1%	53	5%	166	1%	2	1%	14	27%	16	3%
Total	**12,684**	**100%**	**1,100**	**100%**	**13,784**	**100%**	**509**	**100%**	**53**	**100%**	**562**	**100%**

At 31 December 2022, the Bank's credit-impaired loan commitments are €176 million (2021: €100 million) while credit-impaired guarantees and irrevocable letters of credit are €14 million (2021: €14 million).

Bank 2021 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
PD Grade												
1-4	4,608	38%	111	9%	4,719	36%	161	42%	–	–	161	35%
5-7	5,212	44%	626	51%	5,838	44%	179	47%	54	60%	233	49%
8-9	2,093	17%	379	31%	2,472	19%	42	11%	21	24%	63	13%
10-11	72	1%	107	9%	179	1%	–	–	14	16%	14	3%
Total	**11,985**	**100%**	**1,223**	**100%**	**13,208**	**100%**	**382**	**100%**	**89**	**100%**	**471**	**100%**

46 Retirement benefit obligations

The Group and Bank sponsor 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 and 78% of the total liabilities across all of the Bank defined benefit schemes at 31 December 2022. 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.

46 Retirement benefit obligations *(continued)*

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.

Plan details

The following table sets out details of the membership of the BSPF.

BSPF plan details at last valuation date (31 December 2021)	Number of members	Proportion of funding liability
Active members	3,176	27.0%
Deferred members	7,636	28.0%
Pensioner members	5,891	45.0%
Total	**16,703**	100%

Actuarial Valuation of the BSPF

The last formal valuation of the BSPF was carried out at 31 December 2021.

The triennial valuation disclosed the fair value of the scheme assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions. As a result, no deficit contributions were required following the valuation.

In respect of future service benefits, the actuary recommended an employer contribution of €52 million per annum, payable for the remaining period in 2022 and €59 million per annum from 1 January 2023 until the next valuation (decreased from €59.5 million at the last valuation). However, given the substantial movement in bond and swap yields since the valuation date and the resulting impact of the movement in those yields on the cost of new benefits being accrued, it was agreed to incorporate an interim contribution mechanism into the calculation of future service contributions until the next triennial valuation. The interim contribution calculation (if applicable) will take place each 1 October to determine the future service contribution to apply for the following calendar year where there is a substantial change in long-term (e.g. 20-year term) Euro yields after allowing for inflation, over an agreed period.

For 2023, the interim contribution mechanism will apply given the substantial change in long-term Euro yields between the triennial valuation date and 1 October 2022, and the future service contribution for calendar year will be €44 million for 2023 as a result.

It was also agreed in principle by the Trustees and the Group that future service contributions for the period from 1 October 2022 to 30 September 2025 will be paid into an Escrow Account. It is expected that the Escrow Account will be operational from the first quarter of 2023. The Group contributions in respect of that period will be held in the Escrow Account until certain conditions are met. These conditions primarily relate to the strength of BSPF's funding position. For example, if the BSPF funding position weakens and falls below agreed levels, the monies in the Escrow Account will be paid to BSPF over an agreed time period. If the funding position strengthens above agreed levels, payments will be made to the Group over an agreed time period. Under the exceptional circumstances where BSPF fails to satisfy its statutory funding requirements or if there is significant risk to the Group's covenant, the monies in the Escrow Account would be paid immediately to BSPF.

The next formal triennial valuation of the BSPF will be carried out during 2025 based on the position at 31 December 2024.

The actuarial valuations are available for inspection by members but are not available for public inspection.

Negative past service cost

During 2022, negative past service cost of €1 million (2021: €6 million) arising from the Group's restructuring programme was recognised across a number of 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.

At 31 December 2021 and other recent reporting dates, the assumption for RoI price inflation was 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. At 31 December 2022, the Group has set the RoI price inflation assumption by reference to the Eurozone Harmonised Index of Consumer Prices (HICP) inflation swap curve, as the HICP inflation swap curve is now more aligned to the duration of the Group's RoI plans liabilities than eurozone index-linked bonds.

The RoI inflation rate determined using the HICP inflation swap curve was 2.60%. The RoI inflation rate determined using the previous approach would have been 2.50%, which, if used, would have increased the net pension surplus by c.€56 million at 31 December 2022.

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.

46 Retirement benefit obligations *(continued)*

The significant financial assumptions used in measuring the Group's and Bank's defined benefit pension obligations under IAS 19 are set out in the following table.

Financial assumptions	2022 % p.a.	2021 % p.a.
Irish schemes		
Discount rate	3.60	1.35
Inflation rate	2.60	1.85
Rate of general increase in salaries	3.10	2.35
Rate of increase in pensions in payment[1]	1.57	1.05
Rate of increase to deferred pensions	2.45	1.80
UK schemes		
Discount rate	5.00	1.90
Consumer Price Inflation	2.70	2.75
Retail Price Inflation	3.30	3.35
Rate of general increase in salaries	3.80	3.85
Rate of increase in pensions in payment[1]	2.13	2.13
Rate of increase to deferred pensions	2.70	2.75

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 and Bank's expected future mortality experience.

Mortality assumptions	2022 years	2021 years
Longevity at age 70 for current pensioners		
Males	18.4	18.2
Females	19.8	19.7
Longevity at age 60 for active members currently aged 60 years		
Males	27.9	27.7
Females	29.6	29.5
Longevity at age 60 for active members currently aged 40 years		
Males	30.1	30.0
Females	31.6	31.5

[1] *Weighted average increase across all Group schemes in the relevant jurisdiction.*

46 Retirement benefit obligations *(continued)*

Amounts recognised in financial statements

The table below outlines where the Group's and Bank's defined benefit plans are recognised in the financial statements. The UK Pension Plans include a portion of the Bank of Ireland Staff Pension Fund which relates to UK members.

	2022			2021		
Group	**Irish Pension Plans €m**	**UK Pension Plans €m**	**Total €m**	**Irish Pension Plans €m**	**UK Pension Plans €m**	**Total €m**
Income statement credit / (charge)						
Other operating expenses	(49)	(10)	(59)	(87)	(18)	(105)
Cost of restructuring programme	1	–	1	3	3	6
Statement of OCI						
Impact of remeasurement	165	(81)	84	592	118	710
Balance sheet obligations	**571**	**129**	**700**	**395**	**203**	**598**
This is shown on the balance sheet as:						
Retirement benefit asset			736			740
Retirement benefit obligation			(36)			(142)
Total net asset			**700**			**598**

	2022			2021		
Bank	**Irish Pension Plans €m**	**UK Pension Plans €m**	**Total €m**	**Irish Pension Plans €m**	**UK Pension Plans €m**	**Total €m**
Balance sheet obligations	**580**	**117**	**697**	**456**	**188**	**644**
This is shown on the balance sheet as:						
Retirement benefit asset			725			725
Retirement benefit obligation			(28)			(81)
Total net asset			**697**			**644**

46 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:

	2022			2021		
Group	**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	**(9,004)**	**9,602**	**598**	**(9,047)**	**8,921**	**(126)**
Cost of restructuring programme						
Negative past service cost	1	–	1	6	–	6
Other operating expenses	(244)	185	(59)	(195)	90	(105)
Current service cost	*(85)*	*–*	*(85)*	*(107)*	*–*	*(107)*
Negative past service cost	*–*	*–*	*–*	*–*	*–*	*–*
Interest (expense) / income	*(159)*	*185*	*26*	*(92)*	*94*	*2*
Impact of settlements	*–*	*–*	*–*	*4*	*(4)*	*–*
Return on plan assets not included in income statement	–	(2,601)	(2,601)	–	706	706
Change in demographic assumptions	49	–	49	(2)	–	(2)
Change in financial assumptions	2,795	–	2,795	149	–	149
Experience losses	(163)	–	(163)	(116)	–	(116)
Employer contributions	–	76	76	–	113	113
Deficit reducing	*–*	*4*	*4*	*–*	*23*	*23*
Other	*–*	*72*	*72*	*–*	*90*	*90*
Employee contributions	(7)	7	–	(8)	8	–
Benefit payments	298	(298)	–	334	(334)	–
Changes in exchange rates	69	(65)	4	(125)	98	(27)
At 31 December	**(6,206)**	**6,906**	**700**	**(9,004)**	**9,602**	**598**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses	(244)	185	(59)	(195)	90	(105)
Cost of restructuring programme	1	–	1	6	–	6
Total amount recognised in income statement	**(243)**	**185**	**(58)**	**(189)**	**90**	**(99)**
Changes in financial assumptions	2,795	–	2,795	149	–	149
Return on plan assets not included in income statement	–	(2,601)	(2,601)	–	706	706
Change in demographic assumptions	49	–	49	(2)	–	(2)
Changes in exchange rates	69	(65)	4	(125)	98	(27)
Experience losses	(163)	–	(163)	(116)	–	(116)
Total remeasurements in OCI	**2,750**	**(2,666)**	**84**	**(94)**	**804**	**710**
Total past service cost comprises						
Cost of restructuring programme	1	–	1	6	–	6
Other operating expenses	–	–	–	–	–	–
Total	**1**	**–**	**1**	**6**	**–**	**6**

46 Retirement benefit obligations *(continued)*

The movement in the net defined benefit obligation over the year in respect of the Bank's defined benefit plans is as follows:

Bank	2022 Present value of obligation €m	2022 Fair value of plan assets €m	2022 Surplus / (deficit) of plans €m	2021 Present value of obligation €m	2021 Fair value of plan assets €m	2021 Surplus / (deficit) of plans €m
At 1 January	**(8,474)**	**9,118**	**644**	**(8,506)**	**8,484**	**(22)**
Cost of restructuring programme						
Negative past service cost	1	–	1	6	–	6
Other operating expenses	(228)	177	(51)	(184)	88	(96)
Current service cost	*(77)*	*–*	*(77)*	*(98)*	*–*	*(98)*
Negative past service cost	*–*	*–*	*–*	*–*	*–*	*–*
Interest (expense) / income	*(151)*	*177*	*26*	*(86)*	*88*	*2*
Impact of settlements	*–*	*–*	*–*	*–*	*–*	*–*
Return on plan assets not included in income statement	–	(2,481)	(2,481)	–	673	673
Change in demographic assumptions	51	–	51	(2)	–	(2)
Change in financial assumptions	2,624	–	2,624	126	–	126
Experience losses	(166)	–	(166)	(106)	–	(106)
Employer contributions	–	70	70	–	92	92
Deficit reducing	*–*	*4*	*4*	*–*	*9*	*9*
Other	*–*	*66*	*66*	*–*	*83*	*83*
Employee contributions	(6)	6	–	(7)	7	–
Benefit payments	283	(283)	–	321	(321)	–
Changes in exchange rates	67	(62)	5	(122)	95	(27)
At 31 December	**(5,848)**	**6,545**	**697**	**(8,474)**	**9,118**	**644**
The above amounts are recognised in the financial statements as follows: (charge) / credit						
Other operating expenses	(228)	177	(51)	(184)	88	(96)
Cost of restructuring programme	1	–	1	6	–	6
Total amount recognised in income statement	**(227)**	**177**	**(50)**	**(178)**	**88**	**90**
Changes in financial assumptions	2,624	–	2,624	126	–	126
Return on plan assets not included in income statement	–	(2,481)	(2,481)	–	673	673
Change in demographic assumptions	51	–	51	(2)	–	(2)
Changes in exchange rates	67	(62)	5	(122)	95	(27)
Experience losses	(166)	–	(166)	(106)	–	(106)
Total remeasurements in other comprehensive income	**2,576**	**(2,543)**	**33**	**(104)**	**768**	**664**
Total past service cost comprises						
Cost of restructuring programme	1	–	1	6	–	6
Other operating expenses	–	–	–	–	–	–
Total	**1**	**–**	**1**	**6**	**–**	**6**

The retirement benefit schemes' assets in Group and the Bank include one property occupied by Group companies to the value of €31 million (2021: €36 million) and BOIG plc shares of €nil (2021: €5 million).

46 Retirement benefit obligations *(continued)*

	Group		Bank	
Asset breakdown	**2022 €m**	**2021 €m**	**2022 €m**	**2021 €m**
Liability Driven Investment (unquoted)	2,973	3,530	2,897	3,443
Property and infrastructure (unquoted)	1,053	1,064	1,030	1,033
Cash and other (quoted)	930	678	824	539
Private equities (unquoted)	578	567	579	567
Hedge funds (unquoted)	354	371	354	371
Equities (quoted)	335	931	237	788
Reinsurance (unquoted)	301	282	301	282
Corporate bonds (quoted)	217	1,168	176	1,102
Government bonds (quoted)	139	360	121	342
Property and infrastructure (quoted)	26	337	26	337
Senior secured loans (unquoted)	–	314	–	314
Total fair value of assets	**6,906**	**9,602**	**6,545**	**9,118**

Sensitivity of defined benefit obligation to key assumptions

The following tables set out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible at the reporting date.

	Group		Bank	
Impact on defined benefit obligations	**Impact on defined benefit obligation Increase / (decrease) 2022 €m**	**Impact on defined benefit obligation Increase / (decrease) 2021 €m**	**Impact on defined benefit obligation Increase / (decrease) 2022 €m**	**Impact on defined benefit obligation Increase / (decrease) 2021 €m**
RoI schemes				
Discount rate				
Increase of 0.25%	(212)	(357)	(199)	(333)
Decrease of 0.25%	226	384	212	357
Inflation rate				
Increase of 0.10%	57	96	55	91
Decrease of 0.10%	(56)	(94)	(54)	(89)
Salary growth				
Increase of 0.10%	17	32	15	29
Decrease of 0.10%	(17)	(31)	(15)	(28)
Life expectancy				
Increase of 1 year	146	247	138	234
Decrease of 1 year	(146)	(245)	(138)	(232)

46 Retirement benefit obligations *(continued)*

	Group		Bank	
Impact on defined benefit obligations	Impact on defined benefit obligation Increase / (decrease) 2022 €m	Impact on defined benefit obligation Increase / (decrease) 2021 €m	Impact on defined benefit obligation Increase / (decrease) 2022 €m	Impact on defined benefit obligation Increase / (decrease) 2021 €m
UK schemes				
Discount rate				
Increase of 0.25%	(39)	(87)	(37)	(84)
Decrease of 0.25%	41	94	39	90
Inflation rate				
Increase of 0.10%	9	22	9	22
Decrease of 0.10%	(9)	(22)	(9)	(21)
Salary growth				
Increase of 0.10%	2	5	2	4
Decrease of 0.10%	(2)	(5)	(2)	(4)
Life expectancy				
Increase of 1 year	25	62	24	60
Decrease of 1 year	(25)	(62)	(24)	(60)

While the defined benefit obligation sensitivity tables above 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.

	Group		Bank	
Impact on plan assets	Impact on defined benefit obligation Increase / (decrease) 2022 €m	Impact on defined benefit obligation Increase / (decrease) 2021 €m	Impact on defined benefit obligation Increase / (decrease) 2022 €m	Impact on defined benefit obligation Increase / (decrease) 2021 €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%	78	137	72	128
Decrease of 5.00%	(78)	(137)	(72)	(128)
Sensitivity of liability-matching assets to a 25bps movement in interest rates				
Increase of 0.25%	(265)	(409)	(256)	(397)
Decrease of 0.25%	281	433	271	420
Sensitivity of liability-matching assets to a				
10bps movement in inflation rates				
Increase of 0.10%	82	115	80	112
Decrease of 0.10%	(80)	(113)	(78)	(109)

The table above 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.

46 Retirement benefit obligations *(continued)*

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 for both the Group and Bank, is c.18 years (2021: 21 years) for the Irish plans and c.16 years (2021: 20 years) for the UK plans.

Expected employer contributions for 2023 are €34 million for the Group and €29 million for the Bank.

Expected employee contributions for 2023 are €7 million for the Group and €6 million for the Bank.

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 48% 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 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 a reduction in the net defined benefit surplus 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.

At 31 December 2022, BSPF was in the process of de-risking its investment strategy, and as a result the allocation of assets was not representative of its intended future investment strategy. Under the outgoing investment strategy, approximately 60% of the BSPF assets were invested in asset classes seeking a return above liabilities. This is to transition to 30% being retained for this purpose. The increased 70% allocation to liability matching asset classes is intended to be invested in the current LDI portfolio, as well as a range of high quality cash flow matching bonds during 2023.

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. 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.

47 Subordinated liabilities

		Group		Bank	
	Note	2022 €m	2021 €m	2022 €m	2021 €m
Undated loan capital					
The Governor and Company of the Bank of Ireland					
£75 million 13.375% Perpetual Subordinated Bonds	(a)	85	90	85	90
Bristol & West plc					
£32.6 million 8.125% Non-Cumulative Preference Shares	(b)	37	39		–
		122	**129**	**85**	**90**
Dated loan capital					
The Governor and Company of the Bank of Ireland					
€500 million 7.050% Fixed Rate Reset Callable Subordinated Notes due 2033	(c)	487	–	487	–
€500 million 1.675% Fixed Rate Reset Callable Subordinated Notes due 2031	(d)	445	500	445	500
£300 million 7.994% Fixed Rate Reset Callable Subordinated Notes due 2032	(e)	327	–	327	–
€300 million 2.775% Fixed Rate Reset Callable Subordinated Notes due 2029	(f)	280	297	280	297
$500 million 4.425% Fixed Rate Reset Callable Subordinated Notes due 2027	(g)	–	446	–	446
£300 million 3.425% Fixed Rate Reset Callable Subordinated Notes due 2027	(g)	–	357	–	357
€250 million 10% Fixed Rate Subordinated Notes due 2022	(h)	–	255	–	255
		1,539	**1,855**	**1,539**	**1,855**
Total subordinated liabilities		**1,661**	**1,984**	**1,624**	**1,945**
of which:					
Due to BOIG plc		1,539	1,600	1,539	1,600

Subordinated liabilities in issue at 31 December 2022

Undated loan capital

The principal terms and conditions of the subordinated liabilities which were in issue by the Group and the Bank in 2022 are set out below:

a. **The 13.375% 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 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 debtors 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.

47 Subordinated liabilities *(continued)*

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 on the previous page 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 2022 were issued under the Bank's Euro Note Programme.

c. €500 million 7.050% Fixed Rate Reset Callable Subordinated Notes due 2033
On 1 December 2022, the Bank issued a €500 million 10.25 year (callable between 1 December 2027 and 1 March 2028) 'Green' Tier 2 capital instrument. The bond carries a coupon of 7.050%.

d. €500 million 1.675% Fixed Rate Callable Subordinated Note due 2031
On 11 May 2021, the Bank issued a €500 million 10.25 year (callable between 11 May 2026 and 11 August 2026) 'Green' Tier 2 capital instrument to its parent company BOIG plc. The bond carries a coupon of 1.675%.

e. £300 million 7.994% Fixed Rate Reset Subordinated Notes due 2032
On 6 September 2022, the Bank issued a £300 million 10.25 year (callable between 6 September 2027 and 6 December 2027) 'Green' Tier 2 capital instrument. The bond carries a coupon of 7.994%.

f. €300 million 2.775% Subordinated Notes due 2029
On 14 October 2019, the Bank issued a €300 million 10 year (callable at the end of year five) Tier 2 capital instrument to its parent company BOIG plc. The bond carries a coupon of 2.775%.

g. Fixed rate reset callable subordinated notes issued to Bank of Ireland Group plc
On 19 September 2017, the Bank completed a dual tranche issuance of £300 million and $500 million 10 year (callable at the end of year five) Tier 2 capital instruments to its parent company, BOIG plc. The sterling bond has a coupon of 3.425% and the US dollar bond has a coupon of 4.425%. The notes were redeemed on their optional redemption date, 19 September 2022.

h. €250 million 10% Subordinated Notes due 2022
On 18 December 2012, the Bank issued 10 year fixed rate notes with a coupon rate of 10%. The notes matured and were repaid on 19 December 2022.

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 Bank 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 Bank.

48 Capital Stock

Ordinary Stock
At 31 December 2022 and 2021, all of the Bank's 32,363,275,074 units of ordinary stock of nominal value of €0.05 each were held by BOIG plc.

All units of ordinary stock carry the same voting rights.

There were no outstanding options on units of ordinary stock under employee schemes at 31 December 2022 or 2021.

Preference stock - Stg£1 each and €1.27 each
At 31 December 2022 and 2021, 1,876,090 units of sterling preference stock and 3,026,598 units of euro preference stock were in issue.

Davy, which was acquired by the Group on 1 June 2022, held 32,735 units of sterling preference stock and 34,966 units of euro preference stock as 'treasury stock' and the consideration paid for these treasury stocks amounted to €0.6 million and €0.8 million, respectively.

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 2022 and consequently the preference stockholders were not entitled to vote at the AGC held on 26 May 2022.

Group and Bank Authorised	2022	2021
Eur€	**€m**	**€m**
90 billion units of ordinary stock of €0.05 each	4,500	4,500
228 billion units of deferred stock of €0.01 each	2,280	2,280
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
3.5 billion units of non-cumulative 2009 Preference Stock of €0.01 each	35	35
Stg£	**£m**	**£m**
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	**$m**
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Group and Bank Allotted and fully paid	2022	2021
Eur€	**€m**	**€m**
32.363 billion units of ordinary stock of €0.05 each (2021: 32.363 billion units)	1,618	1,618
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
	1,625	**1,625**

49 Other equity instruments - Additional Tier 1

In May and September 2020, the Bank issued Additional Tier 1 (AT1) securities with a par value of €675 million and €300 million respectively at an issue price of 100%. 100% of the securities are held by BOIG.

The principal terms of the AT1 securities issued by the Bank are as follows:
- the securities constitute direct, unsecured, unguaranteed and subordinated obligations of the Bank, 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 the Bank to redeem or purchase the securities at any time;
- the Bank 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 7.75% until the first reset date (19 November 2025), while the €300 million securities bear a fixed rate of interest of 6.30% until the 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;
- the Bank 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;
- the securities will be written down and any accrued unpaid interest will be cancelled if the Bank's CET 1 ratio falls below 7%; and
- subsequent to any write-down event the Bank 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.

	2022 €m	2021 €m
Balance at the beginning and end of the year	**975**	**975**

50 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 26 on page 168.

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 2022 was €948 million (2021: €816 million).

Cash and balances at central banks of €36.9 billion increased by €5.5 billion since 31 December 2021 primarily due to higher deposit volumes of c.€7.1 billion (constant currency basis), bond sales and maturities of c.€4.9 billion, lower gross lending volumes of c.€3.9 billion (constant currency basis), other inflows of €0.5 billion, partially offset by lower wholesale funding volumes of €10.2 billion, primarily due to repayment of all Group TLTRO funding in November 2022, lower Tier 2 volumes of €0.3 billion and the Davy acquisition of €0.4 billion.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

Group	2022 €m	2021 €m
Cash and balances at central banks	36,861	31,371
Less impairment loss allowance on cash and balances at central banks	(6)	(11)
Cash and balances at central banks net of impairment loss allowance	**36,855**	**31,360**
Loans and advances to banks (with an original maturity of less than 3 months)	2,987	2,571
Cash and cash equivalents at amortised cost	**39,842**	**33,931**

Cash and balances at central banks (net of impairment loss allowance) is made up as follows:

Group	2022 €m	2021 €m
Republic of Ireland (Central Bank of Ireland)	33,149	26,330
United Kingdom (Bank of England)	2,587	4,190
United States (Federal Reserve)	705	456
Other (cash holdings)	414	384
Total	**36,855**	**31,360**

51 Changes in liabilities arising from financing activities

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 47. Interest accrued on subordinated liabilities is included within other liabilities. For more information on lease liabilities, see note 42.

Group 2022	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m	Dividend payable €m
At beginning of year	1,984	68	452	–	27
Cash flows	(243)	(92)	(53)	(12)	–
Proceeds from issue of subordinated liabilities	*848*	–	–	–	–
Repayment of subordinated liabilities	*(1,091)*	–	–	–	–
Interest paid on subordinated liabilities	–	*(92)*	–	–	–
Payment of lease liability	–	–	*(53)*	–	–
Interest paid on lease liabilities	–	–	–	*(12)*	–
Non-cash changes	(80)	89	24	12	–
Charge to income statement	–	*89*	–	*12*	–
Exchange adjustments	*26*	–	*(1)*	–	–
Lease liability adjustment	–	–	*2*	–	–
Additions to lease liabilities	–	–	*20*	–	–
Fair value hedge adjustments	*(105)*	–	–	–	–
Other movements	*(1)*	–	*3*	–	–
At end of year	**1,661**	**65**	**423**	**–**	**27**

Group 2021	Subordinated liabilities €m	Interest on subordinated liabilities €m	Lease liabilities €m	Interest on lease liabilities €m	Dividend payable €m
At beginning of year	1,436	64	498	–	27
Cash flows	500	(78)	(46)	(11)	–
Proceeds from issue of subordinated liabilities	*500*	–	–	–	–
Repayment of subordinated liabilities	–	–	–	–	–
Interest paid on subordinated liabilities	–	*(78)*	–	–	–
Payment of lease liability	–	–	*(46)*	–	–
Interest paid on lease liabilities	–	–	–	*(11)*	–
Non-cash changes	48	82	–	11	–
Charge to income statement	–	*82*	–	*11*	–
Exchange adjustments	*66*	–	*3*	–	–
Lease liability adjustment	–	–	*(7)*	–	–
Additions to lease liabilities	–	–	*4*	–	–
Fair value hedge adjustments	*(19)*	–	–	–	–
Other movements	*1*	–	–	–	–
At end of year	**1,984**	**68**	**452**	**–**	**27**

The tables above set out the changes in liabilities arising from financing activities between cash and non-cash items. For more information on subordinated liabilities, see note 47. Interest accrued on subordinated liabilities is included within other liabilities. For more information on lease liabilities, see note 42.

52 Related party transactions

Related parties to the Group include the parent company, BOIG plc, subsidiary undertakings, associated undertakings, joint arrangements, post-employment benefits, KMP and connected parties. A number of banking transactions are entered into between the Bank and its subsidiaries and parent 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 2022 are set out in notes 29 and 30.

(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 46.

The Group occupies one property owned by the BSPF. At 31 December 2022, the total value of this property was €31.5 million (2021: €36 million). In 2022, the rental income paid to BSPF was €2.25 million (2021: €2 million).

At 31 December 2022, BSPF assets included BOIG plc shares amounting to €nil (2021: €5 million).

(c) Transactions with the State

At 31 December 2022, the Group no longer considers the State a related party under IAS 24 as it is no longer in a position to exercise significant influence over the Group.

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 including during the period when the State was a related party. At 31 December 2022, c.€700 million (2021: c.€518 million) has been advanced across the following individual Schemes: Future Growth Loan Scheme (€285 million), Brexit / COVID-19 Working Capital Loan Scheme (€90 million), the COVID-19 Credit Guarantee Scheme (€195 million) and Brexit Impact Loan Scheme (€130 million).

Other transactions with the State and entities under its control or joint control

During the year the Group entered into transactions in the normal course of business with the State, while it was a related party, its agencies and entities under its control or joint control. This included 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 included the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks. At 31 December 2022, as the State is no longer considered a related party the outstanding balances are not disclosed. At 31 December 2021, the amounts outstanding are outlined in the table below. During 2022, the Group also paid an annual Irish bank levy of €25 million (2021: €25 million). The Group had no liabilities guaranteed under the Credit Institutions (Eligible Liabilities Guarantee) Scheme during 2021 or 2022.

	2021 €m
Assets	
Financial assets at FVOCI: Unguaranteed senior bonds issued by AIB	101
Debt securities at amortised cost: Bonds issued by the State	7,827
Derivative financial assets	70
Liabilities	
Customer accounts: State (including agencies & entities under its control or joint control)	606

(d) Transactions with Directors and Key Management Personnel

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014. 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 119 of the BOIG Annual Report.

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%. In the tables below, 'balances' include principal and interest and 'repayments' include principal and interest; revolving credit facilities are not included. The 'aggregate maximum amount outstanding' includes 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.

52 Related party transactions *(continued)*

Group Companies Acts disclosure Loans	Balance at 1 January 2022 €'000	Balance at 31 December 2022 €'000	Aggregate maximum amount outstanding during the year ended 31 December 2022 €'000	Repayments during the year ended 31 December 2022 €'000
Directors at 31 December 2022				
E Bourke				
Credit card total	3	4	10	–
Total	**3**	**4**	**10**	**–**
P Kennedy				
Credit card total	–	13	4	–
Total	**–**	**13**	**4**	**–**
F Muldoon				
Mortgage total	–	–	–	–
Credit card total	7	5	12	–
Total	**7**	**5**	**12**	**–**
E Fitzpatrick				
Loan total	31	26	31	5
Total	**31**	**26**	**31**	**5**
M Greene				
Mortgage total	–	–	–	–
Total	**–**	**–**	**–**	**–**
M Spain				
Mortgage total	322	300	322	31
Total	**322**	**300**	**322**	**31**
Directors no longer in office at 31 December 2022				
G Kelly	28	14	28	14
F McDonagh	750	724	751	46
Total	**778**	**738**	**779**	**60**

G Andrews, I Buchanan, R Goulding, M Greene, M O'Grady and S Pateman had no loans from the Group in 2022. No advances were made during the year. No amounts were waived during 2022.

None of the loans were credit-impaired at 31 December 2022 or at 31 December 2021. There is no interest which having fallen due on the above loans has not been paid in 2022 (2021: €nil).

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 250.

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.

52 Related party transactions *(continued)*

Group Companies Acts disclosure Loans	Balance at 1 January 2021 €'000	Balance at 31 December 2021 €'000	Aggregate maximum amount outstanding during the year ended 31 December 2021 €'000	Repayments during the year ended 31 December 2021 €'000
Directors at 31 December 2021				
E Bourke				
Credit card total	6	3	6	–
Total	**6**	**3**	**6**	**–**
P Kennedy				
Credit card total	2	–	3	–
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	–
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**

(ii) Loans to connected persons on favourable terms

Connected persons of Directors are defined by Section 220 of the Companies Act 2014. On terms, including interest rates and collateral, similar to those available to staff generally. In the tables below, 'balances' include principal and interest. The 'maximum amounts outstanding' includes 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.

Group 2022 Loans to connected persons on favourable terms	Balance at 31 December 2022 €'000	Maximum amounts outstanding during 2022 €'000	Number of persons at 31 December 2022	Maximum number of persons during 2022
Persons connected to E Bourke	1	3	2	2

Group 2021 Loans to connected persons on favourable terms	Balance at 31 December 2021 €'000	Maximum amounts outstanding during 2021 €'000	Number of persons at 31 December 2021	Maximum number of persons during 2021
E Bourke	1	5	2	2

52 Related party transactions *(continued)*

(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 tables are presented in accordance with this licence condition. In these tables, 'balances' include principal and interest. The 'maximum amounts outstanding' includes 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.

Group 2022 Connected persons of the following Directors	Balance at 31 December 2022 €'000	Maximum amounts outstanding during 2022 €'000	Number of persons at 31 December 2022	Maximum number of persons during 2022
Persons connected to P Kennedy	1,930	2,045	1	1
Persons connected to M Spain	234	243	1	1

Group 2021 Connected persons of the following Directors	Balance at 31 December 2021 €'000	Maximum amounts outstanding during 2021 €'000	Number of persons at 31 December 2021	Maximum number of persons during 2021
Persons connected to P Kennedy	2,036	2,152	1	1

(iv) Key management personnel - loans and deposits (IAS 24)

For the purposes of IAS 24 'Related party disclosures', the Group has 23 KMP (2021: 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, Chief People Officer, Chief Executive - Corporate and Markets, Chief Executive - Retail Ireland, Group Chief Risk Officer, 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 to 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.

Group 2022 IAS 24 Disclosures Key management personnel	Balance at 1 January 2022 €'000	Balance at 31 December 2022 €'000	Maximum amounts outstanding during 2022 €'000	Total number of relevant KMP at 1 January 2022	Total number of relevant KMP at 31 December 2022
Loans	3,338	2,170	2,688	14	13
Deposits	6,842	4,707	14,755	20	18

Group 2021 IAS 24 Disclosures Key management personnel	Balance at 1 January 2021 €'000	Balance at 31 December 2021 €'000	Maximum amounts outstanding during 2021 €'000	Total number of relevant KMP at 1 January 2021	Total number of relevant KMP at 31 December 2021
Loans	3,139	3,338	4,124	17	14
Deposits	14,060	6,842	18,576	23	20

52 Related party transactions *(continued)*

In the tables above, 'balances' include principal and interest. The 'opening balance' includes balances and transactions with key management personnel who retired during 2021 and are not related parties during 2022. Therefore these key management personnel are not included in the maximum amounts outstanding. The 'maximum amounts outstanding' 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 (2021: €25,400). 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 €2 million during 2022 (2021: €4 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.

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 2022 (2021: €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 €nil (2021: €4,219).

None of the loans were credit-impaired at 31 December 2022 or at 31 December 2021. There is no interest which having fallen due on the above loans has not been paid in 2022 (2021: €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 in the table below:

- **'Salaries and other short-term benefits'** 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.
- **'Post employment benefits'** comprises Employer contributions paid to pension funds.
- **'Termination benefits'** include, inter alia, contractual payments due in lieu of notice periods.

Group **Remuneration**	**2022 €'000**	**2021 €'000**
Salaries and other short-term benefits	9,683	9,097
Post employment benefits	523	506
Termination benefits	238	–
Total	**10,444**	**9,603**
Number of KMP	23	24

Directors' remuneration

Details of Directors' remuneration are provided in this table. No other fees or bonuses were paid to Directors during 2022 (2021: €nil). No stock options were granted or exercised during 2022 (2021: €nil). The amounts shown in the table below for post employment benefits accrued for three Directors during 2022 (2021: one). The NEDs fees are paid by or receivable from BOIG plc.

Group	**2022 €'000**	**2021 €'000**
Fees	1,481	915
Other emoluments	1,478	1,854
Post employment benefits		
Defined benefit plans	*98*	*–*
Defined contribution plans	*25*	*52*
Total Directors' remuneration	**3,082**	**2,821**

53 Davy acquisition

The accounting policy for business combinations is set out in Note 1.

On 1 June 2022, following receipt of all regulatory approvals, the Group acquired 100% of the voting equity interests of Amber Note Unlimited Company and its subsidiaries including J&E Davy Holdings ('Davy'), Ireland's leading provider of wealth management and capital markets services. The acquisition of Davy strongly supports the Group's commercial and strategic objectives of growing its Wealth and Insurance business, with the aim of unlocking growth opportunities in Ireland, increasing fee income, and generating sustainable profits.

Davy has been acquired for an enterprise value of c.€427 million as of 1 June 2022. 75% (€320 million) was paid upfront on 1 June 2022 and 25% (€107 million) of the enterprise value (split €63 million consideration to non-employees and €44 million consideration to Davy employees, which is deemed remuneration under accounting rules) will be paid two years after completion, subject to Davy's pre-existing shareholders meeting a number of agreed criteria. In addition, as announced on 22 July 2021, Bank of Ireland also paid for excess cash which amounts to €124 million and deferred a payment of €2 million, following the sale (prior to the acquisition date) of Davy's pre-existing shareholding in Davy Global Fund Management (DGFM) and in Rize ETF Limited.

An additional contingent consideration of up to €20 million may be payable to certain Davy's pre-existing shareholders within one year, upon the satisfaction of a composite capital requirement.

Davy's financial performance for the period from 1 June 2022 to 31 December 2022 is reported within the Wealth and Insurance operating segment.

Consideration recognised for the acquisition of Davy

A total consideration (before pre-existing relationships) of €513 million has been recognised by the Group, €389 million of which relates to an upfront cash payment of €320 million along with deferred and contingent consideration of €69 million (€2 million of which relates to DGFM). The Group additionally paid €124 million on acquisition date, for excess cash comprised of the proceeds from the disposal to a third party of DGFM and Rize ETF Limited. After excluding pre-existing relationships, the total consideration transferred is €403 million.

The following table summarises the acquisition date fair value of each major class of consideration transferred and has been restated to reflect reporting period adjustments made after 30 June 2022 (date of the interim report):

	1 June 2022 €m
Upfront cash payment	320
Deferred consideration	37
Contingent consideration	32
Total consideration before excess cash	**389**
Payment for excess cash arising from sale of DGFM and Rize ETF Limited (excluding €2 million included in deferred consideration)	124
Total consideration before pre-existing relationships	**513**
Pre-existing relationships	(110)
Total consideration transferred	**403**

Pre-existing relationships mainly consist of current and savings deposit accounts balances, partly offset by a term loan and bank overdraft balance, which were held between Davy and Bank of Ireland Group entities at the date of acquisition.

Deferred consideration

The deferred consideration of €37 million represents amounts payable to pre-existing shareholders two years after the acquisition date. The deferred consideration was recognised at fair value on acquisition date and subsequently measured at amortised cost.

Contingent consideration

The contingent consideration is made up of €20 million payable to pre-existing shareholders of Davy within two years after acquisition date subject to certain criteria being met in relation to indemnity claims and dividend withhold tax. In addition, the Group has also recognised €10 million in contingent consideration relating to the satisfaction of a composite capital requirement and €2 million relating to proceeds from the sale of DGFM that are held back in escrow, subject to certain criteria being satisfied. The contingent consideration amounts have been recognised at fair value based on the probabilities of expected payment and subsequently measured at fair value through profit or loss.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Davy at the date of acquisition, which have been restated to include reporting period adjustments made after 30 June 2022 (date of the interim report) and exclude pre-existing relationships are as follows:

	1 June 2022 €m
Assets	
Property, plant and equipment	14
Intangible assets	53
Investment in joint ventures	1
Deferred tax asset	2
Trade receivables and other assets	297
Financial assets held at fair value through profit or loss	10
Current tax receivable	1
Cash and cash equivalents	53
Total assets	**431**
Liabilities	
Lease liabilities	9
Deferred tax liability	7
Trade payables and other liabilities	268
Provisions	17
Total liabilities	**301**
Fair value of identifiable net assets	**130**

Fair value of identifiable net assets

The intangible asset substantially reflects the fair value determined by the Group for customer relationships and brand value in the Davy business at the date of acquisition.

The fair value of receivables amounted to €283 million. The gross amount of those receivables was €284 million and it is expected that the full contractual amounts can be collected.

53 Davy acquisition *(continued)*

Goodwill

	1 June 2022 €m
Consideration transferred	403
Fair value of identifiable net assets	130
Goodwill arising on acquisition	**273**

The principal factor contributing to the recognition of goodwill of €273 million is Davy's growth potential, further supported by access to the Group's distribution reach and other intangible assets that would not have otherwise qualified for separate recognition in Davy's financial statements. None of the goodwill recognised is expected to be deductible for income tax purposes.

Reporting period adjustments

The initial accounting for the acquisition of Davy had been provisionally determined at 30 June 2022, at which point the measurement of certain items of contingent consideration, deferred remuneration and provisions reflected management's best estimate using information available. Subsequent to that date, the deferred consideration has been increased by €5 million from €32 million to €37 million and the contingent consideration has increased by €2 million from €30 million to €32 million, in order to reflect the final allocation between deferred consideration and remuneration. The pre-existing relationships identified also increased by €4 million from €106 million to €110 million and as a result, the total consideration transferred increased by €3 million from €400 million previously reported at 30 June 2022 to €403 million.

The value of intangible assets identified on acquisition decreased by €2 million from €55 million to €53 million, financial assets at fair value through profit or loss decreased by €3 million from €13 million to €10 million, trade payables and other liabilities increased by €13 million from €255 million to €268 million and provisions increased by €1 million from €16 million to €17 million, which reflect the updated measurement and identification of additional assets and liabilities acquired from Davy at 1 June 2022. The above reporting period adjustments resulted in a net decrease in the fair value of identifiable net assets of €19 million from €149 million to €130 million and a net increase in goodwill of €22 million from €251 million to €273 million.

Management has applied judgements and assumptions in determining the fair values of certain items of contingent consideration and the net identifiable assets and liabilities of Davy at the date of acquisition. The key judgements relate to the probabilities of future specified events such as indemnity claims and specified tax liabilities occurring where such events affect the timing and amount of contingent consideration payable. Attributing 100% probability would increase both the consideration transferred and the goodwill by €16 million. Management also determined that bonuses amounting to €13 million, which were conditional on the acquisition of Davy being completed and payable to employees of Davy between 1 June 2022 and 1 January 2023 as being part of the identifiable liabilities of Davy at the acquisition date.

Davy's contribution to the Group results

For the period from 1 June 2022 to 31 December 2022, Davy contributed revenue[1] amounting to €84 million and an underlying profit before tax of €6 million to the Group's results. If the acquisition had occurred on 1 January 2022, Davy's revenue[1] would have been €256 million, and profit before tax would have been €113 million for the period. However, these numbers include both the profit from disposal of DGFM of €97 million and exclude Davy deal and transaction related costs of €27 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

Separate transactions

During 2022, the Group recognised an employee remuneration charge of €11 million in the income statement related to the incurred portion of a deferred consideration payable to certain employees of Davy on satisfaction of certain conditions.

On the date of acquisition, the Group had pre-existing relationships amounting to €110 million with Davy consisting of €209 million in customer accounts, €2 million in the Group's ordinary shares, €1 million in non-cumulative preference shares included in the Group's non-controlling interests; and partly offset by €109 million in loans and advances to customers. Post acquisition, these balances were accounted for as balances due from/to group undertakings and eliminated on consolidation. The effective settlement of these relationships has been treated as a separate transaction in the financial statements and Davy's balance sheet values at the date of acquisition were deemed to represent the effective settlement amounts.

Acquisition related costs

The Group incurred acquisition related costs amounting to €44 million on employee remuneration, due diligence costs, stamp duty and legal fees which were incurred and expensed as part of the transaction. These are included in 'Other operating expenses' (note 13).

[1] *Revenue consists of net interest income, net fee and commission income, other operating income and net trading income.*

54 Client property

In the normal course of business, the Group (through Davy) provides the following services to certain of its clients:

- investment of funds at the sole discretion of the Group in securities and the placing of deposits in separately designated accounts with recognised banks and building societies, the income from which accrues for the benefit of these clients; and
- custodianship of securities held on behalf of clients.

Client deposits placed with the Group whereby Davy acts as the financial intermediary amounted to €2,346 million for the Group and €2,298 million for the Bank at 31 December 2022 and have been included in customer accounts (note 38). All other client property whereby Davy acts as financial intermediary has been excluded from the financial statements.

55 Principal undertakings

The Parent company of the Group is The Governor and Company of the Bank of Ireland (the 'Bank'). The principal Group undertakings for 2022 were:

Group Name	Principal activity	Registered office	Country of Incorporation	Statutory year end
Bank of Ireland (UK) plc	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	Mortgage lending and mortgage covered securities	40 Mespil Road, Dublin 4, D04 C2N4	Ireland	31 December
J&E Davy Holdings ('Davy')	Wealth management, capital markets and related financial services	Davy House, 49 Dawson Street, Dublin 2, D02 PY05	Ireland	30 December
First Rate Exchange Services Limited	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.

First Rate exchange Services Limited 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.

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 Bank will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

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 as amended. BoIMB asset covered securities may be purchased by the Bank and other members of the Group or third parties.

In 2022, the total amount outstanding in respect of mortgage covered securities issued was €4.0 billion (2021: €4.9 billion).

In 2022, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €9.1 billion (2021: €11.0 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 2022, BoIMB had no such debt securities in issue (2021: €nil).

J&E Davy Holdings ('Davy')

J&E Davy Holdings was acquired on 1 June 2022 (see note 53).

56 Interests in other entities

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 note 1 Group accounting policies for additional information.

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 2022 were €21.3 billion (2021: €27.0 billion) and liabilities were €19.4 billion (2021: €24.9 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 2022 were €20.3 billion (2021: €19.6 billion) and liabilities were €18.8 billion (2021: €18.1 billion).

The Group's life assurance entity, NIAC, is required to hold shareholder equity that exceeds a solvency capital requirement: see note 40 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 2022, the commitments of these undertakings amounted to €454 million (2021: €83 million). The increase is due to the inclusion of Davy entities.

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 interests 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 €0.8 billion (2021: €1.3 billion) and liabilities amounted to €0.8 billion (2021: €1.3 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 exercised the call option to terminate the transaction 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 2022 and 2021 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.

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 2022, €nil million of a gain/loss was transferred (2021: €1 million gain).

56 Interests in other entities *(continued)*

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 2022.

All joint venture 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 2022 or cumulatively in respect of these entities. Other than disclosed in note 44, 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

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 2022 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.

Unconsolidated structured entities

Unconsolidated collective investment vehicles
The Group holds investments in unconsolidated structured entities arising from investments in collective investment undertakings, carried at fair value of €12,832 million (2021: €13,411 million). The value included in assets held to cover unit-linked policyholder liabilities is €12,068 million (2021: €13,108 million) and €764 million (2021: €303 million) is held for non-unit linked liabilities (note 21). At 31 December 2022, the total asset value of these unconsolidated structured entities, including the portion in which the Group has no interest, was €39.2 billion (2021: €45.1 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 Group transferred the beneficial interest in the loans to Mulcair which in turn issued notes backed by these loans. In April 2022, the securitisation was terminated following the exercise of the optional call by the equity noteholder. The Group's holdings in the notes issued by Mulcair were repaid in full at termination.

At 31 December 2022, the current volume of the loans under management is €nil (2021: €271 million).

Mulcair was 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:

	2022 €m	2021 €m
Trading income	–	1
Fee and commission income	–	1
Total income related to Mulcair	**–**	**2**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2022 €m	2021 €m
Debt securities at amortised cost	–	12
Other financial assets held at fair value through profit or (loss)	–	2
Total carrying value of assets held related to Mulcair	**–**	**14**

56 Interests in other entities *(continued)*

The Group's maximum exposure to loss in respect of Mulcair is equal to the carrying value of the retained issuance which is €nil at 31 December 2022 (2021: €14 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 and 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 2022, the current volume of the loans under management is €294 million (2021: €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:

	2022 €m	2021 €m
Fee and commission income	1	1
Total income related to Mulcair 2	**1**	**1**

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2022 €m	2021 €m
Debt securities at amortised cost	15	16
Total carrying value of assets held related to Mulcair 2	**15**	**16**

The Group's maximum exposure to loss in respect of Mulcair 2 is equal to the balance of the VRR which is €15 million at 31 December 2022 (2021: €16 million). There are no contractual arrangements that require the Group to provide financial support to Mulcair 2.

Temple Quay No.1 PLC

In November 2022, the Group entered into a securitisation arrangement for a portfolio of UK residential mortgage NPEs, through an unconsolidated special purpose vehicle, Temple Quay No. 1 Plc. The portfolio transferred had a gross carrying value of €527 million (before ECL allowance) and a net carrying value of €462 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Temple Quay No. 1 plc which in turn issued notes backed by these loans. The Group considers that it sponsors this company and continues to be involved with it as Servicer of the transferred assets and is in receipt of income from the provision of these services. At 31 December 2022, the current volume of the loans under management is €513 million. The Group holds 5% of the risks, rewards and cash flows in Temple Quay No.1 plc by way of a Vertical Risk Retention (VRR) loan note. This note is held in debt securities at amortised cost.

Temple Quay No. 1 plc 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:

	2022 €m	2021 €m
Fee and commission income	–	–
Total income related to Temple Quay No.1 plc	–	–

The carrying amount of assets and liabilities in relation to this entity are listed as:

	2022 €m	2021 €m
Debt securities at amortised cost	26	–
Total carrying value of assets held related to Temple Quay No.1 plc	26	–

The Group's maximum exposure to loss in respect of Temple Quay No. 1 plc is equal to the balance of the VRR loan note which is €26 million at 31 December 2022. There are no contractual arrangements that require the Group to provide financial support to Temple Quay No. 1 plc.

Davy investment companies

As part of the Davy acquisition on 1 June 2022, there are certain types of structured entities that the Group does not consolidate but in which it may hold an interest through the receipt of management fees and performance fees. These entities are constituted as open ended investment companies and unit trusts and invest in a range of asset classes as described in the relevant prospectuses. The total amount of management and performance fees recognised in the Group's income statement from 1 June 2022 to the period ended 31 December 2022 amounted to €18 million of which €9 million is receivable at 31 December 2022. At 31 December 2022, the Group also held investments in relation to these entities amounting to €2 million, which are included in Other financial assets at FVTPL in the Group's financial statements. The Group's maximum exposure to loss at 31 December 2022 in respect of these unconsolidated entities is €11 million. Since the acquisition of Davy, the Group has not provided financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

BOI 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 2022, there were two entities (2021: three). At 31 December 2022, the total gross asset value of these entities was €nil (2021: €0.6 million).

With regard to the above unconsolidated structured entities, they are infrastructure fund managers whose principal activity

56 Interests in other entities *(continued)*

is managing property investments. In 2022 and 2021, 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 2022 (2021: €nil). The carrying amount of assets and liabilities in relation to these entities in the Group's financial statements is €nil (2021: €nil). The Group's maximum exposure to loss in respect of these unconsolidated entities is €nil (2021: €nil). In relation to these entities, there are no contractual arrangements that require the Group to provide financial support.

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.

57 Measurement basis of financial assets and financial liabilities

	FVTPL		FVOCI				
Group **2022**	**Mandatorily €m**	**Designated €m**	**Debt Instruments €m**	**Held at amortised cost €m**	**Derivatives designated as hedging instruments €m**	**Insurance contracts €m**	**Total €m**
Financial assets							
Cash and balances at central banks	–	–	–	36,855	–	–	36,855
Items in the course of collection from other banks	–	–	–	140	–	–	140
Trading securities	–	–	–	–	–	–	–
Derivative financial instruments	2,831	–	–	–	2,307	–	5,138
Other financial assets at FVTPL	18,563	–	–	–	–	–	18,563
Loans and advances to banks	147	–	–	2,897	–	–	3,044
Debt securities at amortised cost	–	–	–	4,472	–	–	4,472
Financial assets at FVOCI	–	–	4,254	–	–	–	4,254
Asset classified as held for sale	1	–	–	1	–	–	2
Loans and advances to customers	217	–	–	71,744	–	–	71,961
Interest in associates	–	65	–	–	–	–	65
Other financial assets	–	–	–	234	–	–	234
Total financial assets	**21,759**	**65**	**4,254**	**116,343**	**2,307**	**–**	**144,728**
Financial liabilities							
Deposits from banks	–	–	–	3,445	–	–	3,445
Customer accounts	–	414	–	99,388	–	–	99,802
Items in the course of transmission to other banks	–	–	–	232	–	–	232
Derivative financial instruments	3,012	–	–	–	3,514	–	6,526
Debt securities in issue	–	250	–	7,533	–	–	7,783
Liabilities to customers under investment contracts	–	5,870	–	–	–	–	5,870
Insurance contract liabilities	–	–	–	–	–	14,280	14,280
Other financial liabilities	32	–	–	2,539	–	–	2,571
Short positions in trading securities	3	–	–	–	–	–	3
Lease liabilities	–	–	–	423	–	–	423
Loss allowance provision on loan commitments and financial guarantees	–	–	–	55	–	–	55
Subordinated liabilities	–	–	–	1,661	–	–	1,661
Total financial liabilities	**3,047**	**6,534**	**–**	**115,276**	**3,514**	**14,280**	**142,651**

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.

57 Measurement basis of financial assets and financial liabilities *(continued)*

Group *Restated*[1,2] **2021**	**FVTPL** **Mandatorily** **€m**	**FVTPL** **Designated** **€m**	**FVOCI** **Debt Instruments** **€m**	**Held at amortised cost** **€m**	**Derivatives designated as hedging instruments** **€m**	**Insurance contracts** **€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	20,099	–	–	–	–	–	20,099
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
Asset classified as held for sale	5	–	–	–	–	–	5
Loans and advances to customers[1]	426	–	–	75,996	–	–	76,422
Interest in associates	–	55	–	–	–	–	55
Other financial assets	–	–	–	328	–	–	328
Total financial assets	**21,919**	**55**	**9,457**	**116,321**	**482**	**–**	**148,234**
Financial liabilities							
Deposits from banks	–	–	–	12,946	–	–	12,946
Customer accounts[1]	–	417	–	93,048	–	–	93,465
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	–	8,184	–	–	8,491
Liabilities to customers under investment contracts		6,671	–	–			6,671
Insurance contract liabilities	–	–	–	–	–	15,399	15,399
Other financial liabilities[2]	–	–	–	2,339	–	–	2,339
Short positions in trading securities	60	–	–	–	–	–	60
Lease liabilities	–	–	–	452	–	–	452
Loss allowance provision on loan commitments and financial guarantees	–	–	–	48	–	–	48
Subordinated liabilities	–	–	–	1,984	–	–	1,984
Total financial liabilities	**1,243**	**7,395**	**–**	**119,208**	**1,002**	**15,399**	**144,247**

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.

[1] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.
[2] In the table above, comparative figures for 'Other financial Liabilities' have been restated from €2,399 million to €2,339 million as Short positions of €60 million were incorrectly included in this line item.

57 Measurement basis of financial assets and financial liabilities *(continued)*

Group	2022 Fair values €m	2022 Contractual amount due on maturity €m	2021 Fair values €m	2021 Contractual amount due on maturity €m
Customer accounts	414	463	417	414
Liabilities to customers under investment contracts	5,870	5,870	6,671	6,671
Debt securities in issue	250	287	307	284
Financial liabilities designated at fair value through profit or loss	**6,534**	**6,620**	**7,395**	**7,369**

Bank 2022	FVTPL Mandatorily €m	FVTPL Designated €m	FVOCI Debt Instruments €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	–	–	–	34,330	–	–	34,330
Items in the course of collection from other banks	–	–	–	51	–	–	51
Trading securities	–	–	–	–	–	–	–
Derivative financial instruments	3,936	–	–	–	1,915	–	5,851
Other financial assets at FVTPL	432	–	–	–	–	–	432
Loans and advances to banks	5	–	–	17,044	–	–	17,049
Debt securities at amortised cost	–	–	–	6,570	–	–	6,570
Financial assets at FVOCI	–	–	4,254	–	–	–	4,254
Asset classified as held for sale	–	–	–	1	–	–	1
Loans and advances to customers	160		–	40,708	–	–	40,868
Other financial assets	–	–	–	206	–	–	206
Total financial assets	**4,533**	**–**	**4,254**	**98,910**	**1,915**	**–**	**109,612**
Financial liabilities							
Deposits from banks	–	–	–	4,808	–	–	4,808
Customer accounts	–	738	–	87,605	–	–	88,343
Items in the course of transmission to other banks	–	–	–	161	–	–	161
Derivative financial instruments	4,039	–	–	–	3,184	–	7,223
Debt securities in issue	–	25	–	5,901	–	–	5,926
Other financial liabilities	–	–	–	539	–	–	539
Lease liabilities	–	–	–	413	–	–	413
Loss allowance provision on loan commitments and financial guarantees	–	–	–	51	–	–	51
Short positions	1	–	–	–	–	–	1
Subordinated liabilities	–	–	–	1,624	–	–	1,624
Total financial liabilities	**4,040**	**763**	**–**	**101,102**	**3,184**	**–**	**109,089**

57 Measurement basis of financial assets and financial liabilities *(continued)*

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.

Bank *Restated* 2021[2,3]	FVTPL Mandatorily €m	 Designated €m	FVOCI Debt instruments €m	Held at amortised cost €m	Derivatives designated as hedging instruments €m	Insurance contracts €m	Total €m
Financial assets							
Cash and balances at central banks	–	–	–	27,247	–	–	27,247
Items in the course of collection from other banks	–	–	–	38	–	–	38
Trading securities	20	–	–	–	–	–	20
Derivative financial instruments	1,316	–	–	–	342	–	1,658
Other financial assets at FVTPL	430	–	–	–	–	–	430
Loans and advances to banks[2]	72	–	–	15,573	–	–	15,645
Debt securities at amortised cost	–	–	–	7,745	–	–	7,745
Financial assets at FVOCI	–	–	9,457	–	–	–	9,457
Asset classified as held for sale	3	–	–	–	–	–	3
Loans and advances to customers	363	–	–	40,893	–	–	41,256
Interest in associates	–	–	–	–	–	–	–
Other financial assets	–	–	–	303	–	–	303
Total financial assets	**2,204**	**–**	**9,457**	**91,799**	**342**	**–**	**103,802**
Financial liabilities							
Deposits from banks	–	–	–	14,073	–	–	14,073
Customer accounts[2]	–	830	–	76,374	–	–	77,204
Items in the course of transmission to other banks	–	–	–	134	–	–	134
Derivative financial instruments	1,414	–	–	–	953	–	2,367
Debt securities in issue	–	28	–	5,075	–	–	5,103
Other financial liabilities[3]	–	–	–	439	–	–	439
Lease liabilities	–	–	–	447	–	–	447
Loss allowance provision on loan commitments and financial guarantees	–	–	–	46	–	–	46
Short positions in trading securities	60	–	–	–	–	–	60
Subordinated liabilities	–	–	–	1,945	–	–	1,945
Total financial liabilities	**1,474**	**858**	**–**	**98,533**	**953**	**–**	**101,818**

Bank	2022 Fair values €m	 Contractual amount due on maturity €m	2021 Fair values €m	 Contractual amount due on maturity €m
Customer accounts	738	830	830	829
Liabilities to customers under investment contracts	–	–	–	–
Debt securities in issue	25	28	28	26
Financial liabilities designated at fair value through profit or loss	**763**	**858**	**858**	**855**

[2] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.
[3] In the table above, comparative figures for 'Other financial Liabilities' have been restated from €499 million to €439 million as Short positions of €60 million were incorrectly included in this line item.

58 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 €217 million (2021: €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. €nil million (2021: €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 the cost of funding derivative positions (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.

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. Debit valuation adjustment (DVA) reflects the impact of changes to credit spreads. Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, and own credit spread which are sourced from independent brokers. These unobservable input may be significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives at 31 December 2022 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

58 Fair values of assets and liabilities *(continued)*

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.

On 22 October 2021, the Group entered into a binding agreement with KBCI and KBC Group to acquire their mortgage, commercial loan, consumer loan and deposit portfolios. The transaction completed on 3 February 2023 and BOI acquired €7.8 billion of performing mortgages, €214 million of non-performing mortgages (NPEs), €118 million of commercial and consumer loans and €2.0 billion of deposits. The Group acquired the performing mortgages for 105.2% of par value. This agreement is considered to represent a derivative financial instrument, the fair value of which was a liability of €275 million at 31 December 2022. The derivative was valued using unobservable inputs, in this case, the behavioural maturity and credit quality of the KBC mortgages (level 3 inputs). Using reasonably possible alternative assumptions for behavioural maturity and credit quality would result in an increase or decrease of up to €25 million in the liability. Interest rate swaps, with a fair value of €270 million at 31 December 2022, which have been traded to economically hedge the interest rate risk on the acquisition of KBCI mortgages, substantially offset this derivative financial instrument within net trading income / (expense).

Other financial assets at fair value through profit or loss

These consist of assets mandatorily 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 100 to 101, 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 €250 million (2021: €307 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. Where the impact of unobservable inputs is immaterial to the valuation of a debt security in issue, that issuance is categorised as level 2 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.

Other liabilities

Other liabilities carried at fair value consist of contingent consideration balances recognised for the acquisition of Davy, the payment of which is subject to certain criteria being met relating to indemnity claims, composite capital requirement and dividend withholding tax. The fair value is based on DCFs and probabilities of expected payment. As the probabilities of the set conditions for payment being met are unobservable and their impact is significant, the contingent consideration is categorised as level 3 on the fair value hierarchy. See Note 53 Davy acquisition for additional information, including the sensitivity to reasonably possible alternative assumptions.

(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.

58 Fair values of assets and liabilities *(continued)*

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 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.

Property

A revaluation of Group property was carried out at 31 December 2022. 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 Royal Institution of Chartered Surveyors Valuation – Global Standards. The Surveyors 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.

The following tables set 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.

58 Fair values of assets and liabilities *(continued)*

Group	2022 Level 1 €m	2022 Level 2 €m	2022 Level 3 €m	2022 Total €m	Restated[1] 2021 Level 1 €m	2021 Level 2[1] €m	2021 Level 3[1] €m	2021 Total[1] €m
Financial assets held at fair value								
Trading securities	–	–	–	–	20	–	–	20
Derivative financial instruments	10	5,115	13	5,138	–	1,497	74	1,571
Other financial assets at FVTPL	17,990	214	359	18,563	19,433	330	336	20,099
Loans and advances to banks	–	147	–	147	–	280	–	280
Financial assets at FVOCI	4,254	–	–	4,254	9,457	–	–	9,457
Loans and advances to customers	–	–	217	217	–	–	426	426
Interest in associates	–	–	65	65	–	–	55	55
Non-financial assets held at fair value								
Investment property	–	–	883	883	–	–	992	992
Property held at fair value	–	–	161	161	–	–	181	181
	22,254	**5,476**	**1,698**	**29,428**	**28,910**	**2,107**	**2,064**	**33,081**
Financial liabilities held at fair value								
Customer accounts	–	397	17	414	–	402	15	417
Derivative financial instruments	10	6,224	292	6,526	–	2,125	60	2,185
Debt securities in issue	–	250	–	250	–	307	–	307
Liabilities to customers under investment contracts	–	5,870	–	5,870	–	6,671	–	6,671
Insurance contract liabilities	–	14,280	–	14,280	–	15,399	–	15,399
Short positions in trading securities	3	–	–	3	60	–	–	60
Other liabilities	–	–	32	32	–	–	–	–
	13	**27,021**	**341**	**27,375**	**60**	**24,904**	**75**	**25,039**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	60	2,837	–	2,897	2	2,468	–	2,470
Loans and advances to customers[1]	6	5	70,043	70,054	–	1	74,377	74,378
Debt securities at amortised cost	4,487	42	7	4,536	6,063	27	11	6,101
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	3,445	–	3,445	–	12,964	–	12,964
Customer accounts[1]	1	99,349	–	99,350	–	93,063	–	93,063
Debt securities in issue	922	6,306	614	7,842	2,018	4,955	1,231	8,204
Subordinated liabilities	41	1,533	87	1,661	53	1,885	120	2,058

In the table above, ‘Other liabilities’ relates to the contingent consideration recognised for the acquisition of Davy (note 53).

[1] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

58 Fair values of assets and liabilities *(continued)*

Group **Movements in level 3 assets** **2022**	**Loans advances customers €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	**426**	**336**	**74**	**55**	**992**	**181**	**2,064**
Exchange Adjustment	–	–	(4)	–	(10)	(4)	(18)
Total gains or losses in:							
Profit or loss							
Interest income	14	1	–	–	–	–	15
Net trading income / (expense)	4	13	(8)	–	–	–	9
Revaluation	–	(1)	–	–	(71)	–	(72)
Impairment charges	–	–	–	–	–	–	–
Share of results of associates	–	–	–	8	–	–	8
Life assurance investment income and gains	–	(19)	–	–	–	–	(19)
Other comprehensive income	–	–	–	–	–	(4)	(4)
Additions	12	26	–	11	65	1	115
Disposals	(219)	(1)	–	(9)	(93)	(14)	(336)
Redemptions	(20)	(22)	–	–	–	–	(42)
Reclassifications	–	–	–	–	–	1	1
Transfers out of level 3							
from level 3 to level 2	–	–	(49)	–	–	–	(49)
Transfers into level 3							
from level 1 to level 3	–	20	–	–	–	–	20
from level 2 to level 3	–	6	–	–	–	–	6
Closing balance	**217**	**359**	**13**	**65**	**883**	**161**	**1,698**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**12**	**(6)**	**9**	**8**	**(80)**	**–**	**(57)**
Net trading income / (expense)	*3*	*11*	*9*	*–*	*–*	*–*	*23*
Interest income	*9*	*–*	*–*	*–*	*–*	*–*	*9*
Life assurance investment income and gains	*–*	*(17)*	*–*	*–*	*(57)*	*–*	*(74)*
Share of results of associates	*–*	*–*	*–*	*8*	*–*	*–*	*8*
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 2022. 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 level 2.

58 Fair values of assets and liabilities *(continued)*

Group **Movements in level 3 assets** **2021**	**Loans advances customers €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 and 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 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and level 2.

58 Fair values of assets and liabilities *(continued)*

Group Movements in level 3 liabilities	2022 Customer accounts €m	2022 Derivative financial instruments €m	2022 Other liabilities €m	2022 Total €m	2021 Customer accounts €m	2021 Derivative financial instruments €m	2021 Other liabilities €m	2021 Total €m
Opening balance	**15**	**60**	**–**	**75**	**5**	**8**	**–**	**13**
Exchange adjustments	–	(3)	–	(3)	–	1	–	1
Total gains or losses in:								
Profit or loss								
Net trading expense	–	285	–	285	2	52	–	54
Other comprehensive income	(1)	–	–	(1)	–	–	–	–
Additions	17	–	32	49	15	–	–	15
Transfers out of level 3 from level 3 to level 2	(14)	(50)	–	(64)	(7)	(1)	–	(8)
Closing balance	**17**	**292**	**32**	**341**	**15**	**60**	**–**	**75**
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	*(2)*	*291*	*–*	*289*	*(3)*	*59*	*–*	*56*

'Other liabilities' relates to the contingent consideration recognised for the acquisition of Davy (note 53).

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.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Level 3 assets	Valuation technique	Unobservable input	Fair Value 2022 €m	Fair Value 2021 €m	Range 2022 %	Range 2021 %
Loans and advances to customers	Discounted cash flow	Discount on market rate	217	225	4.5% - 5.25%	2.75%-4.50%
		Collateral charges			0% - 6.7%	1.00%-5.80%
	Par value less discount	Discount	–	201	n/a	0%
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate	359	336	0% - 15%	0%-15%
	Equity Value less discount	Discount			0% - 50%	0%-50%
	Market comparable property transactions	Yields			3.09% - 9.24%	2.92% - 7.75%
Derivative financial instruments	Discounted cash flow / Option pricing model	Counterparty credit spread	13	74	0% - 0.7%	0.0%-1.7%
		Own credit spread			0.87%-1.75%	n/a
Interest in associates	Market comparable companies	Price of recent investment	65	55	–	–
		Earnings multiple				
		Revenue multiple				
Investment property	Market comparable property transactions	Yield	883	992	3.09% - 9.24%	2.92% - 7.75%
Property held at fair value	Market comparable property transactions	Yield	161	181	5.60% - 11.89%	5.18% – 12.25%

58 Fair values of assets and liabilities *(continued)*

Level 3 liabilities	Valuation technique	Unobservable input	Fair Value 2022 €m	Fair Value 2021 €m	Range 2022 %	Range 2021 %
Customer accounts	Discounted cash flow / Option pricing model	Own credit spread	17	15	1.87% - 1.96%	0.4%-0.5%
Derivative financial instruments	Discounted cash flow / Option pricing model	Counterparty credit spread	17	60	0% - 0.7%	0.0%-1.7%
		Own credit spread			0.87% - 1.75%	n/a
		Maturity profit and credit quality of KBC mortgages	275	–	–	–
Other liabilities	Discounted cash flow	Probabilities of set conditions being met	32	n/a	50% - 100%	n/a

Note: 100 basis points = 1%

Valuation techniques and unobservable inputs

In the tables above;

- Discount rate represent a range of discount rates that market participants would use in valuing these assets
- Holdings in real estate property funds (within other financial assets at fair value through profit and loss) are valued through market comparable property transactions.
- Counterparty and own credit spreads represent the range of credit spreads that market participants would use in valuing these contracts.
- Earnings and revenue multiples represent multiples that market participants would use in valuing these investments.
- The Group does not disclose the ranges for interests in associates. Given the wide range of diverse investments and correspondingly large difference in prices, the Group believes disclosure of ranges would not provide meaningful information without a full list of underlying investments which would be impractical.
- The Group does not disclose the ranges associated with the behavioural maturity and counterparty credit of the underlying cash flows of the binding commitment to purchase the KBC / KBCI mortgages, which have been recognised as a derivative liability. Given the incomplete information that is available and the resulting variability in values, the Group believes disclosure would not provide meaningful information and would be impractical to do so.

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 tables below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

Group Financial instruments	2022 Carrying amount €m	2022 Fair values €m	*Restated*[2] 2021 Carrying amount €m	*Restated*[2] 2021 Fair values €m
Assets				
Loans and advances to banks	2,897	2,897	2,470	2,470
Debt securities at amortised cost	4,472	4,536	6,008	6,101
Loans and advances to customers (including assets held for sale)[2]	71,744	70,054	75,996	74,378
Liabilities				
Deposits from banks	3,445	3,445	12,946	12,964
Customer accounts[2]	99,388	99,350	93,048	93,063
Debt securities in issue	7,533	7,842	8,184	8,204
Subordinated liabilities	1,661	1,661	1,984	2,058

[2] Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.

58 Fair values of assets and liabilities *(continued)*

Bank	2022 Level 1 €m	2022 Level 2 €m	2022 Level 3 €m	2022 Total €m	Restated[3] 2021 Level 1 €m	2021 Level 2[3] €m	2021 Level 3[3] €m	2021 Total[3] €m
Financial assets held at fair value								
Trading securities	–	–	–	–	20	–	–	20
Derivative financial instruments	8	5,761	82	5,851	–	1,584	74	1,658
Other financial assets at FVTPL	–	339	93	432	–	358	72	430
Loans and advances to banks	–	5	–	5	–	72	–	72
Financial assets at FVOCI	4,254	–	–	4,254	9,457	–	–	9,457
Loans and advances to customers	–	–	160	160	–	–	363	363
Non-financial assets held at fair value								
Property held at fair value	–	–	118	118	–	–	132	132
	4,262	**6,105**	**453**	**10,820**	**9,477**	**2,014**	**641**	**12,132**
Financial liabilities held at fair value								
Customer accounts	–	721	17	738	–	815	15	830
Derivative financial instruments	8	6,932	283	7,223	–	2,257	110	2,367
Debt securities in issue	–	25	–	25	–	28	–	28
Short positions	–	–	–	–	60	–	–	60
	8	**7,678**	**300**	**7,986**	**60**	**3,100**	**125**	**3,285**
Fair value of financial assets held at amortised cost								
Loans and advances to banks[3]	–	17,044	–	17,044	–	15,573	–	15,573
Debt securities at amortised cost	3,896	2,743	–	6,639	5,111	2,727	–	7,838
Loans and advances to customers	–	4	40,132	40,136	–	–	40,131	40,131
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	4,808	–	4,808	–	14,091	–	14,091
Customer accounts[3]	–	87,601	–	87,601	–	76,377	–	76,377
Debt securities in issue	30	6,217	–	6,247	31	5,056	–	5,087
Subordinated liabilities	–	1,533	87	1,620	–	1,885	120	2,005

[3] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

58 Fair values of assets and liabilities *(continued)*

Bank **Movements in level 3 assets** **2022**	**Loans advances customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Property held at fair value €m**	**Total €m**
Opening balance	**363**	**72**	**74**	**132**	**641**
Exchange Adjustment	–	–	(3)	(1)	(4)
Total gains or losses in:					
Profit or loss					
Interest income	5	1	–	–	6
Net trading income / (expense)	–	11	62	–	73
Revaluation	–	(1)	–	–	(1)
Share of results of associates	–	–	–	–	–
Impairment charges	–	–	–	–	–
Life assurance investment income and gains	–	–	–	–	–
Other comprehensive income	–	–	–	(4)	(4)
Additions	11	17	–	1	29
Disposals	(219)	–	–	(11)	(230)
Redemptions	–	(7)	–	–	(7)
Reclassifications	–	–	–	1	1
Transfers out of level 3					
from level 3 to level 2	–	–	(51)	–	(51)
Transfers into level 3					
from level 2 to level 3	–	–	–	–	–
Closing balance	**160**	**93**	**82**	**118**	**453**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**–**	**11**	**9**	**–**	**20**
Interest income	–	–	–	–	–
Net trading income / (expense)	–	*11*	*9*	—	*20*

The transfer from level 3 to level 2 arose as a result of unobservable inputs becoming less significant to the fair value measurement of these assets.

There were no transfers between levels 1 and 2, or from levels 1 and 2 to level 3.

58 Fair values of assets and liabilities *(continued)*

Bank **Movements in level 3 assets** **2021**	**Loans advances customers €m**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Property held at fair value €m**	**Total €m**
Opening balance	**283**	**47**	**9**	**130**	**469**
Exchange Adjustment	–	–	1	1	2
Total gains or losses in:					
Profit or loss					
Interest income	7	–	–	–	7
Net trading income / (expense)	–	12	59	–	71
Revaluation	–	–	–	2	2
Share of results of associates	–	–	–	–	–
Life assurance investment income and gains	–	–	–	–	–
Other comprehensive income	–	–	–	(1)	(1)
Additions	288	17	–	–	305
Disposals	(208)	(1)	(1)	–	(210)
Redemptions	(7)	(3)	–	–	(10)
Reclassifications	–	–	–	–	–
Transfers out of level 3					–
from level 3 to level 2	–	–	(2)	–	(2)
Transfers into level 3					–
from level 2 to level 3	–	–	8	–	8
Closing balance	**363**	**72**	**74**	**132**	**641**
Total unrealised gains / (losses) for the year included in profit or loss for level 3 assets at the end of the year	**2**	**12**	**58**	**–**	**72**
Interest income	*2*	*–*	*–*	*–*	*2*
Net trading income / (expense)	*–*	*12*	*58*	*–*	*70*

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 2 to level 3 arose as a result of certain material inputs becoming unobservable.

There were no transfers between level 1 and level 2 or from level 1 to 3.

58 Fair values of assets and liabilities *(continued)*

Bank Movements in level 3 liabilities	2022 Customer accounts €m	2022 Derivative financial instruments €m	2022 Debt securities in issue €m	2022 Total €m	2021 Customer accounts €m	2021 Derivative financial instruments €m	2021 Debt securities in issue €m	2021 Total €m
Opening balance	**15**	**110**	**–**	**125**	**5**	**58**	**–**	**63**
Exchange adjustments	–	(3)	–	(3)	–	1	–	1
Total gains or losses in:								
Profit or loss								
Net trading expense	–	236	–	236	2	31	–	33
Other comprehensive income	(1)	–	–	(1)	–	–	–	–
Additions	17	–	–	17	15	–	–	15
Disposals	–	–	–	–	–	–	–	–
Redemptions and maturities	–	(10)	–	(10)	–	21	–	21
Transfers out of level 3 from level 3 to level 2	(14)	(50)	–	(64)	(7)	(1)	–	(8)
Closing balance	**17**	**283**	**–**	**300**	**15**	**110**	**–**	**125**
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	*(2)*	*172*	–	*170*	*(3)*	*38*	–	*35*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2022.

There were no transfers between levels 1 and 2 or from levels 1 and 2 to level 3.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Bank Level 3 assets			Fair Value 2022 €m	Fair Value 2021 €m	Range 2022 %	Range 2021 %
Loans and advances to customers	Par value less discount	Discount	160	363	0%	0%
Other financial assets at FVTPL	Discounted cash flow	Discount rate	93	72	0% - 15%	0% -15%
	Equity value less discount	Discount			0% - 50%	0%-50%
Derivative financial instruments	Discounted cash flow/ Option pricing model	Counterparty credit spread	82	74	0% - 9.7%	0.0%-1.7%
		Own credit spread			0.87%-1.75%	n/a
Property held at fair value	Market comparable property transactions	Yields	118	132	5.60% - 11.89%	5.18% – 12.25%

Bank Level 3 liabilities			Fair Value 2022 €m	Fair Value 2021 €m	Range 2022 %	Range 2021 %
Customer accounts	Discounted cash flow Option pricing model	Own credit spread	17	15	1.87%-1.96%	0.4%-0.5%
Derivative financial instruments	Discounted cash flow	Forecast central bank rates	283	110	2.8%-3.08%	0.0%-0.5%
	Discounted cash flow/ Option pricing model	Own credit spread			0.87%-1.75%	n/a
	Discounted cash flow/ Option pricing model	Counterparty credit spread			0%-0.7%	0.0%-1.7%
	CDS pricing model				n/a	1%-5%

Note: 100 basis points = 1%

58 Fair values of assets and liabilities *(continued)*

Valuation techniques and unobservable inputs

In the tables above;

- Discount rate represent a range of discount rates that market participants would use in valuing these assets.
- The credit spreads represent the range of credit spreads that market participants would use in valuing these contracts.

The carrying amount and the fair value of the Bank's financial assets and liabilities which are carried at amortised cost are set out in the tables below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

Bank Financial instruments	2022 Carrying amount €m	2022 Fair values €m	*Restated*[4] 2021 Carrying amount €m	*Restated*[4] 2021 Fair values €m
Assets				
Loans and advances to banks[4]	17,044	17,044	15,573	15,573
Debt securities at amortised cost	6,570	6,639	7,745	7,838
Loans and advances to customers	40,708	40,136	40,893	40,131
Liabilities				
Deposits from banks	4,808	4,808	14,073	14,091
Customer accounts[4]	87,604	87,601	76,374	76,377
Debt securities in issue	5,901	6,247	5,075	5,087
Subordinated liabilities	1,624	1,620	1,945	2,005

59 Transferred financial assets

Group	Carrying amount of transferred assets €m	Carrying amount of associated liabilities €m	Fair value of transferred assets €m	Fair value of associated liabilities €m	Net fair value position €m
2022					
Securitisation					
Loans and receivables					
Residential mortgages book (Bowbell II SPE)	126	89	152	89	63
Sale and repurchase / similar products	–	–	–	–	–
2021					
Securitisation					
Loans and receivables					
Residential mortgages book (Bowbell II SPE)	198	177	210	178	32
Sale and repurchase / similar products					
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

[4] *Comparative figures have been restated to reflect the impact of the voluntary change in accounting policy for the presentation of portfolio fair value hedge adjustment. See note 1 Group accounting policies and note 20 Impact of voluntary change in fair value hedge adjustment accounting policy for additional information.*

59 Transferred financial assets *(continued)*

Bank	Carrying amount of transferred assets €m	Carrying amount of associated liabilities €m	Fair value of transferred assets €m	Fair value of associated liabilities €m	Net fair value position €m
2022					
Sale and repurchase / similar products	–	–	–	–	–
2021					
Sale and repurchase / similar products					
Debt securities at amortised cost	4,692	4,672	4,776	4,672	104
Financial assets at FVOCI	5,323	5,210	5,326	5,210	116

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.

For the purposes of this disclosure, 'associated liabilities' include liabilities issued by securitisation special purpose entities, held by other Group entities.

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.

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. During the year, the Group entered into a small amount of repurchase transactions, however at 31 December 2022 the balance was nil.

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 2 and Temple Quay No. 1 plc (note 56).

In March 2021, the Group secured funding of €10.8 billion (Bank 2021: €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 (Bank 2021: €10.1 billion) at 31 December 2021 were pledged to the CBI as part of the TLTRO drawdown. The funding secured under TLTRO III was repaid in full by the Group in November 2022.

60 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.

The 'Financial Instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements such as an International Swaps and Derivatives Association (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.

Group 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 instruments €m	Related amounts not set off in the balance sheet: Cash collateral received €m	Net amount €m
2022						
Derivative financial assets	5,127	–	5,127	(4,696)	(317)	114
Loans and advances to customers	207	(207)	–	–	–	–
Total	**5,334**	**(207)**	**5,127**	**(4,696)**	**(317)**	**114**
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**

60 Offsetting financial assets and liabilities *(continued)*

Bank 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 instruments €m	Cash collateral received €m	Deposits from bank €m	Net amount €m
2022							
Derivative financial assets	5,127	–	5,127	(4,696)	(317)	–	114
Loans and advances to banks	839	–	839	–	–	(358)	481
Loans and advances to customers	107	(107)	–	–	–	–	–
Total	**6,073**	**(107)**	**5,966**	**(4,696)**	**(317)**	**(358)**	**595**
2021							
Derivative financial assets	1,569	–	1,569	(1,244)	(43)	–	282
Loans and advances to banks	1,260	–	1,260	–	–	(364)	896
Loans and advances to customers	114	(114)	–	–	–	–	–
Total	**2,943**	**(114)**	**2,829**	**(1,244)**	**(43)**	**(364)**	**1,178**

Included in the gross amounts of recognised derivative financial assets, are amounts of €4,696 million that do not meet the offsetting criteria (2021: €1,244 million). Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (note 37). Loans and advances to banks of €839 million (2021: €1,260 million) and deposits from banks of €358 million (2021: €364 million) represent balances with a subsidiary undertaking, Bank of Ireland (UK) plc.

The following financial liabilities are subject to offsetting, enforceable master netting arrangements.

Group 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 instruments €m	Cash collateral pledged €m	Net amount €m
2022						
Derivative financial liabilities	6,243	–	6,243	(4,696)	(1,117)	430
Customer deposits	207	(207)	–	–	–	–
Total	**6,450**	**(207)**	**6,243**	**(4,696)**	**(1,117)**	**430**
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**

60 Offsetting financial assets and liabilities *(continued)*

Bank 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 instruments €m	Cash collateral pledged €m	Loans and advances to banks €m	Net amount €m
2022							
Derivative financial liabilities	6,243	–	6,243	(4,696)	(1,117)	–	430
Deposits from banks	358	–	358	–	–	(839)	(481)
Customer deposits	107	(107)	–	–	–	–	–
Total	**6,708**	**(107)**	**6,601**	**(4,696)**	**(1,117)**	**(839)**	**(51)**
2021							
Derivative financial liabilities	2,176	–	2,176	(1,244)	(680)	–	252
Deposits from banks	364	–	364	–	–	(1,260)	(896)
Customer deposits	114	(114)	–	–	–	–	–
Total	**2,654**	**(114)**	**2,540**	**(1,244)**	**(680)**	**(1,260)**	**(644)**

Included in the gross amounts of recognised derivative financial liabilities, are amounts of €4,696 million that do not meet the offsetting criteria (2021: €1,244 million). Cash collateral amounts disclosed reflect the maximum collateral available for offset. Loans and advances to banks of €839 million (2021: €1,260 million) and deposits from banks of €358 million (2021: €364 million) represent balances with a subsidiary undertaking, Bank of Ireland (UK) plc.

61 Other

- The Bank financial statements are prepared in accordance with Section 290 (1) of the Companies Act 2014.
- The Bank is domiciled in Ireland.
- The Bank is a corporation established in Ireland in 1783 under Royal Charter, with registration number of C-1.
- The Bank's immediate and ultimate holding undertaking, BOIG plc, includes the Bank in its consolidated financial statements. The consolidated financial statements of the BOIG plc Group are prepared in accordance with IFRS, are available to the public and may be obtained from the Bank of Ireland Head Office, Mespil Road, Dublin 4.
- At 31 December 2022, the Bank has provided a guarantee under Section 357 of the Companies Act, 2014 for the following companies:
  - Bank of Ireland Commercial Finance Limited, Bank of Ireland Finance Limited, Bank of Ireland Insurance Management Services Limited, Bank of Ireland Insurance Services Limited, Bank of Ireland International Finance Designated Activity Company, Bank of Ireland Leasing Limited, Bank of Ireland Life Holdings Limited, Bank of Ireland Nominee 1 Limited, Bank of Ireland Nominee 3 Limited, Bank of Ireland Pensions Trust Unlimited Company, Bank of Ireland Unit Managers Limited, BIAM Holdings Unlimited Company, BOI Capital Holdings Limited, BOI-IF Services No 10 Company Unlimited Company, BOI-IF Services No 5 Company Unlimited Company, Bushfield Leasing Limited, C and I (Division) Holdings Unlimited Company, Edendork Leasing Limited, Hibernian Bank Limited, Hill Wilson Secretarial Limited, IBI Property Nominees Limited, Lansdowne Leasing Unlimited Company, Leopardstown Offices Management Company Limited by Guarantee, Nerling Limited, Nestland Limited, New Ireland Financial Services Limited, Dawson Master Trustee DAC (previously New Ireland Investment Managers Limited), Professional Audit Services Limited, Scribe Holdings Limited, The Investment Bank of Ireland Limited, The National Bank of Ireland Limited, Tockhill Unlimited Company, Trustcase Limited, Tustin Limited, New Ireland Life Management Services, Amber Note Unlimited Company, Green Note Unlimited Company, J&E Davy Holdings Unlimited Company, Davy Property Leasing Unlimited Company, J&E Davy Unlimited Company, Davy Corporate Finance Unlimited Company, J&E Davy UK Limited, Davy Securities Unlimited Company, White Note Unlimited Company, Bronze Note Unlimited Company, Orange Note Unlimited Company, Grey Note Unlimited Company, Purple Note Unlimited Company, Red Note Unlimited Company, Percy Nominees Limited, Davycrest Nominees Unlimited Company, Davy Pensioneer Trustees Unlimited Company, Davy Property Investments Unlimited Company, Davy Property Holdings Unlimited Company, Yellow Note Unlimited Company, Davy Nominees Unlimited Company and Davy Private Equity Unlimited Company.
- The Bank and BOIMB executed on 25 May 2021 a framework deed (the 'Framework Deed') with the CBI under which the Bank may issue special mortgage-backed euro promissory notes to the CBI. The Bank's obligations under the special mortgage-backed euro promissory notes are secured by way of a first floating charge over all the Bank's and BOIMB's right, title, interest and benefit in and to certain mortgages and related loans forming part of a mortgage pool and the benefit of all related security. Both the Bank and BOIMB entered into the Framework Deed and deed of floating charge ('Deed of Charge') as the Bank in respect of certain of the mortgages and related security is the holder of the beneficial, right, title, interest and benefit therein and thereto and BOIMB is the holder of the legal, right, title, interest and benefit therein and thereto; in respect of certain other of

61 Other *(continued)*

the mortgages and related security the Bank is the holder of both the beneficial and the legal, right, title, interest and benefit therein and thereto. The Deed of Charge contains a provision whereby during the subsistence of the security constituted by the Deed of Charge and in respect of the aforementioned mortgages and related security, otherwise than with the prior written consent of the CBI, the Bank and BOIMB shall:
- not create or attempt to create or permit to arise or subsist any encumbrance on or over the property charged under the Deed of Charge or any part thereof, which includes the property of which the Bank is the beneficial owner and BOIMB is the legal owner and in respect of which the Bank is both the legal owner and the beneficial owner; or
- not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the property charged under the Deed of Charge or any part thereof which includes the property of which the Bank is the beneficial owner and BOIMB is the legal owner and in respect of which the Bank is both the legal owner and the beneficial owner, or redeem, agree to redeem or accept repayment in whole or in part of any loan 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.

- The Bank entered into a framework agreement in respect of Eurosystem Operations secured over collateral pool assets (the ‘Pooling Agreement’) with the CBI, together with a related Deed of Charge (the ‘Pooling Deed of Charge’), on 15 May 2014. Pursuant to the Pooling Agreement, the Bank may participate in Eurosystem Operations (as defined therein) which, inter alia, provides for access to the Eurosystem’s main refinancing operations. The Pooling Agreement and the Pooling Deed of Charge replaced the master repurchase agreement previously entered into by the Bank to access the main refinancing operations. As more fully described in the Pooling Deed of Charge, the Bank’s obligations pursuant to the Pooling Agreement are secured by way of:
  - a first fixed charge over the Bank’s right, title, interest and benefit, present and future in and to eligible assets (as identified as such by the CBI) which comprise present and future rights, title, interest, claims and benefits of the Bank at that time in and to, or in connection with, a collateral account (the ‘Collateral Account’) and eligible assets which stand to the credit of the Collateral Account (together, the ‘Collateral Account Assets’); and
  - a floating charge over the Bank’s right, title, interest and benefit, present and future in and to other eligible assets of the Bank.

  The Pooling Deed of Charge provides that the Bank may not, save with the prior written consent of the CBI or as permitted by the Pooling Agreement, until its obligations under the Pooling Agreement have been discharged in full:
  - receive, withdraw, redeem or otherwise transfer or deal with the Collateral Account Assets;
  - assign, transfer or otherwise dispose of all or any of its rights, title, interest or benefit in or to the Collateral Account Assets;
  - give any instructions in respect of the Collateral Account Assets;
  - create or attempt to create or permit to arise or subsist any encumbrance on or over the property charged under the Pooling Deed of Charge;
  - sell, transfer, lend or otherwise dispose of or deal in the assets subject to the fixed charge under the Pooling Deed of Charge or any part thereof or, in each case, 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; and
  - otherwise than in the ordinary course of business (and provided that (A) no event of default or event that, with the giving of notice or the lapse of time or both, would constitute an event of default, has occurred, (B) the floating charge has not crystallised without being reconverted into, and continuing in effect as, a floating charge), sell, transfer, lend or otherwise dispose of or deal in the assets subject to the floating charge under the Pooling Deed of Charge or any part thereof, or redeem, agree to redeem or accept repayment in whole or in part of any credit claim subject to the floating charge, or enforce or release any related security or, in each case, 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.
- Bank income statement: In accordance with Section 304 of Companies Act 2014, the Bank is availing of the exemption to not present its individual income statement to the AGC and from filing it with the Registrar of Companies. The Bank's profit after tax for the year ended 31 December 2022 determined in accordance with FRS 101 is €972 million (2021: €1,258 million).

62 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 Euro Interbank Offered Rate (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 benchmark rate (BMR) reform at 31 December 2022.

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.

During 2021 the FCA extended the use of GBP and JPY LIBOR on a synthetic basis. Subsequent to this, JPY LIBOR ceased on 31 December 2022. On 29 September 2022, the FCA announced the permanent cessation of 1 and 6 month synthetic sterling LIBOR at end of March 2023. On 23 November 2022, the FCA announced the permanent cessation of 3 month synthetic sterling LIBOR at end March 2024.

In line with regulatory guidance and now established market practice, new benchmarks or risk free rates (RFR) have replaced LIBOR in the Groups contracts. Sterling Overnight Index Average (SONIA) has replaced GBP LIBOR, Secured Overnight Financing Rate (SOFR) has replaced USD LIBOR and Euro Short term rate (€STR) has replaced EONIA.

Transition progress

Over 99% of the Group’s GBP and JPY LIBOR exposures have now transferred to compliant risk free rates or in the case of small or medium enterprise accounts, to alternative market acceptable replacement benchmark rates such as the Bank of England base rate.

Engagement with a small number of customers continuing to rely on synthetic LIBOR contract continues so as to actively transition all of these contracts in advance of the permanent cessation dates outlined above. A Group wide Benchmark Reform Programme continues to manage the orderly transition of the Group’s USD exposures to new regulatory compliant benchmarks. This effort is supported by the US regulatory support for the use of a forward looking term SOFR and progress is well underway in transitioning customers to new regulatory supported benchmarks.

Risks

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 leverage experience and approach from GBP transition in the management and orderly transition to new regulatory compliant Benchmarks for USD LIBOR contracts;
- the Group Regulatory and Conduct Risk Committee in conjunction with Group ALCO provide oversight to the programme and updates as required 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.

The Group wide Benchmark Reform Programme is expected to conclude after 30 June 2023.

62 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 at 31 December 2022, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023.

	2022				2021			
Group	**GBP LIBOR €m**	**USD LIBOR €m**	**Other €m**	**Total €m**	**GBP LIBOR €m**	**USD LIBOR €m**	**Other €m**	**Total €m**
Non-derivative financial assets								
Loans and advances to customers	118	2,203	–	2,321	676	3,110	2	3,788
Other financial assets at FVTPL	–	–	–	–	47	–	–	47
Debt securities at amortised cost	8	1	–	9	8	3	–	11
Total derivative financial assets	**126**	**2,204**	**–**	**2,330**	**731**	**3,113**	**2**	**3,846**
Non-derivative financial liabilities								
Debt securities in issue	–	4	–	4	–	237	–	237
Total derivative financial liabilities	**–**	**4**	**–**	**4**	**–**	**237**	**–**	**237**
Off balance sheet exposures								
Undrawn loan commitments	19	310	–	329	45	648	–	693
Total off-balance sheet exposures	**19**	**310**	**–**	**329**	**45**	**648**	**–**	**693**

	2022				2021			
Bank	**GBP LIBOR €m**	**USD LIBOR €m**	**Other €m**	**Total €m**	**GBP LIBOR €m**	**USD LIBOR €m**	**Other €m**	**Total €m**
Non-derivative financial assets								
Loans and advances to customers	117	2,174	–	2,291	543	3,093	2	3,638
Other financial assets at FVTPL	–	–	–	–	–	–	–	–
Debt securities at amortised cost	–	–	–	–	–	–	–	–
Total derivative financial assets	**117**	**2,174**	**–**	**2,291**	**543**	**3,093**	**2**	**3,638**
Non-derivative financial liabilities								
Debt securities in issue	–	–	–	–	–	237	–	237
Total derivative financial liabilities	**–**	**–**	**–**	**–**	**–**	**237**	**–**	**237**
Off balance sheet exposures								
Undrawn loan commitments	19	310	–	329	44	648	–	692
Total off-balance sheet exposures	**19**	**310**	**–**	**329**	**44**	**648**	**–**	**692**

The Group also had loans and advances to customers amounting to €599 million (Bank: €599 million), which reference USD LIBOR at 31 December 2022 and had been contracted to transition at a future interest roll date. These loans and advances have been included in the above table.

62 Interest rate benchmark reform *(continued)*

The table below shows the notional amounts of the Group's derivatives exposures which remain subject to BMR Reform at 31 December 2022, excluding USD LIBOR exposures with contractual maturities prior to the cessation date of 30 June 2023:

Group and Bank	2022 GBP LIBOR €m	2022 USD LIBOR €m	2022 Total €m	2021 GBP LIBOR €m	2021 USD LIBOR €m	2021 Total €m
Derivative financial assets						
OTC interest rate options	–	1,136	1,136	–	782	782
Interest rate swaps	51	778	829	509	1,252	1,761
Cross currency interest rate swaps	–	119	119	–	114	114
Total derivative financial assets	**51**	**2,033**	**2,084**	**509**	**2,148**	**2,657**
Derivative financial liabilities						
Interest rate swaps	–	1,388	1,388	870	721	1,591
OTC interest rate options	–	1,136	1,136	74	782	856
Cross currency interest rate swaps	–	119	119	5	114	119
Total derivative financial liabilities	**–**	**2,643**	**2,643**	**949**	**1,617**	**2,566**

The table above also includes derivative financial instruments designated in hedge accounting relationships and these are further disclosed in the Derivative Financial Instruments note 19.

63 Post balance sheet events

KBCI Portfolio Acquisition

On 22 October 2021, the Group entered into a legally binding agreement with KBCI and KBC Group to acquire their mortgage, commercial loan, consumer loan and deposit portfolios. The transaction involved a significant approval process:

- Competition and Consumer Protection Commission (CCPC) approval;
- Department of Finance approval; and
- Consumer Protection Code communications requirements.

On 3 February 2023 ('completion date'), control of the assets and liabilities acquired from KBCI transferred to the Group. The acquired assets and liabilities were not recognised in the Group's balance sheet at 31 December 2022 but were recognised on the completion date.

The Group acquired the performing mortgages at 105.2% of nominal and will also include transaction costs and the effects of interest rate hedging since acquisition (where relevant) in recognising these portfolios on the Group's balance sheet. In nominal value terms, the Group acquired €7.8 billion of performing mortgages, €214 million of non-performing mortgages (NPEs), €118 million of commercial and consumer loans and €2.0 billion of deposits.

Values and percentages noted above are based on a balance sheet date as at 31 December 2022, all of which are subject to customary ongoing completion and associated settlement processes during March 2023.

64 Approval of financial statements

The Court of Directors approved the Consolidated and Bank financial statements on 6 March 2023.

Other Information

Contents

Forward looking statement

This document contains forward-looking statements with respect to certain of the Governor and Company of the Bank of Ireland (the 'Bank') and its subsidiaries' (collectively the '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, loan to deposit ratio's (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, future share buybacks, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators, plans and objectives for future operations, and the impact of Russia's invasion of Ukraine 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 'Principal Risks and Uncertainties' (beginning on page 9).

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 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.

Other disclosures

TARGET 2

On 15 February 2008 a first floating charge (the Floating Charge) was placed in favour of the CBI over all 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 TARGET 2 participant with the CBI; and (ii) certain segregated securities listed in an Eligible Securities Schedule kept by the Bank for purposes of participating in TARGET 2 ((i) and (ii) together the Charged Property) where TARGET 2 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 Bank shall:

- 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
- 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 Target 2 Ireland with the CBI to restate and modify the terms and conditions applicable to the Bank's existing participation in TARGET 2 with effect from 14 September 2018. This Agreement provided that The Governor and Company of the Bank of Ireland would continue to participate in TARGET 2 in accordance with the Agreement and the TARGET 2 Ireland terms and conditions as published on the CBI's website from time to time and that the Floating Charge would continue in full force and effect with respect to such continued and amended participation in TARGET 2.

Alternative performance measures

This section contains further information related to certain measures referred to in the OFR.

The OFR 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 Court 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 by other companies. These measures should be considered in conjunction with IFRS measures as set out in the consolidated financial statements from page 74.

Business income is net other income before other gains and other valuation items.

Constant currency enables 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.

Gross new lending volumes represent loans and advances to customers drawn down during the period and portfolio acquisitions.

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).

Loan to deposit ratio is calculated as being net loans and advances to customers divided by customer deposits.

Net interest margin (NIM) is stated on an underlying basis.

Non-performing exposures: These are:
- 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
- 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.

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) (annualised) divided by total assets, in line with the requirement in the EU (Capital Requirements) Regulations 2014.

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 4 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.

Wholesale funding is comprised of deposits by banks (including collateral received) and debt securities in issue.

Abbreviations

AA	Automobile Association
AGC	Annual General Court
AGM	Annual General Meeting
AIB	Allied Irish Banks Group plc and subsidiaries
ALCO	Group Asset & Liability Committee
APMs	Alternative Performance Measures
AT1	Additional tier 1
ATM	Automated Teller Machine
Bank	The Governor and Company of the Bank of Ireland
BCBS	Basel Committee on Banking Supervision
BMR	Benchmark Rate
BoE	Bank of England
BOIG plc	Bank of Ireland Group plc
BoIGM	Bank of Ireland Global Markets
BoIMB	Bank of Ireland Mortgage Bank
bps	Basis points
BRRD	Bank Recovery and Resolution Directive
BSPF	Bank of Ireland Staff Pensions Fund
BTL	Buy to let
CAC	Court Audit Committee
CBI	Central Bank of Ireland
CDEAs	Cleared Derivatives Execution Agreements
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CGU	Cash generating units
CPI	Consumer Price Index
CR	Credit Review
CRC	Court Remuneration Committee
CRD	Capital Requirements Directive (EU)
CRMF	Conduct Risk Management Framework
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAs	Credit Support Annexes
CSM	Contractual Service Margin
CSO	Central Statistics Office
CVA	Credit Valuation Adjustment
DAC	Designated Activity Company
DAE	Directly Attributable Expenses
DCF	Discounted Cash Flow
DGFM	Davy Global Fund Management
DGS	Deposit Guarantee Scheme
DIRT	Deposit Interest Retention Tax
DTA	Deferred tax asset
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses
EDIS	European Deposit Insurance Scheme
EIOPA	European Insurance and Occupational Pensions Authority
ELG	Eligible Liabilities Guarantee
EMIR	European Market Infrastructure Regulation
EONIA	Euro Overnight Index Average
ESB	Electricity Supply Board
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
FCA	Financial Conduct Authority
FCF	Fulfilment Cashflows
FCR	Forborne collateral realisation
FIRB	Foundation Internal Rating Based
FLI	Forward looking information
FRES	First Rate Exchange Services Limited
FRESH	First Rate Exchange Services Holdings Limited
FRS	Financial Reporting Standards
FSCS	Financial Services Compensation Scheme
FSLI	First Statement Line Items
FRA	Fully Retrospective Approach
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
GEC	Group Executive Committee
GIA	Group Internal Audit
GMM	Group Measurement Model
GM&LR	Group Market and Liquidity Risk
GRPC	Group Risk Policy Committee
GTOC	Group Transformation Oversight Committee
HMRC	HM Revenue & Customs
IAASA	Irish Auditing Accounting Supervisory Authority
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Inter Bank Offered Rate
IBR	Incremental borrowing rate
ICAAP	Internal Capital Adequacy Assessment Process
IFIE	Insurance Finance Income or Expenses
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILTR	Indexed Long Term Repo
IPO	Initial Public Offering
IRB	Internal Rating Based
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivative Association
IVU	Independent Valuation Unit
KMP	Key management personnel
KPIs	Key performance indicators
LDI	Liability Driven Investment
LDR	Loan to deposit ratio
LGD	Loss Given Default
LIBOR	London Inter Bank Offered Rate
LIC	Liability for Incurred claims
LME	Liability management exercise
LoA	Level of Aggregation
LRC	Liability for remaining coverage
LTV	Loan to Value
MCEV	Market Consistent Embedded Value
MFS	Minimum Funding Standard
MREL	Minimum Requirement for own Funds and Eligible Liabilities

Abbreviations *(continued)*

MRT	Material Risk Taker
NAMA	National Asset Management Agency
NAMAID	National Asset Management Agency Investment DAC
NED	Non-Executive Director
NI	Northern Ireland
NIAC	New Ireland Assurance Company plc
NPEs	Non-performing exposures
NTMA	National Treasury Management Agency
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
OTC	Over the Counter
PAA	Premium Allocation Approach
PD	Probability of Default
POCI	Purchased or Originated Credit-impaired financial asset
PRA	Prudential Regulation Authority
PRC	Portfolio Review Committee
RAROC	Risk Adjusted Return on Capital
RCF	Revolving Credit Facility
RCSA	Risk and Control Self Assessment
RFR	Risk free rates
RMC	Risk Measurement Committee
RoI	Republic of Ireland
RoU	Right of Use
RoW	Rest of World
RPI	Retail Price Index
RPPI	Residential Property Price Index
RSB	Responsible and Sustainable Business
RWAs	Risk weighted assets
S&P	Standard & Poor's
SCR	Solvency Capital Requirement
SID	Senior Independent Director
SME	Small and Medium Enterprise
SONIA	Sterling Overnight Index Average
SPE	Small purpose entity
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
TFS	Term Funding Scheme
TLTRO	Targeted Longer Term Refinancing Operation
TtC	Through-the-Cycle
UK	United Kingdom
UN	United Nations
US	United States
VA	Volatility Adjustment
VaR	Value at Risk
VFA	Variable Fee Approach
ViF	Value of in Force
VIU	Value in Use
€STR	Euro Short term rate

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Bank of Ireland Group plc
40 Mespil Road
Dublin 4
D04 C2N4

Registered number 593672